Annual Report and Accounts 2009

Financial and Business Review

1 Summary income statement for year ended 31 July

in Euro `000	Food Group 2009	Origin 2009	Total Group 2009	Proforma Total Group 2008[7]	% Change
Group revenue	**1,712,754**	**1,499,516[4]**	**3,212,270**	3,134,201	2.5%
Group operating profit[1]	**204,707**	**75,702**	**280,409**	245,017	14.4%
Share of associates and JVs[2]	**13,808**	**3,717**	**17,525**	17,455	–
Operating profit incl. associates and JVs	**218,515**	**79,419**	**297,934**	262,472	13.5%
Finance cost, net	**(33,299)**	**(17,353)**	**(50,652)**	(44,446)	–
Pre tax profits[1]	**185,216**	**62,066**	**247,282**	218,026	–
Income tax[1]	**(32,845)**	**(12,240)**	**(45,085)**	(42,907)	–
Minority Interest[3]	**(3,035)**	**(134)**	**(17,649)**	(15,476)	–
Underlying fully diluted net profit	**149,336**	**49,692**	**184,548**	159,643	15.5%
Underlying fully diluted EPS (cent)	**–**	**36.16**	**234.7[5]**	202.2[6]	**16.0%**

1 Before intangible amortisation and impact of non-recurring items and related tax credits.
2 Associates & JVs profit net of tax and interest.
3 Presented after dilutive impact of Origin management incentives and investment property write down.
4 Origin revenue is presented after deducting intra group sales between Origin and Food Group.
5 Actual 2009 underlying fully diluted EPS calculated using weighted average number of shares in issue of 78,626,718.
6 Proforma 2008 underlying fully diluted EPS calculated using number of shares issued during IPO in August 2008 of 78,940,460.
7 Prepared on a proforma basis including Hiestand in prior year comparative as disclosed in the ARYZTA Results Announcement published in September 2008.

2 Underlying net profit reconciliation for year ended 31 July

in Euro `000	Food Group 2009	Origin 2009	Total Group 2009
Reported net profit	**94,633**	**(56,825)**	**54,010**
Amortisation of intangible assets	42,983	3,294	46,277
Tax on amortisation	(10,800)	(380)	(11,180)
Property write down	–	134,543	134,543
Tax on property write down	–	(30,940)	(30,940)
Minority interest on property write down	–	–	(29,609)
Merger costs	22,738	–	22,738
Tax on merger costs	(218)	–	(218)
Underlying net profit	**149,336**	**49,692**	**185,621**
Dilutive impact of Origin management incentives	–	–	(1,073)
Underlying fully diluted net profit	**149,336**	**49,692**	**184,548**
Underlying fully diluted EPS (cent)	**–**	**36.16[2]**	**234.7[1]**

1 The total Group share denominator for the year ended 31 July 2009 is 78,626,718 shares.
2 The Origin share denominator for the year ended 31 July 2009 is 137,417,000.

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3 Underlying revenue growth

in Euro million	Food Europe[1]	Food North America	Food Developing Markets[1]	Total Food Group	Origin[2]	Total Group
Group revenue	1,137.2	555.1	20.4	1,712.7	1,499.6	3,212.3
Underlying growth	(2.2)%	12.5%	1.5%	1.9%	(8.4)%	(3.0)%
Acquisitions	2.2%	–	–	1.6%	16.1%	8.5%
Currency	(2.4)%	10.0%	15.3%	1.2%	(7.6)%	(3.0)%
Revenue increase	**(2.4)%**	**22.5%**	**16.8%**	**4.7%**	**0.1%**	**2.5%**

1 Prepared on a proforma basis including Hiestand in prior year comparative as disclosed in the ARYZTA Results Announcement published in September 2008.
2 Origin revenue is presented after deducting intra group sales between Origin Enterprises and Food Group.

4 Segmental operating profit performance[1]

in Euro '000	Food Europe	Food North America	Food Developing Markets	Total Food Group	Origin	Total Group
Operating Profit	135,103	67,481	2,123	204,707	75,702	280,409
Growth	11.4%	30.1%	129%	17.6%	6.7%	14.4%
Operating Margin[1]	**11.9%**	**12.2%**	**10.4%**	**12.0%**	**5.0%**	**8.7%**
Operating Margin[2] (FY ended 31 July, 2008)	10.4%	11.4%	5.3%	10.6%	4.7%	7.8%

1 The above figures exclude intangible amortisation and the impact of non-recurring items.
2 The 2008 comparator is prepared on a proforma basis including Hiestand as disclosed in ARYZTA Results Announcement published in September 2008.

5 Food business

ARYZTA AG's ('ARYZTA') food business is primarily focused on speciality bakery, a niche part of the total global bakery market. Speciality bakery consists of freshly prepared bakery offerings giving the best value, variety, taste and convenience to consumers at point of sale. The aroma of freshly baked goods at the point of sale drives consumer footfall and represents a point of difference for ARYZTA's customers in foodservice and retail establishments.

The world economy suffered a major slowdown during the period and this is reflected in the Food Group's underlying revenues, which swung from double-digit growth to a decline, within the twelve month period.

Credit from banks became very restricted. Consumer spending slowed as consumers reacted to the unfolding financial crisis. What started as a banking problem quickly became a consumer problem and has evolved into a consumer led recession in most markets. Lower consumer spending impacted on most customers during the year. This, combined with the reduced availability of capital, has forced most customers to reduce costs and postpone investment decisions.

ARYZTA is fortunate to be in the food business. It is particularly fortunate to be in the bakery business. Bakery is everyday food. It is basic and sustainable. It is also indulgent and affordable. The challenge is to deliver everyday consumer experience, with consistently high quality baked goods available through all dayparts.

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6 Food Europe

Food Europe has leading market positions in the speciality bakery market in Switzerland, Germany, Poland, the UK, Ireland and France. In Europe, ARYZTA has a mixture of business to business and consumer brands, including Hiestand, Cuisine de France, Delice de France and Coup de Pates. It has a diversified customer base including convenience retail, gas stations, multiple retail, restaurants, catering, hotels and leisure.

Food Europe faced tough trading conditions in the financial year 2009 with revenue growth declining in each quarter and like-for-like revenues for the full financial year declining by 2.2% (excluding impact of acquisitions and foreign exchange). Food Europe's operating profit grew by 11.4% to €135.1m demonstrating the capability and adaptability of the business model in a rapidly changing macro-environment.

The Irish and UK business was most affected by the revenue decline and as a result has substantially reduced its cost base. The Grangecastle bakery, distribution and R & D centre was fully commissioned during the year and helped enhance efficiencies. The project was delivered on budget and on plan. The facility provides the Group with the opportunity to develop the business into new channels in the UK and Ireland.

The Continental European market proved resilient in the financial year 2009. The business expanded its channel penetration utilising its unique logistics capability in the market. Merger benefits were unlocked through moving from an initial position of two publicly listed companies to one.

The Hiestand business had an excellent performance in the period ended 31 July 2009. The business has been aligned with the ARYZTA reporting model, integrating its accounting and risk management systems with the Group and has implemented Swiss Internal Control System ('ICS') requirements across the business.

A small bolt-on acquisition was made in France in the third quarter of 2009. This acquisition helps diversify the customer base and leverage product development capability.

7 Food North America

Food North America has leading market positions in freshly baked cookies and freshly baked artisan breads. The business has two iconic brands which evoke emotional appeal with the US consumer, namely Otis Spunkmeyer and La Brea Bakery.

Otis Spunkmeyer has a strong diversified customer base with particular strength across the US foodservice market from restaurants, catering (including hospitals, military and fundraising events), to hotels and leisure and quick service restaurants. La Brea Bakery's business is primarily focused on servicing the US multiple retail channel.

Food North America was not able to escape the general recessive trend, exhibiting declining revenue growth in each quarter with most channels experiencing declining revenues. As a result of the consumer slowdown, value conscious US consumers continued to conserve their dollars.

Despite the prevailing environment Food North America delivered revenues of €555.1m which represented a 12.5% increase in like-for-like revenue growth for the full year

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(excluding impact of acquisitions and foreign exchange). Operating profit grew by 30.1% to €67.5m while its operating margins increased by 80 basis points to 12.2% for the year ended 31 July 2009.

La Brea Bakery proved resilient during the period, while Otis Spunkmeyer was the main growth driver.

8 Food Developing Markets

ARYZTA has embryonic businesses in Japan, Malaysia and Australia. This gives ARYZTA an excellent opportunity to understand the customer diversity and opportunity in this vast market. Like-for-like revenue growth (excluding the impact of acquisitions and foreign exchange) in Food Developing Markets for the period was 1.5%. Food Developing Markets operating profit grew by 129% to €2.1m in the year ended 31 July 2009.

9 ARYZTA Technology Initiative

Otis Spunkmeyer is currently implementing SAP Enterprise Resource Planning ('ERP') System across its extensive business platform. The project is on plan and should net cost savings and improve the speed of business intelligence to further enhance its business.

This will provide the blueprint for the rollout of the ARYZTA Technology Initiative ('ATI') across the Food Group. This will involve implementing a global ERP System over the coming three years. This will enable all the businesses to operate shared common 'best in class' processes and procedures. The effective implementation of ATI will drive substantial business efficiencies and reduce cost to serve customers.

10 Canadian joint venture

This joint venture yielded a net contribution after tax and interest of €13.8m in the year ended 31 July 2009 (€15.2m in the year ended 31 July 2008).

11 Non-recurring items

In the period the impact of non-recurring items was €96.5m net of minorities and taxes. The non-recurring items had a non-cash impact. They primarily relate to a circa 70% write down of Origin Enterprises plc ('Origin') investment property and merger costs.

The investment property principally comprises 32 acres (13 hectares) of development land located close to the centre of Ireland's second largest city, Cork, at the South Docklands area. The area has long been associated with Origin's port activities. Origin has more recently been considering an overall development of the area. In 2007 (the year of the Origin IPO) the property was revalued and transferred to investment property. Following the unprecedented deterioration in the Irish property market the fair value of the property has substantially reduced.

The merger of IAWS and Hiestand triggered the vesting of all previously granted share awards within IAWS, resulting in a non-cash merger cost charge in the period.

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12 Financial position

ARYZTA's 71.4% subsidiary and separately listed company, Origin, has separate funding structures, which are financed without recourse to ARYZTA. Origin's net debt amounted to €153.8m at 31 July 2009.

The consolidated net debt of the Group excluding Origin's non-recourse debt amounted to €505.5m and relates to the Food segments of the Group.

Food Group cash generation

in Euro `000	**July 2009**
EBIT	161,724
Amortisation	42,983
EBITA	204,707
Depreciation	54,628
EBITDA	259,335
Working capital movement	24,675
Dividends received	18,830
Ongoing capital expenditure	(15,047)
Interest and tax	(53,562)
Other	2,126
Cash flow generated from activities	**236,357**
Underlying net profit[1]	**149,336**
Depreciation	54,628
	203,964
Net underlying cash earnings conversion	**115.9%**

1 Underlying net profit before intangible amortisation and impact of non-recurring items.

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Food Group net debt and investment activity
in Euro `000

	Food Group
Food Group proforma opening net debt as at 31 July 2008	**(552,562)**
Cash flow generated from activities	236,357
Investment capital expenditure	(63,006)
Deferred consideration and acquisition costs	(76,497)
Foreign exchange movement[1]	(42,203)
Other	(7,593)
Food Group closing net debt 31 July 2009	**(505,504)**
Net Debt to EBITDA[2]	1.77x

1 Foreign exchange movement is primarily attributable to the fluctuation in the US Dollar to Euro rate between July 2008 (1.5729) and July 2009 (1.4252).

2 Food Group net debt to EBITDA ratio based on bank covenant definition. EBITDA includes proforma contribution from the Canadian JV and the French acquisition during the year. It is also adjusted for the non-cash share based payments charge.

ARYZTA continues to have a strong balance sheet with excellent free cash flow. At the year ended 31 July 2009, ARYZTA Food Group had net debt of €505.5m; this represented a conservative Net Debt to EBITDA ratio of 1.77 times (based on bank covenant definition). The banking covenant definition of EBITDA includes a proforma contribution from the Canadian joint venture and the French acquisition during the period. It excludes the non-cash cost of share based payments.

ARYZTA's banking facilities and financial covenants (excluding Origin, which is separately financed) are as follows:

Description	Revolving credit	Private placement
Principal	€795m	$450m
Maturity	20 June 2013	13 June 2014 - 13 June 2019
Net Debt : EBITDA (not greater than)	3.5 times	3.5 times
Interest Cover (not less than)	4 times	4 times

The weighted average debt maturity of the Food Group's debt is 5.35 years. The revolving facilities are circa. 23.9% net drawdown as at 31 July 2009.

The current banking crisis and severe curtailment of credit availability poses risks for all businesses including ARYZTA in terms of cash and collectables. ARYZTA's primary financial focus is on cash and collectables to ensure the business is not materially impacted by bad debts. This has been managed successfully to date. ARYZTA will continue to be vigilant and focused on the area of cash and collectables.

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13 Assets, goodwill & intangibles

Group balance sheet in Euro '000	**Total Group 2009**
Property, plant and equipment	664,532
Investment properties	62,975
Goodwill and intangible assets	1,498,430
Associates and joint ventures	139,351
Working capital	(14,871)
Other segmental liabilities	(93,592)
Segmental net assets	2,256,825
Net debt	(659,256)
Deferred tax, net	(176,474)
Income tax	(40,650)
Derivative financial instruments	(12,477)
Net assets	**1,367,968**

The Food Group's fixed asset base reflects its continued strategic investment in its manufacturing operations, in particular the full commissioning of its Grangecastle facility during the period. These strategic investments have been timely in providing the Group with adaptability in the current changing macro environment.

Goodwill and intangible assets created following the merger reflect the strong value in the brands, customer base and workforce of Hiestand.

These newly recognised goodwill and intangibles, together with those created out of the relatively recent acquisitions of Otis Spunkmeyer and Coup de Pates, reflect the strength of value contained within ARYZTA's businesses. This strength contributes and supports the resilient operating profit growth in these more challenging economic times.

14 Return on investment

in Euro millions	Food Europe[1]	Food North America	Total Food Group[5]	Origin	Total
2009					
Group share net assets[2]	1,344	638	1,986	382	2,368
EBITA & JVs/associates cont.[4]	135	81	219	79	298
ROI	10.0%	12.7%	11.0%	20.7%	12.6%
2008					
Group share net assets	1,222	592	1,815	366	2,181
EBITA & JVs/associates cont.[4]	119	67	189	73	262
ROI	9.7%	11.3%	10.4%	20.0%	12.0%

1 Food Europe and Developing Markets 2008 net assets and operating profit presented on a proforma basis including Hiestand intangibles and net assets as disclosed in the ARYZTA Results Announcement published in September 2008.

2 Net assets exclude all bank debt, cash, cash equivalents and tax related balances.

3 Food Group net assets includes previously written off goodwill of € 51.8 million. Origin net assets includes previously written off goodwill of € 59.4 million.

4 Earnings before interest tax and amortisation (EBITA) is presented before the impact of non-recurring items. The contribution from associates and JVs is net profit (i.e. presented after interest and tax).

5 Total Food Group includes the net assets and EBITA for Food Developing Markets which are not seperately shown.

6 The Group WACC is currently 7.6%.

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15 Proposed dividend
The Board recommends a final dividend of CHF 0.5324* to be paid on 10 December 2009, if approved by shareholders at the General Meeting to be held on 3 December 2009.

16 Swiss corporate governance
ARYZTA operates from Zurich, where its corporate and group finance functions are located. It has now implemented a Swiss Internal Control System ('ICS') framework, as required by Swiss regulations.

17 Origin
Origin has performed strongly in 2009, growing operating profits and delivering excellent cash flow against the backdrop of challenging and competitive market conditions.

The excellent performance was driven from Origin's integrated agronomy services business. This reinforces the relevance of Masstock's knowledge-based systems model in supporting profitable and sustainable agriculture.

The strategic merger of Origin's and Austevoll's European marine proteins and oils businesses provides the foundation for the future development of the enlarged marine proteins and oils business.

The Board of Origin have proposed a dividend per ordinary share of 8 cent for the period ended 31 July 2009. ARYZTA will net approximately €7.6m from its holding of 95 million shares in Origin.

Farming is currently facing significant challenges. Farm incomes and purchasing power are under sustained pressure following a period of very low output prices and tightening farm credit. The outlook for Origin in 2010 is challenging, while the long term outlook is excellent.

Origin's separately published results are available at www.originenterprises.com.

18 Outlook
The Group combines a well invested and efficient platform with passionate, motivated people to deliver a proven customer partnership model. ARYZTA will continue to remain focused on cash generation while ensuring, through on-going cost savings programmes and operational initiatives, that the business is well placed to capitalise on opportunities as market and trading conditions develop.

As global stock markets rebound, there may be a temptation to believe that the world is returning to the economic conditions that existed before the financial crisis broke. However, ARYZTA did not predict the severity of the recession last year, and based on the trading environment that has been experienced so far in the new financial year, the Group would certainly not be calling the timing of an economic recovery.

* Based on EUR 0.3520 per share converted at the foreign exchange rate of one Euro to CHF 1.5124 on 24 September 2009, the date of approval of the ARYZTA financial statements.

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For all the defensive characteristics of the food industry, the fact is that many customers and consumers remain in survival mode. Underlying revenues last year swung from double digit growth to decline within twelve short months, and early sales trends in the 2010 financial year are indeed markedly weaker than the equivalent period last year.

Forward looking statement

This report contains forward looking statements which reflect management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.