
Annual Report and Accounts 2014

Letter to Shareholders

Fiscal year 2014 marks the substantial completion of the three-year ARYZTA Transformation Initiative (ATI). Under this programme, ARYZTA has transformed itself into a customer centric business, supported by a single instance Enterprise Resource Planning (ERP) system and shared service centres of excellence. Through ATI, ARYZTA has repositioned its capabilities across channels and geographies, and has further strengthened its partnerships with key global customers. These partnerships focus on supply chain excellence, assuring food safety, food quality, traceability and sustainability.

During fiscal year 2014, ARYZTA established a new market-led strategy for the European Food Solutions business. This strategy puts the customer at the centre, with the focus on delivering differentiated food propositions for independent customers, via an asset-light, deep-distribution service model.

The Food Group achieved strong results in fiscal year 2014, with revenue growth of 10.0%, increasing to €3.4 billion. EBITA margin expanded strongly by 110 basis points ('bps') during the year, reflecting benefits from business consolidation and operating leverage. The Food Group delivered EBITA of €486m, an increase of 19.6% from the prior year. Good progress was achieved in the Food Group Underlying ROIC, which expanded by 120 bps from 13.0% to 14.2% during the period, while Food Group reported ROIC was 12.0%, a decline of 40 bps, reflecting the impact of new investments and acquisitions completed during the year.

During fiscal year 2014, the Food Group invested a total of €1.14 billion acquiring new bakeries and upgrading existing bakery assets. The latter accounted for €277m, while acquisitions accounted for €863m. The most significant acquisitions were Cloverhill and Pineridge Bakery, both based in the North America. Cloverhill is a leading manufacturer of individually-wrapped Ready-To-Eat snacks and Pineridge Bakery is a top-tier speciality bakery in Canada. These acquisitions significantly enlarge ARYZTA's manufacturing footprint in North America, extend its customer access in Canada and its product capability in the United States, providing an attractive entry point into the high-growth North American snacking market.

Following these investments, the Food Group net debt to EBITDA ratio is now 2.45x, comfortably within guidance range.

Origin Enterprises recorded another strong performance, posting a 10.4% increase in underlying fully diluted EPS. Origin continues to remain strongly cash-generative, finishing the year with an unleveraged balance sheet and increased its dividend by 15.9% to 20.0 cent per share, reflecting an impressive 35% payout ratio. During the period, Origin also returned €100m to shareholders by tender offer, following the disposal of its fish protein joint venture.

As a result of these activities, ARYZTA reported underlying fully diluted EPS of 422.2 cent, an increase of 17.2% over the prior year.

Letter to Shareholders (continued)

Proposed dividend

At the Annual General Meeting on 2 December 2014, shareholders will be invited to approve a proposed dividend of CHF 0.7646 (€0.6333) per share. If approved, the dividend will be paid to shareholders on 2 February 2015. A dividend of CHF 0.6652 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 10 December 2013.

Board membership

At the 2013 AGM, held on 10 December 2013, the shareholders confirmed the re-election of Mr. Charles (Chuck) Adair and Mr. Owen Killian to the Board of Directors.

In addition, Mr. Andrew Morgan and Mr. John Yamin (CEO of the Americas) were elected as new members of the Board of Directors.

The biographies of individual Board members are available on pages 32 to 36 in the Corporate Governance report.

The Board of ARYZTA AG now consists of three executive directors and eight non-executive directors.

Acknowledgement

On behalf of the Board, I 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. I would also like to thank our customers for their support and loyalty, and our suppliers for their reliability at all times. I believe ARYZTA is well-positioned to deliver long-term sustainable growth.



Denis Lucey
Chairman, Board of Directors

3 October 2014