
Annual Report and Accounts 2017

Letter to Shareholders

Dear Shareholder,

While we have characterised 2017 as a difficult year, your Board is resolute in its belief in the inherent strengths of our business and the quality of our franchise. The challenges we face are greater than we originally thought and will take time to work through. The steps we have taken in 2017 are intended to address these challenges. They are also intended to provide stability and, in time deliver both, performance and growth. I have detailed these steps in my first letter to you as Chairman of our Board.

Management Team

In the period, the most immediate priority for the Board was to ensure that we had the right team in place to provide stability and leadership for the business. We have made considerable progress in appointing a new, senior leadership team.

In May, following a rigorous international recruitment process, we announced that Kevin Toland would assume the role of Group CEO. I would like to take this opportunity to welcome him and wish him every success in leading ARYZTA. Kevin has an outstanding track record of delivering strategically, operationally and financially. He joined ARYZTA from daa plc which operates Dublin and Cork airports. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc Board of Directors from 2003 to 2013. He is a proven CEO of businesses undergoing significant transformation and brings extensive experience of the food sector.

We are also delighted to have recently announced the appointment of Frederic Pflanz as our new CFO. Frederic, a dual French-German national, joins ARYZTA from Mxingvest Group, where he is an executive Board member. He will assume his new role in January 2018. Prior to Mxingvest, Frederic held a number of roles in Remy-Cointreau Group including Group CFO, COO heading the Group's Global Operations, and Director of External Development. He has also held a number of senior positions at L'Oreal Group, where he worked extensively across Continental Europe and Asia. Frederic brings extensive expertise in global consumer products businesses as well as experience in organisation integration systems and business consolidation.

We are pleased to have appointed candidates of Kevin and Frederic's calibre to lead ARYZTA. David Wilkinson will continue as interim CFO until Frederic takes up his new role and will ensure that there is a seamless a transition. I would like to take this opportunity to thank David for his very effective contribution to the business during the past year.

Board & Governance

Governance, stewardship and oversight is a key focus for the Board in 2017. Our objective is to ensure that we have the appropriate blend of skills and expertise, at Board level to set the strategic direction of the business and to provide oversight, governance and stewardship. With the support of a global search firm, we identified two new Non-Executive Directors with extensive experience and a track record of success in the food sector. They will bring significant relevant insights to the Board.

Letter to Shareholders (continued)

In May, we announced that Jim Leighton would join the Board as an independent, Non-Executive Director. Jim brings to the Board more than 30 years of operations, management and manufacturing experience within the North American food and retail sector. In late August, we announced the appointment of Juergen Steinemann as an independent, Non-Executive Director. Juergen brings to the Board more than 25 years of senior international management experience in manufacturing and B2B operations within the food sector. Following these two appointments, and together with the appointment of Rolf Watter and myself in December 2016, there has been significant Board refreshment and renewal in a twelve-month period. We are confident that we have made significant advances in achieving the right blend of skills and expertise to both support and challenge our evolving new management team.

I would also like to acknowledge the dedication and commitment of each of our Board members. In the absence of a senior executive team, they have contributed significantly to the initiatives we have taken towards the stabilisation of the business.

Corporate Culture

As Chairman, I have emphasised a renewed focus on our evolving corporate culture. It is the Board's responsibility – along with the senior management team – to define the company's culture and 'set the tone from the top'. However, for any culture to be effective, as well as 'tone from the top', the appropriate behaviour and values have to be embraced by, and permeate the entire organisation. Under the new management team and with Kevin's leadership, we will actively focus on evolving our culture, and achieving far greater engagement, ownership and accountability within ARYZTA. In particular, we will prioritise enhancing our stakeholder engagement by significantly upgrading and improving communication with customers, employees, and shareholders. We share the view recently expressed by the Financial Reporting Council that an effective, shared culture is the 'ultimate risk management tool'.

Shareholder Engagement

Shareholder engagement during a period of significant change has to be an important priority. I have now met with most of ARYZTA's major shareholders. These meetings primarily focused on strategic direction, corporate governance, management transition and organisation stability. Reflecting our commitment to corporate governance, stewardship and greater accountability, we also intend to consult with shareholders in the period ahead on potential performance measures and targets under our long term incentive plans.

Every decision we make as a Board is intended to protect and enhance enterprise value and the capital entrusted to us by you as shareholders. The compensation framework is being designed to align the interests of management and shareholders; and, incentivise management's pursuit of goals that the Compensation Committee consider central to the restoration of performance and growth. Direct engagement will provide the forum for shareholders to express their views on our revised compensation framework.

Outlook

While it has been a difficult 12 months for the Company, we are well on the way to having an experienced and capable management team in place together with a committed and talented workforce. We are the world's leading frozen bakery company, operating in a growing market.

As a Board, we are committed to making the right strategic decisions to capitalise on the strengths of ARYZTA, stabilising the business, positioning the business for performance, delivering for our customers and preserving and creating shareholder value. I look forward to working with the Board and supporting our CEO and his team as he addresses the challenges facing the business in the year ahead.

We thank you for your continued support, particularly in the current circumstances.



Gary McGann

Chairman, Board of Directors

2 October 2017