
Annual Report and Accounts 2015

Letter to Shareholders

Compared to initial expectations and guidance given to shareholders in September 2014, Fiscal Year 2015 proved disappointing.

While total revenue from continuing operations increased by 12.6% to €3.8bn, this was entirely due to acquisitions and currency, as underlying revenue declined in the year by (2.2)%. This reflects an overall 1.0% underlying revenue growth in Food Europe and a 3.3% underlying revenue growth in Food Rest of World, offset by a (6.2)% underlying revenue decline in Food North America, as a result of volume losses associated with the capacity optimisation strategy within the region. There was also a strong 7.1% contribution to revenue from acquisitions, primarily from the prior year acquisitions of Cloverhill and Pineridge in North America. Furthermore, the year also benefited from a favourable currency impact of 7.7%, mostly as a result of the strengthening of the US Dollar.

Group EBITA from continuing operations increased 5.7% to €514m. However, EBITA margins declined by (80) bps to 13.5%, reflecting the softening of European margin performance due to ARYZTA Food Solutions volume declines during the second half of the year, as well as the reduced operating leverage resulting from the capacity optimisation efforts in North America.

The year also proved to be one of significant transformation, as ARYZTA exited its investment in primary agriculture through Origin Enterprises, to fully focus on speciality food. Origin proved to be an excellent investment for ARYZTA, with the disposals in March 2015 and September 2015 (subsequent to year-end) realising a combined €623m, bringing the total funds provided by Origin to the Group to c. €1bn since Origin's IPO in 2007.

These Origin proceeds in turn facilitated the €451m investment in a 49% share in Picard, which was agreed during the year and funded subsequent to year-end. Picard is a leading French speciality food business, focused primarily on premium consumer concepts within the frozen speciality food space.

ARYZTA also extended its activities, through acquisitions totalling €217m. The acquisitions of Pré Pain and Fornetti bring the Group extended geographic expansion into Northern and Eastern Europe, while the acquisition of La Rousse Foods, which was finalised subsequent to year-end, brings further relevance within the premium food channel in Ireland.

In addition to these acquisitions the Group also invested an additional €329m in new facilities and food capabilities to further strengthen the Group's supply chain, food safety, quality assurance, traceability and sustainability. These intensive capital investments, combined with the subdued operating performance, negatively impacted ROIC, which declined by (130) bps to 10.7%.

As a result of these activities, ARYZTA reported a decline in underlying fully diluted EPS of (4.7)% to 402.2 cent. When considering the impact of the Group's exit of its investment in Origin, the Group reported an increase in underlying fully diluted EPS from continuing operations of 1.6% to 368.9 cent.

Letter to Shareholders (continued)

Following this period of significant investment, ARYZTA is now transformed into a speciality food business, with a primary focus on speciality bakery and is well-invested across a broad range of dough types and product capabilities. Management's primary goal is now to unlock the revenue generation capabilities and to optimise the EBITA potential of this asset base to deliver a +€200m increase in free cash generation during FY 2016, which will help restore ROIC expansion.

Proposed dividend

At the Annual General Meeting on 8 December 2015, shareholders will be invited to approve a proposed dividend of CHF 0.6555 (€ 0.6033) per share. If approved, the dividend will be paid to shareholders on 1 February 2016. A dividend of CHF 0.7646 per share was paid during the year, as approved by shareholders at the Annual General Meeting on 2 December 2014.

Board membership

At the 2014 AGM, held on 2 December 2014, the shareholders approved the re-election of Mr. Denis Lucey as Chairman of the Board of Directors, together with the re-election of the following Board members: Mr. Charles Adair, Mr. J. Brian Davy, Mr. Shaun B. Higgins, Mr. Owen Killian, Mr. Patrick McEniff, Mr. Andrew Morgan, Mr. Wolfgang Werlé and Mr. John Yamin, each with a term of one year.

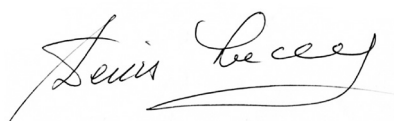
The shareholders also approved the election of Ms. Annette Flynn as member of the Board of Directors, with a term of one year.

The biographies of individual Board members are available on pages 33 to 36 in the Corporate Governance report.

The Board of ARYZTA AG now consists of three executive directors and seven 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

2 October 2015