

2009

SUSTAINABILITY
REPORT



The **SCHWAN**
FOOD COMPANY

SUSTAINABILITY STATEMENT



At The Schwan Food Company, we believe our success depends on balancing social, economic and environmental objectives. Schwan subsidiaries proactively seek out methods for balancing economic growth with the desire to conduct business as responsible stewards of the environment. Schwan subsidiaries continuously strive to improve in areas of efficiency and waste reduction, and act as good neighbors in communities in which they operate.

Our efforts will apply to all subsidiaries of The Schwan Food Company because we know that our sustainability efforts are essential to our future success. To continue our path toward sustainability and to provide economic value to shareholders, we will:

- Continue to research and implement methods for reducing the company's environmental impact.
- Continue to improve the health and safety attributes of our products, services and operations.
- Make further advancements in the general well-being of our employees and the communities that contribute to our success.





SUSTAINABILITY AT SCHWAN

2009 Summary Report

At The Schwan Food Company, we deliver quality to millions of people every day by giving them great-tasting, frozen foods that enrich their lives and make mealtimes easier.

Throughout our 57-year history, we have been focused on growth, developing respected brands like *Schwan's*®, *Red Baron*®, *Tony's*®, *Freschetta*®, *Big Daddy's*®, *Mrs. Smith's*® and *Edwards*® products. However, as we grow, we also take seriously our commitment of being socially and environmentally responsible.

One of our biggest achievements in this area has been in the use of alternative fuels. In the 1970s, our company began converting its fleet of *Inca Gold*® home-service vehicles so we could run them on liquefied propane gas. Today, about 90 percent of our home-service fleet runs on the alternative fuel.

In 2009, we continued our investment in programs that will reduce environmental impact and help us operate more efficiently. We have improved in areas of safety and wellness, and continued to encourage responsible corporate citizenship.

So, welcome to our "2009 Sustainability Report." In it, you will see the progress we have made in programs that affect areas such as energy usage, recycling, water usage and safety. You will see that we have recycled enough material as a company to save 122,570 mature trees and save more than 42,000 cubic yards of landfill airspace. We have become more efficient users of energy both on the road and in our manufacturing facilities. We have found ways to reduce our usage of packaging materials and implemented programs that reduced our water usage by millions of gallons every year.

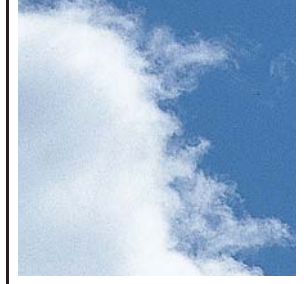
In 2010, we will continue to implement programs that will help us measure and reduce our environmental impact. Because of our efforts in 2009, we will be able to accurately measure the carbon footprint of our manufacturing facilities in 2010 and build plans that will lead to improvements.

At The Schwan Food Company, our mission is to be the best branded frozen-food company on the face of the earth, but we will always make strides toward this destination responsibly and with integrity.

Sincerely,

Gregory D. Flack
CEO, President and Chief Operating Officer

COMPANY PROFILE



The Schwan Food Company is a multibillion-dollar privately held company with approximately 18,000 subsidiary employees. Based out of Marshall, Minnesota, the company sells fine frozen foods on its propane-powered delivery trucks, in grocery-store freezers, online and in the food-service industry. The company produces, markets and distributes products developed under respected brands such as *Schwan's*®, *Red Baron*®, *Freschetta*®, *Tony's*®, *Mrs. Smith's*®, *Edwards*®, *Asian Sensations*®, *Larry's*® products and many others. Those brands are brought to customers through three primary marketing channels.

Schwan's Home Service, Inc.

Schwan's Home Service, Inc., the company's flagship business unit, is the largest direct-to-home food delivery provider in the United States. Home Service markets and distributes more than 350 products to millions of customers under the *Schwan's*® and *LiveSmart*™ brands. Products include pizza, choice meats, seafood, desserts, and of course, the company's signature ice cream. The business has nearly 500 sales-and-distribution centers located throughout the nation with approximately 5,000 propane-powered, home-delivery vehicles and thousands of customer service managers. For more information, visit Schwans.com or call 1-888-SCHWANS.



Schwan's Home Service also owns and operates Bi-Phase Technologies, LLC. Bi-Phase Technologies designs and builds conversion systems that convert a standard gasoline-burning engine into one that can burn liquid propane fuel.

Schwan's Consumer Brands North America, Inc.

Schwan's Consumer Brands North America, Inc. markets and sells fine frozen foods in grocery stores throughout North America. Schwan's Consumer Brands markets leading brands that include *Red Baron*®, *Tony's*® and *Freschetta*® pizza, *Mrs. Smith's*® and *Edwards*® desserts, *Asian Sensations*® specialties and *Larry's*® potatoes. These brands have helped make The Schwan Food Company a leader in the frozen-food aisles of retail stores throughout North America.



Schwan's Food Service, Inc.

Schwan's Food Service, Inc. markets value-added frozen food products to public and private schools, universities, health care facilities, convenience stores and chain restaurants. Well-established product lines include pizza, Asian-style foods, sushi, desserts and sandwiches. With strong brands like *Freschetta*®, *Holiday Foods*™, *Tony's*®, *Mrs. Smith's*®, *Rising Sun*™, *Minh*® and *Big Daddy's*® products, Schwan's Food Service is taking the lead in providing product innovation to operators who value quality and service.



COMPANY FACTS

Founded: March 18, 1952

Headquarters: Marshall, Minnesota

Total revenue: Excess of \$3 billion

Popular brands: *Schwan's*®, *Red Baron*®, *Freschetta*®, *Tony's*®, *Mrs. Smith's*®, *Edwards*® and *Big Daddy's*®

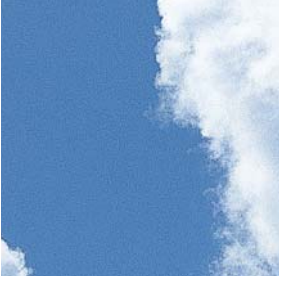
Web address: www.theschwanfoodcompany.com

Employees: 18,000

Total facilities: approx. 600

Total fleet: approx. 6,000

Manufacturing facilities: 12 facilities in the United States



OUR MISSION, VISION, VALUES

OUR VISION

"My vision for our future is a strong, solid, well-managed, fast-growing, exciting, innovative company with high business ethics and an excellent reputation — a company that offers great opportunities, a place where people like to work."

~ Marvin Schwan, founder

OUR MISSION

To enrich the quality of lives through being the best branded frozen-food company on the face of the earth.

OUR VALUES

The Schwan Food Company's values define what it stands for, identifying the essential and enduring beliefs of the employees of its subsidiaries. Our values remain unaffected by the current environment, competitive requirements or the latest management and business theories, and hold us to high standards when tough decisions must be made.

Growth

We believe individual growth and company growth provide endless opportunities for the future. We embrace change and celebrate our success.

Hard Work

We use both intelligence and extraordinary effort to ensure we produce value that is consistent with our mission.

Helping One Another

We are dependent on one another for success. Through teamwork and open dialogue, we achieve a shared vision.

Enthusiasm

We have the passion and desire for success and the drive and determination to accomplish our goals regardless of circumstance.

Integrity

We do what is right regardless of the cost or consequences.



ENVIRONMENT AND ECONOMICS

At the The Schwan Food Company, we are conscious of the impact business can have on the environment, and we continuously work to reduce our own impact on the world as we strive to grow as a company and enrich the lives of our customers, our employees and stakeholders.

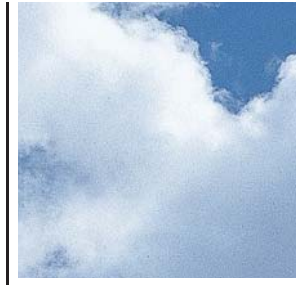
As a part of our efforts in 2009, employees focused on finding ways to reduce the company's impact on the environment in five key areas: on the road, waste management, reducing the amount of packaging we use and becoming more efficient with our use of water.

ON THE ROAD

Overall, the businesses of The Schwan Food Company operate one of the larger privately owned delivery fleets in the United States, with approximately 6,000 delivery vehicles and more than 50 long-haul trucks. Schwan's Home Service, Inc. alone operates more than 5,000 delivery trucks every day, but it also has a long history of running its fleet on liquefied propane gas. The use of propane to run more than 90 percent of Schwan's Home Service's fleet has economical and environmental benefits. Propane emits less carbon monoxide and hydrocarbons than traditional fossil fuels, and engines that run on propane are also cleaner and last longer.

In 2009, Schwan's Home Service continued to focus on ways to increase its efficiency on the road and reduce its oil usage. The business began investing in more efficient trucks to serve its customers. The new trucks are about 6,000 pounds lighter, delivering a 62.5 percent improvement in fuel economy measured in miles per gallon. The new, lighter trucks are being phased in as the older trucks reach the end of their service.

Schwan's Home Service also rolled out the use of synthetic oil in all of its trucks nationwide, allowing the company to reduce oil changes to once a year. The change is projected to save 36,000 gallons of oil annually, reduce the use of oil filters by more than 16,000 every year, and reduce the annual disposal of plastic oil containers by more than 150,000.





ENVIRONMENT AND ECONOMICS

Schwan's Consumer Brands North America, Inc., which focuses on providing branded frozen foods to retail stores, also invested in becoming more efficient on the road. This fall the business announced it would increase route capabilities and reduce emissions on delivery trucks by ordering new refrigeration systems. The state-of-the-art LEEP Freeze system eliminates the need for a separate diesel engine to run refrigeration. The system is projected to cut refrigerated fuel consumption by 90 percent and save the company about \$3 million annually. The systems were installed on about 40 percent of the Schwan's Consumer Brands fleet in 2009. The rest of the fleet will be upgraded in coming years.

Logistics teams in Salina, Kansas, used innovation and technology to improve their on-the-road efficiency. Through the use of a device called the "iButton," team members found a new way to collect temperature data. With that data, they discovered the company could raise the temperature of its refrigeration trucks by about 10 degrees, saving about 8,600 gallons of fuel annually on refrigeration trailers. Members of the team in Salina received an award from the Kansas Department of Health and Environment for their pollution-prevention efforts.

CONSERVATION THROUGH RECYCLING

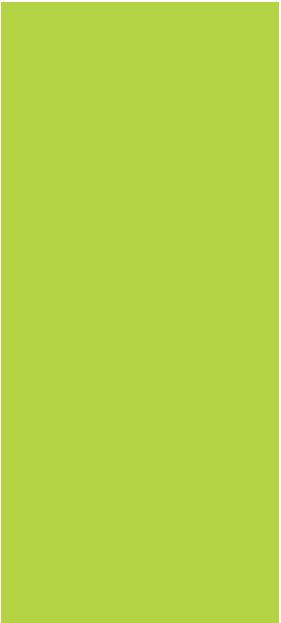
The Schwan Food Company's subsidiaries have had recycling programs in place for years, but in 2009 the company partnered with an outside firm to help collect and measure the amount of materials that are recycled every year. Overall, recycling helps conserve energy, preserves natural resources and emits less carbon-dioxide because less energy is required to manufacture products that are made from recycled materials.

In 2009, the company as a whole recycled 10,214 tons of cardboard, 1,022 tons of plastic and aluminum, and 114 tons of glass.

*To help put those figures into perspective, recycling that much material is the equivalent of:

- Saving 21,592 tons of green-house gas emissions.
- Saving 51,953,070 kilowatt hours of electricity, enough to fulfill the needs of 51,953 homes for a month.
- Saving 24,586 barrels of oil, enough energy to heat and cool 61,368 homes per month.
- Saving 122,570 mature trees, which represents enough saved timber resources to produce more than 1.5 billion sheets of newspaper.
- Saving 71,449,190 gallons of water, or enough fresh water to meet the daily needs of 953,322 people.
- Saving more than 42,000 cubic yards of landfill airspace, which would meet the needs of 657,096 people for one month.

**See bottom of page 9 for source information.*



ENVIRONMENT AND ECONOMICS

PACKAGING OUR PRODUCTS WITH LESS MATERIAL

Packaging can have a big impact on the environment, but food companies must use packaging to deliver their products. At The Schwan Food Company, we are striving to use less packaging material, but at the same time, continue to protect quality.

Some of the success stories we have had in reducing the amount of packaging we use include:

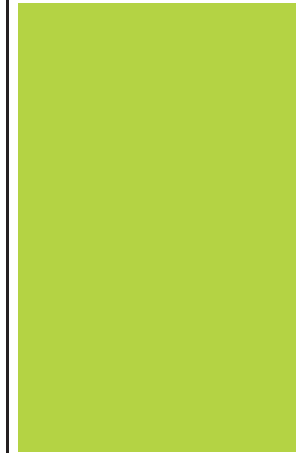
- At our pizza plant in Florence, Kentucky, we reduced our incoming pizza-carton cases by 1 inch and saved an estimated 7,440 pounds of corrugate material annually.
- At our pizza plant in Salina, Kansas, a new gluing process has reduced glue usage by 89,000 pounds. This reduction saves 282 barrels of oil and 2,115,000 gallons of water (more than three Olympic-sized pools) used in the production of hot melt adhesives
- We also reduced our *Red Baron*® Classic Pizza carton in size and board caliper. The overall footprint of the carton was reduced by 5/16 of an inch and the riser panel was reduced by 1/8 inch. At the same time, we reduced the board caliper from 18-point to 16-point solid unbleached sulfate paper. This carton size change also reduced the overall master-case size and saved material as well. The total change saved an estimated 309,091 pounds of material from the landfills. This savings equates to 2,627 trees saved annually.

These packaging reduction projects are part of the overall corporate responsibility strategy and goals set by The Schwan Food Company. The company has set a goal for 2010 to save another 500,000 pounds of packaging materials.

SAVING ENERGY, REDUCING COSTS

In 2009, the company completed work to measure and significantly reduce energy usage in its 12 manufacturing facilities. To help in this process, the company conducted energy audits and formed energy teams at every one of its manufacturing facilities and major distribution centers in the United States.

These teams showed significant results in a short amount of time. Manufacturing and logistics teams completed 76 energy-related projects in 2009 that saved the company \$3.6 million a year. Overall efforts resulted in a reduction of 12,036 metric tons of carbon-dioxide, 9.5 million kilowatts of electricity and nearly 3.6 million therms of gas.





ENVIRONMENT AND ECONOMICS



Each of the plants and distribution centers made significant contributions to the energy-reduction effort. A few of the more significant accomplishments include:

- Energy reduction and conservation efforts in the pizza plant at Salina, Kansas, that resulted in the completion of projects with annual savings of more \$1 million.
- In Florence, Kentucky, the energy team completed \$700,000 worth of savings projects with a focus on reducing refrigeration-related costs by more than \$400,000.
- The Houston area production facilities obtained annual energy cost savings of more than \$700,000 this year.

The company also completed work in 2009 that will allow it to begin an accurate measurement of its carbon footprint. The data is expected to be available in 2010. The goal for 2010 is to reduce energy usage by 7 percent.

WATCHING OUR WATER

The Schwan Food Company continues efforts to reduce its water usage. Overall the company implemented projects in 2009 that saved 45 million gallons of water annually. At the pizza plant in Salina, Kansas, employees found a way to reduce water usage by nearly 35 million gallons annually, saving the plant about \$465,000 a year. The facility received a pollution-prevention award from the Kansas Department of Health and Environment for its efforts.

**Sources for recycling information*

1. Source of benefits per ton of scrap metal recycled: Institute of Scrap Recycling Industries, Swiss Federal Office of Environment, Waste Management.

2. Source of benefits per ton of cardboard and paper recycled: National Recycling Coalition; U.S. Environmental Protection Agency; U.S. Forest Products Lab;

Bringrecycling.org; One Earth Recycle.com.

3. Source of benefits per ton of aluminum recycled: International Aluminum Institute.

4. Source of benefits per ton of plastic recycled: NAPCOR (National Association for PET Container Resources.)

5. Source of benefits per ton of glass recycled: Earth Works Group Recycler's Handbook, Waste Management.

6. Source of benefits per ton of pallets recycled: Gaylord Corporation, Waste Management.

7. Source of benefits per ton of waste managed at waste-to-energy facility: Wheelabrator Technologies, Inc., Waste Management.

8. Source of benefits per ton of waste composted: Waste Management.

ENRICHING LIVES

EMPLOYEE INITIATIVES

The Schwan Food Company and its subsidiaries are committed to promoting the well-being of its employees. In 2009, employees focused on programs designed to enhance safety, promote diversity and encourage health and wellness.

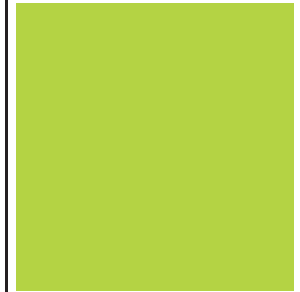
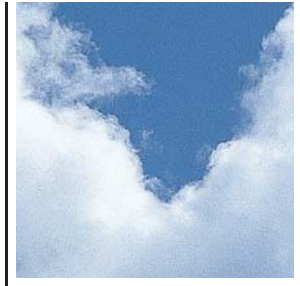
SAFE AT SCHWAN

Employees with subsidiaries of The Schwan Food Company showed success in the execution of safety programs. Manufacturing and logistics employees in the United States achieved a 29% reduction in total workers' compensation claims in 2009. This positive improvement in safety is partly because of employee engagement efforts and the implementation of programs like the Safety Training Observation Program (STOP). STOP ensures that workers know how to identify both safe and potentially hazardous working conditions.

Because of the focus on safety by employees, many facilities reached monumental safety milestones. Employees at the pizza production facility in Florence, Kentucky, exceeded 1 million hours without a lost-time accident and the pizza production facility in Salina, Kansas, went beyond 2 million hours. In the summer of 2009, employees at the ice cream plant in Marshall, Minnesota, celebrated working two straight years without a lost-time accident and the nearby Convenience and Specialty Foods Plant, along with two plants in the Houston, Texas area, celebrated one full year without a lost-time accident.



Additionally, the Minnesota Safety Council recognized three facilities in Marshall, Minnesota, for excellence in workplace safety and health by awarding them with the Governor's Safety Award. Those facilities include a beverage plant, a dry storage facility and an employee store. Since 1934, the Governor's Safety Award in Minnesota has spotlighted employers with excellent safety records. Schwan facilities have received the award eight times since 1988.





ENRICHING LIVES



DIVERSITY

Schwan subsidiaries are committed to supporting and encouraging diversity in the workplace. Our goal is to provide an environment where every employee has an opportunity to reach their highest potential.

Diversity awareness and appreciation plays a critical role in attracting, developing and retaining employees at all levels of the company and helps to better serve our customers, business colleagues and suppliers. In 2009, the company's Human Resources Department launched a new diversity initiative under the slogan "Our People & Our Products."

The initiative includes the creation of diversity networks. Two of our diversity networks include the Schwan's Women's Network and Schwan's Young Professionals Network.

The Women's Network's mission is to help attract, develop and retain successful women to enhance the performance of The Schwan Food Company. The Young Professionals Network's mission is to enrich the lives of young professionals by providing opportunities to achieve personal and professional success with the company.



OUR PRODUCTS

The Schwan Food Company announced early in 2009 its participation in the United States Department of Agriculture's "MyPyramid: Corporate Challenge." The goal of the USDA's initiative is to provide U.S. families with information to make the right choices based on the 2005 Dietary Guidelines for Americans.

As a part of the program, Schwan launched a "Right Choices Today, Wellness for Life" effort. The partnership has touched every part of the company, whether it's with food served in schools, frozen-food products delivered directly to the homes of millions of Americans, or products found in grocery store freezers.

The company also launched a "MyPyramid for Kids" section on the Tony's® pizza Web site at www.tonys.com. The site provides a link to the USDA Web site, giving moms and kids useful information about eating right, getting enough exercise and having fun.

ENRICHING LIVES

A focus on health is particularly important to Schwan's Food Service, Inc., a leading supplier of pizza to 30 million children that eat school lunches every day. Schwan's Food Service has a long history of providing foods that meet and exceed school nutrition standards. Schwan's Food Service continues to invest and innovate in the areas of adding whole grains and reducing sodium in *Big Daddy's*® and *Tony's*® *SmartPizza*® products.

LIVING A HEALTHY LIFESTYLE

Schwan's Home Service, Inc. launched the *LiveSmart*™ brand in 2005 as a way to help consumers identify products that meet nutrition guidelines. *LiveSmart* products are moderate in fat, saturated fat and sodium, have fewer calories and zero grams of trans fat. The product line has grown significantly, with about 120 *LiveSmart* products currently offered by the business's customer service managers.



In 2009, the makers of *LiveSmart* products made available to customers a program that focuses on a heart healthy lifestyle. The program offered tips and information along with a two-week "Heart Health Meal Plan." In 2010, Schwan's Home Service will expand its health communication by creating meal solutions to help consumers who are managing diabetes.

The Diabetesfriendly logo features a blue house icon with a white cross inside, followed by the text "Diabetesfriendly". The Heartbeath logo features a red heart icon with a white cross inside, followed by the text "Heartbeath".
A plate of food including green peas, white rice, and a piece of salmon.
A plate of food including a baked potato, broccoli, and a piece of meat.
A screenshot of the LiveSmart website showing a "Diabetes Friendly Meal Plans" section. The page includes a navigation menu, a search bar, and a main content area with a "MEAL PLAN MENUS" section. The website is displayed in a browser window with the URL "http://www.livesmart.com".

ENRICHING LIVES

At The Schwan Food Company, we believe in integrity, helping one another and striving to improve the quality of life of subsidiary employees and the communities where they live and work. Here are a few of our efforts in 2009:

- Since 2000, the company and its employees have donated more than \$2.2 million to local chapters of the United Way.
- Schwan's Food Service, Inc., in partnership with the Global Child Nutrition Foundation raised awareness and funding for sustainable school meal programs in developing countries. Food Service made an initial donation of \$500,000 to the cause and raised another \$200,000 through special promotions. Schwan's Food Service created a marketing campaign called "Change Our World" to help address the subject of global hunger with K-12 children. This campaign also included a "Rock Our World" initiative, which featured a contest for school students to write and perform a song about global hunger.
- The Schwan Food Company continues to support education-based groups such as Students in Free Enterprise and scholarship programs at Southwest Minnesota State University.
- In Marshall, Minnesota, employees have donated more than \$600,000 since 1999 to local charities through its Jean Day program. The Jean Day program allows employees to wear jeans if they donate a dollar to a local charity.
- Through its *Schwan's Fundraising*® program, Schwan's Home Service, Inc. has partnered with charities throughout the United States to help raise funds. Some of the major partnerships include:
 - Working with Clint Black to raise money for International Rett Syndrome Foundation in Home Service's South Region.
 - Worked with the Lupus Foundation of America this summer to raise funds.
 - Conducted more than 200 sales events in Texas to help raise money for Susan G. Komen Foundation. A percentage of the proceeds raised went to breast cancer research.



FUNDRAISING



ENRICHING LIVES




- The pizza plant in Florence, Kentucky, has an ongoing relationship with Ockerman Middle School. Most recently the plant sponsored a Student of the Month program at the school. They also partnered to collect peanut butter and jelly for a local charity. They also partnered in a Relay for Life event and raised more than \$6,370 for cancer research.
- The Schwan Food Company sponsors the Schwan's USA CUP soccer tournament, the largest youth soccer tournament in the western hemisphere. About 13,000 athletes from 840 teams participate in the event.
- Schwan's Home Service donated more than 5,000 ice cream novelties to the Minnesota Special Olympics event this year.
- Employees at the dessert plant in Stilwell, Oklahoma, donated their time to participate in Adair County Relay for Life event, raising more than \$4,000 for cancer research. The plant also was presented this summer with a Certificate of Commendation for Exemplary Community Service for its assistance during an ice storm in January and February. The ice storm knocked out power in the Stilwell area leaving some residents without power for 12 days. The plant donated food, water and pies to electric company workers and to the Red Cross shelter set up in Stilwell.
- Schwan's Home Service partnered with racing legend Jeff Gordon to raise money to fight pediatric cancer. The partnership included ice cream sold in a Jeff Gordon ice cream tin.
- The Houston-area facilities partnered with Richey Elementary School, supporting the school in raising money and volunteering in the Reading Program.
- The Stilwell, Oklahoma, plant exceeded their blood drive goals, collecting blood from 31 donors.



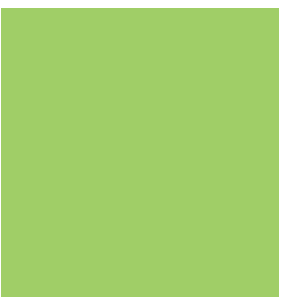


AWARDS AND RECOGNITIONS



Each year, subsidiaries of The Schwan Food Company are recognized for their products, services and programs. In 2009, the company received the following recognitions:

- *Big Daddy's*® pizza was named the “Best New Innovative Product” of the year in January at the Texas Association for School Nutrition. The product was voted on by food-service directors and industry representatives.
- Employees from the company's bakery teams won six blue ribbons at the National Pie Championships in Celebration, Florida. The six first-place blue ribbons were in the gourmet-pie and single-serve categories of the commercial division. Both the *Mrs. Smith's*® and *Edwards*® brands received awards
- The Minnesota Safety Council awarded three Marshall, Minnesota, facilities — the Beverage Plant, Dry Storage Warehouse and Employee Store — a Governor's Safety Award for excellence in workplace safety and health.
- The pizza plant in Salina, Kansas, received two awards from the Kansas Department of Health and Environment for its pollution-prevention efforts. One award was for reducing its use of water and the other was for finding ways to reduce air emissions and fuel consumption on its refrigerated trucks.
- Gov. Mark Parkinson, of Kansas, presented the company's pizza plant in Salina, Kansas, with a KSafe award for safety excellence. The award is given to employers that exceed 1 million working hours without a lost-time accident. The plant in Salina had achieved more than 2 million hours.
- The company's Convenience and Specialty Foods Plant in Marshall, Minnesota, became the first to win The Schwan Food Company's Award for Energy and Sustainability Excellence. The new internal recognition program is designed to encourage a focus on energy reduction.
- The *Freschetta*® and *Red Baron*® brands make the best frozen pepperoni pizza, according to *Good Housekeeping* magazine. The Good Housekeeping Research Institute conducted a taste test of 14 national brands of frozen vegetable and pepperoni pizzas.
- The Schwan Food Company was named the 2009 Business of the Year by the Marshall, Minnesota, Chamber of Commerce. The company received the award for its community involvement.
- *Mrs. Smith's*® Dutch Apple and Deep Dish Apple Crumb Pies were touted as “Great Everyday Products” within the frozen-dessert category in the May 2009 issue of *Consumer Reports*.
- The team in Stilwell, Oklahoma, was presented with a Certificate of Commendation for Exemplary Community Service for its assistance during an ice storm in January and February.
- Schwan's Home Service, Inc. was awarded a \$500,000 Department of Energy grant to convert food-delivery truck engines to run on propane.





The **SCHWAN**
FOOD COMPANY



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