Annual Report and Accounts 2013

Financial and Business Review

1 ARYZTA Group – Income Statement

in EUR `000	July 2013	July 2012	% Change
Group revenue	4,503,690	4,207,667	7.0%
EBITA	475,584	444,050	7.1%
EBITA margin	10.6%	10.6%	–
Associates and JVs, net	22,057	14,200	–
EBITA incl. associates and JVs	497,641	458,250	8.6%
Finance cost, net	(63,904)	(65,311)	–
Hybrid instrument accrued dividend	(19,898)	(16,642)	–
Pre-tax profits	413,839	376,297	–
Income tax	(69,689)	(63,776)	–
Non-controlling interests	(25,041)	(21,476)	–
Underlying fully diluted net profit	319,109	291,045	9.6%
Underlying fully diluted EPS (cent)	**360.3[1]**	**337.5c[1]**	**6.8%**

1 The 31 July 2013 weighted average number of ordinary shares used to calculate diluted earnings per share is 88,559,475 (2012: 86,228,153). The increase in the weighted average number of ordinary shares is primarily due to the impact of the 4,252,239 shares issued during January 2012 on the weighted average shares outstanding during each respective year.

2 See glossary in section 18 for definitions of financial terms and references used in the financial and business review.

2 ARYZTA Group – Underlying revenue growth

in EUR million	Food Europe	Food North America	Food Rest of World	Total Food Group	Origin	Total Group
Group revenue	1,391.5	1,459.8	234.2	3,085.5	1,418.2	4,503.7
Underlying growth	0.2%	1.6%	6.6%	1.3%	4.5%	2.4%
Acquisitions	9.0%	2.8%	2.3%	5.5%	0.0%	3.8%
Currency	0.1%	2.0%	(3.2)%	0.8%	1.3%	0.8%
Revenue Growth	**9.3%**	**6.4%**	**5.7%**	**7.6%**	**5.8%**	**7.0%**

3 ARYZTA Group – Segmental EBITA

in EUR `000	July 2013	July 2012	% Change
Food Group			
Food Europe	185,990	169,495	9.7%
Food North America	190,286	176,291	7.9%
Food Rest of World	30,419	29,040	4.7%
Total Food Group	406,695	374,826	8.5%
Origin	68,889	69,224	(0.5)%
Total Group EBITA	**475,584**	**444,050**	**7.1%**
Associates & JVs, net			
Food JVs	201	1,062	(81.1)%
Origin associates & JVs	21,856	13,138	66.4%
Total associates & JVs, net	**22,057**	**14,200**	**55.3%**
Total EBITA incl. associates and JVs	**497,641**	**458,250**	**8.6%**

Financial and Business Review (continued)

4 Food Group – Income Statement

in EUR `000	July 2013	July 2012	% Change
Revenue	3,085,517	2,867,644	7.6%
EBITA	406,695	374,826	8.5%
EBITA margin	13.2%	13.1%	–
JVs, net	201	1,062	–
EBITA incl. JVs	406,896	375,888	8.2%
Finance cost, net	(57,761)	(58,717)	–
Hybrid instrument accrued dividend	(19,898)	(16,642)	–
Pre-tax profits	329,237	300,529	–
Income tax	(57,261)	(50,559)	–
Non-controlling interests	(3,619)	(3,367)	–
Underlying net profit	268,357	246,603	8.8%

5 Food Group business

ARYZTA's Food Group business is primarily focused on speciality baking, a niche segment of the overall bakery market. Speciality bakery consists of freshly prepared food giving the best value, variety, taste and convenience to consumers at the point of sale. ARYZTA's customer channels consist of a mix of convenience and independent retail, large retail, Quick Serve Restaurants ('QSR') and other foodservice categories.

Total Food Group revenue grew by 7.6% to €3.1bn. ARYZTA's underlying Food business performed well, posting underlying revenue growth of 1.3% in what was a very challenging trading environment, particularly in the Food Europe segment.

Food EBITA increased by 8.5%, while EBITA margins expanded by 10bps to 13.2%, reflecting the improved efficiencies being derived through the ARYZTA Transformation Initiative ('ATI'). This translated into an 8.8% increase in underlying net profit within the Food Group.

6 Food Europe

Food Europe has leading market positions in the European speciality bakery market. It has a diversified customer base including convenience retail, gas stations, multiple retail, restaurants, catering and hotels, leisure and QSR.

Food Europe revenue grew by 9.3% to €1.4bn. This was largely driven by a very strong contribution of 9.0% from acquisitions. Underlying revenues grew marginally at 0.2% over the year, with a strong recovery during the fourth quarter of FY 2013. The weak underlying growth in bake-off reflects sustained weak consumer spending and the growing impact of government austerity measures across the region. The impact from currency movements was negligible during the year.

The acquisition of Klemme significantly transformed ARYZTA's presence in the pan-European large retail segment. Klemme enables ARYZTA to target the high growth In Store Bake-off ('ISB') for large retail customers, as consumers seek greater bake-off choice for home consumption.

Financial and Business Review (continued)

Food Europe EBITA increased by 9.7% to €186.0m, while EBITA margins expanded by 10bps to 13.4%.

Significant ATI-related and expansion-related capital investment was completed in Europe in FY 2013. The total cash costs relating to non-recurring items were €44.5m, while €44.0m was invested in the roll-out of the European ERP system and optimisation-related capital investments. These investments were key to establishment of a European customer centric business model and to rebalancing the channel mix within Europe. Additional expansion-related capital investments, primarily for further bakery capacity in Poland that is in the final commissioning stages, amounted to €63.8m.

7 Food North America

Food North America is a leading player in the US speciality bakery market. It has a diversified customer base, including multiple retail, restaurants, catering and hotels, leisure, hospitals, military, fundraising and QSR. ARYZTA is the leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment. ARYZTA's well-established partnerships with key global QSR customers, which dominate the North American convenience food landscape, position the Group to grow market share in tandem with customer growth.

Food North America revenue grew by 6.4% to €1.5bn, with acquisition contribution of 2.8% and underlying revenue growth of 1.6%. Favourable currency movements also benefited the reported performance in the year by 2.0%. Underlying organic growth in North America was strong, reflecting progress on deepening customer relationships and the increased availability of a broader range of products to North American customers. The performance also benefited from stronger consumer spending trends in North America compared to Europe. Food North America EBITA grew by 7.9% to €190.3m, due to positive underlying revenue growth and further margin expansion of 20bps to 13.0% during the year.

In North America, the cash costs for non-recurring items were €37.9m, with an additional €17.5m relating to expanding the ERP system functionality and other optimisation-related capital investments. As announced at the half year, the North American Direct Store Distribution ('DSD') business was transitioned to third party contractors during the year. Like in Europe, these investments underpin the deployment of a customer centric business model in North America. An additional €15.1m was also invested in a variety of expansion-related capital investment projects.

8 Food Rest of World

ARYZTA's operations in the Rest of World include Brazil, Australia, New Zealand, Malaysia, Singapore, Taiwan and Japan.

Food Rest of World revenues grew by 5.7% to €234.2m, with underlying revenue growth of 6.6% and acquisition contribution of 2.3%. Unfavourable currency movements reduced reported growth by 3.2%. Food Rest of World EBITA grew by 4.7% to €30.4m, while EBITA margins declined by 10bps to 13.0%. Despite commissioning new bakeries in the region, involving a total expansion-related capital investment of €32.1m in FY 2013, the business remains capacity constrained. Food Rest of World will continue to need capital allocation to remove capacity bottlenecks and to facilitate new revenue growth opportunities in the region.

Financial and Business Review (continued)

9 ARYZTA Transformation Initiative

In September 2011, the Group announced the ATI programme, a three year plan focused on supply chain optimisation and ERP implementation. ATI was launched with the goal of becoming a leading international bakery company, by leveraging ARYZTA's people, capabilities, partnerships and brands. Critical to this initiative is the development of a customer centric strategy, with highly effective cross-functional teams, to replace the previous business model of autonomous business units. The customer centric business model deployment in North America was supported with a further investment of €55.4m (non-recurring cash costs, ERP investment and optimisation-related capital investments). In Europe this investment was €88.5m, as part of the programme to replicate the customer centric model already established in North America.

The North American business has begun to see positive margin expansion as a result of the ATI-driven integration of autonomous business units during the prior year, as well as from the transition of DSD and further centralisation of certain administrative tasks during the current year.

Additionally, the phased implementation of ERP has continued across many of the Food Group's European locations. These implementations have been successful due to leveraging experiences obtained from previous implementations in North America and other locations within Europe. The remaining planned ERP implementations in Europe remain on track to be substantially completed during FY 2014.

During the two years since the ATI programme announcement, the Food Group has incurred the following amounts:

in EUR `000	ARYZTA Transformation Initiative				
Acquisition, disposal and restructuring-related costs	**Cash**		**Total ATI**	**Non-cash**	**Total**
Year ending 31 July 2013	82,459	–	**82,459**	37,355	**119,814**
Year ending 31 July 2012	77,144	–	**77,144**	6,333	**83,477**
Investment capital expenditure		**Optimisation-related & ERP**	**Total ATI**	**Expansion-related**	**Total**
Year ending 31 July 2013	–	61,462	**61,462**	111,044	**172,506**
Year ending 31 July 2012	–	46,643	**46,643**	42,758	**89,401**
ATI investment to date	**159,603**	**108,105**	**267,708**		
Estimated overall ATI investment			**460,000**		
Remaining available for ATI investment			**192,292**		

The financial goal of these investments is to improve the ARYZTA Food Group ROIC related to the FY 2011 underlying food assets to 15% by FY 2015. The successful efforts to date have positioned the Group well for the continued growth and margin expansion necessary to achieve this measure.

Financial and Business Review (continued)

10 Financial position

ARYZTA's 68.6% subsidiary and separately listed company, Origin, has separate funding structures, which are financed without recourse to ARYZTA. Origin's net debt amounted to €29.6m at 31 July 2013.

The consolidated net debt of the Food Group, excluding Origin's non-recourse debt, amounts to €849.2m. The Food Group net debt: EBITDA ratio is 1.57x (excluding hybrid instrument as debt) and interest cover of 9.37x (excluding hybrid interest). The weighted average maturity of the Food Group gross term debt is circa 5.14 years. The weighted average interest cost of Food Group debt financing facilities (including overdrafts) is circa 4.62%.

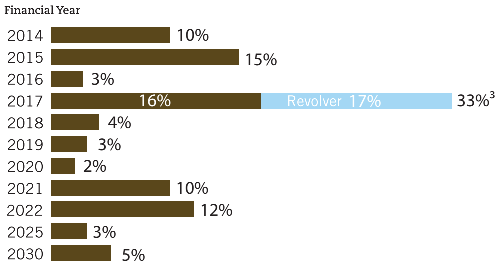
ARYZTA intends to maintain an investment grade position in the range of 2x–3x net debt to EBITDA. During the year, ARYZTA completed an additional CHF400m of hybrid funding, with a coupon of 4%, which brings the total amount of Hybrid funding to CHF800m. ARYZTA's financing facilities and key financial covenants (excluding Origin, which has separate ring-fenced financing without recourse to ARYZTA) are as follows:

Debt Funding	Principal	Maturity
Nov 2011 – Syndicated Bank Loan	CHF 970m	Dec 2016
May 2010 – US Private Placement	USD 350m / EUR 25m	May 2016 – May 2022
Dec 2009 – US Private Placement	USD 200m	Dec 2021 – Dec 2029
Nov 2009 – Swiss Bond	CHF 200m	Mar 2015
Jun 2007 – US Private Placement	USD 450m	Jun 2014 – Jun 2019

Hybrid Funding
CHF 400m Hybrid funded October 2010 – 5% coupon until October 2014, thereafter 905bps plus 3-month CHF LIBOR
CHF 400m Hybrid funded April 2013 – 4% coupon until April 2018, thereafter 605bps plus 3-month CHF LIBOR
Traded on SIX Swiss exchange
Treated as 100% equity for bank covenant purposes
Treated as 25% equity for US PP covenant purposes

Net Debt: EBITDA[1] calculations as at 31 July 2013	Ratio
Net Debt: EBITDA[1] (hybrid as equity)	1.57x
Net Debt: EBITDA[1] (hybrid as debt)	2.77x

Gross Term Debt Maturity Profile[2]



1 Calculated based on the Food Group EBITDA for the year ended 31 July 2013, including dividend received from Origin, adjusted for the pro forma full-year contribution of Food Group acquisitions.

2 The term debt maturity profile is set out as at 31 July 2013. Food Group gross term debt at 31 July 2013 is €1.13bn. Food Group net debt at 31 July 2013 is €849.2m, which also includes overdrafts and finance leases, and is net of cash and related capitalised upfront borrowing costs.

3 Incorporating the drawn amount on the Revolving Credit Facility of €187.7m as at 31 July 2013 which represents 17% of the Food Group gross term debt.

Financial and Business Review (continued)

Food Group cash generation

in EUR `000	July 2013	July 2012
EBIT	300,053	275,043
Amortisation	106,642	99,783
EBITA	406,695	374,826
Depreciation	93,690	90,342
EBITDA	500,385	465,168
Working capital movement	(11,198)	(19,280)
Dividends received[1]	14,250	11,183
Maintenance capital expenditure	(43,675)	(46,248)
Interest and tax	(90,954)	(97,721)
Other non-cash charges / (income)	573	1,796
Cash flow generated from activities	**369,381**	**314,898**
Investment capital expenditure[2]	(172,506)	(89,401)
Cash flows generated from activities after investment capital expenditure	**196,875**	**225,497**
Underlying net profit	**268,357**	**246,603**

Food Group net debt and investment activity

in EUR `000	FY 2013	FY 2012
Food Group opening net debt as at 1 August	**(976,283)**	**(955,468)**
Cash flows generated from activities	369,381	314,898
Hybrid instrument proceeds	319,442	–
Net debt cost of acquisitions	(311,609)	(100,959)
Share placement	–	140,854
Acquisition and restructuring-related cash flows	(86,497)	(88,570)
Investment capital expenditure[2]	(172,506)	(89,401)
Proceeds from disposal of property, plant and equipment	9,863	6,411
Proceeds from disposal of joint venture	1,941	4,675
Contingent consideration	(268)	(7,247)
Dividends paid	(45,999)	(43,745)
Hybrid dividend	(16,561)	(16,305)
Foreign exchange movement[3]	62,024	(139,216)
Other[4]	(2,156)	(2,210)
Food Group closing net debt as at 31 July	**(849,228)**	**(976,283)**

1 Includes dividends from Origin of €14,250,000 (July 2012: €10,450,000).

2 Includes expenditure on intangible assets.

3 Foreign exchange movement for the year ended 31 July 2013 primarily attributable to the fluctuation in the US Dollar to euro rate between July 2012 (1.2370) and July 2013 (1.3280).

4 Other comprises primarily amortisation of financing costs.

Financial and Business Review (continued)

11 Return on invested capital

in EUR million	Food Europe	Food North America	Food Rest of World	Total Food Group	Origin[3]	Total[3]
2013						
Group share net assets[1]	1,738	1,684	266	3,688	475	4,163
EBITA & associates/JVs cont.[2]	205	191	30	426	91	517
ROIC	11.8%	11.3%	11.4%	11.6%	19.1%	12.4%
2012						
Group share net assets[1]	1,447	1,835	290	3,572	457	4,029
EBITA & associates/JVs cont.[2]	170	177	29	376	82	458
ROIC	11.7%	9.6%	10.1%	10.5%	18.0%	11.4%

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

2 ROIC is calculated using pro forma trailing twelve months segmental EBITA ('TTM EBITA') reflecting the full twelve months contribution from acquisitions. EBITA is before interest, tax, non-ERP amortisation and before the impact of non-recurring items. The contribution from associates and JVs is net profit (i.e. presented after interest and tax).

3 Origin net assets adjusted for the fluctuation in its average quarterly working capital by €144,453,000 (2012: €116,061,000).

4 The Food Group WACC on a pre-tax basis is currently 7.7% (2012: 8.0%).

Financial and Business Review (continued)

12 Net assets, goodwill and intangibles

Group Balance Sheet in EUR `000	Total Group 2013	Total Group 2012
Property, plant and equipment	1,141,847	1,022,587
Investment properties	22,984	29,268
Goodwill and intangible assets	2,905,242	2,871,982
Associates and joint ventures	45,235	127,384
Other financial assets	39,433	37,223
Working capital	(27,656)	(106,857)
Other segmental liabilities	(108,560)	(68,542)
Segmental net assets	4,018,525	3,913,045
Net debt	(878,787)	(1,044,091)
Deferred tax, net	(330,870)	(326,657)
Income tax payable	(46,570)	(27,440)
Derivative financial instruments	(1,669)	(5,502)
Net assets	**2,760,629**	**2,509,355**

Food Group Balance Sheet in EUR `000	Food Group 2013	Food Group 2012
Property, plant and equipment	1,061,200	931,439
Investment properties	15,409	15,960
Goodwill and intangible assets	2,775,430	2,729,340
Joint ventures	–	2,545
Investment in Origin	51,045	51,045
Working capital	(70,710)	(57,048)
Other segmental liabilities	(92,626)	(49,799)
Segmental net assets	3,739,748	3,623,482
Net debt	(849,228)	(976,283)
Deferred tax, net	(320,136)	(310,674)
Income tax payable	(33,342)	(16,976)
Derivative financial instruments	46	(1,739)
Net assets	**2,537,088**	**2,317,810**

Financial and Business Review (continued)

13 Proposed dividend

The Board recommends a final dividend of CHF 0.6652[1] to be paid on 3 February 2014, if approved by shareholders at the Annual General Meeting to be held on 10 December 2013.

14 Origin

Origin is a leading agri-services group focused on integrated agronomy and agri-inputs in the UK, Ireland and Poland. ARYZTA has a holding of 95 million shares in Origin (68.6% holding).

Origin reported financial and operating results in line with expectations for the year. The Origin Board has proposed a dividend per ordinary share of 17.25 cent for the year ended 31 July 2013.

Additionally, the Origin Board has proposed to return up to €100 million of capital to shareholders, by way of a tender offer for Origin shares, following the disposals of the marine protein and oils joint venture and other associate interests during the year.

Origin's separately published results, which were released on 25 September 2013, are available at www.originenterprises.com.

15 Outlook

ARYZTA's journey to becoming the partner of choice in speciality bake-off through leadership in innovation excellence is well established in North America and well underway in Europe. In Rest of World, the focus remains on adding new capacity.

ARYZTA's customer centric strategy will enable the business to leverage key customer relationships to grow revenue, by focusing on product development around consumer insights and to identify cost efficiencies across the organisation.

The trend of sector consolidation continues and ARYZTA's strategy in this regard remains unchanged, with the focus on acquiring targets that add bakery capability, capacity and customer / geographic access.

During FY 2014, ARYZTA will be focused on completing the reorganisation and transforming of the business into a customer centric company focused on consumer trends and customer requirements. ARYZTA is guiding double-digit fully diluted EPS growth in FY 2014.

1 Based on EUR 54.05 cent per share converted at the foreign exchange rate of one EUR to CHF 1.2308 on 26 September 2013, the date of the approval of the ARYZTA financial statements.

Financial and Business Review (continued)

16 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 53 of the ARYZTA AG 2013 Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group.

17 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.

18 Glossary of financial terms and references

'ERP' – Enterprise Resource Planning intangible assets include the Food Group SAP and Origin Microsoft Dynamics AX software systems.

'EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation reported for the year and is before net acquisitions, disposal and restructuring-related costs and fair value adjustments, and related deferred tax credits.

'EBITA' – presented before net acquisition, disposal and restructuring-related costs and fair value adjustments, and related tax credits. ERP intangible asset amortisation is treated as depreciation.

'Associates and JVs, net' – presented as profit from associates and JVs, net of taxes and interest.

'Hybrid instrument' – presented as Perpetual Callable Subordinated Instrument in the Financial Statements.

'Non-controlling interests' – always presented after the dilutive impact of related subsidiaries' management incentives.

'Underlying earnings' – presented as reported net profit adjusted to include the Hybrid instrument accrued dividend as finance cost; before non-ERP related intangible amortisation; net acquisition, disposal and restructuring-related costs and fair value adjustments and before any non-controlling interest allocation of those adjustments, net of related tax impacts.

Bridge to Group Income Statement
for the financial year ended 31 July 2013

in EUR `000	Food Group 2013	Origin 2013	Total Group 2013	Total Group 2012
Group revenue	**3,085,517**	**1,418,173**	**4,503,690**	4,207,667
EBITA	**406,695**	**68,889**	**475,584**	444,050
Associates and JVs, net	**201**	**21,856**	**22,057**	14,200
EBITA incl. associates and JVs	**406,896**	**90,745**	**497,641**	458,250
Finance cost, net	**(57,761)**	**(6,143)**	**(63,904)**	(65,311)
Hybrid instrument accrued dividend	**(19,898)**	**–**	**(19,898)**	(16,642)
Pre-tax profits	**329,237**	**84,602**	**413,839**	376,297
Income tax	**(57,261)**	**(12,428)**	**(69,689)**	(63,776)
Non-controlling interests	**(3,619)**	**–**	**(25,041)**	(21,476)
Underlying fully diluted net profit	**268,357**	**72,174**	**319,109**	291,045
Underlying fully diluted EPS (cent)	**–**	**52.11c**[1]	**360.3c**[2]	337.5c[2]

Underlying net profit reconciliation

in EUR `000	Food Group 2013	Origin 2013	Total Group 2013	Total Group 2012
Reported net profit[3]	**79,161**	**73,012**	**129,415**	146,264
Intangible amortisation	**106,642**	**5,689**	**112,331**	106,184
Tax on amortisation	**(29,960)**	**(1,873)**	**(31,833)**	(30,354)
Hybrid instrument accrued dividend	**(19,898)**	**–**	**(19,898)**	(16,642)
Net acquisition, disposal and restructuring-related costs and fair value adjustments	**119,814**	**(2,458)**	**117,356**	99,629
Tax on asset write-down and costs arising on integration	**12,598**	**(2,196)**	**10,402**	(8,850)
Non-controlling interest portion of acquisition, disposal and restructuring-related costs and fair value adjustments	**–**	**–**	**1,450**	(4,490)
Underlying net profit	**268,357**	**72,174**	**319,223**	291,741
Dilutive impact of Origin management incentives	**–**	**–**	**(114)**	(696)
Underlying fully diluted net profit	**268,357**	**72,174**	**319,109**	291,045
Underlying fully diluted EPS (cent)	**–**	**52.11c**[1]	**360.3c**[2]	337.5c[2]

1 Origin FY 2013 underlying fully diluted EPS is calculated using the weighted average number of shares in issue of 138,499,155 (FY 2012: 138,499,155).

2 The 31 July 2013 weighted average number of ordinary shares used to calculate diluted earnings per share is 88,559,475 (2012: 86,228,153). The increase in the weighted average number of ordinary shares is primarily due to the impact of the 4,252,239 shares issued during January 2012 on the weighted average shares outstanding during each respective year.

3 Food Group reported net profit excludes dividend income of €14,250,000 (2012: €10,450,000) from Origin.