PREMIER FOODS

Preliminary results for 52 weeks ended 1 April 2017

16 May 2017

A SUMMARY OF FY16/17

A challenging year with a number of rapidly changing external factors

Headlines

(1.4%)

Full year sales

£117m
(9.3%)

Trading profit

£523m

Net debt

£300-£320m

Pensions NPV

External environment

Inflation

Deflation

Low growth environment

Alastair Murray
Chief Financial Officer

GROUP HEADLINE RESULTS

Second and third quarter results impacted by external factors

PREMIER FOODS

£m	FY16/17	FY15/16	Change (%)	Q4 Change (%)
Branded sales	**659**	**683**	**(3.5%)**	**(2.9%)**
Non-branded sales	131	118	+11.1%	12.3%
Total sales	**790**	**801**	**(1.4%)**	**(1.0%)**
Divisional contribution	**150**	**165**	**(9.4%)**	
Group & corporate costs	(33)	(36)	9.6%	
Trading profit	**117**	**129**	**(9.3%)**	
Trading profit %	*14.8%*	*16.1%*	*(1.3ppt)*	
EBITDA	**133**	**147**	**(9.1%)**	
EBITDA %	*16.9%*	*18.3%*	*(1.4ppt)*	

- Branded sales and margins lower due to time lag in input cost inflation recovery and lower Grocery category volumes in H2
- Non-branded sales ahead in both Grocery and Sweet Treats businesses due to recovery in Knighton Foods B2B volumes and new cake contracts
- Group & corporate costs lower due to reduction in management incentive payments
- Overall performance consistent with Quarter 3 update in January 2017

GROCERY

External environment impacted FY16/17 performance

£m	FY16/17	FY15/16	Change (%)	Q4 Change (%)
Branded sales	**482**	**505**	**(4.5%)**	**(2.9%)**
Non-branded sales	81	73	10.7%	11.8%
Total sales	**563**	**578**	**(2.6%)**	**(1.0%)**
Divisional contribution	**130**	**140**	**(7.3%)**	
Divisional contribution %	23.1%	24.2%	(1.1ppt)	

- Lower sales in H2 due to changing retailer promotional strategies
- Quarter two branded sales volumes impacted by warmer weather
- Non-branded sales higher due to increased B2B Knighton Foods volumes
- Divisional contribution £10m lower
- International sales increased 18% and grew for 10th successive quarter in Quarter 4

SWEET TREATS

Good Cadbury & Non-branded performance

£m	FY16/17	FY15/16	Change (%)	Q4 Change (%)
Branded sales	**177**	**178**	**(0.5%)**	**(2.8%)**
Non-branded sales	50	45	11.6%	14.6%
Total sales	**227**	**223**	**1.9%**	**(0.7%)**
Divisional contribution	**20**	**25**	**(20.8%)**	
Divisional contribution %	8.7%	11.2%	(2.5ppt)	

- Strong Cadbury cake performance with volumes, sales and market share all ahead
- Mr Kipling weaker due to lower levels of promotional activity; strong NPD plan for FY17/18
- Non-branded increased sales due to a number of contract wins across range of customers in seasonal and core product ranges

GROUP TRADING PROFIT BRIDGE

Trading performance impacted by external factors

- Increased input cost inflation and time lag in concluding mitigating actions
- Changing retailer promotional strategies expected to stabilise in FY17/18 H2
- Grocery categories experienced volume declines in Q2 due to warmer weather
- Manufacturing efficiencies from enhanced labour flexibility plus SG&A benefits

OPERATING PROFIT

Increased £7m to £62m

£m	FY16/17	FY15/16
Continuing operations Trading profit	**117**	**129**
Amortisation of intangible assets	(38)	(38)
Foreign exchange fair value movements	(1)	3
Restructuring costs	(16)	(11)
Net interest on pension and administration costs	(0)	(15)
Impairment	-	(13)
Operating profit	**62**	**55**

- Amortisation of intangibles in line with prior year and expectations
- Restructuring costs associated with corporate activity costs in H1 and Logistics and SG&A change programmes
- Net interest on pensions lower in FY16/17 due to opening balance combined surplus
- Prior year impairment due to write down of associate investments

ADJUSTED EARNINGS PER SHARE

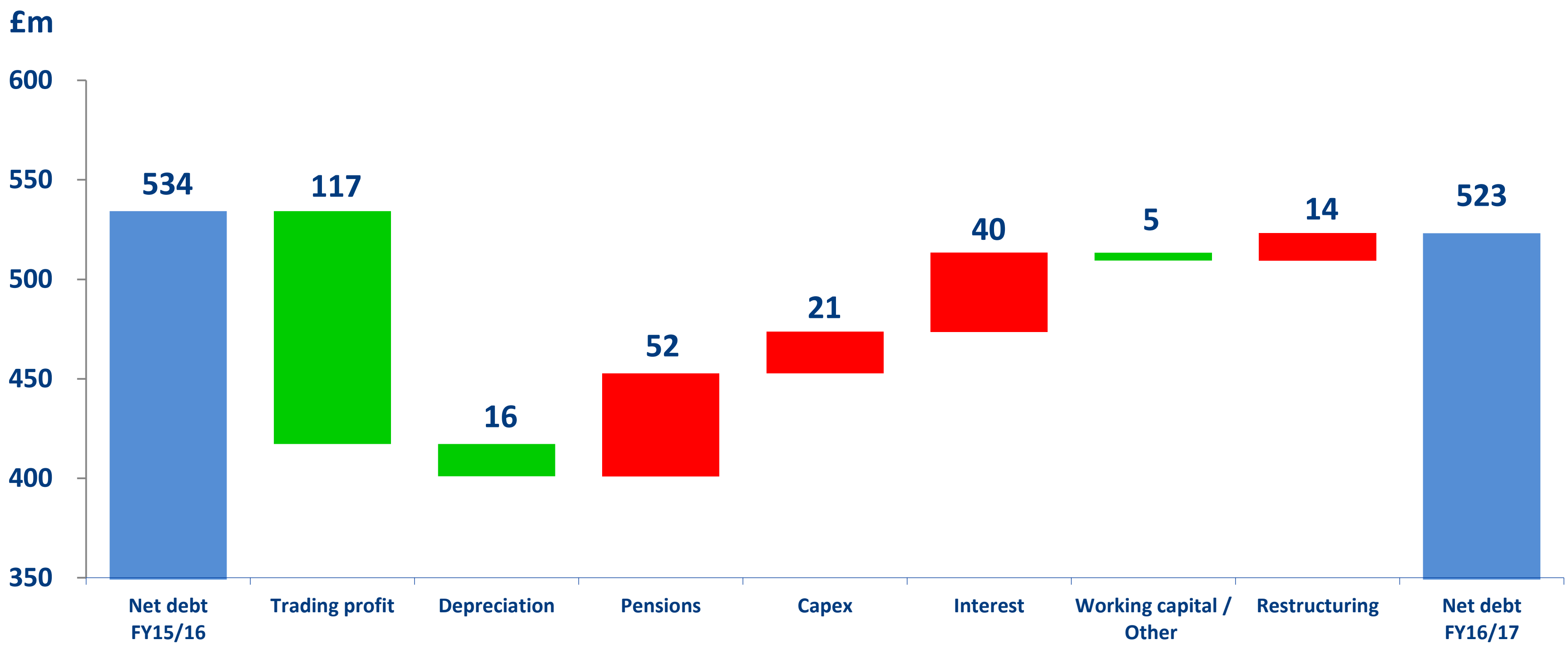
Adjusted eps 7.2p

£m	FY16/17	FY15/16	Change (%)
Trading profit	**117**	**129**	**(9.3%)**
Net regular interest	(43)	(45)	4.7%
Adjusted PBT	**74**	**84**	**(11.8%)**
Notional tax @ 20.0%	(15)	(17)	(11.8%)
Adjusted earnings	**59**	**67**	**(11.8%)**
Weighted average shares in issue (million)	830.1	826.0	0.5%
Adjusted earnings per share (pence)	**7.2p**	**8.1p**	**(12.2%)**

- Net regular interest lower due to lower average debt levels
- Tax rate unchanged at 20.0%

NET DEBT £11m LOWER AT £523m

Strong cash flow conversion before servicing obligations



- Pension cash costs to be £11-£13m lower in FY17/18
- Capex expected to be similar in FY17/18
- Restructuring due to SG&A overhead cost reductions and corporate activity costs the majority of which were in H1

PENSION DEFICIT CONTRIBUTION SCHEDULE CHANGES

Cash payments to schemes reduced by £32m over next three years

£m	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
New plan						
Deficit contributions	35	35	37	38	38	38
Administration costs	4-6	4-6	4-6	6-8	6-8	6-8
Total	39-41	39-41	41-43	44-46	44-46	44-46
Previous plan						
Deficit contributions	49	44	40	33	33	35
Administration costs	6-8	6-8	6-8	6-8	6-8	6-8
Total	55-57	50-52	46-48	39-41	39-41	41-43
Reduction/(Increase)[1]	**16**	**11**	**5**	**(5)**	**(5)**	**(3)**

- Net present value of pension deficit recovery schedule reduced by £100m to £300-£320m over last 12 months
- No contributions to RHM schemes in current schedule reflecting fully funded status
- Subject to mechanism of limited further cash contributions if the Group outperforms certain targets

1 – Assumes mid-point of reduction in payments when comparing new and previous plan (per November 2016)

TRIENNIAL PENSIONS VALUATION

£641m reduction in funding deficit confirmed

Surplus/(Deficit) £m	April 2016	April 2013	Change	Change (%)
RHM	135	(504)	639	-
Premier Foods	(551)	(538)	(13)	(2.4%)
Ireland	(5)	(20)	15	75.0%
Total schemes	**(421)**	**(1,062)**	**641**	**60.4%**

- Strong performance in RHM portfolio benefitting from a successful hedging strategy and investment performance

COMBINED PENSION SCHEMES – ACCOUNTING BASIS

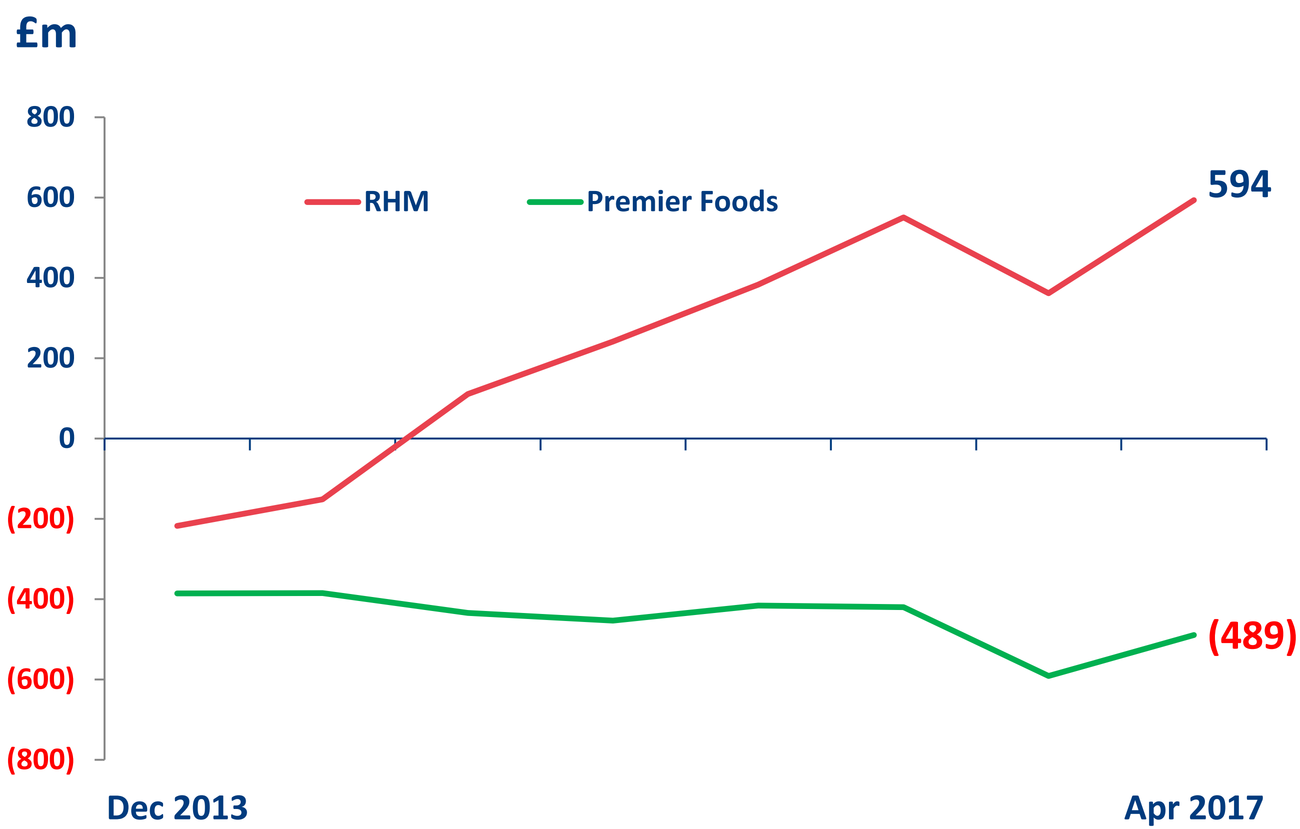
Accounting surplus £105m; NPV of recovery schedule now £300-£320m

IAS19 Accounting valuation (£m)	1 April 2017			2 April 2016		
	RHM	Premier Foods	**Combined**	RHM	Premier Foods	**Combined**
Assets	4,191	674	4,865	3,759	584	**4,343**
Liabilities	(3,597)	(1,163)	(4,760)	(3,208)	(1,004)	**(4,212)**
Surplus/(Deficit)	**594**	**(489)**	**105**	**551**	**(420)**	**131**
Surplus/(Deficit) net of deferred tax (Tax @ 17.0%/18.0%)	**493**	**(406)**	**87**	**452**	**(344)**	**107**
Discount rate	2.65%	2.65%	2.65%	3.55%	3.55%	3.55%
Inflation rate (RPI)	3.30%	3.30%	3.30%	3.00%	3.00%	3.00%

- Net present value of pension deficit recovery schedule reduced by £100m to £300-£320m over last 12 months
- RHM scheme remains in surplus reflecting hedging instruments in place
- Revised pension scheme cash contributions agreed in March 2017

PENSION SCHEMES VALUATION EVOLUTION

RHM scheme displays progression over last two years



- RHM scheme now in surplus for over 2 years
- Premier Foods deficit remains in £400-£500m range

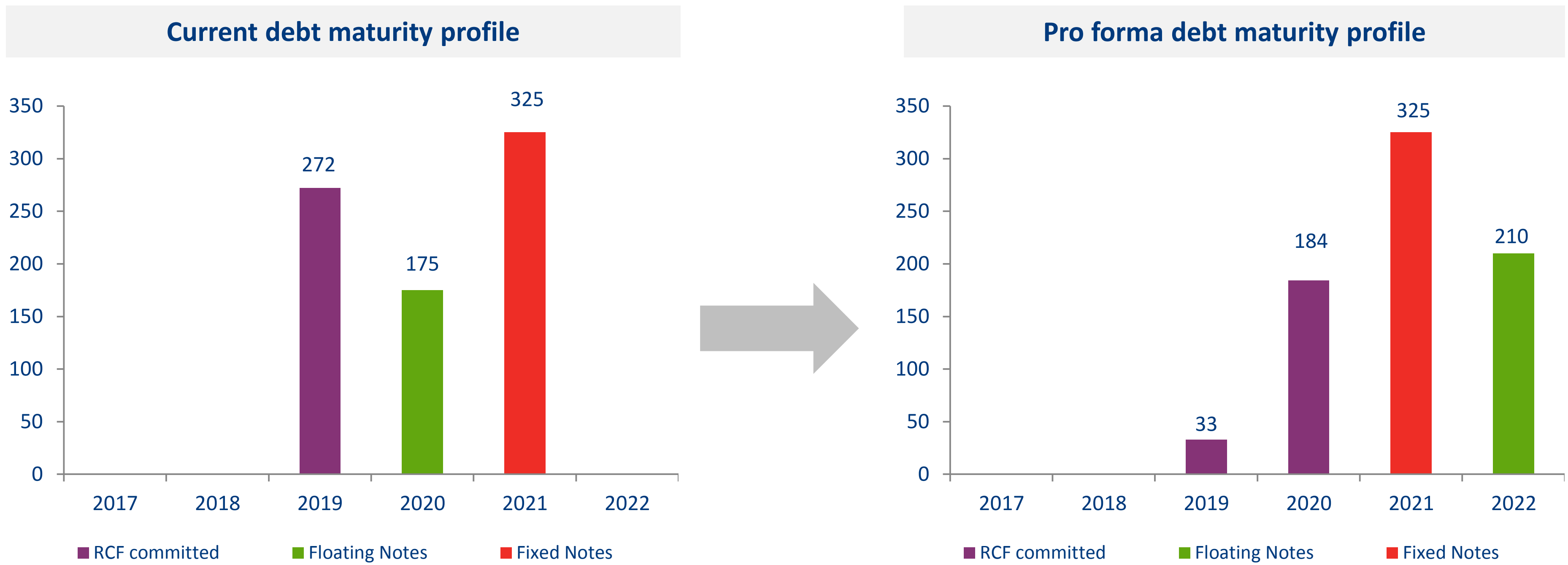
FY17/18 CASH GUIDANCE

FY17/18 guidance	£m
Working capital	Slightly negative
Depreciation	£16-£18m
Capital expenditure	£20-£22m
Interest – cash	£40-£43m
Interest – P&L	£45-£48m
Tax – cash	Nil
Tax – notional P&L rate	19.0%
Pension deficit contributions	£35m
Pension administrative & PPF levy cash costs	£4-£6m
Restructuring costs	£8-£10m

- Pension cash costs reflect revised payment schedule
- Cash tax expected to be nil in medium term

PROPOSED CAPITAL STRUCTURE UPDATE

£210m Floating rate notes issuance and RCF extended to December 2020



- Premier Foods expects to have appropriate liquidity and a comfortable maturity profile post the refinancing with the first maturity in 2019
- Total committed facilities of £217m pro forma for the refinancing

Gavin Darby
Chief Executive Officer

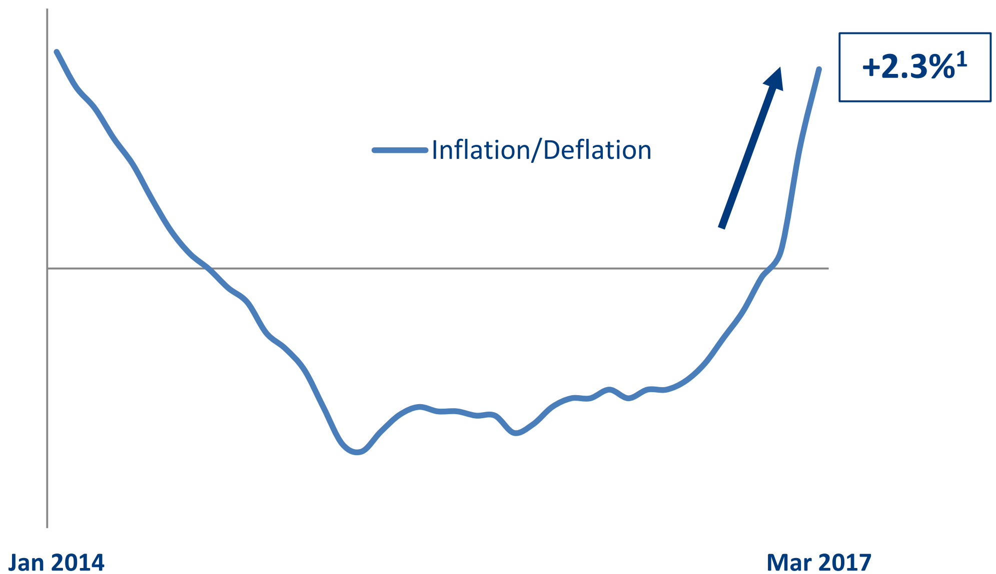
Strategy update

AN INDUSTRY UNDERGOING RAPID CHANGES

A return to inflation and changing retailer promotional strategies

Deflation → Inflation

Over 2 years of food deflation has rapidly reversed



Retailer promotional strategies

Move away from multi-buy deals drives higher price investment

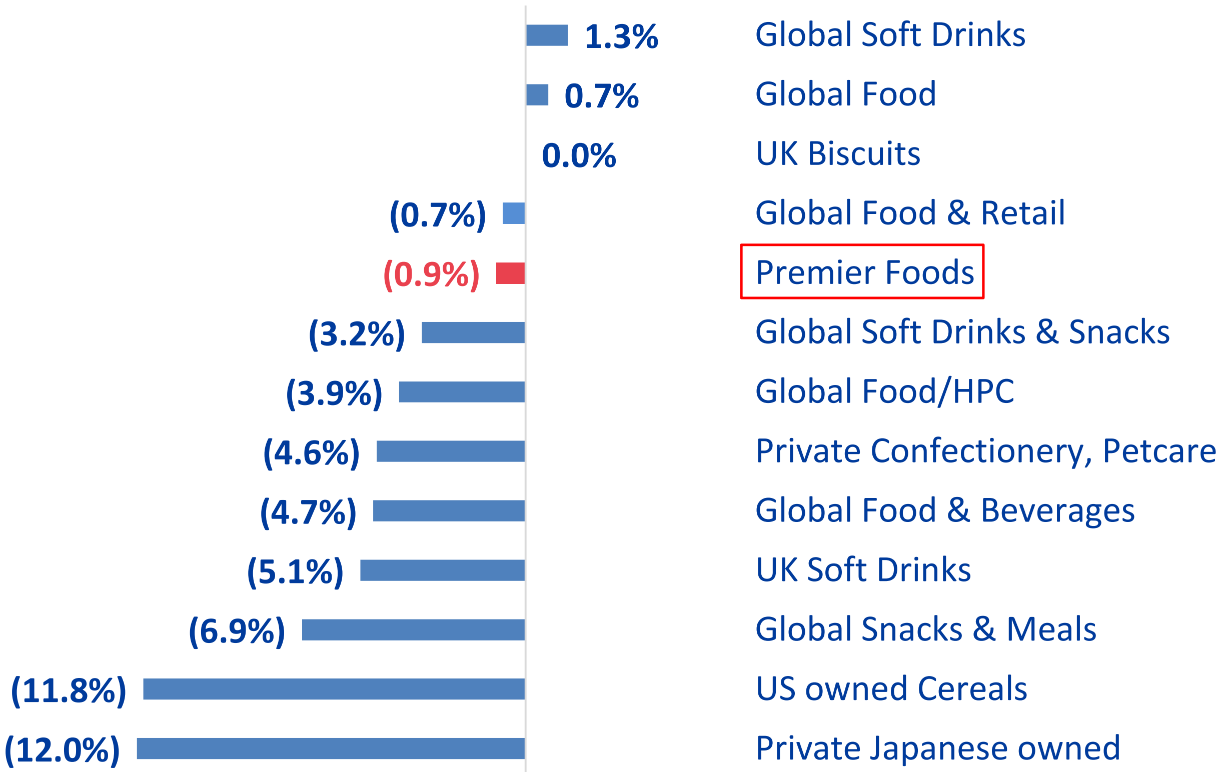
24% Reduction in multi-buys[2]

£27m Lower category sales from multi-buys[2]

1 - Kantar Worldpanel 12 weeks ended 26 March 2017, UK Grocery inflation; 2 – In Premier Foods' categories

OUR RECENT PERFORMANCE SET AGAINST PEERS

H2 performance in the ambient grocery market



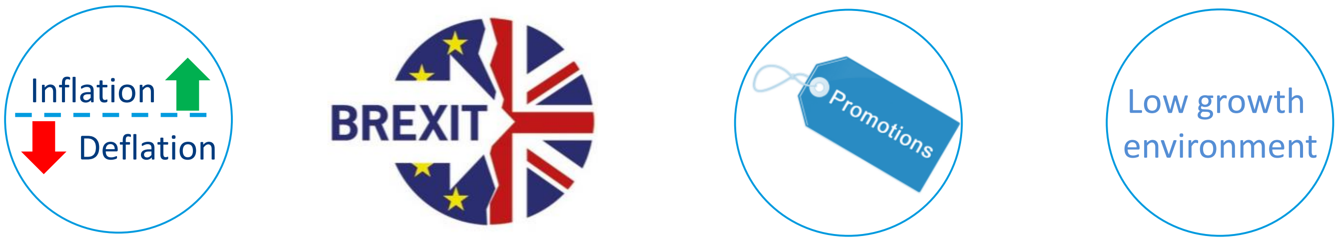
- PF sales down (0.9%) in H2 as measured by Kantar & broadly in line with reported sales
- One UK FMCG experienced supply chain issues in prior year
- Other listed UK and global peers underperforming PF

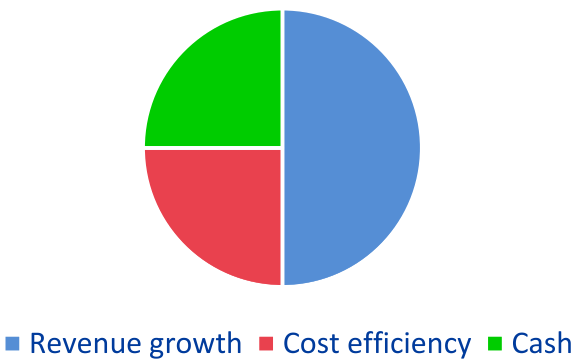
Source: Kantar Worldpanel, Ambient Grocery market (excl. Bread), 24 weeks ended 26 March 2017

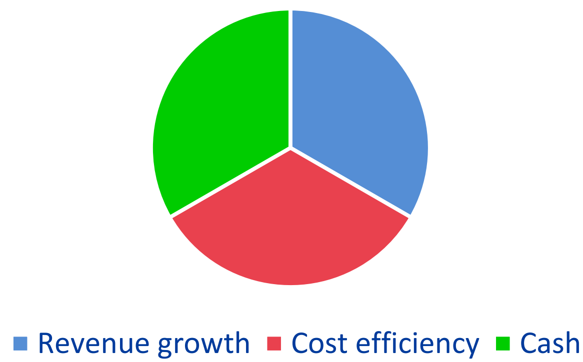
RE-BALANCING OUR STRATEGY

Reflecting a rapidly changing external environment

Industry in transition







Previous

Re-balance

STRATEGIC PRIORITIES

Path to deleveraging target is reflected in Group's updated strategy

1 Protect & Drive Revenues

1. **UK**
   (i) Invest in innovation and marketing to drive growth ahead of category levels
   (ii) Further strengthen well established relationships with major customers
2. **International**
   Strong double-digit sales growth
3. **Strategic Partnerships**
   Cadbury and Nissin to deliver growth opportunities

2 Cost & Efficiency

Underpinned by 2 year cost reduction programme

1. **Logistics restructuring**
   Combining warehousing & distribution solutions
2. **SG&A re-sizing**
   Removing complexity & duplication
3. **Manufacturing & Procurement**
   Ongoing cost savings

3 Cash generation

1. **Lower pension costs**
   New agreement with £32m reduction in cash costs over 3 years
2. **Maintain diversified sources of financing**
   Extended maturity of capital structure
3. **Tightly focused capital expenditure**
   Maintain at c.3% of sales

Targeting below 3.0x Net debt/EBITDA in next 3-4 years

Corporate Responsibility and Sustainability

EXCITING STRATEGIC PARTNERSHIPS

Cadbury and Nissin relationships to tap into snacking & convenience

PREMIER FOODS

Cadbury

Global Strategic Partnership in Cake

46 geographies

5+3yrs Licence renewal

Crunchie, Dairy Milk Marvellous Creations, Flake, Oreo

- Substantially enhanced geographical distribution rights; up to 46 geographies
- Agreement in principle to new 5 year deal with optional 3 year extension
- Potential to use Cadbury family brands including Oreo

NISSIN

A Leading Global player in Instant Noodles

Sharwood's

- Initial strong results from Batchelors Super Noodle Pots
- Soba Instant Noodles distribution expanding
- Sharwood's USA expansion to West Coast

COST REDUCTION & EFFICIENCY PROGRAMME

Aggregate £20m savings across Logistics and SG&A over next 2 years

1 **Logistics Restructuring**

- Consolidation of Grocery & Sweet Treats distribution centres
- Third party provider appointed; transition commenced
- Majority of restructuring costs from FY17/18

- Centre of gravity analysis undertaken
- Single hub solution selected
- Tamworth in centre of England chosen as most optimal location

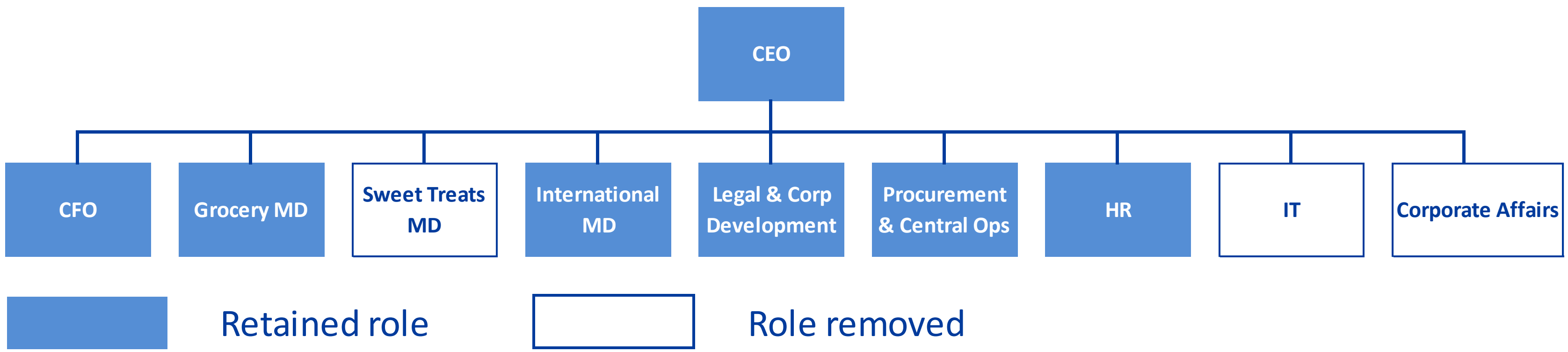
15%
Reduction in transport miles

43,000
Fewer pallet transfers

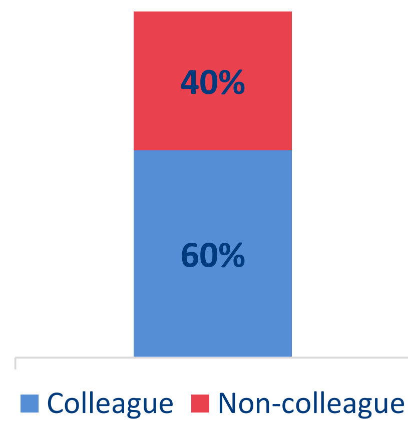
COST REDUCTION & EFFICIENCY PROGRAMME

Aggregate £20m savings across Logistics and SG&A over next 2 years

2 SG&A



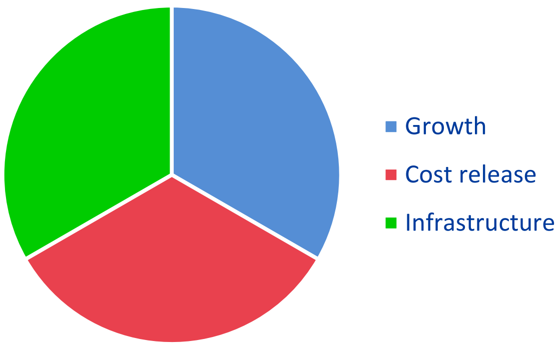
- Executive team reduced from 10 to 7
- IT moved to Finance, Corporate Affairs to HR
- Head office roles reduced by over 50 in central and BU areas
- Reductions in duplication and complexity
- Savings due to colleague (60%) and non-colleague (40%) related overhead costs savings



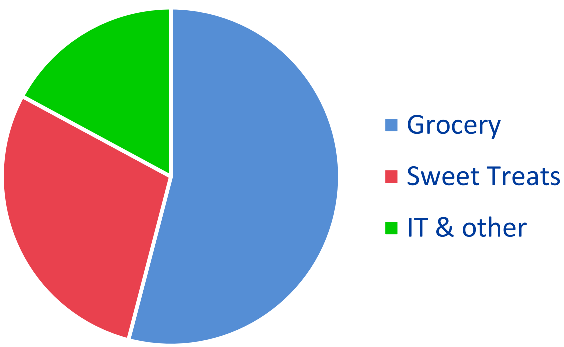
CAPITAL ALLOCATION METHODOLOGY

Increased focus on maximising ROI

3 Capital Investment



Medium term plan by investment type



FY17/18 plan by business unit

3 Marketing Investment

Advertising ROI

- Time of year to air to maximise ROI
- Total brand media drives higher ROIs
- Media buying efficiency

ZBB approach

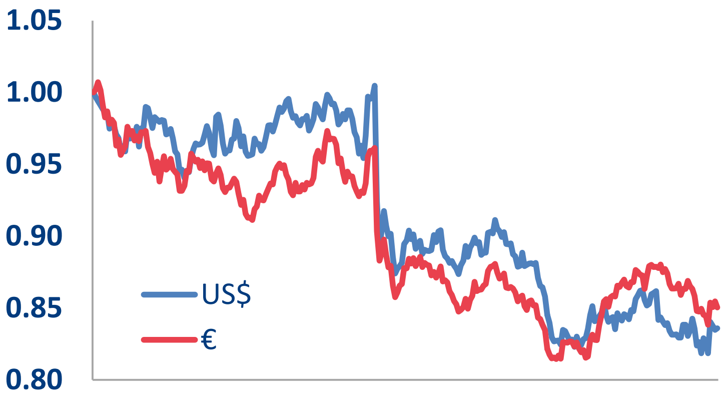
- Used particularly on non-media marketing investment

Gavin Darby
Chief Executive Officer

Operating Review

FOREIGN CURRENCY & COMMODITY INFLATION

Timing lag to recover costs through blend of mitigating actions



Foreign currency movements

A blend of mitigating actions

↑44%
Wheat

↑100%
Butter

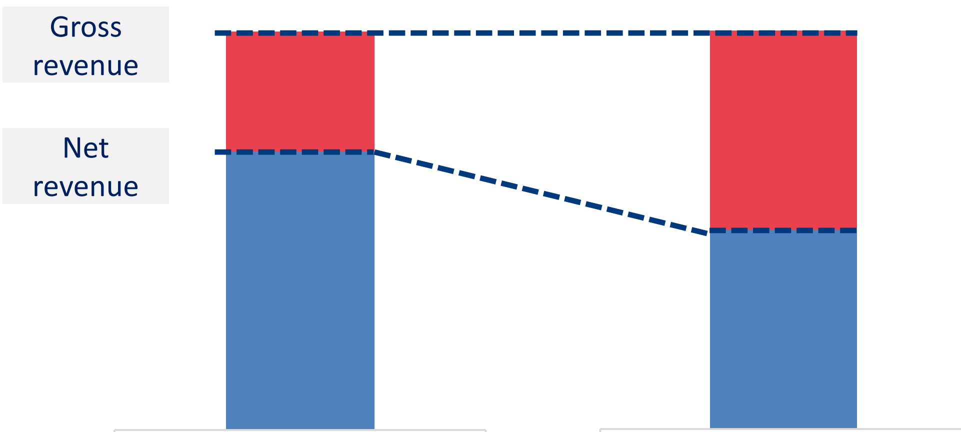
↑33%
Sugar

Source: Mintec, commodity cost increases refer to market spot prices March 2017 vs March 2016

CHANGING PROMOTIONAL STRATEGIES

Move from multi-buys has reduced total categories by £27m

Multi-buys	Price reduction



Example: Batchelors Super Noodles 5 packs for £3 Consumer redemption: 80%	**Example:** Batchelors Super Noodles 60p per pack (from 85p) Consumer redemption: 100%

- Many PF categories are price elastic/'expandable'

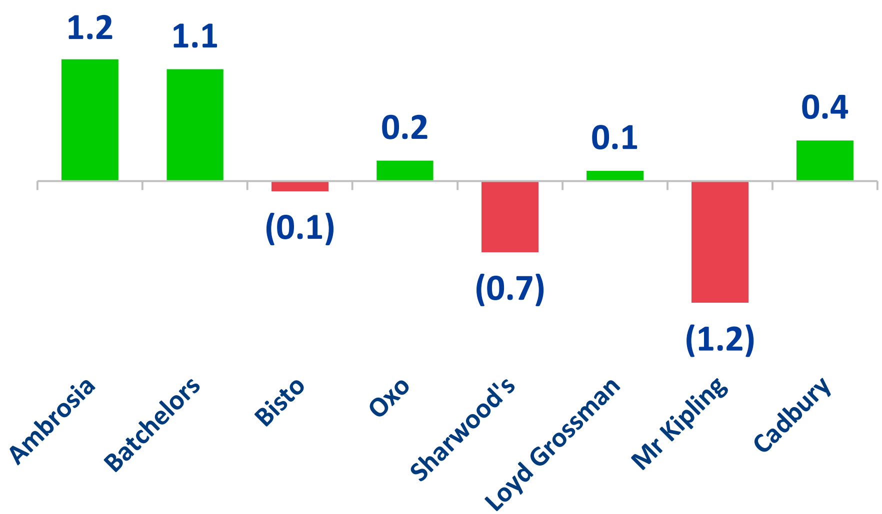
FY17/18 & Solutions

1. Some major retailers upweighting number of multi-buy promotions to similarly previous levels
2. Introduction of multi-packs
   - Batchelors Super Noodles 4 pack
   - Ambrosia custard 4 pack

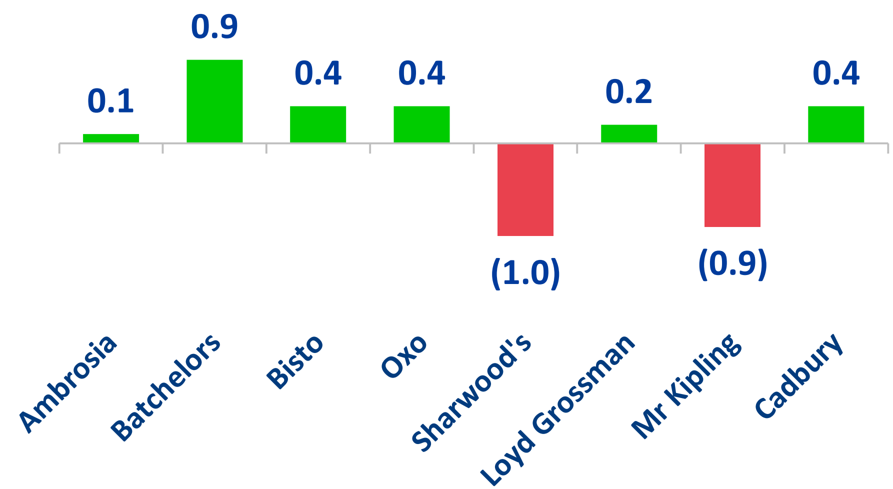
MARKET SHARE GAINS

Six out of eight of our major brands are grew value share in the year

Volume share
ppt movement year on year



Value share
ppt movement year on year



Source: IRI 52 weeks ended 11 March 2017

FLAVOURINGS & SEASONINGS

Bisto and Oxo continuing to gain market share

Category dynamics	FY16/17 Oxo Stock Pots	FY17/18 Bisto & Oxo Ready To Use

1
Category position

43%
Market share

73%
Household penetration

- Oxo brand is nearly 10% of Flavourings & Seasonings category
- Available in four flavours and in reduced salt variants
- Supported by TV campaign in FY16/17

- Aligned to consumer trends of convenience and foodieness

Sources: Category position & market share: IRI 52 w/e 11 March 2017; Penetration: Kantar Worldpanel 52 w/e 26 March 2017

QUICK MEALS, SNACKS & SOUPS

Strong Batchelors recovery in Q4 supported by Nissin partnership

Category dynamics

2
Category position

29%
Market share

46%
Household penetration

FY16/17
Batchelors Super Noodle Pots

- Strong initial volumes
- Returned Batchelors to sales & volume growth in Q4
- Excellent customer response
- Utilisation of Nissin's advanced & extensive R&D capability and manufacturing expertise in Europe and the Far East

FY17/18
Batchelors Pasta 'n' Sauce Pots

- New for launch in FY17/18 H1
- Available in four variants
- Famous Pasta 'n' Sauce sub-brand now in a convenient pot format

Sources: Category position & market share: IRI 52 w/e 11 March 2017; Penetration: Kantar Worldpanel 52 w/e 26 March 2017

DESSERTS

Ambrosia 100th and Angel Delight 50th anniversaries in 2017

Category dynamics	**FY16/17** Ambrosia Deluxe range	**FY17/18** Angel Delight pots

1
Category position

38%
Market share

61%
Household penetration

- Deluxe range attracting younger consumers with Salted Caramel and Creamy Toffee flavour variants
- Ambrosia gaining volume and value share in FY16/17, supported by TV campaign

- Individual ready to eat portion
- No need to chill
- Clean label: No artificial flavours, colours or preservatives
- TV feature on BBC1 One Show

Sources: Category position & market share: IRI 52 w/e 11 March 2017; Penetration: Kantar Worldpanel 52 w/e 26 March 2017

COOKING SAUCES & ACCOMPANIMENTS

Loyd Grossman pouches range performing strongly

Category dynamics	FY16/17 Loyd Grossman	FY17/18 New ranges for all brands

1
Category position

16%
Market share

54%
Household penetration

- Premium pouch ranges continue to perform well
- Closely align to convenience and ‘meal for two’ consumer trends

- Sharwood’s regionally inspired premium sauces
- Homepride Kids range in pouches, on health trend

Sources: Category position & market share: IRI 52 w/e 11 March 2017; Penetration: Kantar Worldpanel 52 w/e 26 March 2017

AMBIENT CAKES

Excellent FY16/17 Cadbury performance; new Mr Kipling ranges in FY17/18

Category dynamics	FY16/17 Cadbury	FY17/18 Mr Kipling

1
Category position

23%
Market share

64%
Household penetration

- Amaze Bites £5m annual retail sales value
- Cadbury Choc Tarts launched in Q4
- Cadbury Easter range

- Gluten free range
- Indulgent bites with premium flavours such as Dark Choc & Raspberry, Salted Caramel
- Flapjacks for Cake on the Go
- Good growth in convenience

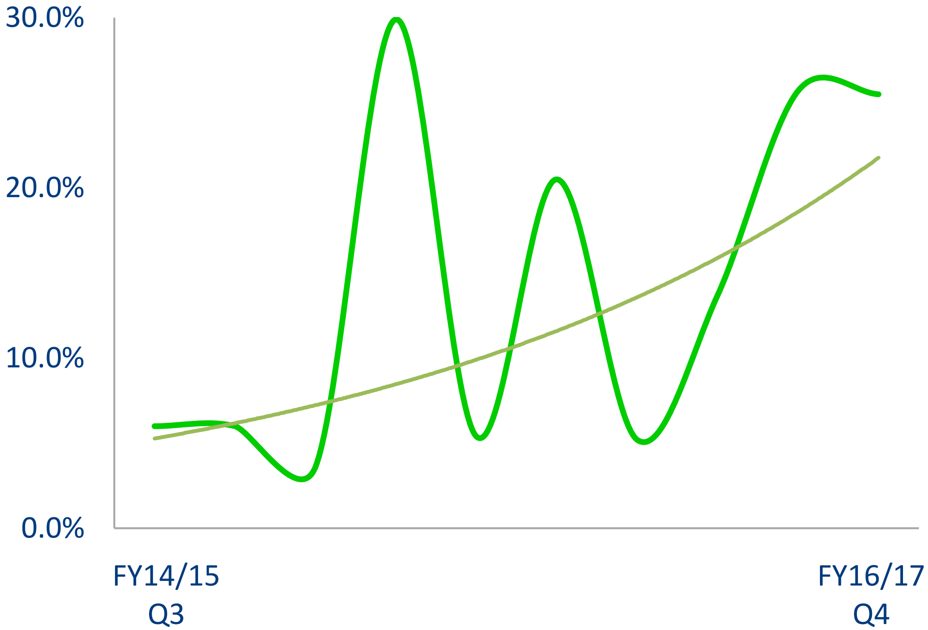
Sources: Category position & market share: IRI 52 w/e 11 March 2017; Penetration: Kantar Worldpanel 52 w/e 26 March 2017

INTERNATIONAL SALES UP +18%

Delivered 10th successive quarter of sales growth

Sales growth trajectory

10 successive quarters' growth



Australia

Largest cake branded manufacturer

69%
FY16/17 Australia sales growth

13
New cake SKUs in major retailer

Sharwood's

Integrated marketing campaign

- Over 21m impressions
- Over 1m video views

SUMMARY & OUTLOOK

- Industry changes during FY16/17:
  - Transition from deflation to inflation
  - Changing retailer promotional strategies
- Re-balancing our strategic priorities
- International displaying strong momentum
- First new Nissin partnership products in market and performing strongly
- Strategic Global Partnership Heads of Terms on Cadbury licence
- Significant cost reduction and efficiency programme to deliver £20m over two years
- Pensions cash costs reduced by £32m over next three years
- Launched proposed new £210m 5 year Senior Secured Floating rate notes
- Net debt/EBITDA target of below 3.0x in next 3-4 years
- Expect FY17/18 progress to be second half weighted

Q & A

Cadbury
NEW
Cadbury
OMG! THESE ARE
AMAZE BITES
14 DOUBLE BLENDED BITES OF DOUBLE CHOCOLATE BROWNIE CAKE
14 DOUBLE BLENDED BITES OF CHOCOLATE AND MINT FLAVOUR BROWNIE CAKE
14 DOUBLE BLENDED BITES OF CHOCOLATE AND ORANGE FLAVOUR BROWNIE CAKE
#FREETHEJOY

Appendix


Cadbury
NEW
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#FREETHEJOY

CAUTIONARY STATEMENT

Certain statements in this presentation are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Please note that any disclosures or statements referring to pro forma results provided in this presentation have not been subject to audit or review by the Company's auditors.

DEFINITIONS

- The period 'FY16/17' refers to the 52 weeks ended 1 April 2017. The period 'FY15/16' refers to the 52 weeks ended 2 April 2016.
- The period 'Q4' refers to the thirteen weeks ended 1 April 2017 and the comparative period, the thirteen weeks ended 2 April 2016.
- Underlying business is defined as continuing operations excluding the results of previously disposed businesses and includes results of acquired businesses in current and comparative reporting periods.
- Trading profit for the underlying business is defined as Profit/(loss) before tax before net finance costs, profits and losses from share of associates, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses
- Adjusted profit before tax is defined as Trading profit for the underlying business less net regular interest. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 20.0% divided by the weighted average of the number of shares of 830.1 million (52 weeks ended 2 April 2016: 826.0 million).

INTEREST

£m	FY16/17	FY15/16
Senior secured notes interest	31	31
Bank debt interest	8	10
Cash interest	**39**	**41**
Amortisation of debt issuance costs	4	4
Net regular interest	**43**	**45**

TAX

- Deferred tax asset of £32m at 1 April 2017 (2 April 2016: £26m)
- Capital allowances in excess of depreciation
- Total recognised assets relating to losses = c.£57m, equivalent to c.£330m taxable profits in future periods
- Notional corporation tax expected to be 19.0% in FY17/18; deferred tax rate 17.0%
- Cash tax expected to be nil for medium term (subject to Finance Act 2016)

PENSIONS – COMBINED SCHEMES

£m	1 April 2017	2 April 2016
Assets	4,865	4,343
Liabilities	(4,760)	(4,212)
Surplus	**105**	**131**
Surplus net of deferred tax @ (17.0%/18.0%)	**87**	**107**

Key IAS 19 assumptions	1 April 2017	2 April 2016
Discount rate	2.65%	3.55%
Inflation rate (RPI/CPI)	3.3%/2.2%	3.0%/1.9%
Mortality assumptions	LTI +1.0%	LTI +1.0%

- Combined schemes deficit reflects RHM schemes surplus of £594m partly offset by Premier schemes deficit of £489m

Scheme Assets (£m)	1 April 2017	2 April 2016
Equities	527	405
Government bonds	519	475
Corporate bonds	23	2
Property	357	292
Absolute/Target return	1,284	1,228
Cash	69	327
Infrastructure funds	243	228
Swaps	1,116	863
Private equity	322	259
Other	405	264
Total	**4,865**	**4,343**

BALANCE SHEET

PREMIER FOODS

£m	1 April 2017	2 April 2016
Property, plant & equipment	188	188
Intangibles / Goodwill	1,114	1,145
Retirement benefit assets	594	551
Deferred tax	32	26
Non-current Assets	**1,928**	**1,910**
Working Capital - Stock	72	63
- Debtors	65	101
- Creditors	(192)	(205)
Total Working Capital	**(55)**	**(41)**
Net debt		
Gross debt	(526)	(542)
Cash	3	8
Total Net debt	**(523)**	**(534)**
Retirement benefit obligations	(489)	(420)
Other net liabilities	(68)	(66)
Net Assets	793	849
Share capital & premium	1,490	1,489
Reserves	(697)	(640)
Total equity	793	849