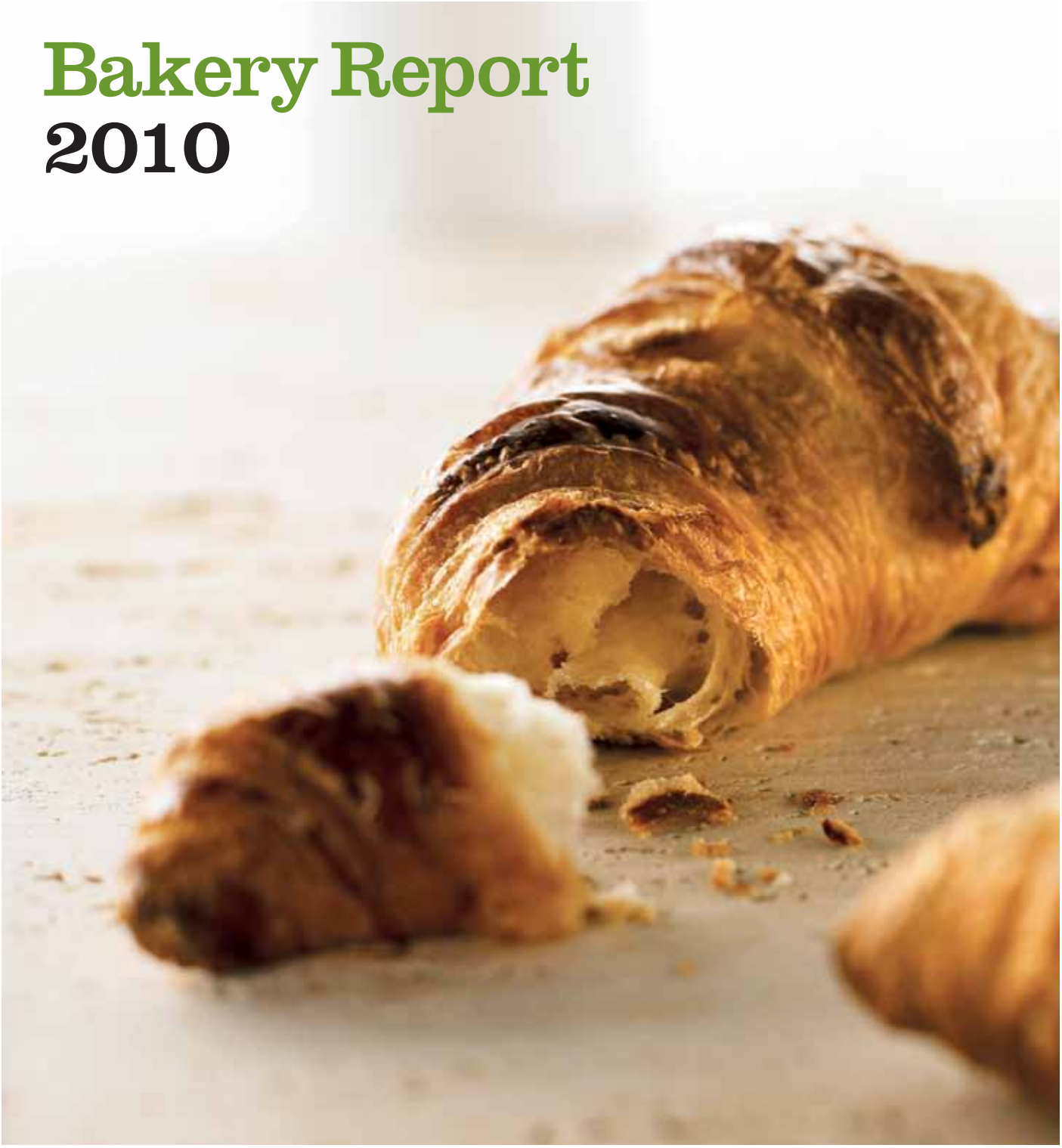
Baking
Pleasure°

Bakery Report 2010



Lantmännen
Unibake

Welcome to Bakery Report 2010

With this Bakery Report we wish to provide our stakeholders with a detailed and varied picture of our company.

Join us for a closer look at our international bakery business and see how we choose to solve the challenges of tomorrow.

Enjoy the reading!

Lantmännen Unibake
Bakery Report 2010

Printed in 5,000 copies.

Editor: Monica Klepp Bjerrum, Lantmännen Unibake.
Local parts edited in local units.

Design: Esben Niklasson
Print: Datagraf AS

April 2010

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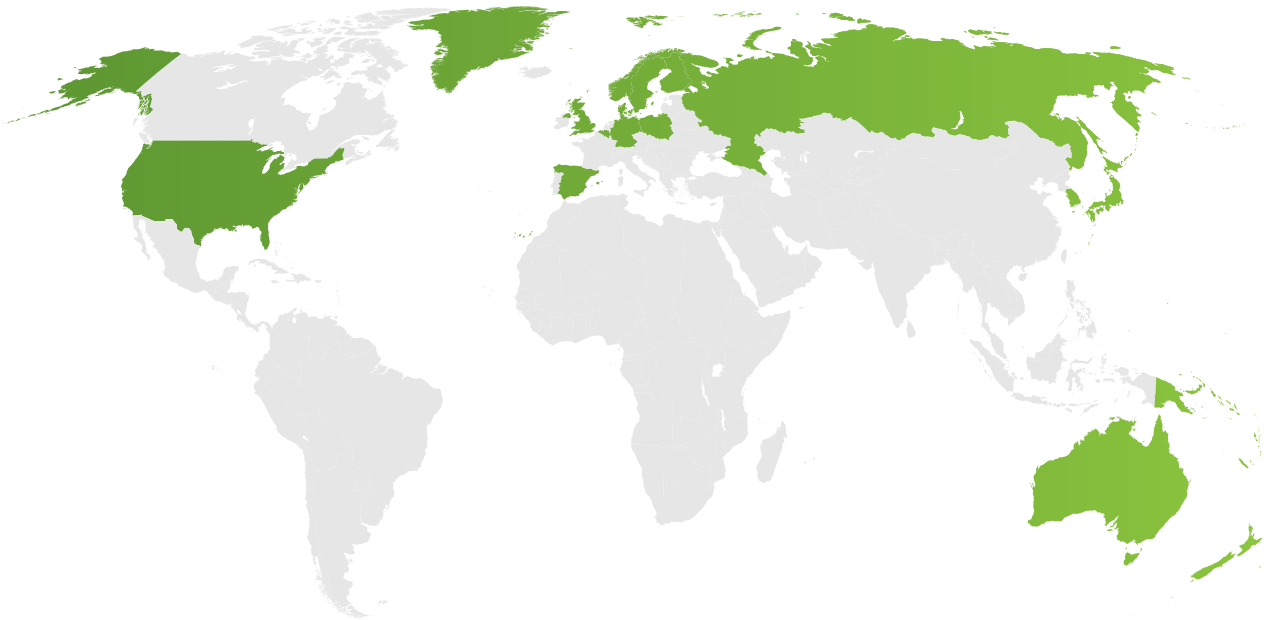
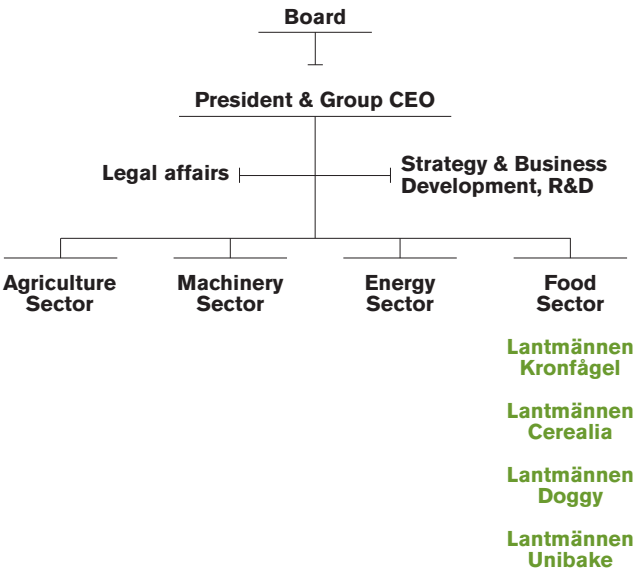
Lantmännen Unibake is a leading international bakery group with expertise in bakery products for foodservice and retail.

We solve tomorrow’s challenges in the bakery business, and we set new standards for the possibilities with bread. All based on a desire to bake pleasure into people’s lives.

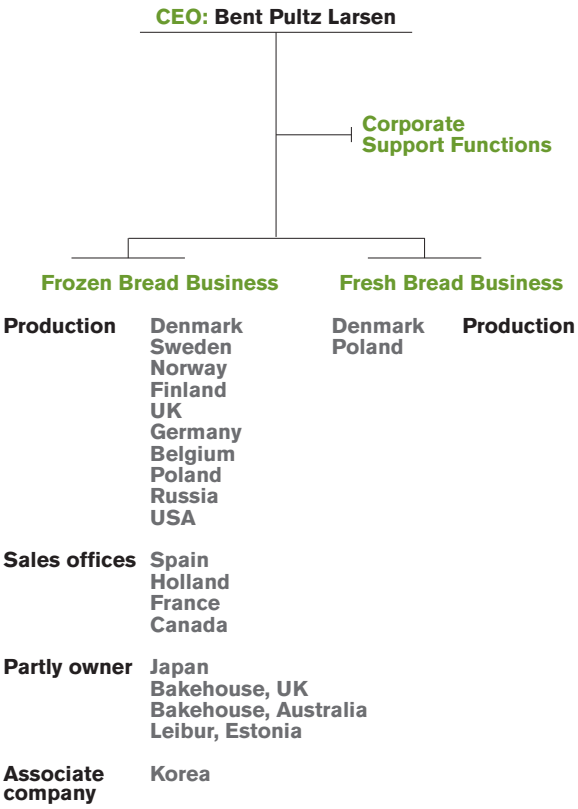
3,800 Employees 18 Countries 25 Bakeries 727 mEuro turnover 2009 85 Bakery lines 400,000 Tonnes of bread each year



Part of the Lantmännen Group



The Lantmännen Unibake Corporate Structure



Baking Pleasure°

For us, baking is much more than producing quality food products. We are inspired by the ambition to bake pleasure into people's everyday lives. We see pleasure as moments of happiness, little moments that make each day enjoyable. Our products and solutions are developed to help you create such moments. That is the core of our business idea.

The green sprout on our packages guarantees responsibly produced food. Good Food that we make an effort to provide in a sustainable manner. Owned by 40.000 Swedish farmers, Lantmännen focus the entire group and its resources on R&D and sustainable development to be a strong and long-term partner, taking responsibility for the entire chain from field to fork.

Our Values

Based on three values we have developed into a large international group, taking responsibility and getting things done with a straightforward and uncomplicated attitude. We call it The Unibake Way, and the values guide us in solving any challenge big or small.

We keep our promises
- To our customers, employees, owners, suppliers and the world around us.

We keep it simple
- Our attitude is uncomplicated and so are our solutions.

We are entrepreneurs
- With individual commitment and local initiatives we make new ideas come alive.

Our customers

In-store bakeries, service stations, restaurants, hotels, cafés, coffee shops, canteens, retail chains, catering and food service companies.

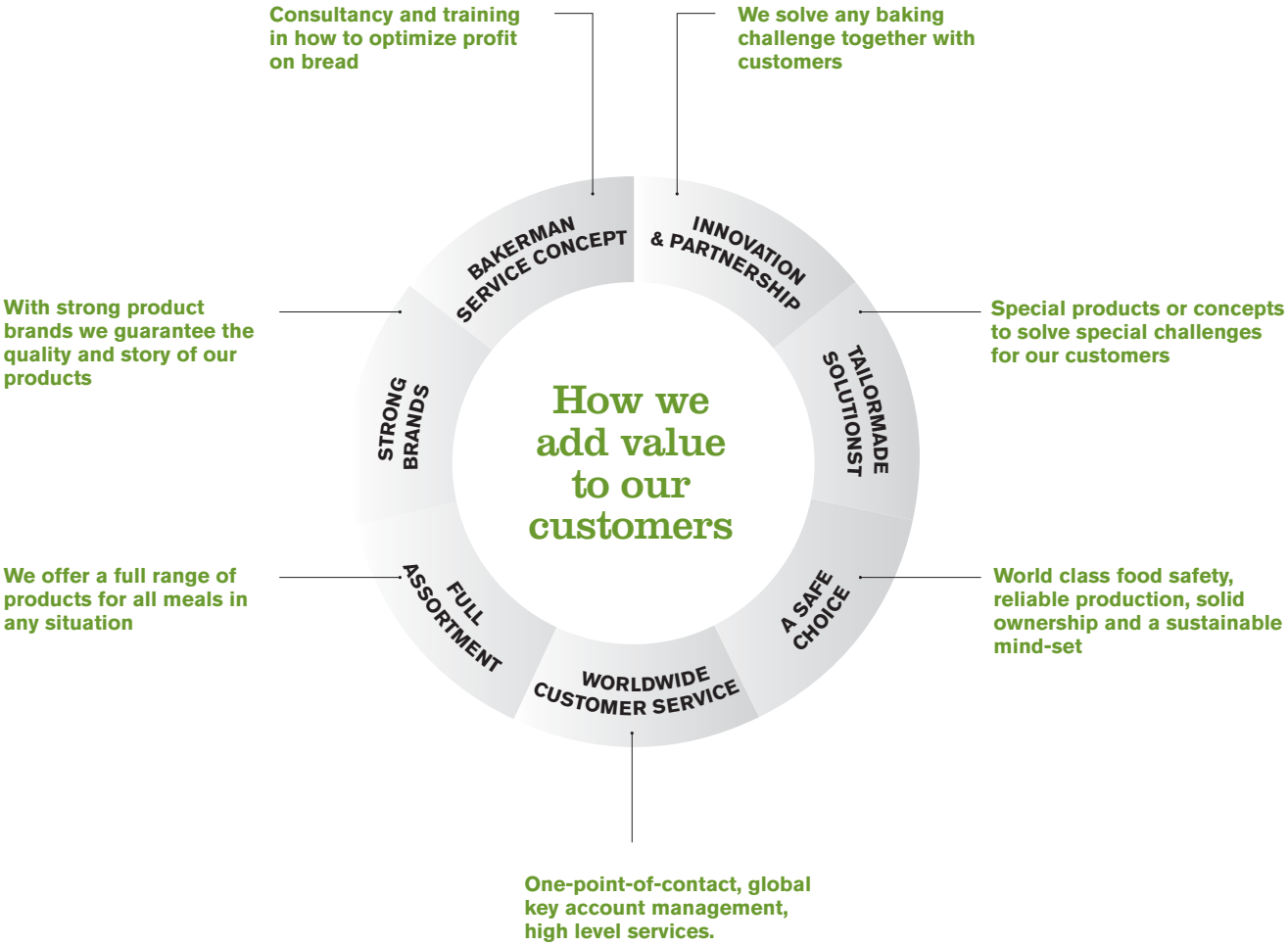
Our markets

International markets:
Leading position on frozen bread in several markets. The world's no. 2 in production of frozen bakery products.

Local markets:
Local market leader in frozen and fresh products. Strong niche positions.

Value adding services

Baking is, of course, our core expertise. We strive to add value to our customers, and for this we offer a number of services that make it easy to build just the right product and service combination. These are our services:



Our products & brands

Pastry

Croissants

Soft dough & cakes

Fast Food

Bread

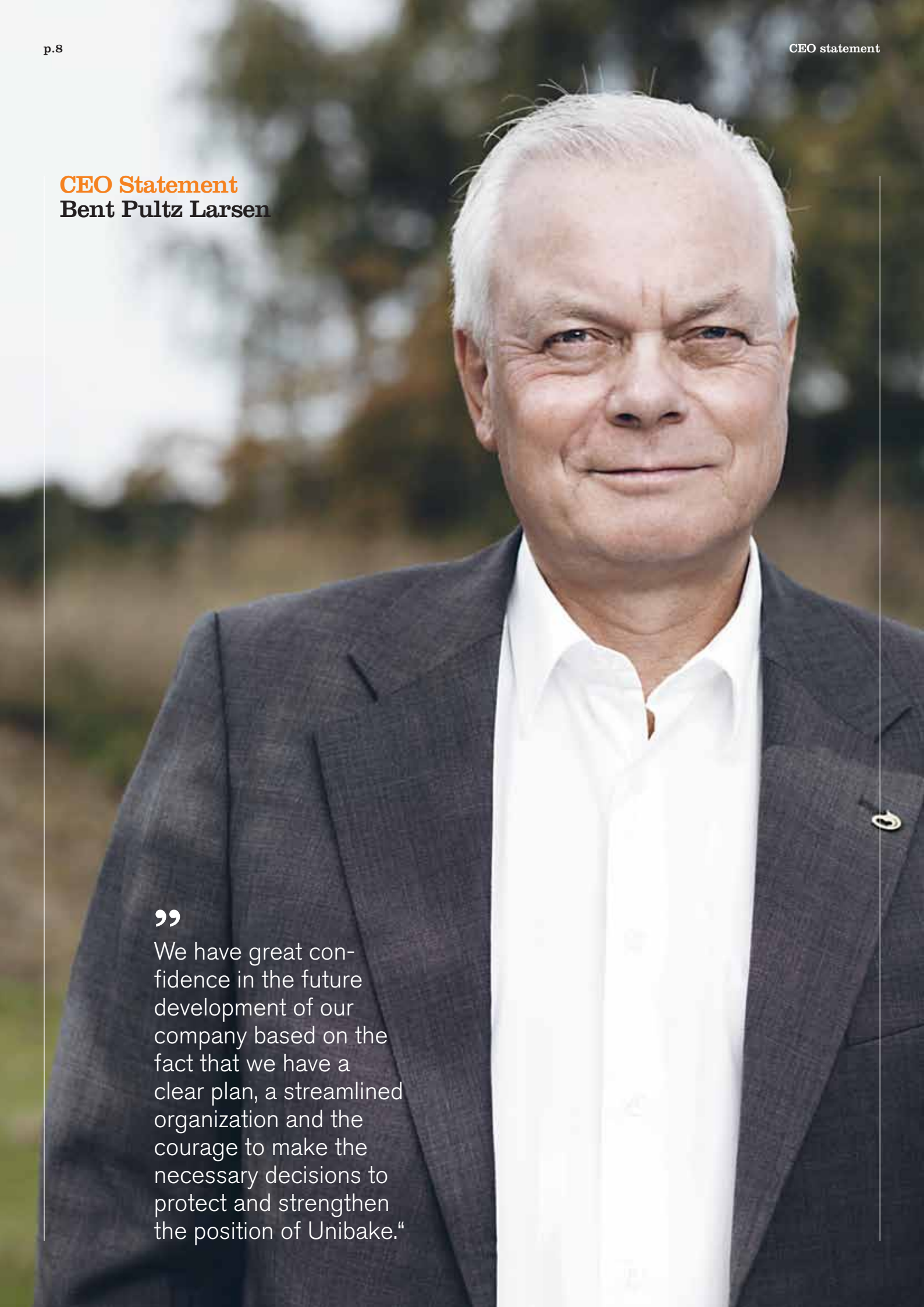
Savouries

Retail Frozen Bread

Retail Fresh Bread

We offer a full range of bakery products, and we are experts in tailor-made bread solutions for any purpose.

CEO Statement
Bent Pultz Larsen



"We have great confidence in the future development of our company based on the fact that we have a clear plan, a streamlined organization and the courage to make the necessary decisions to protect and strengthen the position of Unibake."

2009
A satisfactory year

2009 was an active year in Lantmännen Unibake characterized by changes and new priorities. By focusing 100 percent on the core business we have succeeded in achieving a satisfactory result despite the financial crisis, currency losses and changing consumer habits. The force and unpredictability of the crisis has brought us closer to customers and suppliers in an open and constructive dialogue. At the same time the uncertainty has united the employees in a joint effort to reach the common goal: to lead Lantmännen Unibake through the crisis as one of the winners in the bread business.

During 2009 we have consolidated the business and focused on integrating the acquired companies in the Unibake family. A clear strategy targeting Europe and North America, an ambitious cost cutting programme and open internal communication have all served to mobilize the entire organization to achieve the budget targets of 2009.

We expect to be able to continue the positive development in the year to come thanks to the strong ownership of the Lantmännen Group, a diversified customer portfolio and the aspiration to be trend-setting in an extremely competitive market. >

mEURO	2006	2007	2008	2009
Net Sales	**478,0**	**595,6**	**725,7**	**727,3**

Figrues for the total Lantmännen Unibake excluding Fresh Bread Sweden, which was sold off in 2008.

”

In 2009 we reacted quickly to the negative development in the global economy. We made an ambitious streamlining of our business to secure our position as a leading and competitive bakery group.“

>

Development of the value proposition

The focus on core business and profitability has impacted the product development strategy of Lantmännen Unibake. From long-term, visionary projects we have had to redefine the development strategy to focus more on short-term, tangible projects originating from ideas and requirements of the customers.

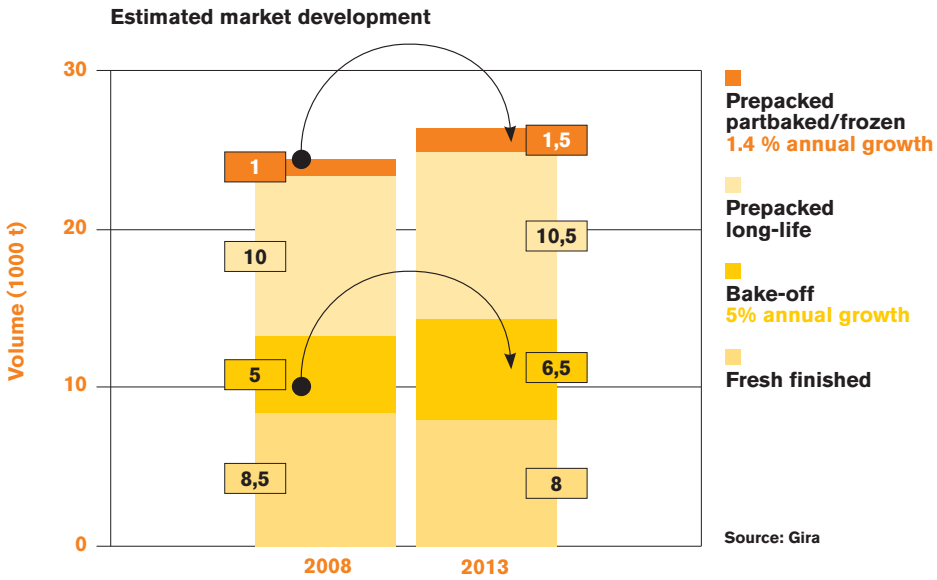
We have continued the roll-out of Bakerman as an important strategic effort to support the growth potential of bake-off in all markets. The Bakerman concept consists of consulting and training in bake-off, including modules in baking, assortment planning, sales promotion and financial optimization.

Our work in food safety has continued unabated. Fortunately, the crisis has not reduced the customers' requirements to food safety; on the contrary, the requirements are constantly growing. During 2009 we have strengthened and streamlined our food safety standards even more to remain at the forefront in this area.

Bake-off is the winner

As in most other industries the changing consumer habits have a strong impact on the bread business, and we see a clear trend towards discount and less luxury in all categories. On the other hand Lantmännen Unibake benefits from the growth in fast food resulting from the crisis as well as the steady progress of bake-off in most markets.

In close cooperation with partners within future studies, Lantmännen Unibake keeps track of the development in the world economy, world trade and consumer trends to be able to make the right decisions in a period of great uncertainty. One thing, however, seems to be certain - that there is no single response to the crisis for all countries and thus no "one-size-fits-all" strategy. >



WE MAKE IT EASY
for our customers
to serve a good moment.

”

The positive development in the UK continues and was further cemented when Lantmännen Unibake took majority control of Bakehouse in May 2009.

The next step is the building of a new super-bakery to make us a local producer of pastry.”

>

Supply chain development

Increasing efficiency and reducing costs have been recurring themes during the past year. To respond to the rapid changes in the world around us we have strengthened the corporate supply chain organization and the commercial organization to be able to streamline the overall planning to gain synergy and economy of scale across borders. As part of this development we have initiated a company-wide optimization of our capacity and structure, which has led to the closing of lines in Denmark and transfer of equipment and know-how to Germany, Finland and England.

Market development

The strategic focus on Europe and North America has resulted in changes to the set-up in Asia. After 10 years in Japan and 5 years in Korea we decided to sell off the Korean activities to the local management team and to sell part of the Japanese company to a major local frozen food distributor.

Sustainable bakery business

The implementation of the Lantmännen Code of Conduct runs according to plan, and the majority of the employees in Lantmännen Unibake have been introduced to the ethical principles through e-learning.

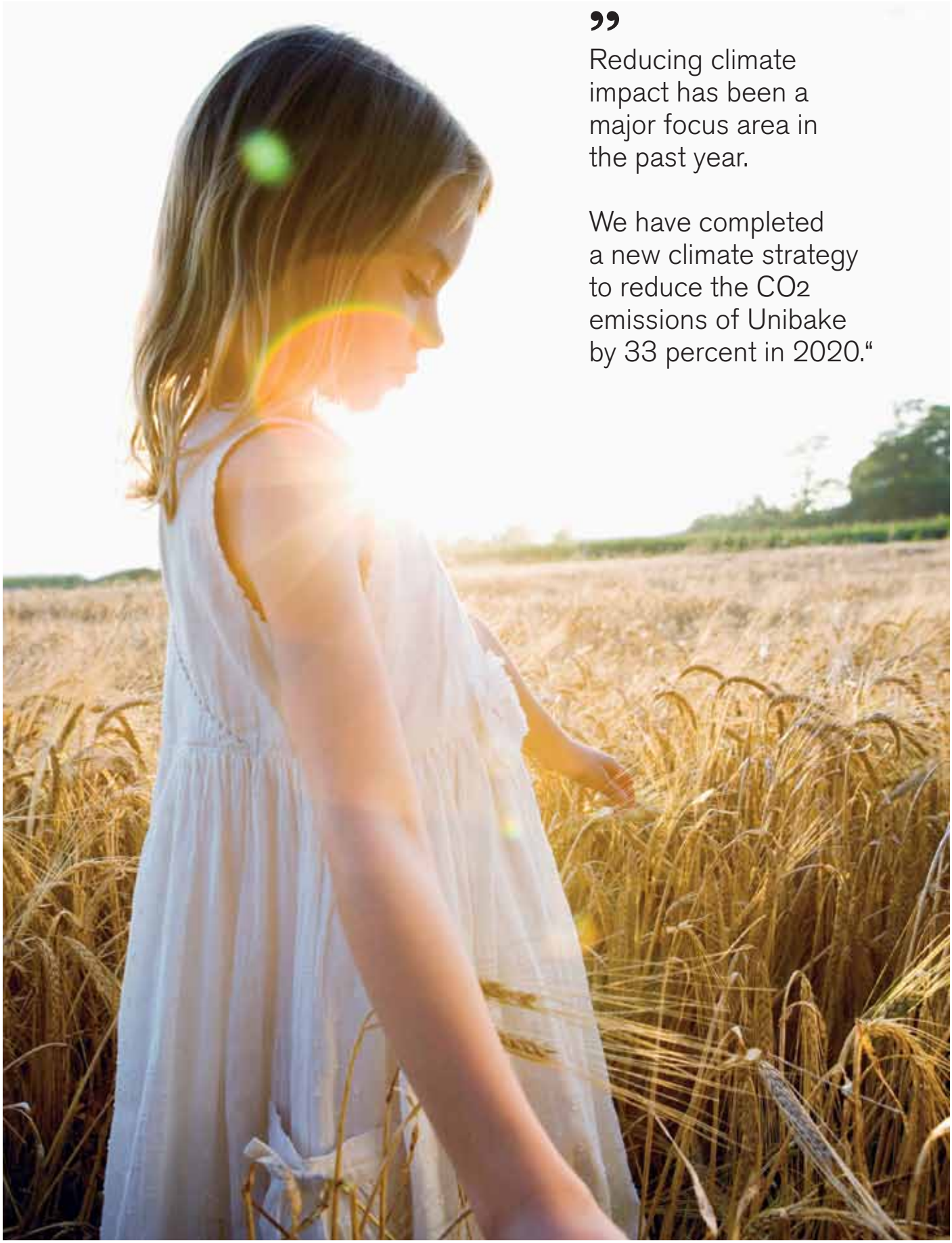
Reducing climate impact has been a major focus area in the past year. We have completed a new sustainability strategy with the overall goal to reduce the CO_2 emissions of Unibake by 33 percent in 2020. One of the first results of the new sustainability strategy has been the climate declaration of four products according to the International EPD standard (Environmental Product Declaration). We will continue to provide climate declarations for more products to get a better picture of the carbon footprint of different products and to discover the improvement potential.

Outlook for 2010

According to an old saying it is darkest before dawn. We hope this is true and follow the development in the world economy closely. No matter what we have great confidence in the future development of our company based on the fact that we have a clear plan, a streamlined organization and the courage to make the necessary decisions to protect the position of Unibake in a very competitive market.

Besides an unrelenting focus on profitability we will grow the top line by selling more products from the wide assortment in more markets and by increasing the targeted innovation processes at corporate level as well as locally.

Bent Pultz Larsen
CEO Lantmänne Unibake



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Reducing climate impact has been a major focus area in the past year.

We have completed a new climate strategy to reduce the CO_2 emissions of Unibake by 33 percent in 2020.“

Our customers & markets

Changing consumer trends

The financial crisis and the ensuing recession have resulted in changing consumer habits and new requirements from our customers. The consumers are increasingly acting as professional buyers, planning their shopping in detail, and making strategic choices. Consumers prefer the same high quality as ever, but wait to buy the products until they get a discount. Hard discount stores are sprouting everywhere, and down-trading to cheaper goods is also a significant trend.

Our B2B customers bear the brunt in the crisis-ridden market. International surveys show a decrease of 10 percent in 2009 in travelling in almost all markets, and the conversion into discount is a general trend in all sales channels. Customers are cutting down inventories, investing in efficient logistics solutions and reducing the number of suppliers. The long-term strategy and the ownership by the Lantmännen Group make Unibake an attractive cooperation partner for many large, international customers.

Market development

The market for bread is impacted by the recession. However, bake-off in particular is expected to grow in the future. Traditional fast food is stagnant at the moment but expected to grow when the Eastern European countries are back on their feet, and new fast-food products like sandwiches and savouries are also expected to grow.

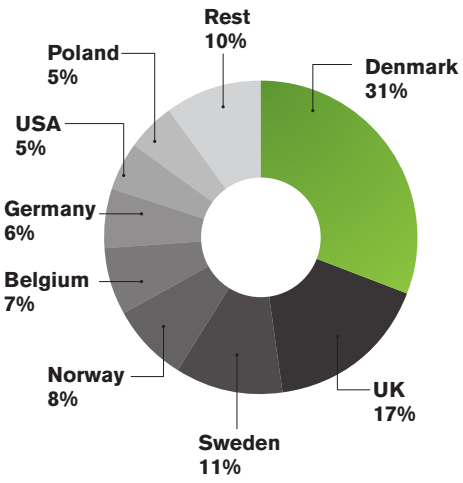
Despite the negative market trends we have succeeded in gaining market shares in 2009 in a number of markets. The positive development confirm our choice of strategy, level of quality, range of assortment and focus on customer relations.

In terms of markets we have changed the business strategy from global to a more narrow focus on Europe and North America. We have succeeded in strengthening the position in Scandinavia, especially in Norway where a number of customers of strategic importance have been added to the portfolio. The 2007 acquisition of a Finnish bakery has made the Scandinavian market coverage complete and built an important bridge to the Baltic States, even though the latter are hard hit by the financial crisis.

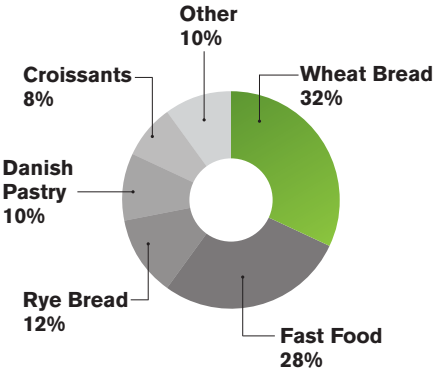
The most significant market development has taken place in the UK, where we are investing in new production capacity to serve the British market, which will then be our biggest. Germany has been somewhat impacted by the crisis, while Poland, Russia and Belgium have more or less defied the downturn. In the severely impacted Spanish market Lantmännen Unibake has been able to grow the turnover by more than 10 percent, and in the US the prospects look promising based on the successful acquisition of a Florida-based bakery in 2008.

Following the new geographical market focus we have decided to downplay the activities in Asia, which does not show the desired, short-term potential.

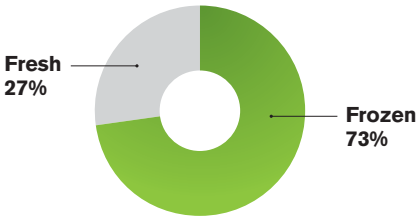
Sales distribution per country



Turnover per product category



Share of turnover in frozen/fresh business



Expanding the UK market

Søren Landtved
Division Director UK

"During 2008/09 Lantmännen Unibake invested heavily in the British market. We have acquired the super-bakery Eurobuns and the majority of shares in Bakehouse, the leading British in-store bakery supplier. Furthermore, we are in the process of building a brand new pastry bakery north of London.

The investments provide us with a complete set-up enabling fast supply of favourite products close to the customer and in local currency. For a number of years we have had a profitable export to the UK market. We have experienced the UK market as trendsetter and therefore extremely important to the international development of our business. With the full production set-up in place we will focus on exploiting our unique opportunities in the UK market", says Søren Landtved, UK Division Director.

The English market makes ud 17% of the total turnover of Lantmännen Unibake and is expected to be the biggest in the future.

Coffee break with Corporate Commercial Director Peter Hermes

Mission possible

”

Many customers have just started to unfold the potential in their bread business. There are so many possibilities, and I see an important strategic role for bakery products in the future.”

Peter Hermes is new Corporate Commercial Director in Lantmännen Unibake. He has been Division Director of Lantmännen Unibake Germany for 11 years, and his heart is in fulfilling even the wildest ideas for the customers. He is now leading Lantmännen Unibake's mission to become the most customer-focused bakery in the world.

How will you fulfill your mission?

I strongly believe in networking with the customers. One of my primary tasks is to motivate and guide our sales people so that the customers feel that Unibake is always close by and ready to take up any challenge that will help them develop the business. We have what nobody else has – and that is profound knowledge, committed people and unique services. Add to this that we are a truly global player in the bakery business, and we have what it takes to make the customers happy.

Our most important task is to enable the customers to develop their business and earn more money with bread solutions. Customization is the keyword and we have to provide tailor-made solutions, requiring specialist knowledge of product categories, sales channels, and customer types.

What does innovation mean to you?

Simply that we are able to solve even the most creative idea of any customer. I am proud of our track record that we solve challenges where others have given up before us. We do this by inviting the customers to join us in the bakery to develop the new products through a hands-on approach, touching, smelling, tasting and handling the new products until they are just right.

How will you make sure that the innovative spirit is present everywhere in the organization?

I believe in combining global knowledge and local skills. We take our starting point in the customers' strategies, requirements and trends in the market, all factors requiring local expertise. To this we add corporate experts who assist in creating the right solutions.

There is a large potential for knowledge sharing across borders, and all local innovation people meet regularly in our Corporate Innovation Forum to inspire each other and constantly raise the bar. In this way we make sure that all customers around the world benefit from the new knowledge and ideas.

What is so special about the Unibake products?

Everything, says Peter smiling. We make everything from scratch and put Unibake into every corner of it. It works. Try for yourself, says Peter and passes a tray of croissants across the table.

Trends we believe in

- **Clean label**
- **Health**
- **Nordic diet**
- **Convenience**
- **Organic food**
- **Climate-friendly food**

On-going R&D projects

- **PhD project to identify and describe the aroma of bread.**
- **Development of new grain types with high content of active fibres.**
- **Development of energy efficient rising as well as improved cooling and freezing processes.**
- **Research in the ovens of tomorrow.**

New focused innovation set-up

With new competence centers we combine innovation focus and specialized skills to develop the products of tomorrow. Each competence center represents a main category in our assortment and is responsible to bring it to the next level within both products and processes.

40.000 people have been trained in different aspects of the Bakerman concept during the last ten years.

The smell of succes

Bread is much more than just bread. If used strategically with a view to the wealth of opportunities in the product, bread can create growth and play a major role in the business of most customers.

Throughout 2009 we have worked intensively to create value-adding concepts, which will make it easy for customers to unfold the potential of the bread business.

For this purpose we have gathered all relevant competence in a business concept called Bakerman. In 2009 we have implemented Bakerman in a number of countries achieving remarkable results not least in Norway and Belgium. The concept is based on 10 years of experience with Bakerman in Denmark, where it was originally developed.

In 2010 we will carry out a segmentation of the Bakerman concept to match the business of different customers and channel types. So far we have built expert knowledge within service stations and in-store bakeries, and currently special task forces are preparing Bakerman for roll-out in other relevant segments.

With Bakerman we prepare a customized support package based on the customer's business strategy. The specific opportunities of the individual customer are integrated in a turn-key solution including aspects of logistics, product concepts, concept branding, shop fitting, sales and process optimization as well as fundamental baking skills.

Our Bakerman experts work closely with the customers to exploit the sensory perceptions created by the unique smell and alluring appearance of freshly baked bread. Experience shows that by focusing on sensory science and sense management we can optimize the sales potential and generate more traffic in the customer's outlet.

Bakerman facts

Bakerman typically leads to a 20 percent increase in bread sales.

It is based on practical and hands-on tools – easy to use.

It offers knowledge and tools to all levels in the organization from strategic sparring about the business opportunities to operational training in baking and serving moments of pleasure to the customers.

Mr. Bakerman shows the way
Mr. Bakerman alias Anders Frøberg teaches customers how to unfold the full potential in their bread business.

Boosting sales in Norway

The sale of food and drinks is of great importance to the service stations in Norway. In 2009 a major customer decided to optimize the bakery business by applying the Bakerman concept; within a short time the sale of some products had increased by almost 30 percent. Harald Alveid, sales manager for Lantmännen Unibake in Norway, tells the story about the amazing development:

”The first step was to visit all the service stations of the chain to map the potential of the bakery business. We developed a new concept for the layout of the shop so that customers are met by freshly baked, sweet-smelling bread as soon as they enter the shop.

We put together an assortment to match the customer segment and their needs during the day, and in close cooperation with the management we set up sales targets for each service station.

Right now we are carrying out an extensive training programme to teach the employees to bake and present the bread and pastry to look their best while at the same time optimizing the efficiency of the baking process”.

”

We will increase our focus on future talents at all levels of the organization.”

Johan De Prijck
Corporate HR Director.

People, knowledge & international cooperation

Streamlined organization

During 2009 Lantmännen Unibake has restructured the organization to make sure that the right team is in place to lead us through the recession and into the future. We have focused on the core business and structured the production and other business processes to take advantage of the international scope of the business. The restructuring has led to cut downs of 7 percent of all jobs to make sure that the organization is fit and competitive at all levels in all markets.

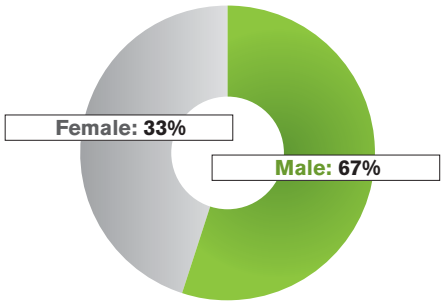
Specialization and networking

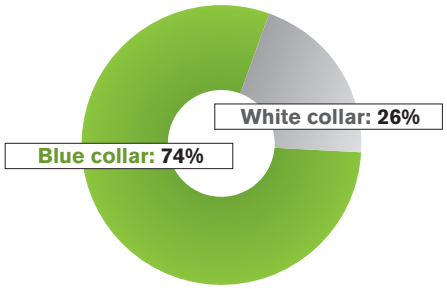
The strong international growth of Lantmännen Unibake during the last couple of years has taught us that close cooperation across borders will be a decisive factor for our future success. Gradually we have found the most efficient ways of cooperating in international projects and networks, where local competence can be exploited, developed and transferred to other business units. It is our experience that this business model yields room for local commitment, initiatives and creativity in close interaction with the customers.

We develop each other

Despite cut downs in our training budgets we have increased the competence level in the organization. New knowledge is created in strategic cross-country projects and the Lean projects encourages people to do even better in their daily work. We will further explore the potential of a "train the trainer" philosophy by coaching employees to share specialist knowledge and good ideas in networks and projects.

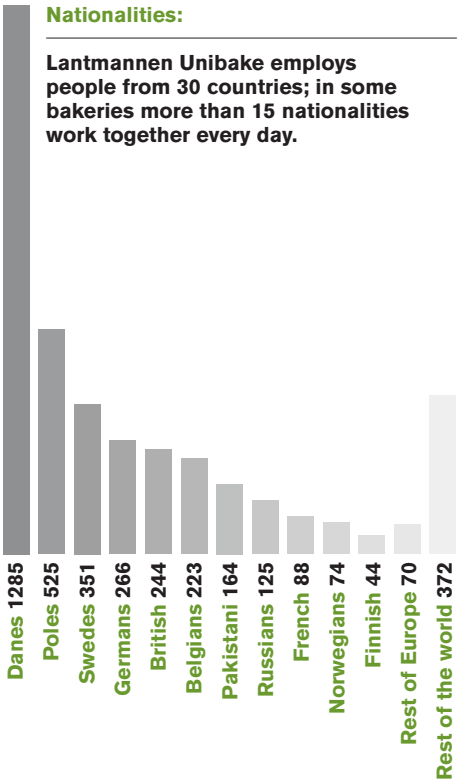
Number of employees: 3.780





Nationalities:

Lantmannen Unibake employs people from 30 countries; in some bakeries more than 15 nationalities work together every day.



Code of Conduct

We are gradually introducing the Group Code of Conduct in our company. In 2009 we completed the e-learning for white collar workers, while the introduction to operational staff is planned to be carried out during 2010.

Specialist forums within

HR, innovation, production technique, marketing, sales, IT, finance

Competence centres

Croissants, Fast food, Filled savouries, Topped savouries, Softdough, Baguettes and Bread

Our feel safe philosophy

Food safety

We never compromise on food safety. Our system is fine-tuned to meet the expectations from even the most demanding customers anywhere in the world.

Reliability

We work systematically to improve our supply chain in order to minimize our production costs and optimize our ability to deliver in any situation.

Product quality

All details in the production process influence the taste and customer experience of bread. We constantly optimize all stages and every little detail to ensure the best quality product.

Sustainability

We have an increasingly strong focus on sustainable practices. Together with the Lantmännen Group we develop sustainable solutions to reduce our impact on the climate and the environment.

We define our safety package in four dimensions that we constantly improve and develop.

Safety strategy for suppliers

Our new Supplier Code of Conduct defines our claims to the suppliers. We systematically register and carry out risk assessment at key suppliers, and high-risk suppliers will be audited and assisted to improve in critical areas. Suppliers failing to meet our requirements will be met with mandatory action plans for improvement.

”

We have intensified and aligned our safety standards even further to maintain the position as best in class on food safety and prepare ourselves for the increasing demands from our customers.”

Food safety at the highest level

Much can go wrong in a bakery, and therefore we defined food safety as a fundamental principle in Lantmännen Unibake many years ago.

Examples of new developments:

- **We operate according to Global Food Standard issue 5 (BRC) and furthermore our own even more demanding Food Safety Manual. All bakeries strive to have highest degree of BRC certification and we are almost there.**
- **Hygiene rules are tightened even further and working procedures are streamlined.**
- **We focus on the entire process in food safety. At the moment we work towards an even more safe way of handling raw materials by debagging and sifting everything when technically possible.**

Taking actions on climate

”Our efforts to reduce our climate impact are focused on activities with clear measurable improvements for both our business and the climate.”

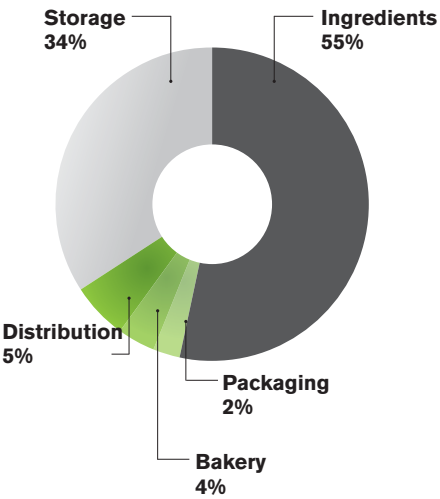
Gustaf Tynelius, Climate Manager
Lantmännen Unibake

Climate declared bakery products

As one of the first companies in the bakery business we decided to climate declare a selection of products in 2009. So far four of our bestsellers have been analyzed through the value chain and the output has been communicated to our customers.

The purpose is to get a platform to constantly improve our products, and to inform our customers about the climate impact of our products.

CO_2 emission from Maple Pecan



The green area is the direct impact from our production.

Results of climate declarations

Product	Total emission CO_2 equivalents per kilo products
Morning roll	1.1 kg
Vanilla Crown	1.5 kg
Maple Pecan	2.7 kg
French hotdog	1.3 kg

Streamlining the production

Lean production

As an on-going project a lean system is being implemented in our bakeries to help us increase efficiency and productivity. So far 9 bakeries have completed the program, and another 18 lean projects are planned for implementation.

We are encouraged to continue the lean projects by:

- **Increased motivation and commitment in the bakeries. The structured approach has led to reduced stress levels, lower absence and a better working environment.**
- **Reduced waste and production stops. Improved efficiency and cost structure.**

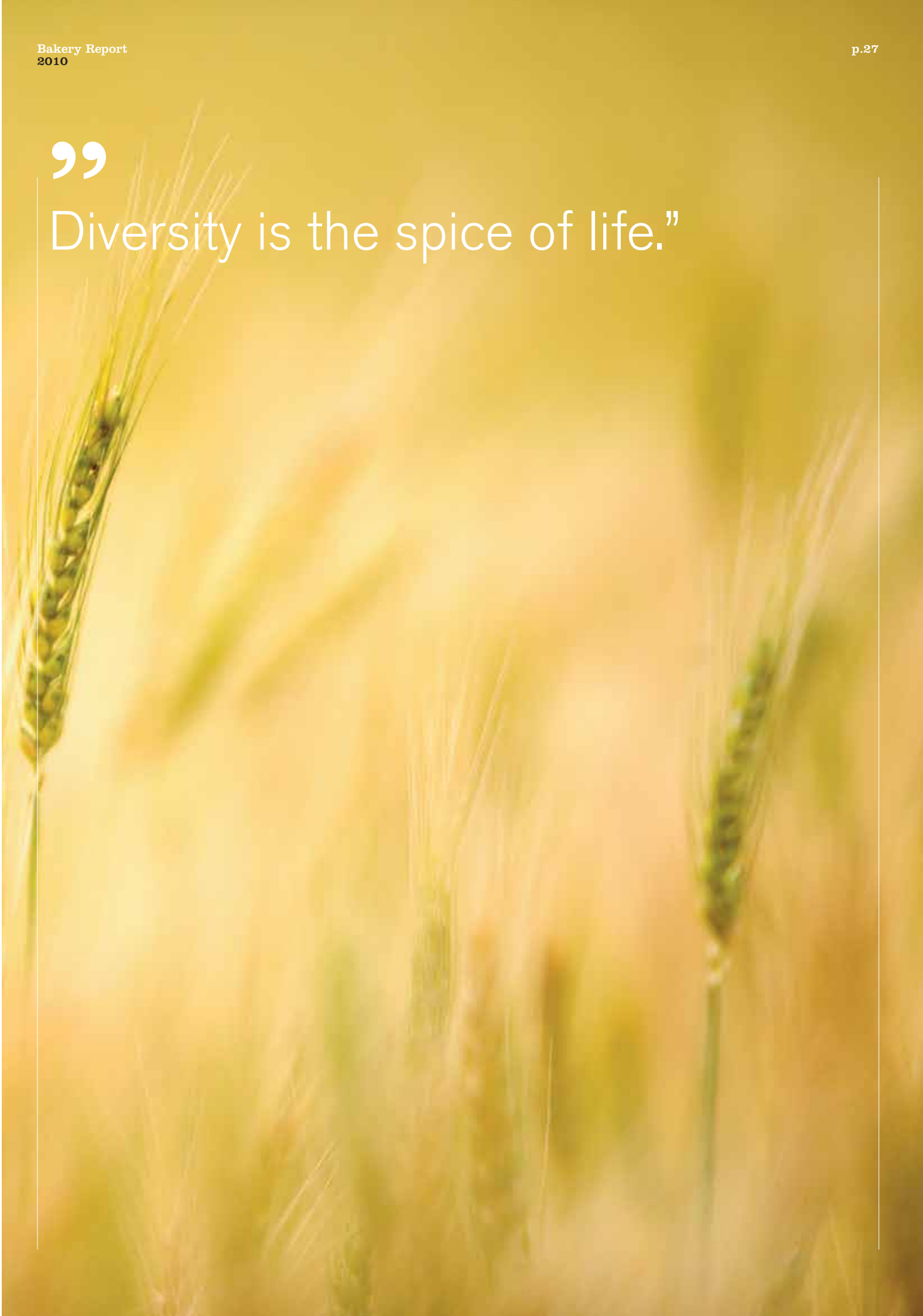
As a large-scale producer we continuously monitor our production to ensure a competitive platform. As one of the corner stones we are in the process of enlargning and further specializing plants. This means closing down outdated and inefficient bakeries and lines, and gathering technology, capacity and knowledge in super bakeries offering every production competence requested by the customers.

With this development we establish innovation and production competence centers in countries with particular expertise and facilities in different product categories.

Our bakeries and lines

	Frozen Bakeries	Fresh Bakeries	Frozen Lines	Fresh Lines
Belgium	3		12	
Denmark	6	3	24	10
Finland	1		1	
Germany	3		7	
Norway	1		2	
Poland	1	1	3	5
Russia	1		2	
Sweden	3		9	
UK	1		7	
USA	1		3	
Total	21	4	70	15

We invite you to take a closer look at our local business. Let's show you how we can bake pleasure for your customers.



”

Diversity is the spice of life.”

Baking
Pleasure°

Lantmännen
Unibake

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