

***Case No COMP/M.5020 -
LESAFFRE / GBI UK***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERCER PROCEDURE**

**ARTICLE 6(1)(b) DECISION
IN CONJUNCTION WITH 6(2)
NON-OPPOSITION**

Date: 11/07/2008

***In electronic form on the EUR-Lex website under document
number 32008M5020***



Brussels, 11/07/2008

SG-Greffe (2008) D/204473
C(2008)3688

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION IN
CONJUNCTION WITH 6(2)

To the notifying party:

**Subject : Case No COMP/M.5020 – Lesaffre/ GBI UK
Notification of 23.05.2008 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 23 May 2008, the Commission received a notification of a concentration pursuant to Article 4 and following a referral pursuant to Article 22 of Council Regulation (EC) No 139/2004 by which the undertaking Compagnie des Levures Lesaffre SA ("Lesaffre", France) acquired, within the meaning of Article 3(1)(b) of the Council Regulation, sole control of the undertakings GB Ingredients Ltd ("GBI", United Kingdom) and BFP Wholesale Ltd ("BFP", United Kingdom), together GBI UK, by way of purchase of shares.
2. The Commission's competence in this case is based on the referral request of 17 December 2007 submitted by the Office of Fair Trading of the United Kingdom pursuant to Article 22(1) of the EC Merger regulation. The Commission accepted the request by a decision of 4 February 2008 and on 11 February 2008 informed Lesaffre that it had decided pursuant to Article 22(3) to examine its acquisition of GBI UK.

I. THE PARTIES AND THE OPERATION

3. **Lesaffre** is a privately-owned family company which focuses on three main business areas: yeast, yeast extracts and bakery ingredients. Lesaffre has manufacturing facilities in 26 countries, including France and Belgium. Lesaffre currently supplies the UK market from its production plant [...] supported by a UK-based sales force.

¹ OJ L 24, 29.1.2004 p. 1.

4. **GBI UK** consists of a yeast manufacturing business (GBI) and a distribution business (BFP). Prior to its acquisition by Lesaffre, GBI UK was controlled by GBI Holding International, ultimately controlled by Gilde, a Dutch private equity investor.
5. Pursuant to the share and purchase agreement concluded on 19 October 2007, Lesaffre has acquired all the shares of GBI UK. The transaction has been completed on the same day. The present transaction is part of a broader acquisition project whereby Lesaffre acquired other Gilde yeast operations located in South America². However, the business acquired within the framework of the present transaction only concerns Gilde's activities in manufacturing of yeast and wholesale distribution of yeast and food ingredients in the UK.
6. Through this operation, Lesaffre acquired sole control of GBI UK by way of purchase of shares and thus the present transaction constitutes a concentration within the meaning of Article 3(1)(b) of Merger Regulation.

II. COMMUNITY DIMENSION

7. The transaction does not have a Community dimension within the meaning of Article 1(2) of Merger Regulation. The parties do not have a combined aggregate worldwide turnover in excess of €5,000 million and the aggregate Community-wide turnover of one of the parties is below € 250 million. Neither does the transaction meet the thresholds of Article 1(3) of Merger Regulation. The Commission's competence to review the present transaction is based on Article 22 of the Merger Regulation.

III. RELEVANT MARKETS

1. Relevant Product Market

8. Yeast is an essential ingredient in the production of bread and other bakery products, pizza, dough bases, beer, wine and other foodstuffs. It is a living micro-organism belonging to the fungi family.
9. According to the parties, yeast is produced in batches rather than in a continuous production line. A particular fermenter is filled with molasses and water, inoculated with a specific strain of yeast, grown into a basic liquid yeast product, and then the fermenter is cleaned and sterilised. Each time the fermenter is cleaned, a completely new production process starts. This allows many different particular batches to be made at the same facility, each to a different specification. The number of different kinds of yeast a supplier will consider producing at a factory differs between suppliers. There are two basic kinds of yeast, fresh and dry yeast. Fresh yeast can be further subdivided into liquid and compressed yeast, and both can be high or low activity.

² For the sake of completeness it should also be noted that the rest of Gilde's European assets in the yeast business (plants in Italy and Germany) have been acquired or are in the process of being acquired by ABF, a major producer of yeast, within the framework of a transaction notified to the Commission as M.4980 ABF/GBI Business.

Fresh Yeast

10. Liquid yeast and compressed yeast are collectively referred to as "fresh" or "wet" yeast. Fresh yeast is supplied in a number of different formats, depending on the strain of yeast and/or the technical specifications of the machinery. Customers typically provide to the manufacturer some specifications depending for instance on traditional national preferences for some type of bread (e.g. frozen dough, high sugar), or the yeast colour they prefer or simply on the customer's ability to store different types of yeast.
11. Fresh yeast is mainly sold for bread baking purposes. Whilst small and medium size bakeries traditionally prefer compressed yeast (although some also use liquid yeast produced in smaller size containers), big industrial bakers rather use liquid yeast.

Liquid yeast

12. Liquid yeast is essentially the raw product of the manufacturing process and generally contains approximately 20 - 25% of yeast solids. It has a shelf life of around three weeks provided it is refrigerated. For some industrial customers liquid yeast is distributed directly from the manufacturing facility by refrigerated trucks in a non-stabilised form. In order to receive the liquid yeast industrial customers have usually in place an installation system, which is either provided by the yeast supplier or purchased by the customers themselves. This installation comprises storage tanks, refrigerated units, piping and related equipment.

Compressed yeast

13. Compressed yeast contains approximately 30%-35% of solids. Compressed yeast is obtained by processing liquid yeast over a rotary vacuum filter drum where the 'dewatered' yeast is moved from the filter drum by a knife blade with the resulting crumbled yeast conveyed to the packaging operation. It is then extruded into blocks, wrapped in wax paper and refrigerated until distribution. The blocks are distributed in cartons. Compressed yeast has a shelf life of approximately four to five weeks and customers must have a cool room in which it is stored.
14. Finally, according to the information provided by the parties, fresh yeast (both liquid and compressed) exists in a high activity and low activity form. The difference refers to the gas generation of the yeast and the baking time – much shorter when using the higher activity fresh yeast. UK customers have a particular preference for high activity fresh yeast, as around [80-90]% of yeast sold in the UK is of this type. In continental Europe the most used type is low activity yeast. However, the notifying party notes that it has observed in the UK an increased trend towards the use of lower activity "continental" style yeast.

Dry yeast

15. Dry yeast is characterised by a dry matter percentage of above 95% and is produced at a standard activity level. It is made of fresh yeast following an extrusion process, and then a two stage drying process. Dry yeast has a shelf life of approximately 2 years and can be shipped over long distances. It is sold for both industrial and household purposes. Producers in less developed countries are more likely to use dry yeast and, correspondingly, little dry yeast is sold within the UK and the EU in general.

16. The notifying party submits that the relevant product markets to be considered are: (i) fresh yeast (including its liquid and compressed forms, both high and low activity), and (ii) dry yeast.

Results of the market investigation

17. The market investigation confirmed the existence of three separate product markets for liquid, compressed yeast and dry yeast. Indeed, [80-90]% of yeast sold in the UK is liquid yeast sold to industrial customers in whose production processes liquid yeast is not substitutable by other kinds of yeast. Compressed yeast represents [20-30]% of total UK yeast demand and is used most exclusively by artisan bakers, who procure it from suppliers via distributors. As concerns dry yeast, it is almost exclusively used for home baking purposes and is unfit to be used in large scale baking operations.
18. From a supply-side perspective, the market investigation has confirmed that all manufacturers that produce dry yeast can also produce liquid and compressed yeast. Indeed, producers can change production between different types of yeast within a commercially reasonable period of time without significant additional costs as regards a change from production of dry to compressed or from compressed to liquid yeast. The production of compressed and dry yeast out of liquid yeast is also possible in the same production facility by filtering and dehydrating the yeast, but this will involve a considerable investment for the necessary drying process.
19. From a demand-side perspective, the market investigation has indicated that customers do not regard fresh and dry yeast as substitutable, due to their different features, dosing mode and shelf life. As regards liquid and compressed yeast, they are substitutable in their general function. However, as mentioned above, industrial bakers have a preference for liquid yeast as it is easier and more economic to use in their processes and that as soon as a client has the necessary size to consume liquid yeast in the relevant quantities it would switch to liquid yeast. Switching back to compressed yeast is very limited.
20. Therefore, based on the results of the market investigation and taking into account the considerable differences in shelf-life of the types of yeast and the distance over which the product can be transported, the Commission concludes, for the purpose of the present transaction, that liquid yeast, compressed yeast and dry yeast constitute three separate relevant product markets. Although it clearly stemmed out from the market investigation that the UK customers have a preference for "high-activity" forms of both liquid and compressed yeast, it is not necessary for the purpose of this decision to conclude whether these two segments should be considered as separate markets. In any event, UK customer preferences will be taken into account in the geographic market definition.

2. Relevant Geographic Market

1. Fresh Yeast

21. The notifying party submits that the relevant geographic market for fresh (whether liquid or compressed) yeast is at least national and may be even wider encompassing the UK and its neighbouring countries, that is to say Germany, Belgium and Denmark.

22. According to Lesaffre, transportation costs are relatively low representing on average around [5-10]% of the final price and thus are not prohibitive of trade flows over longer distances. This is evidenced by the fact that the UK fresh yeast market is partially supplied through imports from Belgium, Denmark and Germany. According to the notifying party, imports of liquid yeast represent approximately [10-20]% of the UK demand whilst at the same time [30-40]% of compressed yeast is imported into the UK. In addition, in some instances, fresh yeast (mainly compressed) was shipped to the UK from Ukraine and Turkey.

a. Liquid yeast

23. With respect to liquid yeast, the market investigation has confirmed that the geographic scope is national given the relatively short distances over which liquid yeast can be transported (maximum distances of [...] km) and the specificities of the demand characteristics of UK customers.

24. The limitation of the distance over which liquid yeast is usually transported is due to its relatively short shelf life (approx. 3-4 weeks) and the fact that it heats up during the transportation. In fact, the stability of the product gets affected when the temperature reaches 6-7°C and therefore to transport it over longer distances it must be cooled down to low temperature.

25. In addition, the demand characteristics of UK customers are quite specific as compared to Continental Europe. In fact, [80-90]% of UK customers are industrial customers with large scale baking operations having strong preference for liquid yeast as it is easier to manipulate and dose in their downstream production processes. Moreover, UK end-customers have a preference for high risen bread and thus most of yeast sold in the UK is so-called “high-activity” yeast allowing for a 50 minute bread making process whilst in the Continental Europe most customers, both industrial and artisan bakers, have preference for “low-activity yeast” used to make traditional bread. It results that demand characteristics in the UK market differ substantially from those in Continental Europe and thus for the purposes of this case the market for liquid yeast should be considered as national in scope.

b. Compressed yeast

26. In the case of compressed yeast, the market investigation revealed that the geographic scope of the compressed yeast market tends to be national due to different demand characteristics of UK customers. Although compressed yeast, having longer shelf life, can be transported over longer distances than liquid yeast, the fact that most of the UK customers have a tendency to purchase “high-activity” yeast means that most continental suppliers (except for Lesaffre producing “high-activity” yeast specially for the UK market in its plant [...]) do not export yeast to the UK market. Indeed, there are only three producers active in the UK, ABF, Lesaffre and GBI whilst in Continental Europe several other producers sell yeast.

27. In light of the specific characteristics of the UK demand for compressed yeast, the geographic scope of the compressed yeast market should be considered national for the purposes of this case.

2. *Dry Yeast*

28. The notifying party submits that the geographic market for dry yeast is worldwide in scope as it has a shelf life of two years, it does not require refrigerated transport and has a high value-to-weight ratio as compared to other forms of yeast. Furthermore, it is exported throughout the world.
29. The market investigation has broadly confirmed that the relevant geographic market for dry yeast is at least EEA-wide, if not worldwide. Dry yeast can be easily transported over long distances and all UK producers sell dry yeast as far as China. Similarly, producers located on other continents sell dry yeast in Europe (e.g. Lallemand sells dry yeast from its Montreal plant to customers in France).
30. However, for the purpose of the present transaction the exact geographic market definition can be left open.

IV. COMPETITIVE ASSESSMENT

31. The present transaction raises both horizontal and vertical issues. On the one hand, the parties' activities overlap with respect to the production of all kinds of yeast. On the other hand, Lesaffre within the framework of the present transaction also acquired BFP, a distributor of yeast and bakery ingredients products.

1. Horizontal issues

a. Non-coordinated effects

32. With respect to the UK market for both liquid and compressed yeast the present transaction reduces the number of players from 3 to 2. Today, apart from the merged entity there remains only one alternative supplier on the UK market, ABF. As a result of the present transaction the competitive pressure previously exerted by GBI disappeared which is likely to confer on Lesaffre the ability to dictate prices.

Producer	UK 2006	
	Liquid	Compressed
Lesaffre	[10-20]%	[30-40]%
GBI UK	[30-40]%	[30-40]%
<i>combined</i>	<i>[40-50]%</i>	<i>[70-80]%</i>
ABF	50-60)%	[20-30)%

Source: Information compiled from the Form CO.

Liquid Yeast

33. Concerning the production and sale of liquid yeast, the parties' combined market share reaches [40-50]% whilst ABF, the remaining competitor enjoys a market share of [50-60]%.
34. During the market investigation some UK customers expressed concerns that the elimination of one of the suppliers will lead to less choice and higher prices. Moreover, it appears from the results of the market investigation that due to several factors, entry by other Continental producers that do not have a presence and reputation in the UK appears unlikely. In fact, it was confirmed that for reasons of security and reliability of supply, liquid yeast customers in the UK have a tendency to prefer suppliers with a local production facility which puts Continental producers at a certain disadvantage. This was also confirmed by Lesaffre's experience as its market share of liquid yeast in the UK dropped by [10-20]% between 1998 and 2007³ when Kerry stopped supplying Lesaffre's UK customers from its plant in Glennochill in the UK as a result of which Lesaffre had to start supplying its UK liquid yeast customers from its [...] plant in [...]. As reaction to the change of production plant from local to the one in [...], some of Lesaffre's UK customers switched to other suppliers having a local production facility.
35. Moreover, it appears that UK customers which, as already mentioned, are mainly industrial customers, are less concerned about the specific brand/quality of yeast as compared to artisan bakers, tend to be more price-sensitive and thus margins realised in the UK are [...] than in the rest of Europe. In addition, according to Lesaffre's internal documents, [...].⁴ Furthermore, taking account of the relatively short distance over which liquid yeast can be transported without risking the alteration of its quality and of the specifics of the UK demand (preference for "high-activity yeast"), the Continental producers indicated that they would not envisage entering the UK market. As concerns Kerry, which according to the notifying party, would be a potential entrant as it used to produce bakers yeast, it withdrew from this market a few years ago and is now focusing on higher value specialty yeast products (not used for producing bread). In order to reallocate the production capacity towards bakers yeast the prices of bakers yeast in the UK would have to go up significantly, in any case more than 5-10%. Accordingly, Kerry cannot be considered as a potential competitor on the production of liquid yeast market in the UK.
36. In light of the above, the present transaction as notified is likely to significantly impede effective competition as regards production of liquid yeast in the UK and therefore raises serious doubts as to the compatibility with the common market.

Compressed Yeast

37. With respect to compressed yeast in the UK, the present transaction eliminates one of the two strongest suppliers and thus creates a clear market leader with a considerable market share of [70-80]%. Accordingly, there remains only one alternative supplier in the UK, ABF, with a market share of [20-30]%.

³ Annex 8 to the Form CO, first internal document, p. 7.

⁴ Annex 8 Form CO, first internal document, p. 11-15.

38. As indicated above with respect to liquid yeast, some UK customers expressed concerns that the merged entity would have the ability to impose higher prices for compressed yeast. This seems as a plausible scenario as customers purchasing compressed yeast are mostly artisan bakers which are less price-sensitive and more concerned about having a good quality and brand product from a reliable supplier. With respect to potential entrants that would make this strategy unprofitable, it should be noted that similarly to what was explained above with respect to liquid yeast, timely entry by a Continental producer with sufficient capacity that would counteract a potential price increase seems unlikely due to the specific demand characteristics of UK customers and the need for a local sales force familiar with the needs of UK customers.
39. In light of the above, the present transaction as notified is likely to significantly impede effective competition as regards production of compressed yeast in the UK and therefore raises serious doubts as to the compatibility with the common market.

Dry Yeast

40. With respect to dry yeast, the parties' combined market shares amount to [50-60]% in the EEA and to [40-50]% worldwide. However, it should be noted that the increment brought about by the present transaction is relatively small ([0-5]% in both scenarios) and the parties will continue to face numerous other competitors active on the market.

Producer	Dry yeast 2006	
	EEA	World-wide
Lesaffre	[40-50]%	[30-40]%
GBI UK	[0-5]%	[0-5]%
<i>combined</i>	<i>[50-60]%</i>	<i>[40-50]%</i>
ABF	[5-10]%	[10-20]%
GBI non UK	[20-30]%	[5-10]%
Puratos	[5-10]%	-
Pakmaya	[10-20]%	[10-20]%
others	[0-5]%	[20-30]%

Source: Information compiled from the Form CO.

41. Taking account of the results of the market investigation which confirmed that the dry yeast market is competitive on a world-wide basis, the existence of many alternative suppliers active worldwide and the limited increment brought about by the present

transaction, the transaction does not give rise to any competition concerns irrespective of the precise geographic market definition.

b. Coordinated effects

42. The present transaction results in a duopolistic market structure with respect to the sale of fresh yeast to the UK customers. As concerns in particular the liquid yeast market in the UK, the merged entity and the remaining player enjoy [...] market shares amounting to [40-50]% and [50-60]% respectively. Accordingly, potential coordinated effects between Lesaffre and ABF cannot be excluded.
43. With respect to the terms of coordination, there are various elements on which companies can reach a common understanding and coordinate their activities, such as prices, geographic market and customer sharing, capacity etc. The present transaction increases the symmetry between the oligopolists and thereby appears to make a common understanding easier. Post merger the new entity will be aligned with ABF in terms of market shares, production capacity and geographic plant distribution.
44. As concerns the transparency of the market which would allow monitoring of other supplier's behaviour, the present transaction amounts to a creation of a duopoly which greatly facilitates the interpretation of any market movements. In a market with two players significant switching by customers can easily be identified and thus deviations from a coordinated strategy can be easily monitored. In addition, capacity figures and production rates appear to be fully transparent in this industry.
45. A move back to fully competitive interaction could be a sufficient deterrent mechanism in this case. Figures on current spare capacities seem to be consistent with the ability to credibly sustain mutual price wars for core clients in the EEA. The duopolists meet throughout the EEA (and even world-wide) so that retaliation can occur in different geographic regions. Due to typically short-term supply contracts of about 1 year and the ability to use short-term targeted discounts, retaliatory targeting of clients would be timely.
46. It seems that other competitors would not be able to challenge the duopolists' market power in the region concerned as other suppliers are in a considerably weaker position than the duopolists and by no means could they credibly threaten the duopolists' position.
47. In light of the above, although it cannot be excluded that the present transaction gives rise to coordinated effects on the UK liquid yeast market, this question can be left open as in any event the proposed commitments restore the status quo and therefore the present transaction does not make the coordination more likely or easier than it was pre-merger.

2. Vertical issues

48. The present transaction raises a vertical issue as BFP, part of the target, is active in the wholesale distribution of bakers' yeast and bakery ingredients, which is a downstream market from the production of yeast where the parties post-merger will hold significant market positions. It should also be noted that whilst [80-90]% of produced

yeast in the UK is distributed directly to big industrial customers, when it comes to small artisan bakers they source yeast exclusively through distributors with whom they have quite a personalised relationship.

49. According to the notifying party's submission, BFP enjoys a market share of [30-40]% in the distribution of compressed yeast and [70-80]% in the distribution of dry yeast to UK customers. Pre-transaction, BFP used to be an exclusive distributor of GBI's yeast in the UK whilst it did not distribute yeast for any other producer.
50. As opposed to GBI's business model, none of the remaining producers selling yeast in the UK are vertically integrated into distribution of yeast business. In fact, there are several independent distributors active in the market, such as BAKO and Fleming Howden that currently distribute yeast for ABF and Lesaffre.

Market shares in the distribution of baker yeast in the UK 2006

Wholesaler	Fresh yeast (volume)		Dry
	Compressed	Liquid	
BFP	[30-40]%	-	[70-80]%
BAKO	[40-50]%	[5-10]%	[10-20]%
Fleming Howden	[5-10]%	[80-90]%	[0-5]%
Kluman & Balter	[0-5]%	-	[0-5]%
JW Pike	[5-10]%	-	-
Others	[5-10]%	[10-20]%	[5-10]%
Total	100%	100%	100%

3.

Source: Notifying party's submission of 29th of April

51. The market investigation confirmed that there are several non-integrated distributors active on the market which will continue to compete with BFP post-merger.
52. Given the large market share controlled by Lesaffre on the upstream production of yeast market, it cannot be excluded that the present transaction as originally notified confers to the acquiring party the ability and the incentive to foreclose BFP's competitors on the downstream market for distribution of yeast. Nevertheless, this question can be left open as in any event the proposed commitments will eliminate the entire overlap with respect to the upstream market for the production of yeast. Therefore, merger-specific foreclosure effects cannot possibly arise from this transaction.

V. COMMITMENTS SUBMITTED BY THE NOTIFYING PARTY

(a) Procedure

53. In order to render the concentration compatible with the common market, the notifying party has offered commitments pursuant to Article 6(2) of the EC Merger Regulation, which are annexed to this Decision. The commitment package was submitted by Lesaffre on 20 June 2008. On 23 June 2008 Lesaffre submitted a slightly revised version where certain technicalities of divestiture were specified. On 8 July 2008, the parties submitted the final version of the commitments.
54. The Commission initiated the market test of proposed commitments on 24 June 2008 in order to obtain the opinion of market players active in the UK (customers and competitors) on the suitability of the proposed commitments to remedy the competition problems identified during the investigation.
55. The market test revealed overall positive results indicating that a suitable Purchaser would ideally be someone who is already active in the market and has sufficient knowledge of the product and technical expertise.

(b) Description of the commitments

56. Lesaffre proposes to divest GBI's yeast production plant in Felixstowe in the UK, including all licences and governmental permits related to this plant and in particular the licence for water abstraction under the Water Industry Act 2003 and the licence from the UK Environment Authority to discharge waste water from the plant to sea. The package also includes all personnel and all customer contracts and all contracts with suppliers related to the Felixstowe plant. In addition, at the option of the Purchaser, Lesaffre will transfer intellectual rights such as trademarks, yeast strains, know-how used for the manufacturing of yeast. However, it should be noted that BFP, the distribution arm of GBI UK is not being divested within the framework of the proposed commitments.

(c) Evaluation of the proposed commitments

Effectiveness

57. The divestiture of GBI's plant in Felixstowe will entirely eliminate the overlap brought about by the present transaction with respect to the yeast production market in the UK and thus will remove the serious doubts, both related to the coordinated and non-coordinated effects identified on the liquid and compressed yeast markets in the UK.
58. With respect to the potential vertical effects, and as was already mentioned in paragraph 52, the divestiture of the production capacity will render any input foreclosure strategy impossible, as the acquired share of the input by the merged entity will be entirely divested. Accordingly, Lesaffre will not have the ability to limit the access to input to competing distributors, as its market share on the production of yeast market will be as a result of the remedies brought back to the pre-merger levels and thus Lesaffre will not enjoy market power on the upstream market.
59. In light of the above, the proposed commitments will address both horizontal and potential vertical effects.

Independence, viability and competitiveness

60. The remedy package contains an entire yeast production facility currently producing all three types of yeast and which before the acquisition by Lesaffre was run independently and constituted one of the credible competitors in the UK yeast market. Although the present transaction does not raise any concerns with respect to dry yeast, the dry yeast capacity can be converted into the production of compressed or liquid yeast. In addition, the ability of a plant to produce dry yeast increases the attractiveness of the package for a potential Purchaser and thus makes the commitment more viable. Accordingly, the Commission considers, and it was confirmed during the market test of the submitted commitments, that Felixstowe plant is a viable and competitive business that can be run at stand-alone basis.

(d) Conclusion on the commitments

61. In light of the above, the Commission considers that the commitments, as submitted on 20 June 2008 and further modified on 8 July 2008, are suitable for remedying serious doubts as to the compatibility of the concentration with the Common Market and the EEA.

VII. CONDITIONS AND OBLIGATIONS

62. Under the first sentence of the second subparagraph of Article 6(2) of the Merger Regulation, the Commission may attach to its decision conditions and obligations intended to ensure that the undertakings concerned comply with the commitments they have entered into vis-à-vis the Commission with a view to rendering the concentration compatible with the common market.
63. The fulfilment of the measure that gives rise to the structural change of the market is a condition, whereas the implementing steps which are necessary to achieve this result are generally obligations on the parties. Where a condition is not fulfilled, the Commission's decision declaring the concentration compatible with the common market no longer stands. Where the undertakings concerned commit a breach of an obligation, the Commission may revoke the clearance decision in accordance with Article 8(5) of the Merger Regulation. The undertakings concerned may also be subject to fines and periodic penalty payments under Articles 14(2) and 15(1) of the Merger Regulation.
64. In accordance with the basic distinction described above, the decision in this case is conditioned on the full compliance with the Commitments submitted by the notifying party on 20 June 2008 and further modified on 8 July 2008. The full text of the commitments is annexed to this decision and form an integral part thereof.

VIII. CONCLUSION

65. For the above reasons the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement pursuant to Article 2(2) of Council Regulation (EC) No 139/2004, subject to full compliance with the commitments as described in the paragraph 56 and the related text in the Commitments annexed to this Decision that forms an integral part of this decision.
66. This decision is adopted in application of Article 6(1)(b) and Article 6(2) of Council Regulation (EC) No 139/2004.

For the Commission,
(signed)
Günter VERHEUGEN
Member of the Commission

By hand and by fax: 00 32 2 296 4301

European Commission

DG Competition

Rue Joseph II 70 Jozef-II straat

B-1000 BRUSSELS

**Case M.5020 – Compagnie des Levures Lesaffre/
GB Ingredients Ltd & BFP Wholesale Limited**

Pursuant to Article 6(2) of Council Regulation (EEC) No. 4064/89 as amended (the “**Merger Regulation**”), Compagnie des Levures Lesaffre (“**Lesaffre**”) hereby provides the following Commitments (the “**Commitments**”) in order to enable the European Commission (the “**Commission**”) to declare the acquisition by Lesaffre of GB Ingredients Ltd and BFP Wholesale Ltd compatible with the common market and the EEA Agreement by its decision pursuant to Article 6(1)(b) of the Merger Regulation, (the “**Decision**”).

The Commitments shall take effect upon the date of adoption of the Decision.

This text shall be interpreted in the light of the Decision to the extent that the Commitments are attached as conditions and obligations, in the general framework of Community law, in particular in the light of the Merger Regulation, and by reference to the Commission Notice on remedies acceptable under Council Regulation (EEC) No 4064/89 and under Commission Regulation (EC) No 447/98.

Section A. Definitions

For the purpose of the Commitments, the following terms shall have the following meaning:

Affiliated Undertakings: excluding the Divestment Business, undertakings controlled by Lesaffre and/or by the ultimate parents of Lesaffre, whereby the notion of control shall be interpreted pursuant to Article 3 Merger Regulation and in the light of the Commission Notice on the concept of concentration under Council Regulation (EEC) No 4064/89.

Closing: the transfer of the legal title of the Divestment Business to the Purchaser.

Divestment Business: the business that Lesaffre commits to divest, being the whole of the shares in GB Ingredients Ltd (“**GBI UK**”) a company registered in the United Kingdom, company number 2069810 with a registered office at Dock Road, Felixstowe, Suffolk, UK as defined in Section B.4, whose business is described in Schedule 1.

Divestiture Trustee: one or more natural or legal person(s), independent from Lesaffre, who is approved by the Commission and appointed by Compagnie des Levures Lesaffre.

Effective Date: the date of adoption of the Decision.

First Divestiture Period: the period of [...] from the Effective Date.

Hold Separate Manager: the person appointed by Lesaffre for the Divestment Business to manage the day-to-day business under the supervision of the Monitoring Trustee.

Key Personnel: all personnel necessary to maintain the viability and competitiveness of the Divestment Business, as listed in Schedule 1.

[...]

Monitoring Trustee: one or more natural or legal person(s), independent from Lesaffre, who is approved by the Commission and appointed by Lesaffre, and who has the duty to monitor Lesaffre's compliance with the conditions and obligations attached to the Decision.

Personnel: all personnel currently employed by the Divestment Business, including Key Personnel, staff seconded to the Divestment Business, shared personnel and the additional personnel listed in Schedule 1.

Purchaser: the entity approved by the Commission as acquirer of the Divestment Business in accordance with the criteria set out in Section D.

Trustee(s): the Monitoring Trustee and the Divestiture Trustee.

Trustee Divestiture Period: the period of [...] from the end of the First Divestiture Period.

Lesaffre: Compagnie des Levures Lesaffre, incorporated under the laws of France, with its registered office at 137 Rue Gabriel Péri, 59700 Marcq-en-Baroeul, France and registered with the Company Register (RCS) at Roubaix Tourcoing under number 456 504 828.

Section B. The Divestment Business

Commitment to divest

1. In order to restore effective competition, Lesaffre commits to divest, or procure the divestiture of the Divestment Business by the end of the Trustee Divestiture Period as a going concern to:
 - (i) [...], or, in the event that by [...], the sale and purchase agreement entered into by Lesaffre and [...] has not become unconditional;
 - (ii) another purchaser and on terms of sale approved by the Commission in accordance with the procedure described in paragraph 15. To carry out the divestiture, Lesaffre commits to find a purchaser and to enter into a final binding sale and purchase agreement for the sale of the Divestment Business within the First Divestiture Period. If Lesaffre has not entered into such an agreement at the end of the First Divestiture Period, Lesaffre shall grant the Divestiture Trustee an exclusive mandate to sell the Divestment Business in accordance with the procedure described in paragraph 25 in the Trustee Divestiture Period.
2. Lesaffre shall be deemed to have complied with this commitment if, by the end of the Trustee Divestiture Period, Lesaffre has entered into a final binding sale and purchase agreement, if the Commission approves the Purchaser and the terms in accordance with the procedure described in paragraph 15 and if the closing of the sale of the Divestment Business takes place within a period not exceeding [...] after the approval of the purchaser and the terms of sale by the Commission.
3. In order to maintain the structural effect of the Commitments, Lesaffre or its Affiliated Undertakings shall, for a period of [...] after the Effective Date, not acquire direct or indirect

influence over the whole or part of the Divestment Business, unless the Commission has previously found that the structure of the market has changed to such an extent that the absence of influence over the Divestment Business is no longer necessary to render the proposed concentration compatible with the common market.

Structure and definition of the Divestment Business

4. The present legal and functional structure of the Divestment Business as operated to date is described in Schedule 1. The Divestment Business, as described in Schedule 1 includes:
 - a. all tangible and intangible assets (including intellectual property rights), which contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business;
 - b. all licences, permits and authorisations issued by any governmental organisation currently held for the benefit of the Divestment Business;
 - c. all contracts, leases, commitments and customer orders of the Divestment Business; all customer, credit and other records of the Divestment Business (items referred to under (a)-(c) hereinafter collectively referred to as “**Assets**”); and
 - d. the Personnel.

Section C. Related commitments

Preservation of Viability, Marketability and Competitiveness

5. From the Effective Date until Closing, Lesaffre shall preserve the economic viability, marketability and competitiveness of the Divestment Business, in accordance with good business practice, and shall minimise as far as possible any risk of loss of competitive potential of the Divestment Business. In particular Lesaffre undertakes:
 - a. not to carry out any act upon its own authority that might have a significant adverse impact on the value, management or competitiveness of the Divestment Business or that might alter the nature and scope of activity, or the industrial or commercial strategy or the investment policy of the Divestment Business;
 - b. to make available sufficient resources for the maintenance of the Divestment Business, on the basis and continuation of the existing business plans;
 - c. subject to Lesaffre’s obligations in the sale and purchase agreement dated [...] with [...], to take all reasonable steps, including appropriate incentive schemes (based on industry practice), to encourage all Key Personnel to remain with the Divestment Business.

Hold-separate obligations of Lesaffre

6. Lesaffre commits, from the Effective Date until Closing, to keep the Divestment Business separate from the businesses it is retaining and to ensure that Key Personnel of the Divestment Business - including the Hold Separate Manager - have no involvement in any

business retained and vice versa. Lesaffre shall also ensure that the Personnel does not report to any individual outside the Divestment Business.

7. Until Closing, Lesaffre shall assist the Monitoring Trustee in ensuring that the Divestment Business is managed as a distinct and saleable entity separate from the businesses retained by Lesaffre. Lesaffre shall appoint a Hold Separate Manager who shall be responsible for the management of the Divestment Business, under the supervision of the Monitoring Trustee. The Hold Separate Manager shall manage the Divestment Business independently and in the best interest of the business with a view to ensuring its continued economic viability, marketability and competitiveness and its independence from the businesses retained by Lesaffre. Further, the Hold Separate Manager shall minimise as far as possible any loss of competitive potential of the Divestment Business. Where Lesaffre has given covenants or an undertaking to the Purchaser regarding the conduct of the Divestment Business before Closing, the Hold Separate Manager and the Monitoring Trustee will provide the same covenants or undertaking in favour of the Purchaser and conduct the business in accordance with them.

8. To ensure that the Divestment Business is held and managed as a separate entity the Monitoring Trustee shall exercise Lesaffre's rights as shareholder in the Divestment Business (except for its rights for dividends that are due before Closing), with the aim of acting in the best interest of the business, determined on a stand-alone basis, as an independent financial investor, and with a view to fulfilling Lesaffre's obligations under the Commitments. Furthermore, the Monitoring Trustee shall have the power to replace members of the supervisory board or non-executive directors of the board of directors, who have been appointed on behalf of Lesaffre.

Ring-fencing

9. Lesaffre shall implement all necessary measures to ensure that it does not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business. Lesaffre may obtain information relating to the Divestment Business which is reasonably necessary for the divestiture of the Divestment Business (including to enable Lesaffre to make full disclosure in respect of representations and warranties made to the purchaser and to maintain a full record of such disclosures and to prepare the appropriate disclosure letters) or whose disclosure to Lesaffre is required by law.

Non-solicitation clause

10. Lesaffre undertakes, subject to customary limitations, not to solicit, and to procure that Affiliated Undertakings do not solicit, the Key Personnel transferred with the Divestment Business for a period of 3 years after Closing.

Due Diligence

11. In order to enable potential purchasers to carry out a reasonable due diligence of the Divestment Business, Lesaffre shall, subject to customary confidentiality assurances and dependent on the stage of the divestiture process:

- a. provide to potential purchasers sufficient information as regards the Divestment Business;
- b. provide to potential purchasers sufficient information relating to the Personnel and allow them reasonable access to the Personnel.

Reporting

12. Lesaffre shall submit written reports in English on potential purchasers of the Divestment Business and developments in the negotiations with such potential purchasers to the Commission and the Monitoring Trustee no later than 10 days after the end of every month following the Effective Date (or otherwise at the Commission's request).
13. Lesaffre shall inform the Commission and the Monitoring Trustee on the preparation of the data room documentation and the due diligence procedure and shall submit a copy of any information memorandum to the Commission and the Monitoring Trustee before sending the memorandum out to potential purchasers.

Section D. The Purchaser

14. In order to ensure the immediate restoration of effective competition, the Purchaser, in order to be approved by the Commission, must be either [...] or another purchaser who must:
 - a. be independent of and unconnected to Lesaffre;
 - b. have the financial resources, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitive force in competition with Lesaffre and other competitors;
 - c. neither be likely to create, in the light of the information available to the Commission, *prima facie* competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed, and must, in particular, reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Business (the before-mentioned criteria for the purchaser hereafter the "Purchaser Requirements").
15. The final binding sale and purchase agreement shall be conditional on the Commission's approval. When Lesaffre has reached an agreement with a purchaser, it shall submit a fully documented and reasoned proposal, including a copy of the final agreement(s), to the Commission and the Monitoring Trustee. Lesaffre must be able to demonstrate to the Commission that the purchaser meets the Purchaser Requirements and that the Divestment Business is being sold in a manner consistent with the Commitments. For the approval, the Commission shall verify that the purchaser fulfils the Purchaser Requirements and that the Divestment Business is being sold in a manner consistent with the Commitments. The Commission may approve the sale of the Divestment Business without one or more Assets or parts of the Personnel, if this does not affect the viability and competitiveness of the Divestment Business after the sale, taking account of the proposed purchaser.
16. For the avoidance of doubt, the Commission may in its discretion give its approval of the Purchaser and the sale and purchase agreement in accordance with the procedure set down in paragraph 16 before the Effective Date.

Section E. Trustee

I. Appointment Procedure

17. Lesaffre shall appoint a Monitoring Trustee to carry out the functions specified in the Commitments for a Monitoring Trustee. If Lesaffre has not entered into a binding sales and purchase agreement one month before the end of the First Divestiture Period or if the Commission has rejected a purchaser proposed by Lesaffre at that time or thereafter, Lesaffre shall appoint a Divestiture Trustee to carry out the functions specified in the Commitments for a Divestiture Trustee. The appointment of the Divestiture Trustee shall take effect upon the commencement of the Extended Divestment Period.
18. The Trustee shall be independent of Lesaffre, possess the necessary qualifications to carry out its mandate, for example as an investment bank or consultant or auditor, and shall neither have nor become exposed to a conflict of interest. The Trustee shall be remunerated by Lesaffre in a way that does not impede the independent and effective fulfilment of its mandate. In particular, where the remuneration package of a Divestiture Trustee includes a success premium linked to the final sale value of the Divestment Business, the fee shall also be linked to a divestiture within the Trustee Divestiture Period.

Proposal by Lesaffre

19. No later than one week after the Effective Date, Lesaffre shall submit a list of one or more persons whom Lesaffre proposes to appoint as the Monitoring Trustee to the Commission for approval. No later than one month before the end of the First Divestiture Period, Lesaffre shall submit a list of one or more persons whom Lesaffre proposes to appoint as Divestiture Trustee to the Commission for approval. The proposal shall contain sufficient information for the Commission to verify that the proposed Trustee fulfils the requirements set out in paragraph 18 and shall include:
 - a. the full terms of the proposed mandate, which shall include all provisions necessary to enable the Trustee to fulfil its duties under these Commitments;
 - b. the outline of a work plan which describes how the Trustee intends to carry out its assigned tasks;
 - c. an indication whether the proposed Trustee is to act as both Monitoring Trustee and Divestiture Trustee or whether different trustees are proposed for the two functions.

Approval or rejection by the Commission

20. The Commission shall have the discretion to approve or reject the proposed Trustee(s) and to approve the proposed mandate subject to any modifications it deems necessary for the Trustee to fulfil its obligations. If only one name is approved, Lesaffre shall appoint or cause to be appointed, the individual or institution concerned as Trustee, in accordance with the mandate approved by the Commission. If more than one name is approved, Lesaffre shall be free to choose the Trustee to be appointed from among the names approved. The Trustee shall be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

New proposal by Lesaffre

21. If all the proposed Trustees are rejected, Lesaffre shall submit the names of at least two more individuals or institutions within one week of being informed of the rejection, in accordance with the requirements and the procedure set out in paragraphs 17 and 20.

Trustee nominated by the Commission

22. If all further proposed Trustees are rejected by the Commission, the Commission shall nominate a Trustee, whom Lesaffre shall appoint, or cause to be appointed, in accordance with a trustee mandate approved by the Commission.

II. Functions of the Trustee

23. The Trustee shall assume its specified duties in order to ensure compliance with the Commitments. The Commission may, on its own initiative or at the request of the Trustee or Lesaffre, give any orders or instructions to the Trustee in order to ensure compliance with the conditions and obligations attached to the Decision.

Duties and obligations of the Monitoring Trustee

24. The Monitoring Trustee shall:
 - (i) propose in its first report to the Commission a detailed work plan describing how it intends to monitor compliance with the obligations and conditions attached to the Decision.
 - (ii) oversee the on-going management of the Divestment Business with a view to ensuring its continued economic viability, marketability and competitiveness and monitor compliance by Lesaffre with the conditions and obligations attached to the Decision. To that end the Monitoring Trustee shall:
 - a. monitor the preservation of the economic viability, marketability and competitiveness of the Divestment Business, and the keeping separate of the Divestment Business from the business retained by Lesaffre, in accordance with paragraphs 5 and 6 of the Commitments;
 - b. supervise the management of the Divestment Business as a distinct and saleable entity, in accordance with paragraph 7 of the Commitments;
 - c. (i) in consultation with Lesaffre, determine all necessary measures to ensure that Lesaffre does not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business and (ii) decide whether such information may be disclosed to Lesaffre as the disclosure is reasonably necessary to allow Lesaffre to carry out the divestiture or as the disclosure is required by law;
 - d. Monitor, to the extent applicable, the splitting of assets and the allocation of Personnel between the Divestment Business and Lesaffre or Affiliated Undertakings;
 - (iii) assume the other functions assigned to the Monitoring Trustee under the conditions and obligations attached to the Decision;

- (iv) propose to Lesaffre such measures as the Monitoring Trustee considers necessary to ensure Lesaffre's compliance with the conditions and obligations attached to the Decision, in particular the maintenance of the full economic viability, marketability or competitiveness of the Divestment Business, the holding separate of the Divestment Business and the non-disclosure of competitively sensitive information;
- (v) where Lesaffre has given covenants or an undertaking to the Purchaser regarding the conduct of the Divestment Business before Closing, provide the same covenants or undertaking in favour of the Purchaser and ensure that the business is operated in accordance with them.
- (vi) review and assess potential purchasers as well as the progress of the divestiture process and verify that, dependent on the stage of the divestiture process, (a) potential purchasers receive sufficient information relating to the Divestment Business and the Personnel in particular by reviewing, if available, the data room documentation, the information memorandum and the due diligence process, and (b) potential purchasers are granted reasonable access to the Personnel;
- (vii) provide to the Commission, sending Lesaffre a non-confidential copy at the same time, a written report within 15 days after the end of every month. The report shall cover the operation and management of the Divestment Business so that the Commission can assess whether the business is held in a manner consistent with the Commitments and the progress of the divestiture process as well as potential purchasers. In addition to these reports, the Monitoring Trustee shall promptly report in writing to the Commission, sending Lessafre a non-confidential copy at the same time, if it concludes on reasonable grounds that Lesaffre is failing to comply with these Commitments;
- (viii) within one week after receipt of the documented proposal referred to in paragraph 15, submit to the Commission a reasoned opinion as to the suitability and independence of the proposed purchaser and the viability of the Divestment Business after the Sale and as to whether the Divestment Business is sold in a manner consistent with the conditions and obligations attached to the Decision, in particular, if relevant, whether the Sale of the Divestment Business without one or more Assets or not all of the Personnel affects the viability of the Divestment Business after the sale, taking account of the proposed purchaser.

Duties and obligations of the Divestiture Trustee

25. Within the Trustee Divestiture Period, the Divestiture Trustee shall sell at no minimum price the Divestment Business to a purchaser, provided that the Commission has approved both the purchaser and the final binding sale and purchase agreement in accordance with the procedure laid down in paragraph 15. The Divestiture Trustee shall include in the sale and purchase agreement such terms and conditions as it considers appropriate for an expedient sale in the Trustee Divestiture Period. In particular, the Divestiture Trustee may include in the sale and purchase agreement such customary representations and warranties and indemnities as are reasonably required to effect the sale. The Divestiture Trustee shall protect the legitimate financial interests of Lesaffre, subject to Lesaffre's unconditional obligation to divest at no minimum price in the Trustee Divestiture Period.
26. In the Trustee Divestiture Period (or otherwise at the Commission's request), the Divestiture Trustee shall provide the Commission with a comprehensive monthly report written in

English on the progress of the divestiture process. Such reports shall be submitted within 15 days after the end of every month with a simultaneous copy to the Monitoring Trustee and a non-confidential copy to Lesaffre.

III. Duties and obligations of the Divestiture Trustee

27. Lesaffre shall provide and shall cause its advisors to provide the Trustee with all such co-operation, assistance and information as the Trustee may reasonably require to perform its tasks. The Trustee shall have full and complete access to any of Lesaffre's or the Divestment Business' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments and Lesaffre and the Divestment Business shall provide the Trustee upon request with copies of any document. Lesaffre and the Divestment Business shall make available to the Trustee one or more offices on their premises and shall be available for meetings in order to provide the Trustee with all information necessary for the performance of its tasks.
28. Lesaffre shall provide the Monitoring Trustee with all managerial and administrative support that it may reasonably request on behalf of the management of the Divestment Business. This shall include all administrative support functions relating to the Divestment Business which are currently carried out at headquarters level. Lesaffre shall provide and shall cause its advisors to provide the Monitoring Trustee, on request, with the information submitted to potential purchasers, in particular give the Monitoring Trustee access to the data room documentation and all other information granted to potential purchasers in the due diligence procedure. Lesaffre shall inform the Monitoring Trustee on possible purchasers, submit a list of potential purchasers, and keep the Monitoring Trustee informed of all developments in the divestiture process.
29. Lesaffre shall grant or procure Affiliated Undertakings to grant comprehensive powers of attorney, duly executed, to the Divestiture Trustee to effect the sale, the Closing and all actions and declarations which the Divestiture Trustee considers necessary or appropriate to achieve the sale and the Closing, including the appointment of advisors to assist with the sale process. Upon request of the Divestiture Trustee, Lesaffre shall cause the documents required for effecting the sale and the Closing to be duly executed.
30. Lesaffre shall indemnify the Trustee and its employees and agents (each an "Indemnified Party") and hold each Indemnified Party harmless against, and hereby agrees that an Indemnified Party shall have no liability to Lesaffre for any liabilities arising out of the performance of the Trustee's duties under the Commitments, except to the extent that such liabilities result from the wilful default, recklessness, gross negligence or bad faith of the Trustee, its employees, agents or advisors.
31. At the expense of Lesaffre, the Trustee may appoint advisors (in particular for corporate finance or legal advice), subject to Lesaffre's prior approval (this approval not to be unreasonably withheld or delayed) if the Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the Mandate, provided that any fees and other expenses incurred by the Trustee are reasonable. Should Lesaffre refuse to approve the advisors proposed by the Trustee the Commission may approve the appointment of such advisors instead, after having heard Lesaffre. Only the Trustee shall be entitled to issue instructions to the advisors. Paragraph 30 shall apply mutatis mutandis. In the Trustee Divestiture Period, the Divestiture Trustee

may use advisors who served Lesaffre during the Divestiture Period if the Divestiture Trustee considers this in the best interest of an expedient sale.

IV. Replacement, discharge and reappointment of the Trustee

32. If the Trustee ceases to perform its functions under the Commitments or for any other good cause, including the exposure of the Trustee to a conflict of interest:
 - a. the Commission may, after hearing the Trustee, require Lesaffre to replace the Trustee; or
 - b. Lesaffre, with the prior approval of the Commission, may replace the Trustee.
33. If the Trustee is removed according to paragraph 32, the Trustee may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full hand over of all relevant information. The new Trustee shall be appointed in accordance with the procedure referred to in paragraphs 17-22.
34. Beside the removal according to paragraph 32, the Trustee shall cease to act as Trustee only after the Commission has discharged it from its duties after all the Commitments with which the Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies might not have been fully and properly implemented.

Section F. The Review Clause

35. The Commission may, where appropriate, in response to a request from Lesaffre showing good cause and accompanied by a report from the Monitoring Trustee:
 - (i) Grant an extension of the time periods foreseen in the Commitments, or
 - (ii) Waive, modify or substitute, in exceptional circumstances, one or more of the undertakings in these Commitments.

Where Lesaffre seeks an extension of a time period, it shall submit a request to the Commission no later than one month before the expiry of that period, showing good cause. Only in exceptional circumstances shall Lesaffre be entitled to request an extension within the last month of any period.

SIGNED by

Duly authorised for and on behalf of

Compagnie des Levures Lesaffre

SCHEDULE 1

Compagnie des Levures (“**Lesaffre**”) will procure the divestiture of whole of the shares in GB Ingredients Ltd (“**GBI UK**”), currently its wholly-owned subsidiary.

Short history

GBI UK began as British Fermentation Products, a family owned business, in 1932. In 1958, the whole of the shares in the company were acquired by a Dutch yeast manufacturer, Gist-Brocades. In 1998, Gist Brocades merged with a chemical company, GBI, and British Fermentation Products changed its name to GB Ingredients (UK) Ltd.

In April 2005, a Dutch private equity firm, Gilde B.V., acquired the worldwide business of GBI. On 19 October 2007, Compagnie des Levures Lesaffre acquired the whole of the shares in GBI UK from Gilde B.V.

Main activities – (“GBI UK business”)

GBI UK’s primary activity is the production and distribution of bakers’ yeast. The company also produces a small amount of distillery yeast, which is sold to beer brewers.

Current legal and functional structure

GBI UK is presently a fully-owned subsidiary of Compagnie des Levures Lesaffre, the ultimate parent company of which is Lesaffre et Cie. The company is a limited company organised under the laws of England and Wales. The company is managed by a board of directors, the members of which are Dr Ronald Michael Chell (Director) and Mr Mehdi Ouazzani Hassani (Director - Lesaffre appointee) and Mr Ainsley Buck (Company Secretary).

GBI UK’s yeast production and distribution activities are functionally independent of those of Lesaffre. The company has its own IT systems, HR and accounting and payroll functions and technical and general personnel.

Following paragraph (4) of these Commitments, the Divestment Business includes, but is not limited to:

(a) the following main tangible assets:

The company has the following main tangible assets:

(i) Felixstowe plant

The Felixstowe site located in Kent, United Kingdom is the head office of GBI UK and contains GBI UK’s production facilities for yeast. This plant is located on land subject to a [...] year lease. Annex 1 describe the facilities at Felixstowe and provides a site map of the plant.

(ii) All production machinery, equipment and tooling located in the Felixstowe plant in particular fermenting tanks, dryers, silos, packaging equipment and storage facilities and all technical files and records related to such machinery and equipment. The production scheme of the Felixstowe plant is indicated in Annex 2.

(iii) Finished goods inventory held at the date of closing of the divestiture.

(iv) All administrative, laboratory, storage and distribution facilities located in the Felixstowe plant, including all essential transportation and distribution equipment operated by GBI UK to serve its customers, in particular silos, lorries and tankers.

- (ii) Offices at Runcorn, Cheshire

A lease over office space which is presently used by the Managing Director.

- (b) the following main intangible assets:

The business will include the transfer of the following intellectual property rights:

- (i) At the option of the Purchaser,:

- (a) the transfer to GBI UK of the trademarks described in Annex 4, Parts 1 and 2; and
- (b) an exclusive licence of the trademark described in Annex 4, Part 3 in respect of dry yeast products in the United Kingdom for a period of 5 years from Closing.

- (ii) At the option of the Purchaser, the transfer to GBI UK of the yeast strains described in Annex 4.

- (iii) all know how and business secrets for the manufacture, distribution and sale of the yeast products made by GBI UK.

- (iv) The domain name gb-ingredients.co.uk.

- (c) All licences, permits and other governmental authorisations related to the Felixstowe plant and the GBI UK business, in particular:

Water abstraction: GBI UK holds a licence for water abstraction under the Water Industry Act 2003.

Waste water/trade effluent: GBI UK holds a licence from the UK Environment Authority to discharge waste water from its plant into the sea. Lesaffre also holds a consent from Anglian Water (the sewer operator) to discharge trade effluent into the sewer.

- (d) the following main contracts, agreements, leases, commitments and understandings:

- (i) All leases required for the GBI UK business will be transferred with GBI UK, including the leases on the Felixstowe site and the Cheshire site.
- (ii) All contracts between GBI UK and its customers on the date of Closing. A list of GBI UK's current customers is provided at Annex 5.
- (iii) All third party supplier contracts relating to the Felixstowe plant and the GBI UK Business.

- (e) the following customer, credit and other records:

The customers of GBI UK have been discussed at (d) above. The corresponding customer and credit records of these customers will be included with the business.

- (f) the following Personnel:

All personnel employed by GBI UK on the day of divestiture. The company currently has [...] employees. The employees are split between functions within the company as set out below:

Table: GBI employees

Department	Headcount
Commercial	[...]
Manufacturing (Felixstowe)	[...]
Manufacturing (Operatives)	[...]
Commercial (Operatives)	[...]

The management structure of the company is set on in the organigram at Annex 6.

(g) the following Key Personnel:

The names of key managers are set out in Annex 7.

GBI UK has all of the functions necessary to operate as a viable, stand-alone entity.

For the avoidance of doubt, the Divestment Business does not include BFP Wholesale Ltd.

Annex 1: Description of Felixstowe plant

Plan of the Felixstowe plant

[...]

Aerial view of the Felixstowe Plant



Aerial view of port access



Annex 2: Production scheme: Felixstowe plant

[...]

Annex 3: Yeast strains to be provided to GBI UK by Lesaffre

[...]

Annex 4: List of trademarks

Part 1: Registered Marks to be assigned

Jurisdiction	Mark	Registration No.	Filing Date	Class(es)
UK	NG & SF	345918	1 October 1912	30, 31
Ireland	NG & SF	33145	1 October 1912	30, 31
International (UK)	YEAST VIEW	813662A	19 September 2003	09, 39

Part 2: Unregistered Marks to be assigned

Jurisdiction	Mark	Goods/services in respect of which the mark has been used
UK	TRADITIONAL	Yeast

Part 3: Registered Marks to be licensed

Jurisdiction	Mark	Registration No.	Filing Date	Class(es)
UK	FERMIPAN	2421931	16 May 2006	30

Annex 5: List of customers

[...]

Annex 6: Key personnel

[...]

Annex 7: GB Ingredients – Organisation Overview – November 2007

