



Investor Seminar

13 May 2011



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.



Why are we here today?

Despite The Headwinds Restructuring Is Complete

Commercial

Supply Chain

Financial

Now Running The Business Organically

**Growing our
brands**

+

**Delivering efficiency
savings**

**Today is about an in depth look at the growth potential of our brands
and the competitive cost advantage our scale offers**



There have been 3 phases to Premier Foods' development





Scale created through acquisition portfolio reshaped through disposal

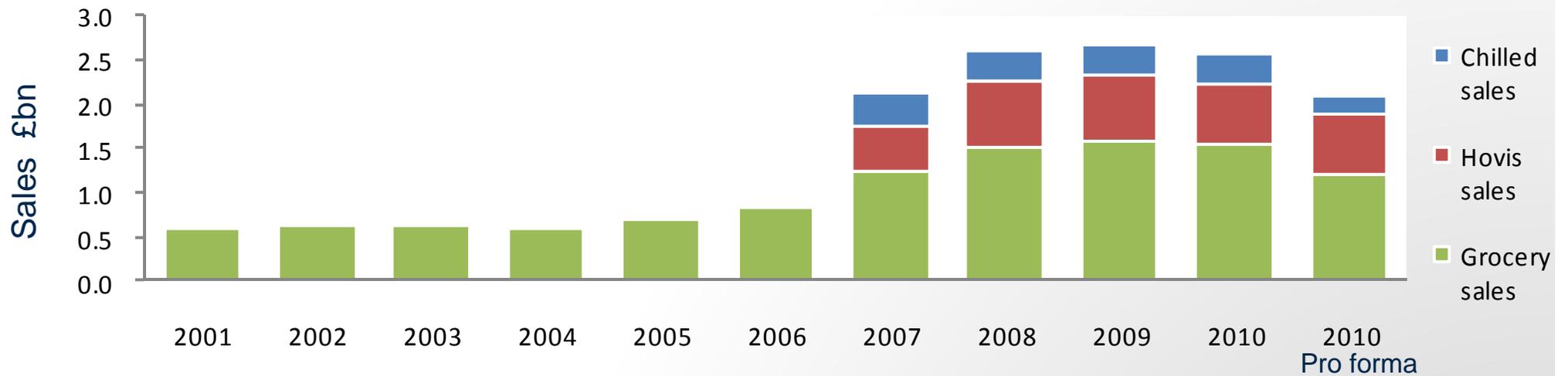


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Acquisitions	Branston C&B Sarson's	Ambrosia		Birds Quorn Cauldron	Campbell's UK	RHM				
Disposals				Typhoo Jonker Fris		MBM RHM Frozen		Frozen Bakery		Meat-free Canning

↑
IPO
↓



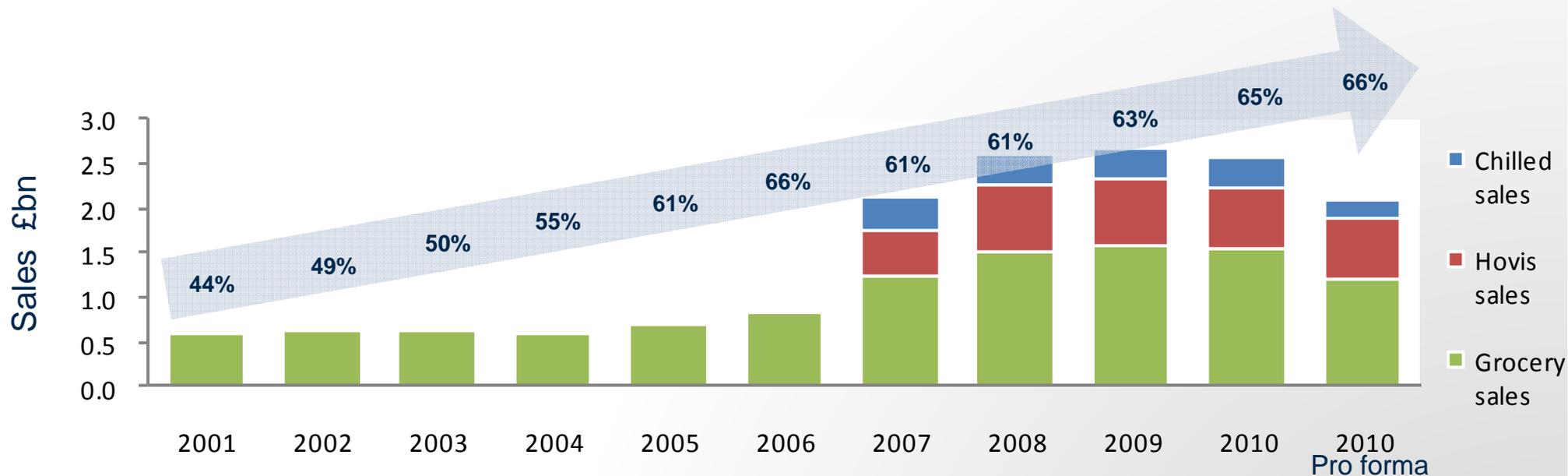
Sales grew from £0.6bn to over £2bn



Acquisitions	Branston	C&B	Sarson's	Ambrosia	IPO	Birds	Quorn	Cauldron	Campbell's UK	RHM			
							Typhoo	Jonker	Fris		MBM	RHM	Frozen
Disposals													Meat-free Canning



Branded mix has risen to 66%

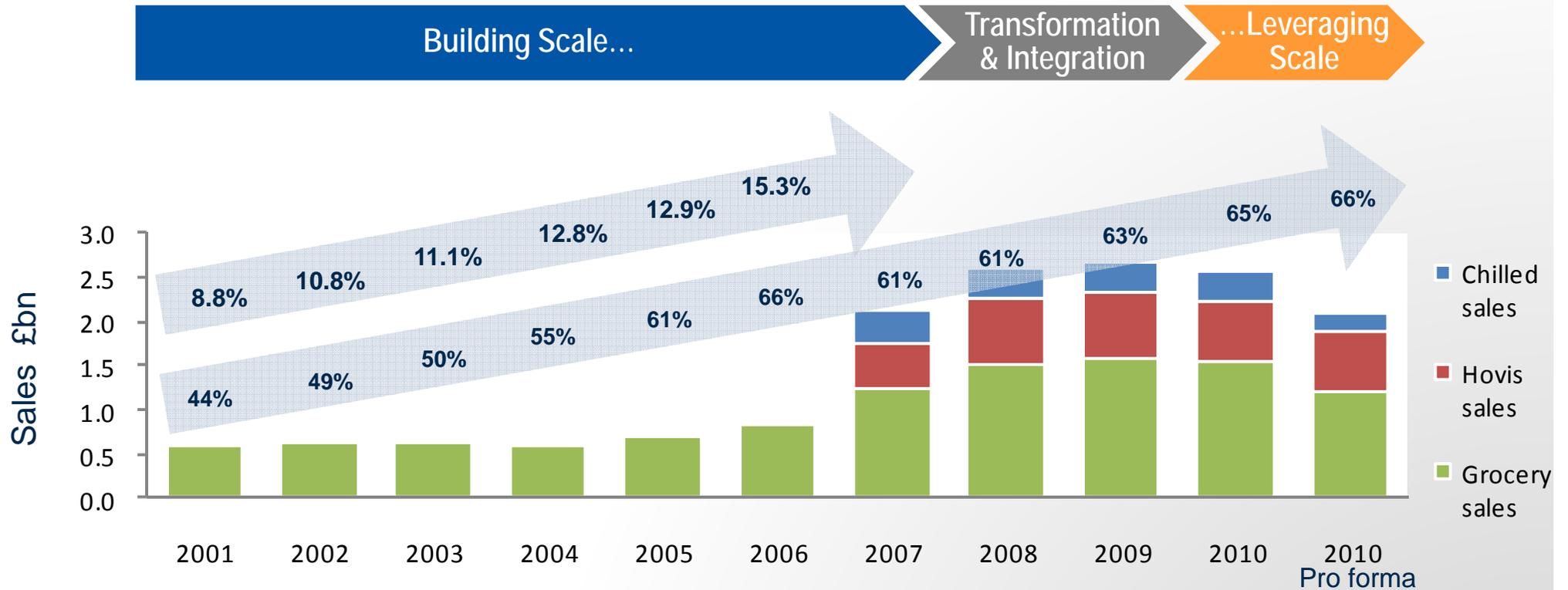


Acquisitions	Branston	C&B	Ambrosia	↑	Birds	Campbell's UK	RHM	
	Sarson's				Quorn		Cauldron	
Disposals				↓	Typhoo		MBM	
					Jonker		RHM	Frozen Bakery
					Fris		Frozen	Meat-free Canning

X% branded sales; ¹ 2007 branded sales %age pro forma for the acquisition of RHM



Trading profit margins grew each year to 15.3% before RHM acquisition

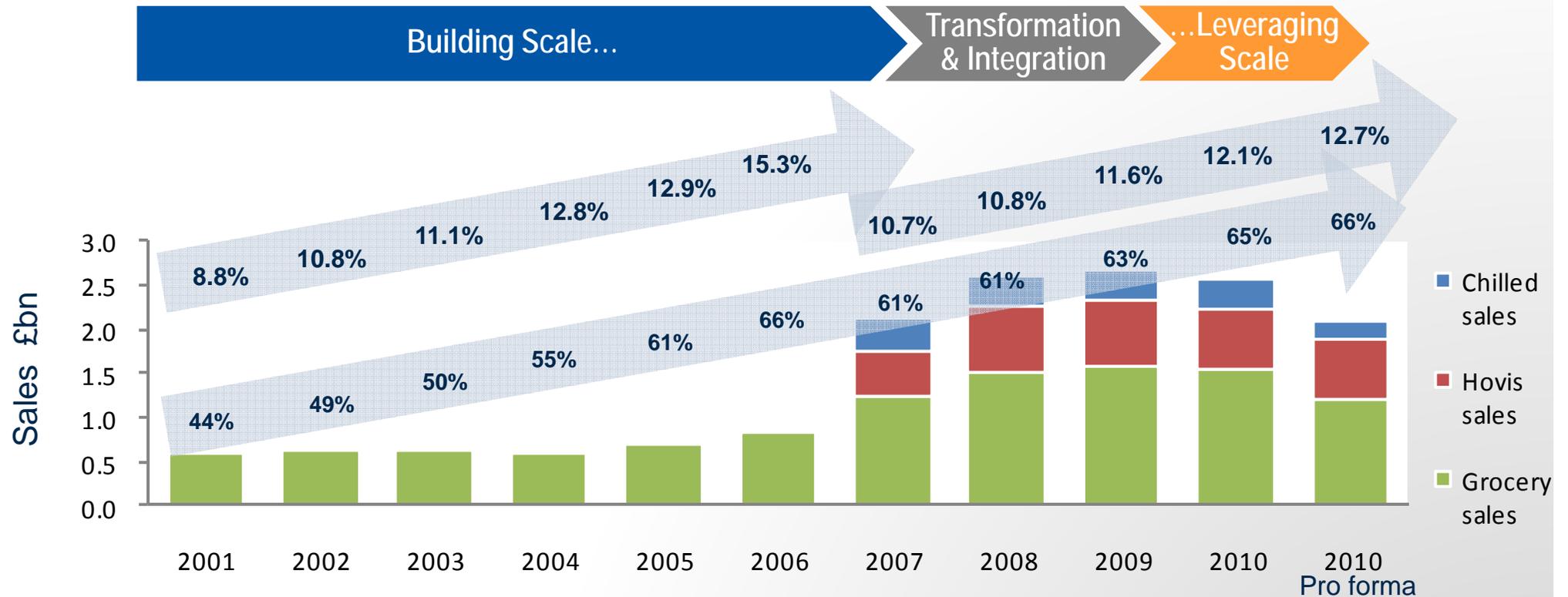


Acquisitions	Branston	Ambrosia	IPO	Birds	Campbell's UK	RHM
	C&B			Quorn		
Disposals	Sarson's			Typhoo		MBM
				Jonker		RHM
				Fris		Frozen
						Frozen Bakery
						Meat-free Canning

X% branded sales; ¹ 2007 branded sales %age pro forma for the acquisition of RHM; ² Trading profit margin restated to reflect continuing operations and net of R&I costs



And have risen each year since

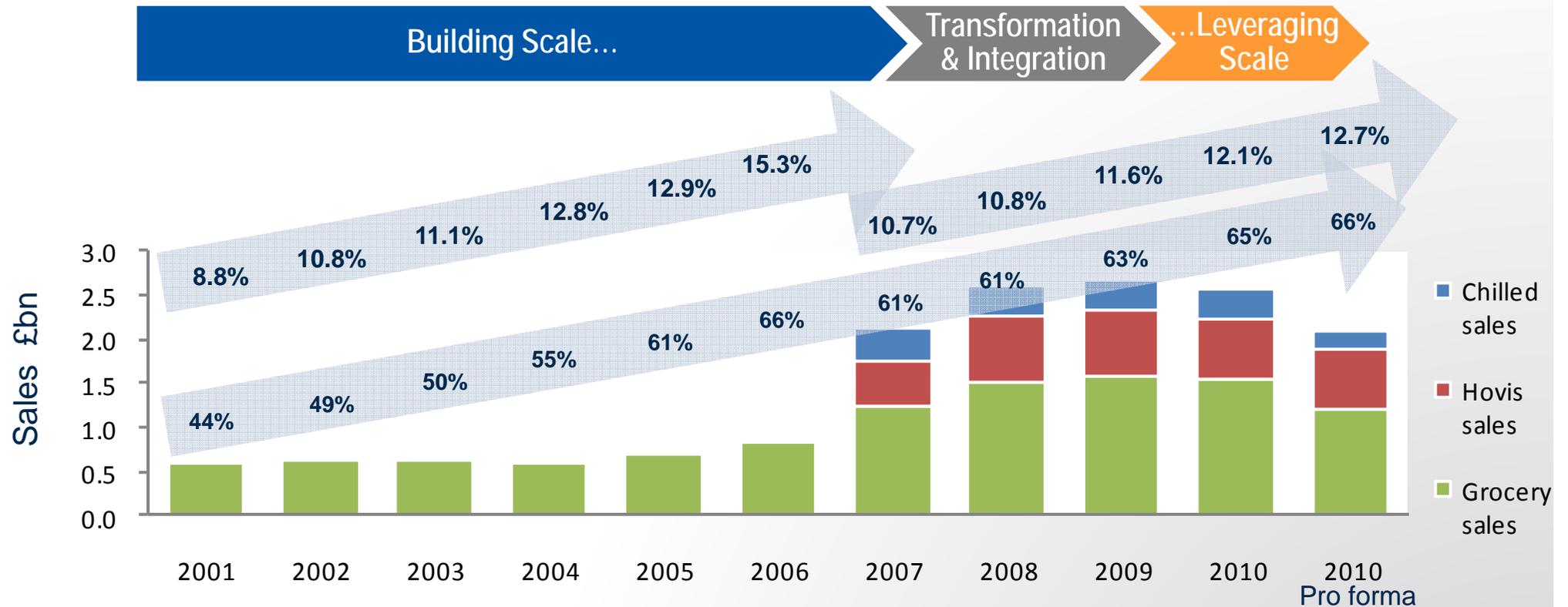


Acquisitions	Branston	↑	Birds
	C&B		Quorn
Disposals	Sarson's	↓	Cauldron
	Ambrosia		Campbell's UK
			RHM
			Typhoo
			Jonker
			Fris
			MBM
			RHM
			Frozen
			Frozen Bakery
			Meat-free Canning

X% branded sales; ¹ 2007 branded sales %age pro forma for the acquisition of RHM; ² Trading profit margin restated to reflect continuing operations and net of R&I costs



Successful business transformation whilst maintaining strong operating margins



	2001-2003	2004-2006	2007-2009	2010
Acquisitions	Branston C&B Sarson's	Ambrosia	Birds Quorn Cauldron	Campbell's UK
Disposals			Typhoo Jonker Fris	MBM RHM Frozen

IPO ↑ ↓

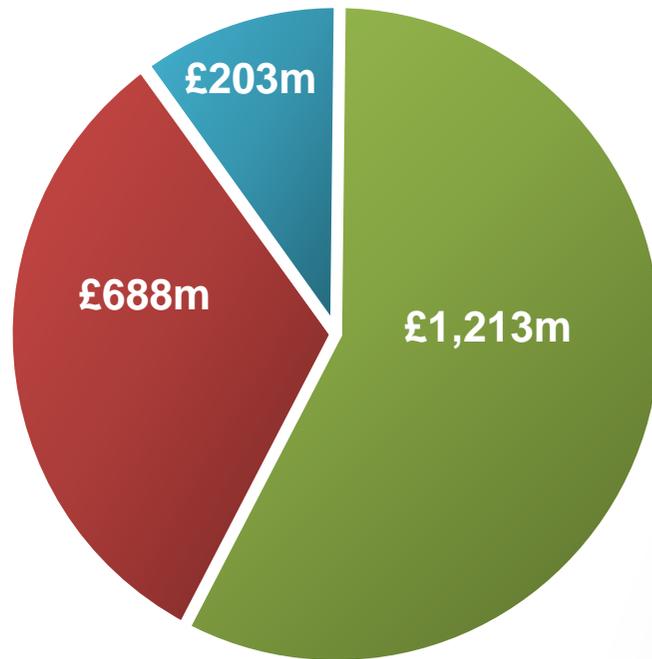
X% branded sales; ¹ 2007 branded sales %age pro forma for the acquisition of RHM; ² Trading profit margin restated to reflect continuing operations and net of R&I costs



Premier Foods following disposals

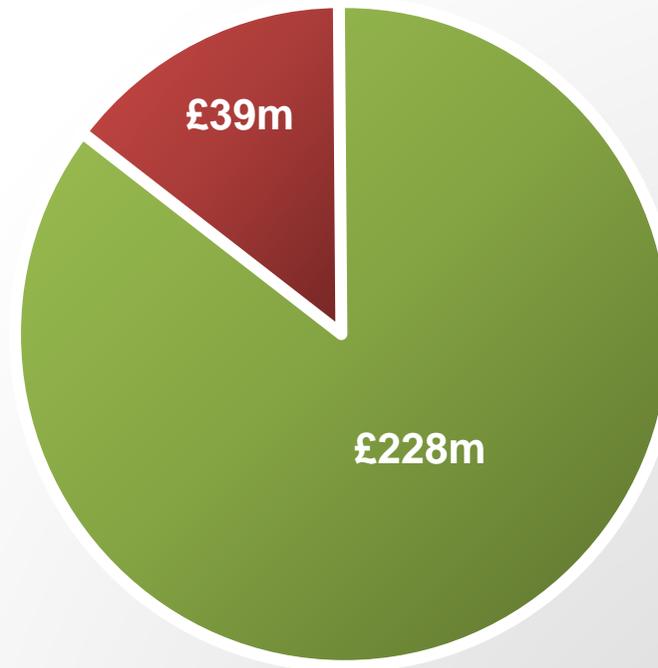
2010 Pro forma

Sales: £2,104m



66% Branded

Trading profit: £267m



12.7% Trading profit margin

- Grocery
- Hovis
- Chilled

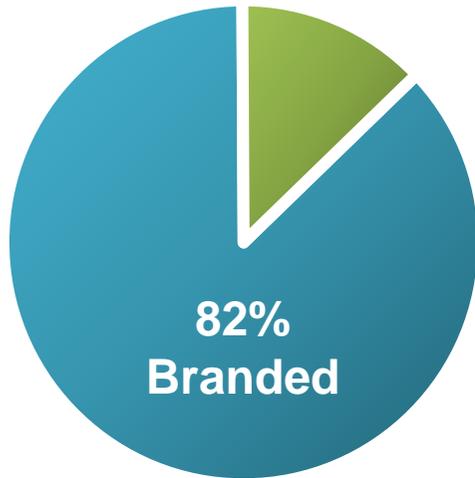
We are the UK's largest food producer



Premier Foods today

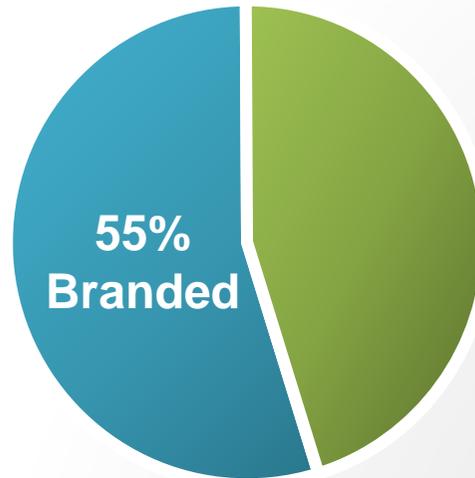
2010 Pro forma

Grocery
Sales £1,213m



Trading profit £228m
margin 19%

Hovis
Sales £688m



Trading profit £39m
margin 6%

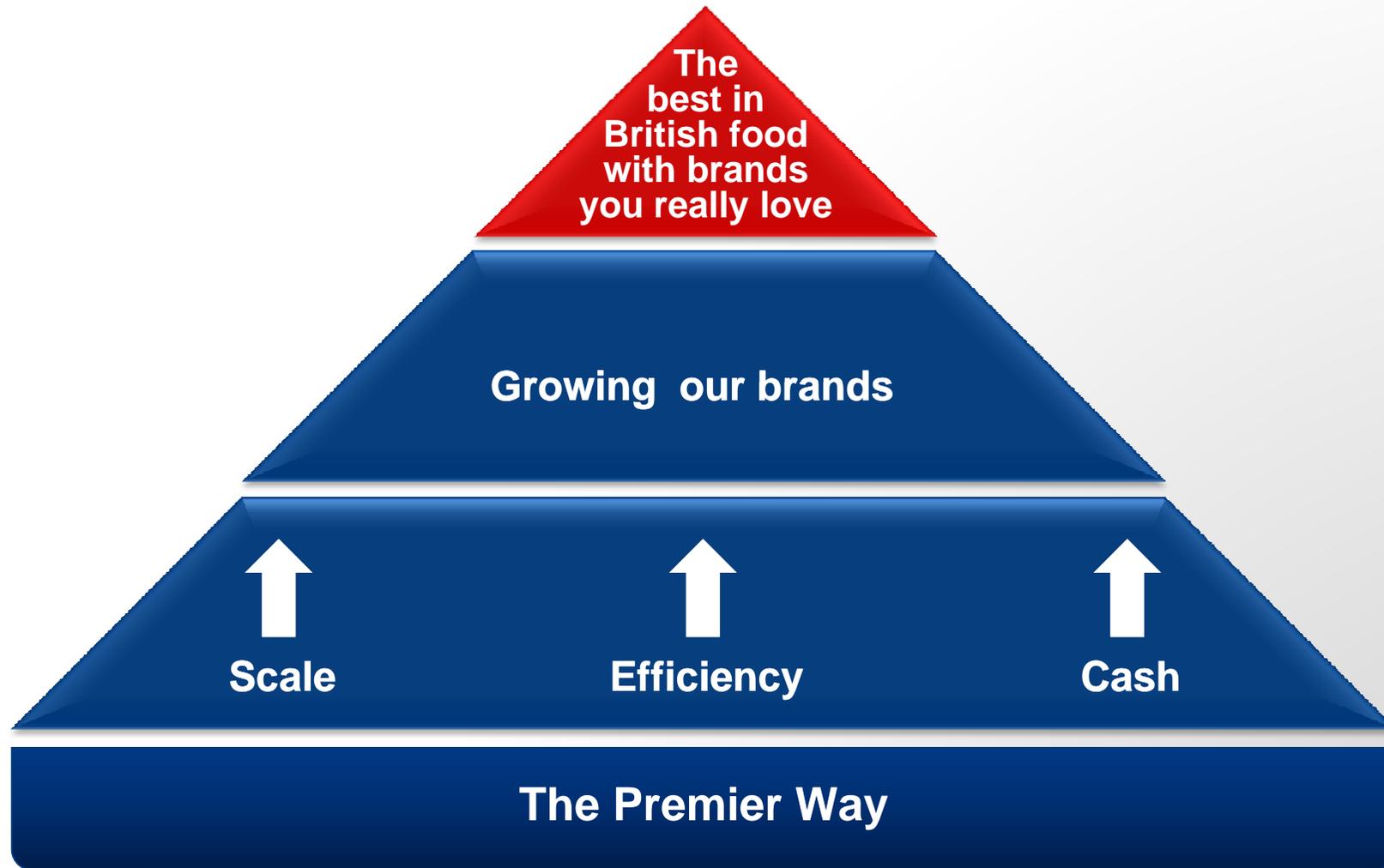
Chilled
Sales £203m



Trading profit £nil



Group vision and strategy





Shape of the day

Introduction

Robert Schofield

Growing Our Brands

Tim Kelly

Transforming Iconic British Brands

Jon Goldstone

BREAK

**Mining Assets For Gold
Shine In Store**

Tim Kelly
Tim Kelly

**Scale And Efficiency In Supply Chain
Competitive Advantage Through Better Procurement
Business Model**

Bob Spooner
Mark Hughes
Jim Smart

**Summary
Q&A**

Robert Schofield
Robert Schofield



Today's presenters



Tim Kelly - Chief Operating Officer



Jon Goldstone – Group Marketing Director



Bob Spooner – Group Operations Director



Mark Hughes – Group Procurement Director



Jim Smart – Chief Financial Officer



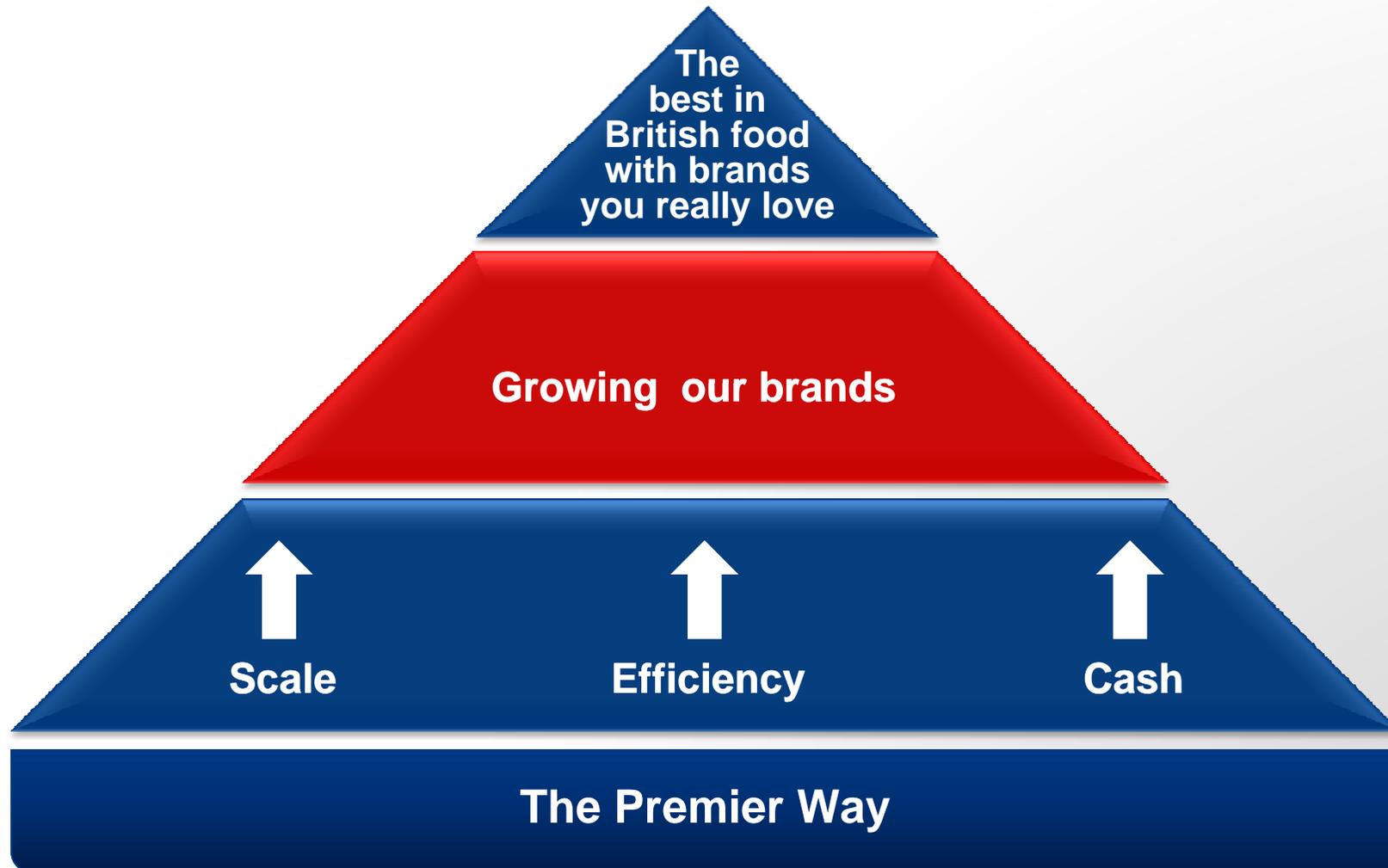
Growing Our Brands

Tim Kelly

Chief Operating Officer



Our strategy is now focused on growing our brands





But we have a number of key questions

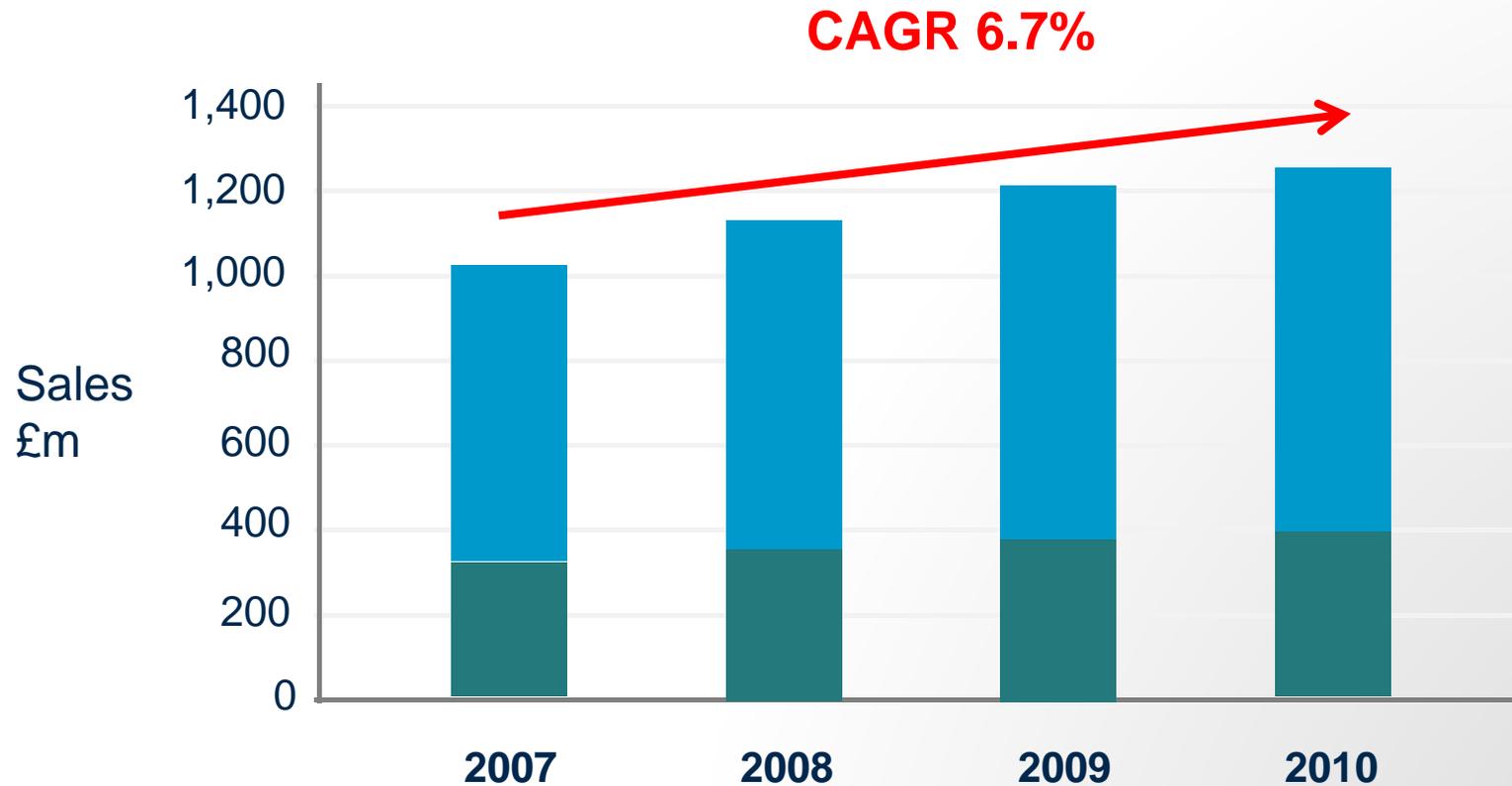
Can we grow our brands?

Can we maintain our margins in a volatile environment?

Can we grow our total sales?



Historically we have grown our drive and core brands well



- Drive brands
- Core brands





We have some excellent examples of growth through innovation

Ambrosia 2003 Sales - £53m



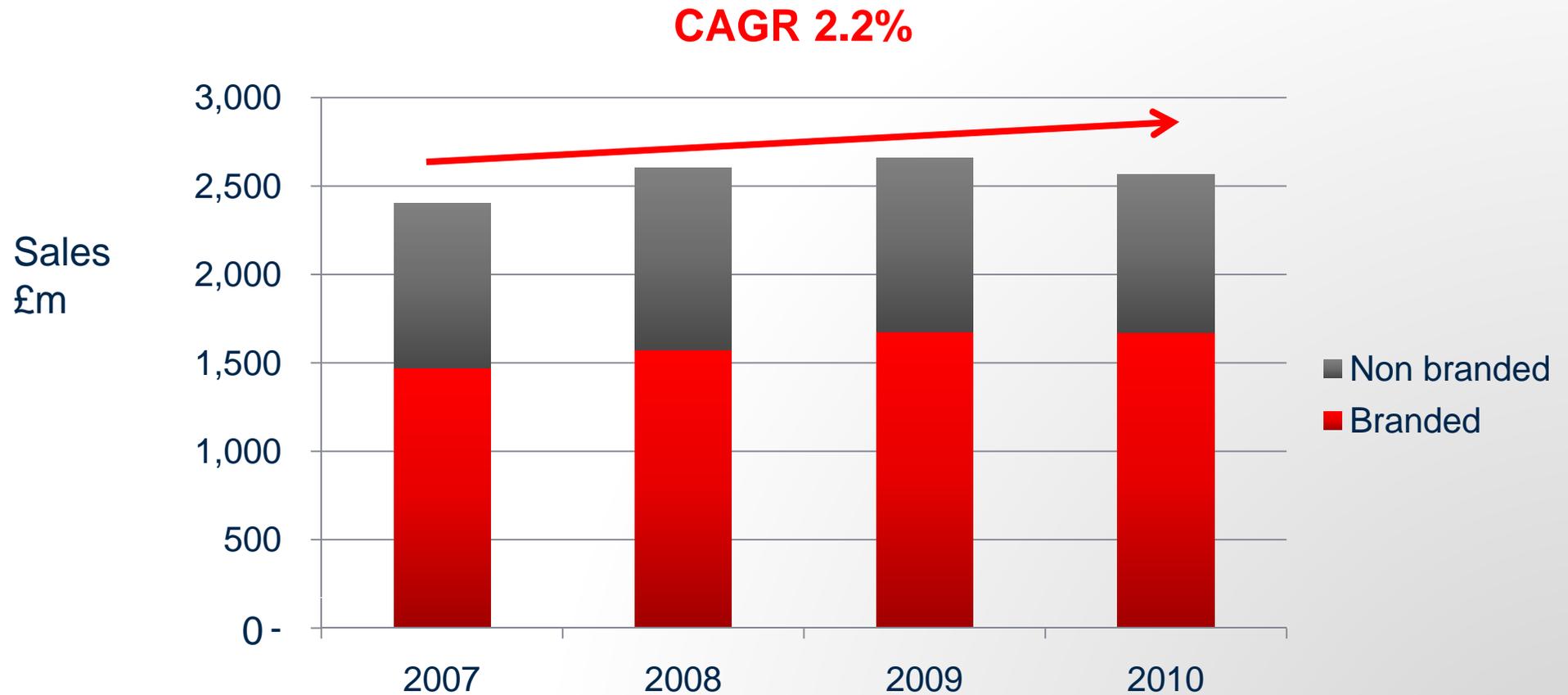
Ambrosia 2010 Sales - £85m



CAGR 7.0% Since Acquisition



Total sales growth has been modest





Branston is another excellent example

**Branston
2002 Sales
£19m**

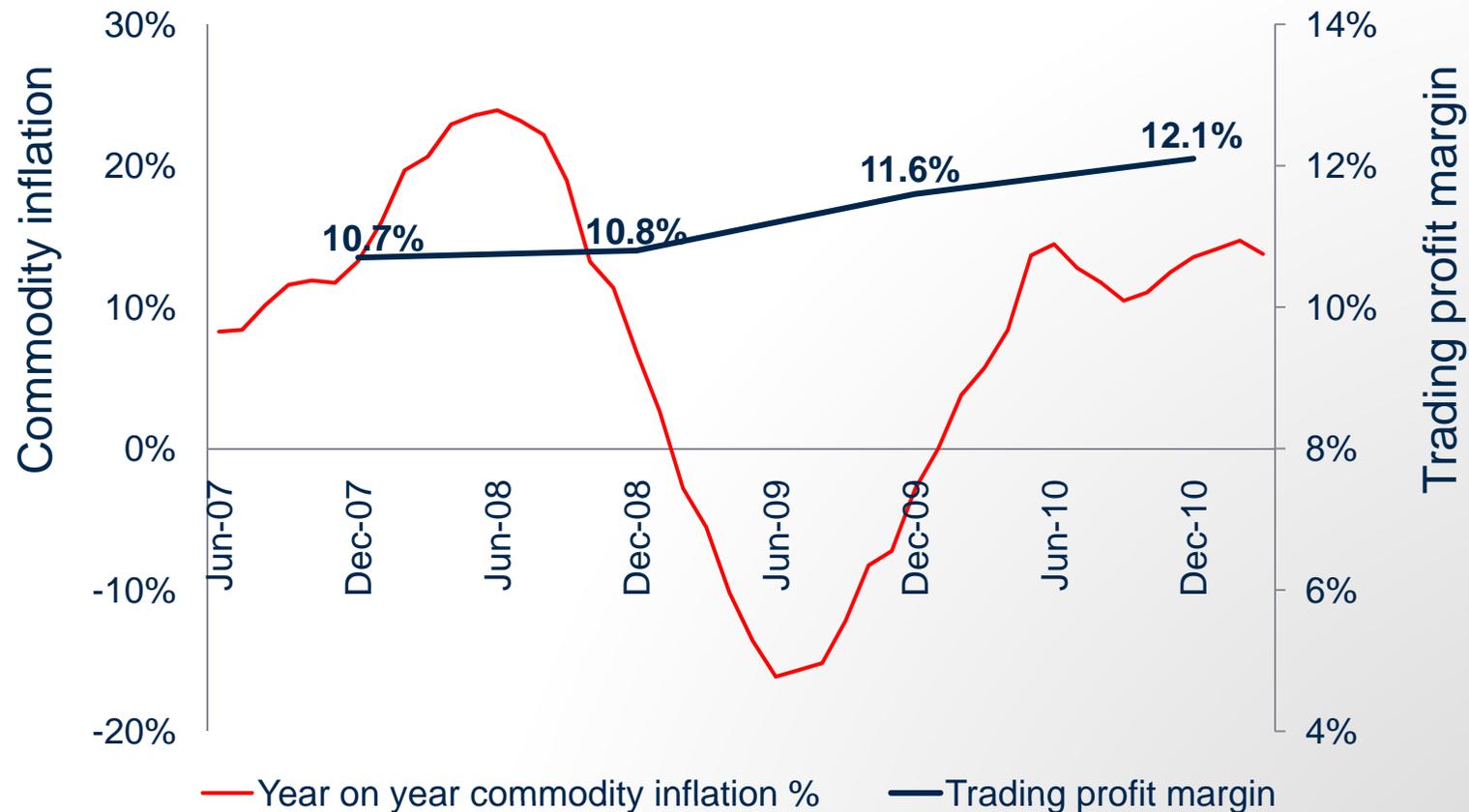
**Branston
2010 Sales
£71m**



CAGR 17.9% Since Acquisition

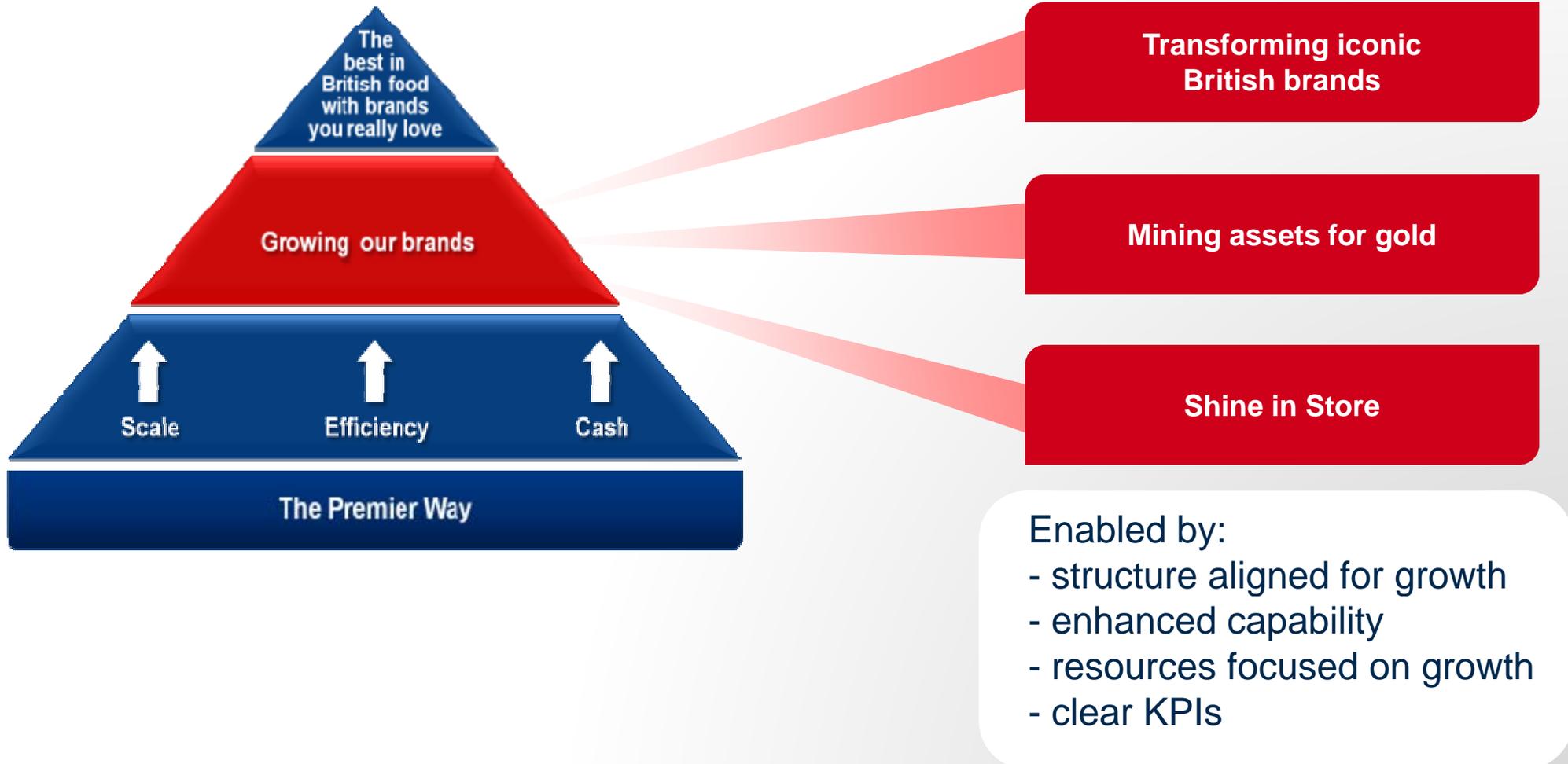


We have successfully built margins despite turbulent commodity markets



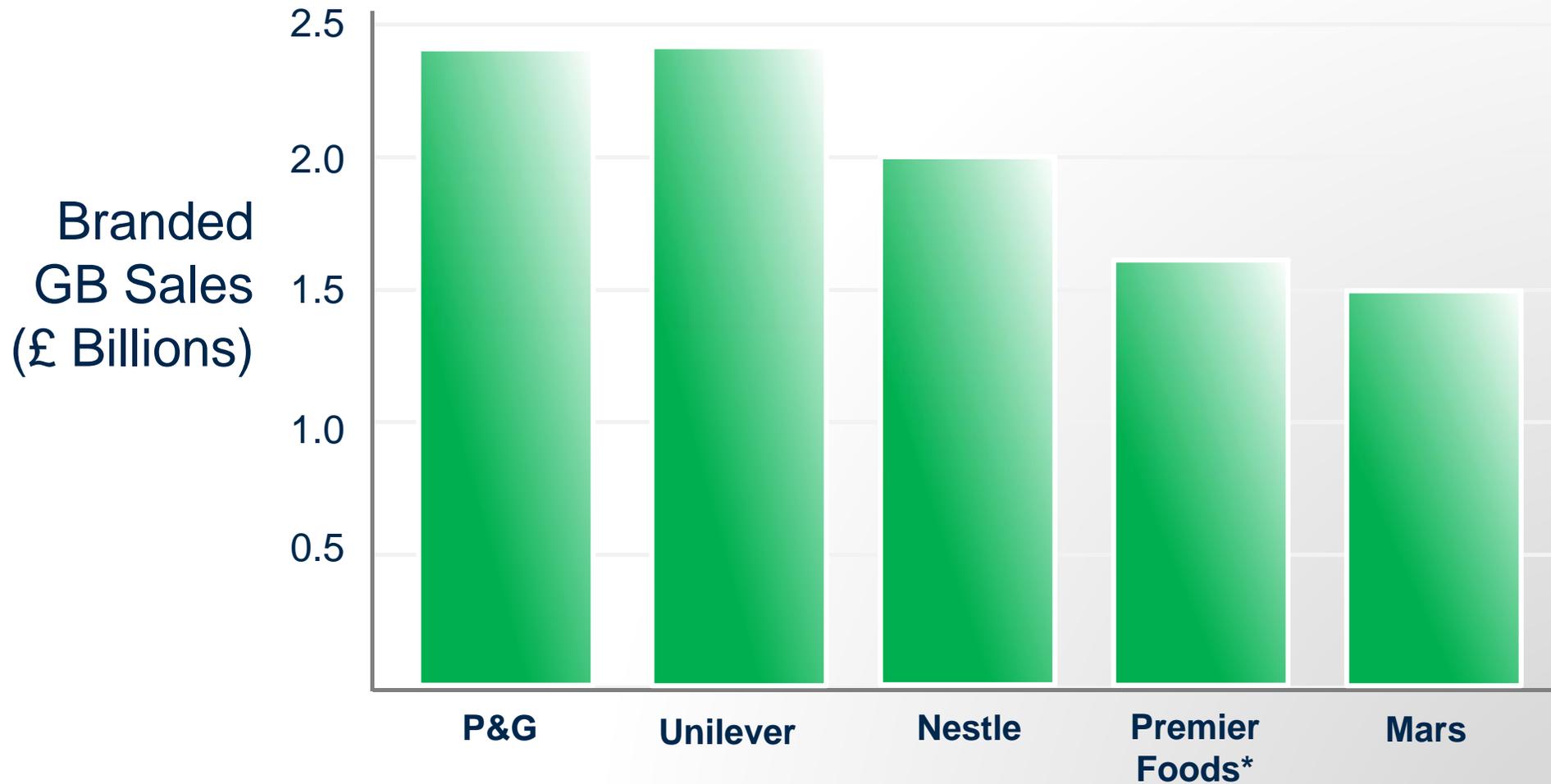
- Trading profit margin grown despite volatility in commodities
- Margins maintained through cost reduction and price increases

So how do we accelerate total sales growth?





We've chosen to learn from our peers



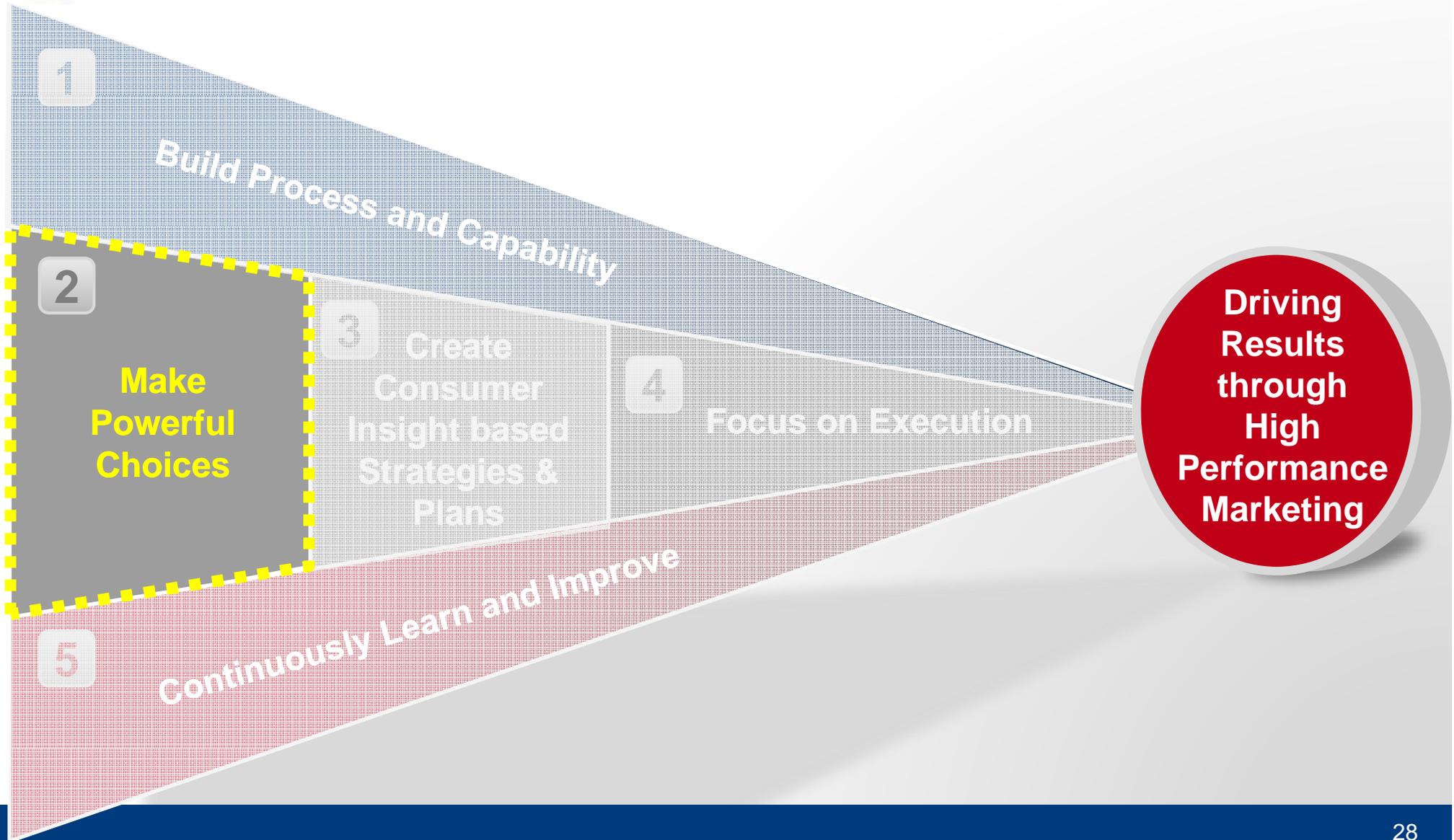


They drive results through high-performance marketing by doing five things very well





We started by making some powerful choices





Our plan is to focus on four macro categories, where we have significant share gain opportunity

Total GB Food & Drink = £68 bn

Premier Share 2%

Total Focus Categories = £44 bn

Premier Share 3%

£ Bn

Bakery

£3.5

Sweet
Treats

£7.5

Desserts

£8.9

Hot Meals

£24.4

Premier
Share

12%

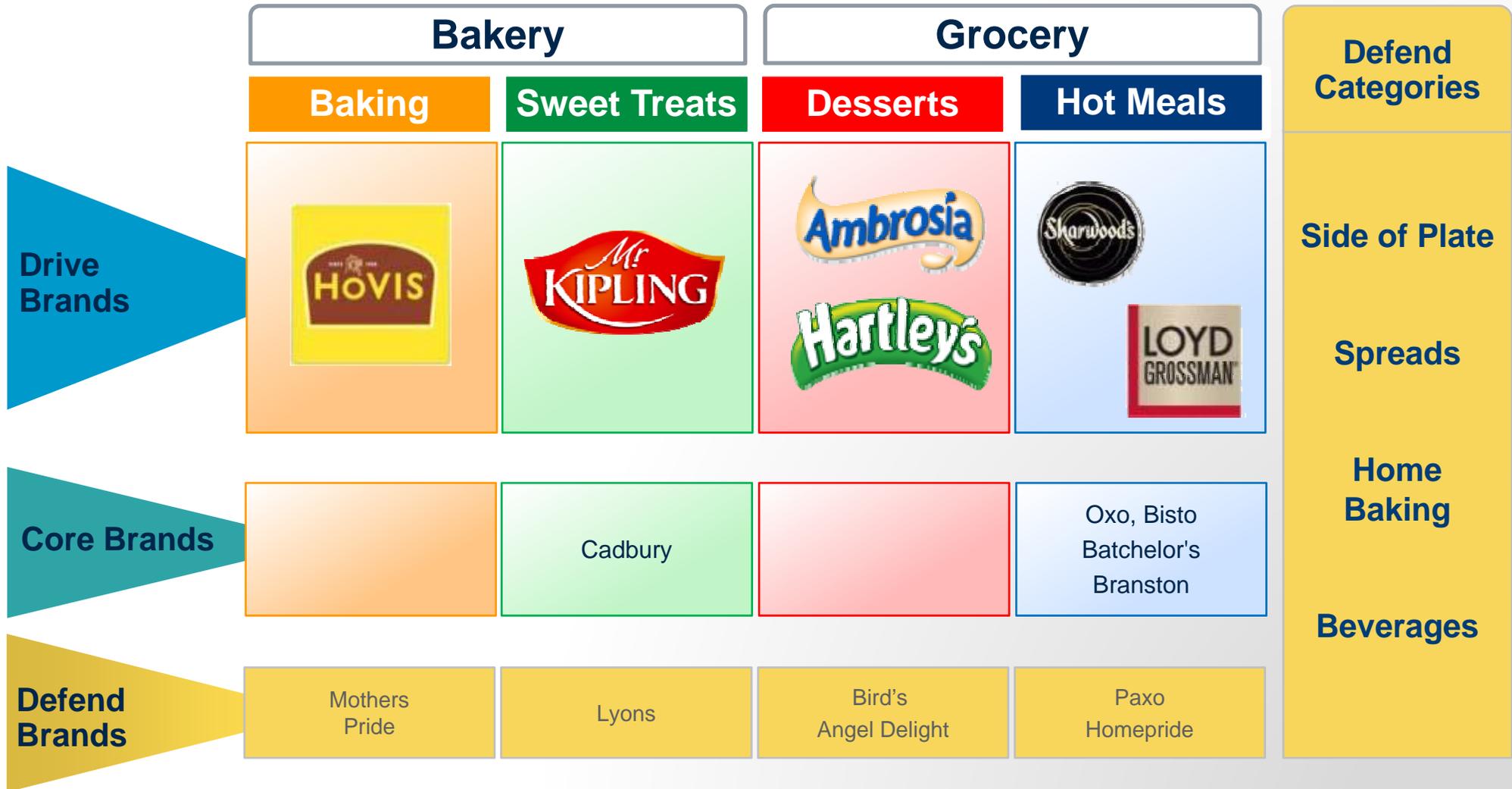
4%

2%

2%



We have organised our brand prioritisation around these four categories





We have tightened our definition of “Drive” brands

They already have

- Potential for transformational sales and profit growth
- Significant scale
- Great resonance with the British consumer

They will have

- More innovation
- Preferred quality vs competition
- 5 star launches
- Prioritised for capital
- Increased marketing investment

We will be focused on accelerating growth





... our “Core” brands...

They already have

- Scale in their category
- Supporting role for Drive brands

They will have

- The ability to become Drive
- The ability to compete hard
- Growth opportunities
- Occasional advertising

We will defend their positions and take growth opportunities as they are identified





... our “Defend” brands...

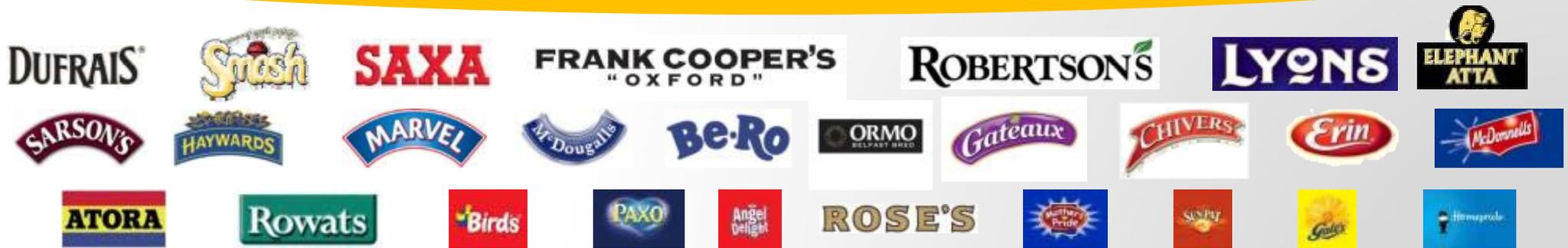
They already have

- Scale in their category
- Strong category shares
- Categories modest in size or low growth

They will have

- Dedicated management
- Tactical marketing and innovation
- Relentless focus on cash and profit

We will defend their positions with a relentless focus on cash and profit





... and our Non Branded business

Retailer branded

- Scale in category, e.g. Spreads
- Scale with customer
- Supply chain scale
- Generates cash

Business to business

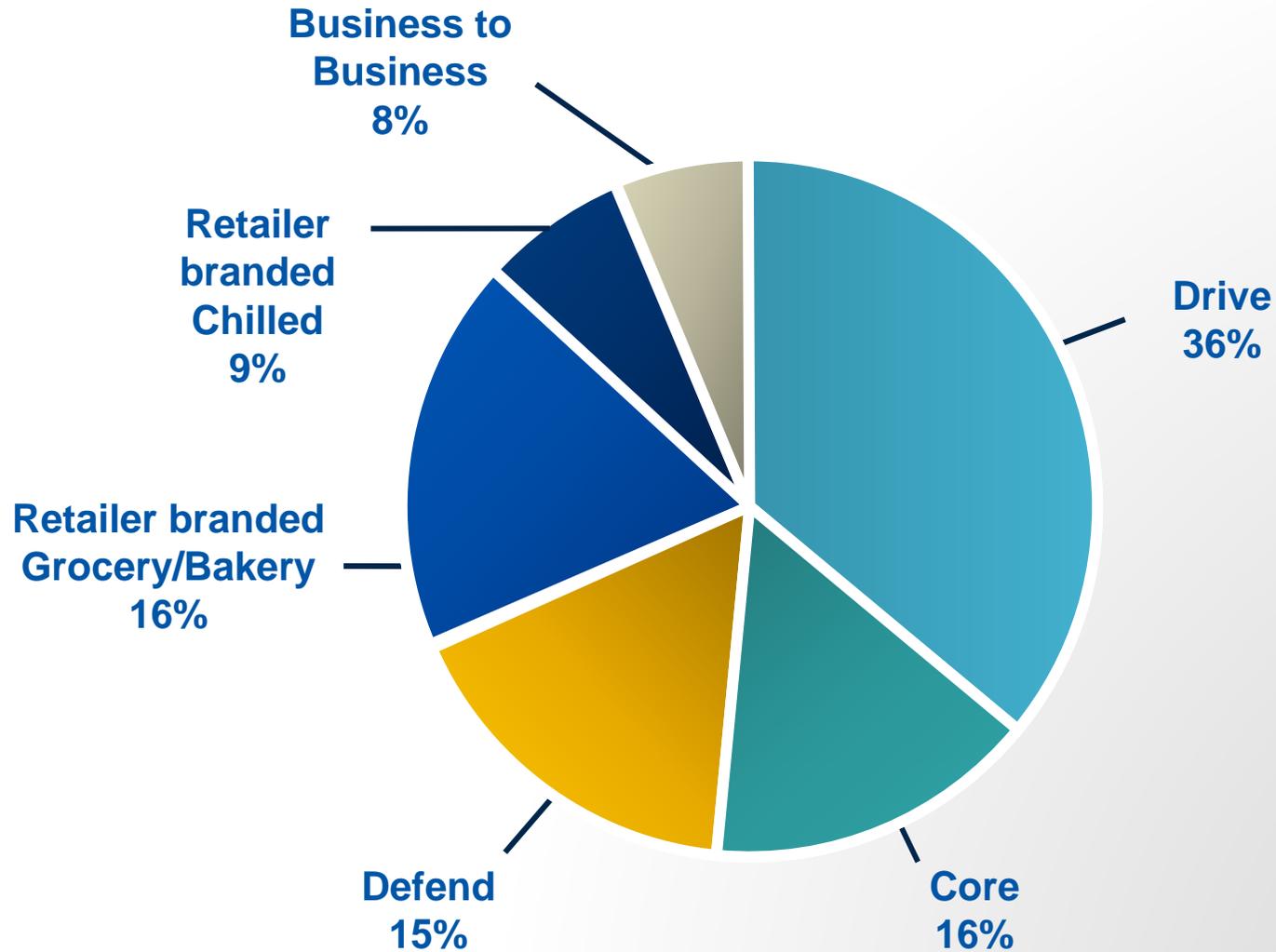
- Low margin but low risk
- Additional volume to support manufacturing scale
- Flour
- Preserves
- Vinegar



Our Non branded business has strong category positions and contributes scale

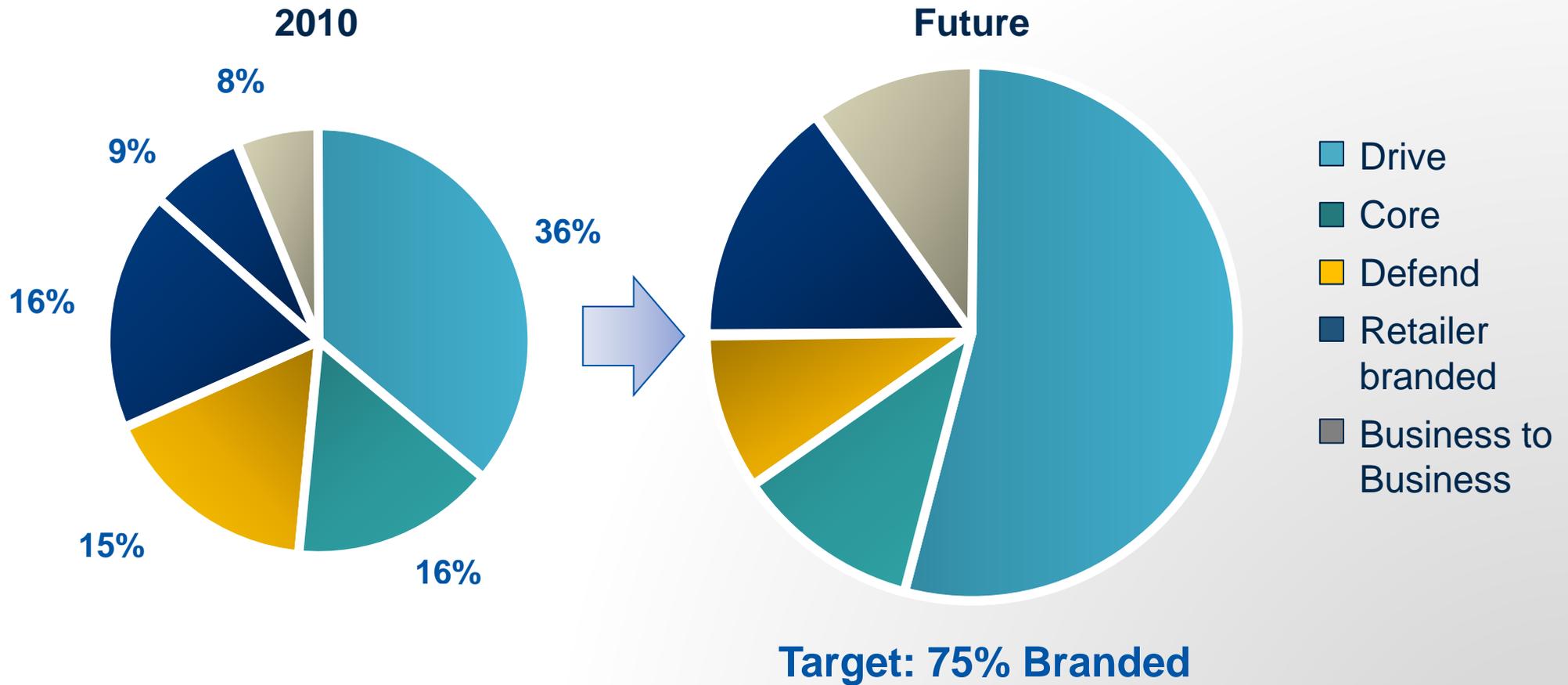


Today our Drive and Core brands account for over 50% of our portfolio





We see that proportion increasing significantly in the future



Our growth enablers



Transforming iconic British brands

Mining assets for gold

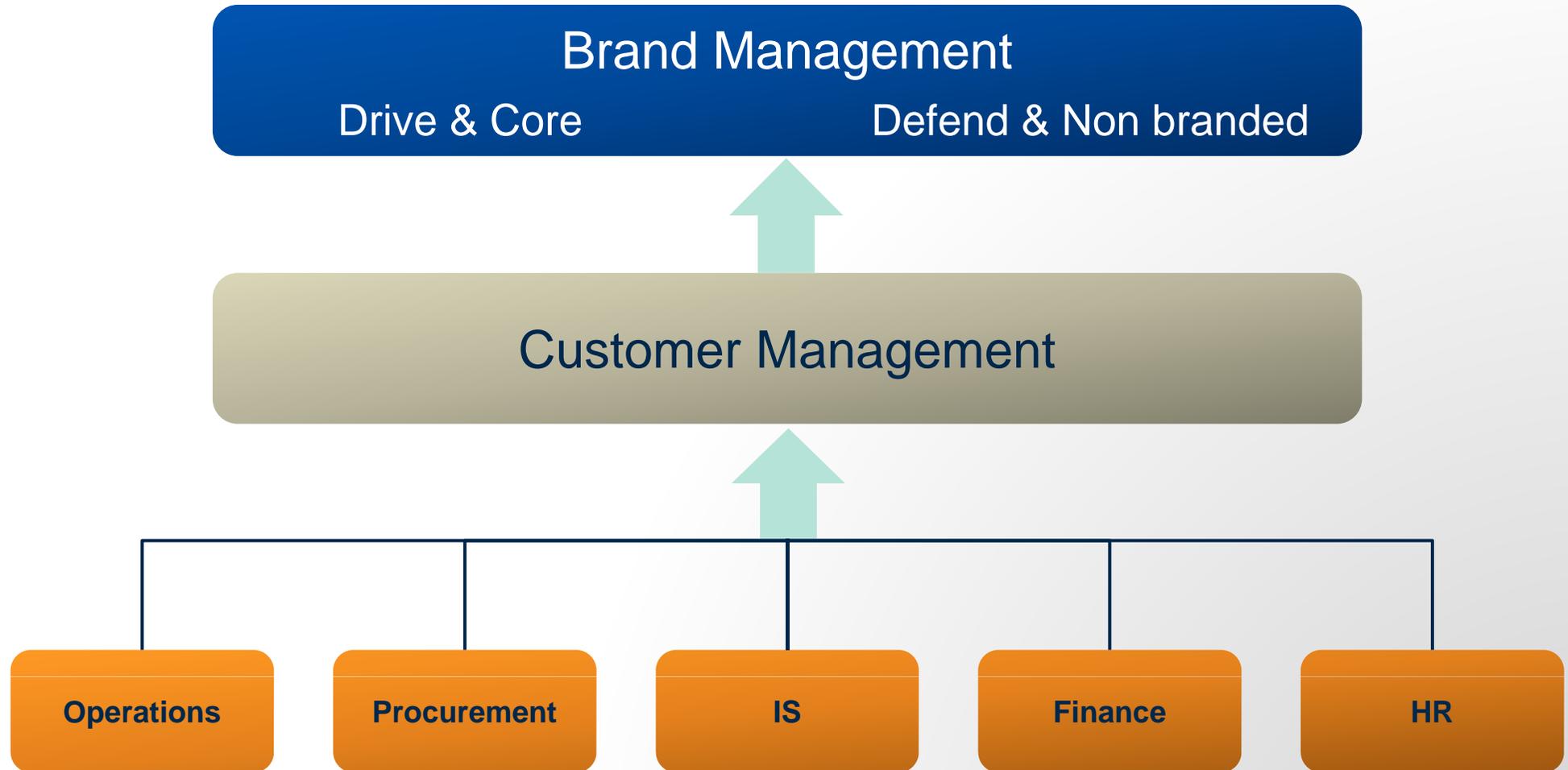
Shine in Store

Enabled by:

- structure aligned for growth
- enhanced capability
- resources focused on growth
- clear KPIs



We are re-aligning our structure to drive growth



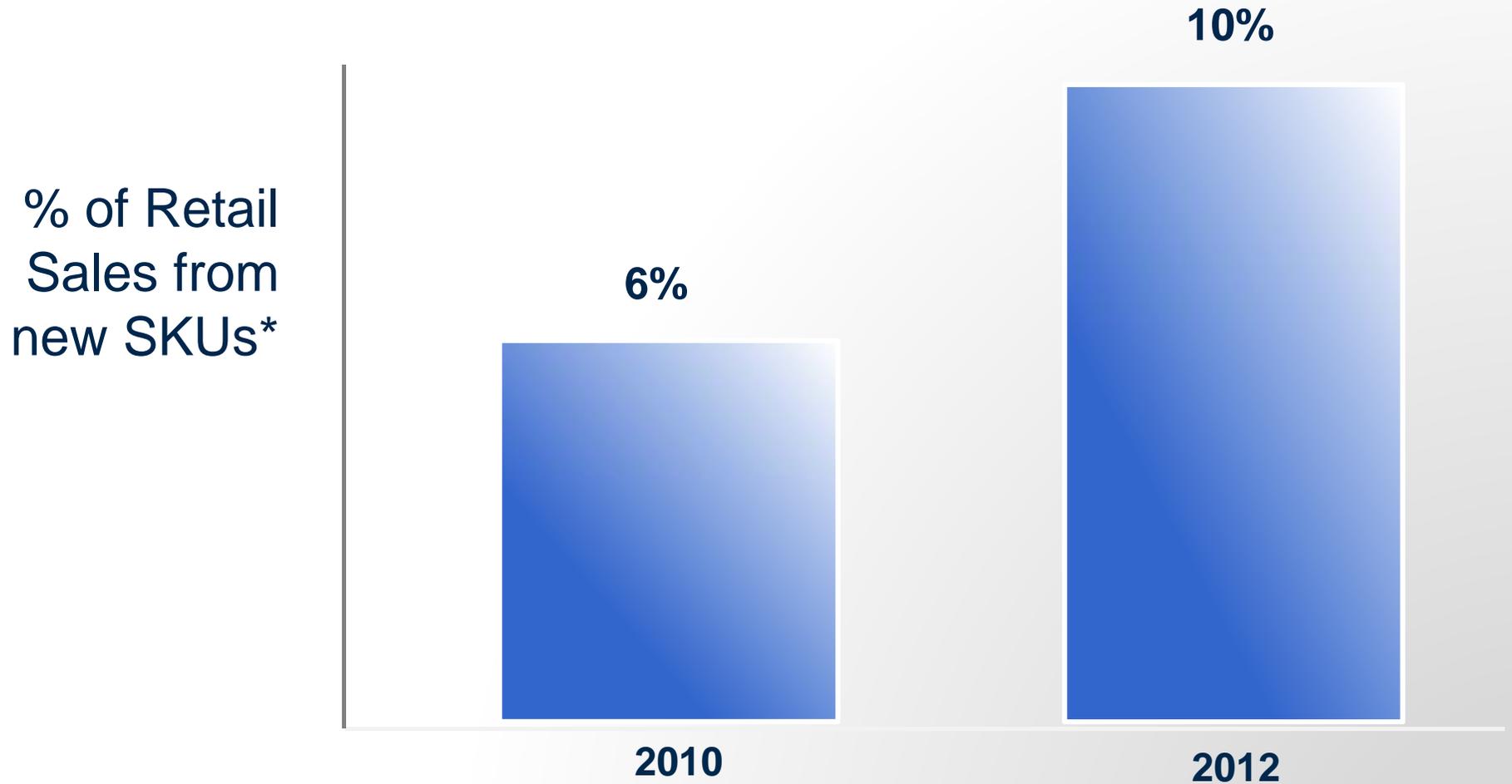
**We also want to create a culture
based around our
“#1 in British Food” position**



We are British and proud of it!



As we look to shift innovation to become 10% of our sales...



*Source: IRI Annual sales coming from new barcodes launched in previous 24 months



... we have invested heavily in
a new Innovation Process

?WHAT IF!
The Innovation Company





We have developed a new marketing capability programme...

ompf!

Outstanding Marketing at





... that is designed to create a new Premier Foods way of marketing

The Premier Foods Marketing Framework

A six module marketing process & capability programme

Insight

Brand Strategy & Marketing Planning

Commercial Effectiveness

Innovation

In-Store Strategy

360 Activation



We are also reallocating resources, focusing on driving growth

Increasing resources behind drive brands

Reallocating investment, i.e.

- Promotional Push → Advertising Pull**
- Capital → Innovation Focus**

**Dedicated organisations for DRIVE/CORE
and DEFEND/NON BRANDED**

>100 people focused on innovation

New Customer Management structure focused on growth



Finally, we have six very clear growth KPIs

1 Innovation
10%
Of Net Sales

2 Volume and Value
SHARE
growing ahead of market

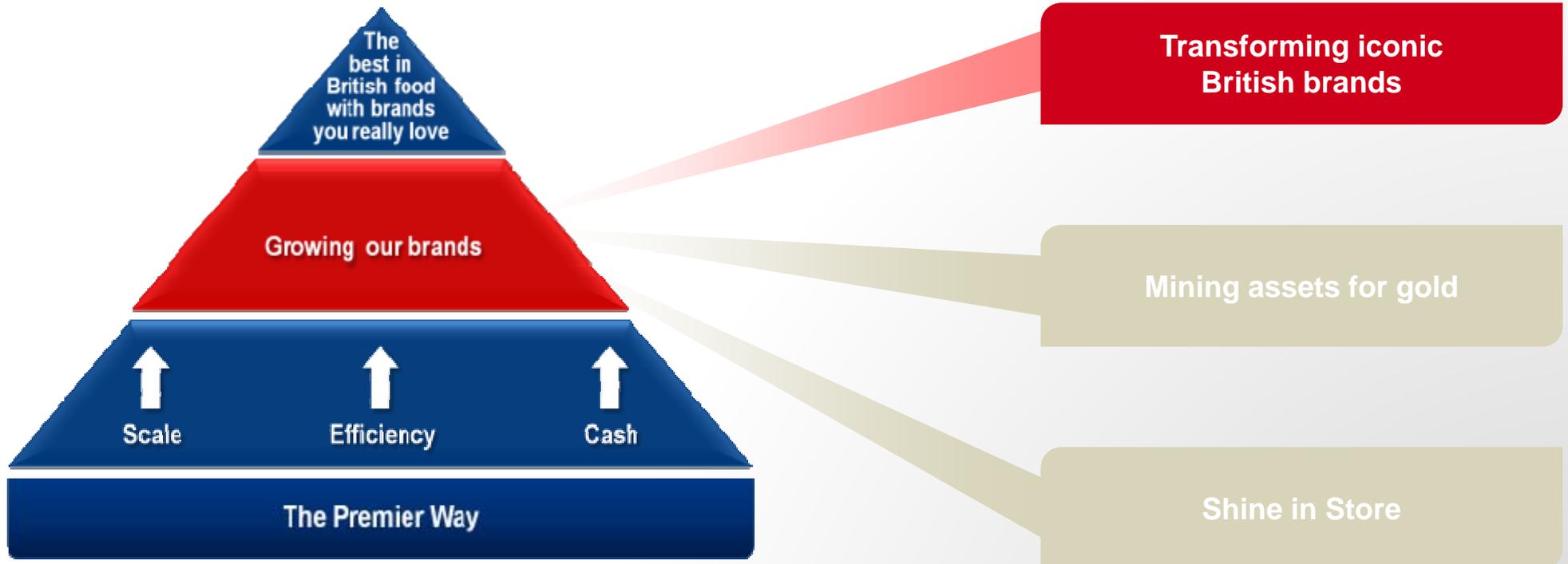
3 Quality
LEADERSHIP

4 Relative
PRICE
growing ahead of market

5 Brand Equity
>40%
“A Brand You Love”

6 In-Store
EXECUTION
best in class

Growing our brands



Jon Goldstone, Group Marketing Director



So how do you transform iconic British brands?

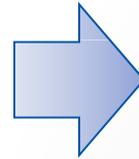
MarketingWeek

“The world has moved on and Mr. Kipling has refused to move with it, leaving it feel like a relic”

Tony Quinn, Head of Planning, JWT London

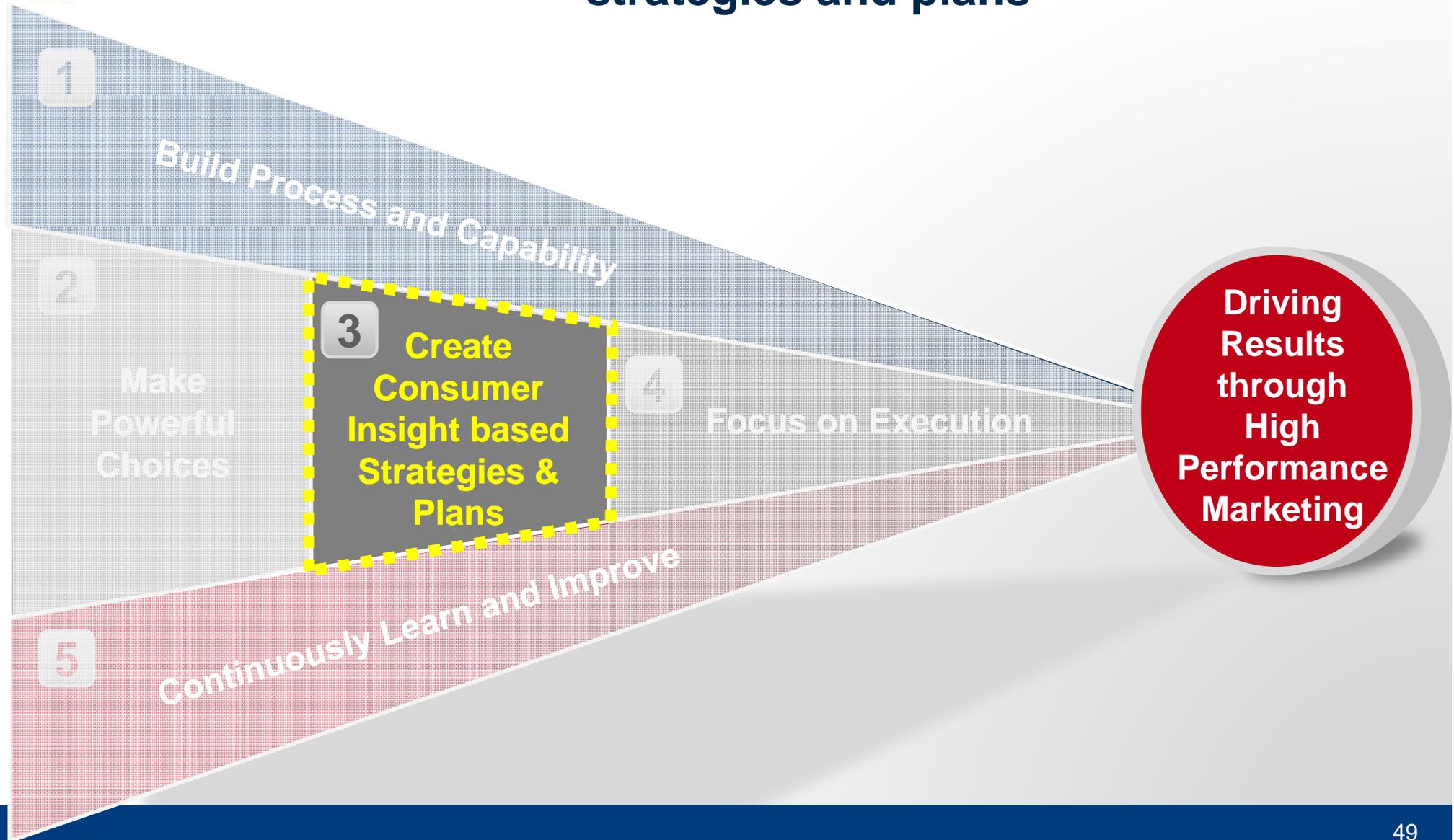
Source: MarketingWeek “Brand Health Check, February 2011

It's not easy but there are some great examples



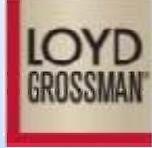


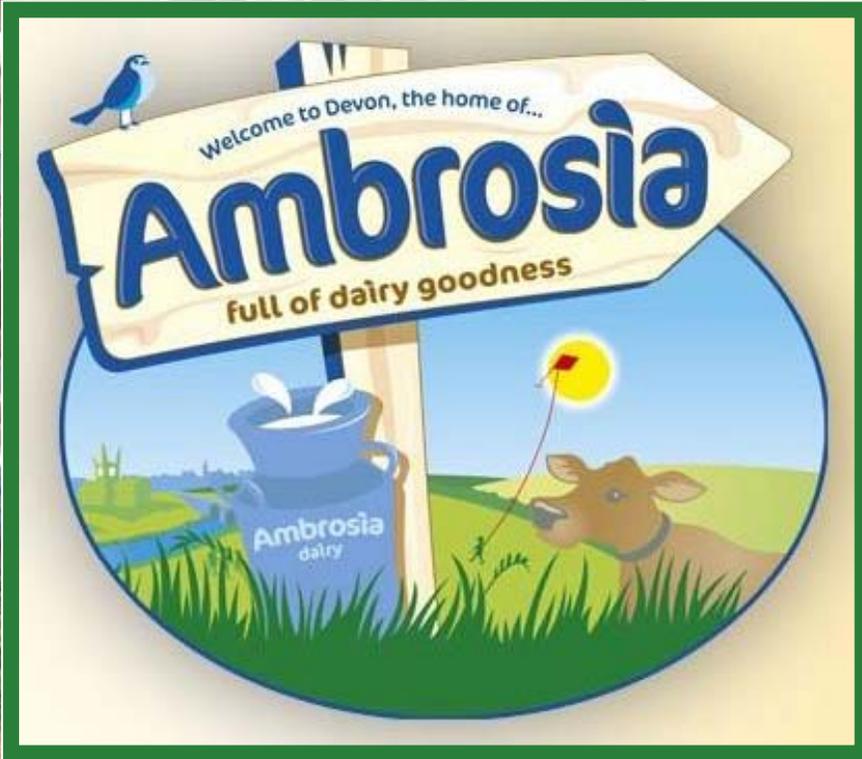
We have created insight driven brand strategies and plans





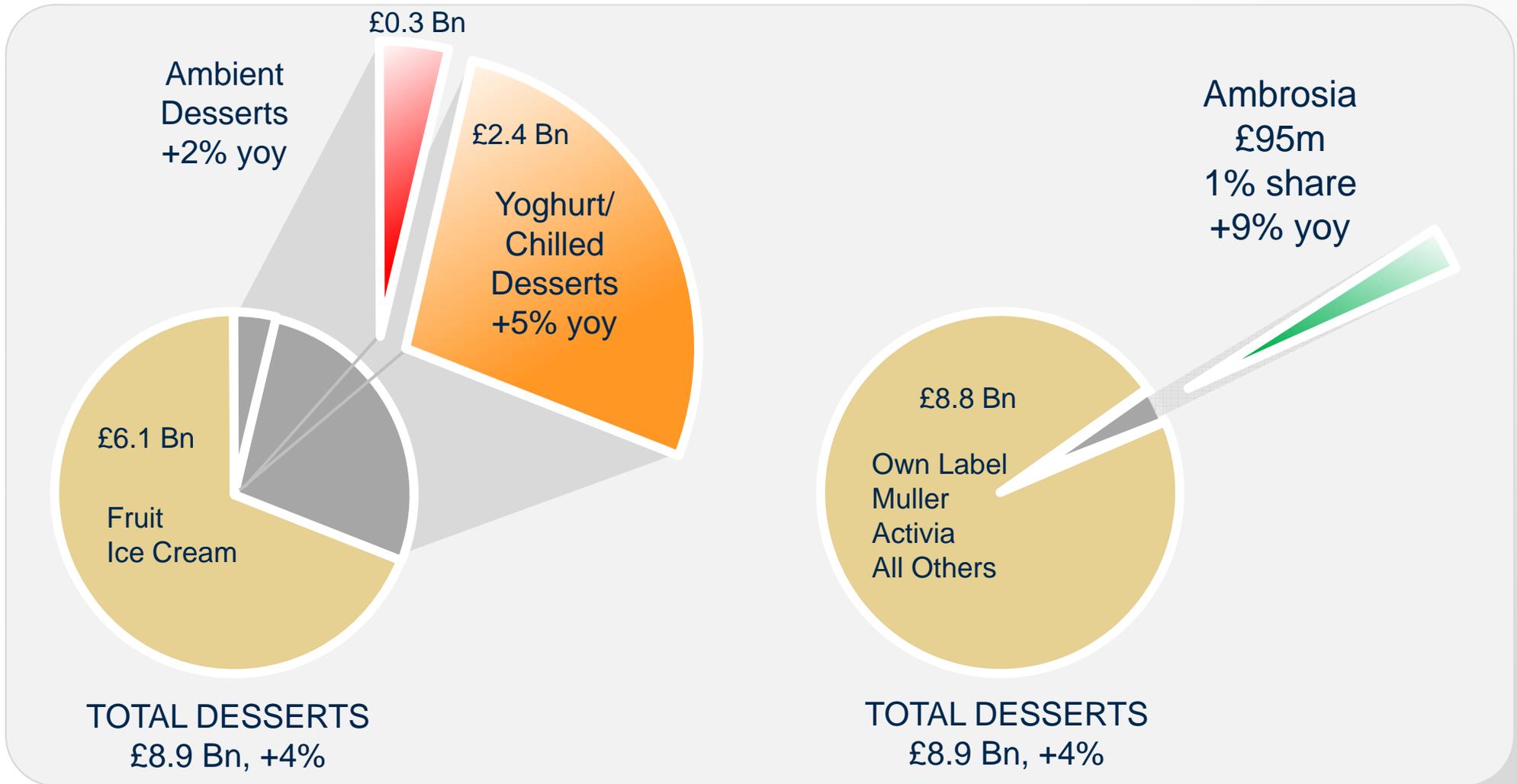
Today I am going to talk about six of our brands

Bakery		Grocery	
Baking	Sweet Treats	Desserts	Hot Meals
			 





The Desserts category is large and in growth





Ambrosia has a unique position





And a rather secret brand truth

Carbs = Slow Release Energy

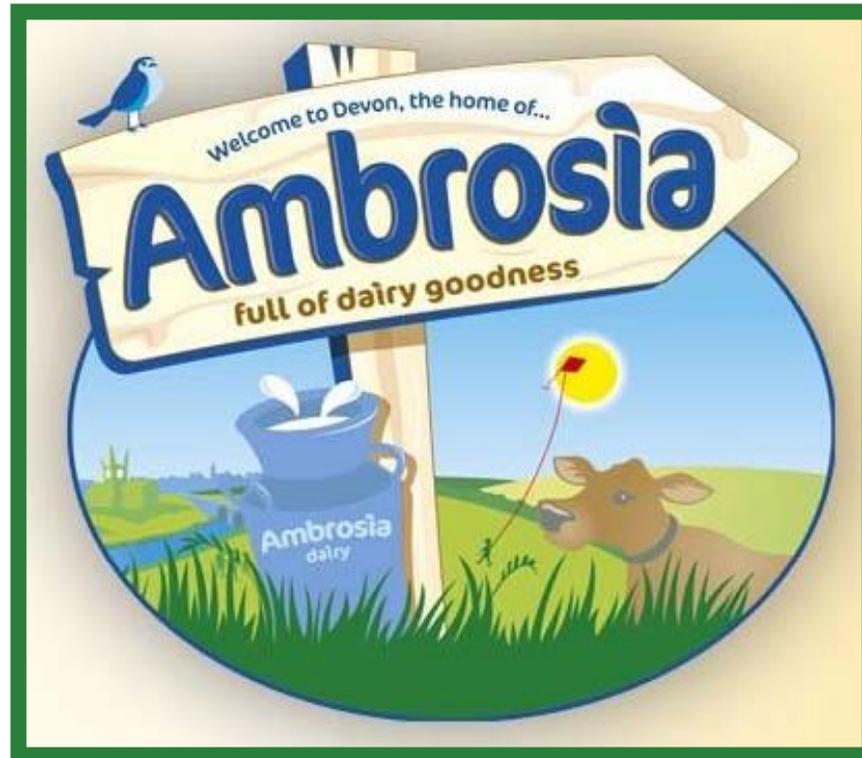
Sugar = Quick Release Energy

Protein = Muscle Recovery



Perfect Food for Endurance Athletes



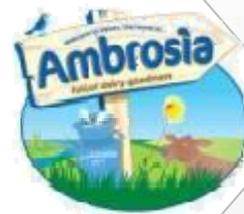


Video



We believe Ambrosia has the potential for explosive growth

TODAY



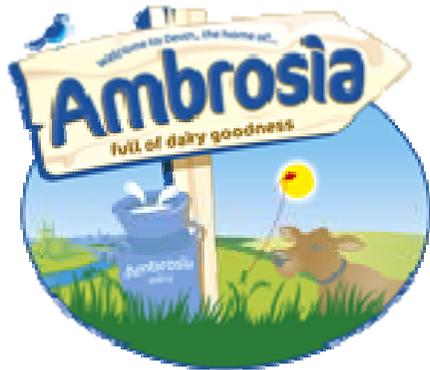
FUTURE



* Source: Kantar Worldpanel Retail sales value 52 w/e March 2011



We have identified five platforms to unlock the potential



TODAY

£95m*
1% share of Desserts

Getting Goodness Into Kids

Goodness on the Go

Good Morning Britain

Top In Toppings

Modern Complete Sweet

FUTURE

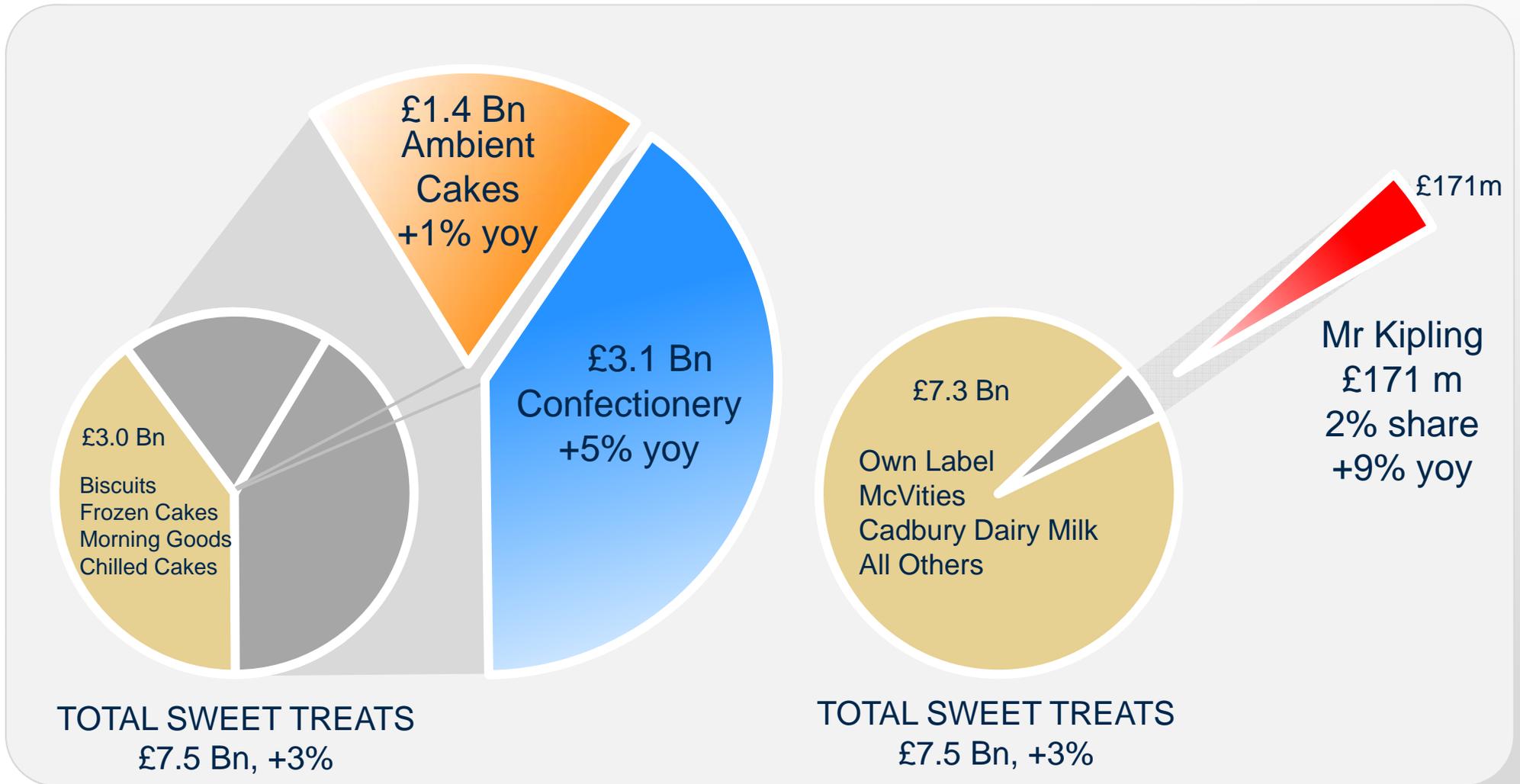
£320m
4% share of Desserts

* Source: Kantar Worldpanel Retail sales value 52 w/e March 2011





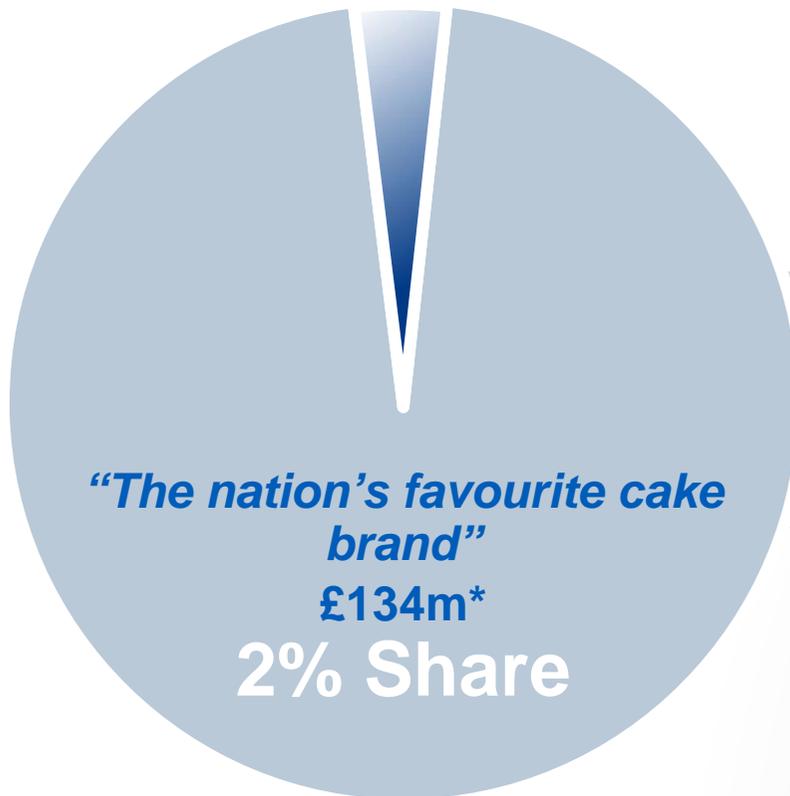
The Sweet Treat category is large and in growth



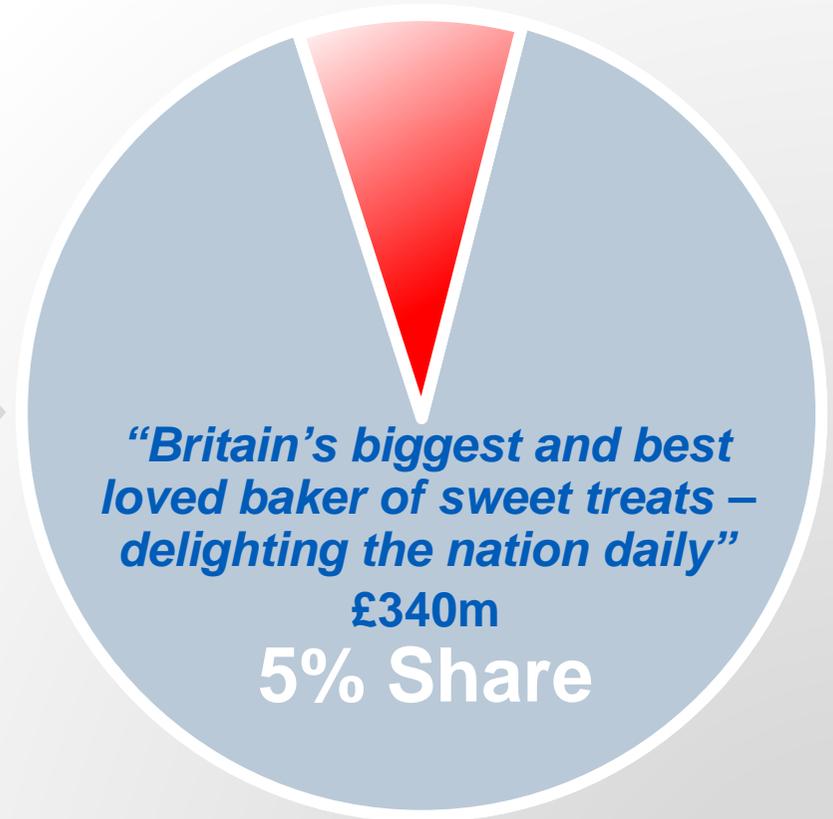


Our vision is to position Mr Kipling as “Britain’s best loved baker of sweet treats”

TODAY



FUTURE



* Source: Kantar Worldpanel Retail sales value 52 w/e March 2011



The positioning takes us into some very interesting areas



TODAY

£134m*
2% share of Sweet Treats

Reinvigorate
Cake
And
a Cuppa

Celebrate
Cake with
Mr Kipling

Lifting the
lid on
snacking

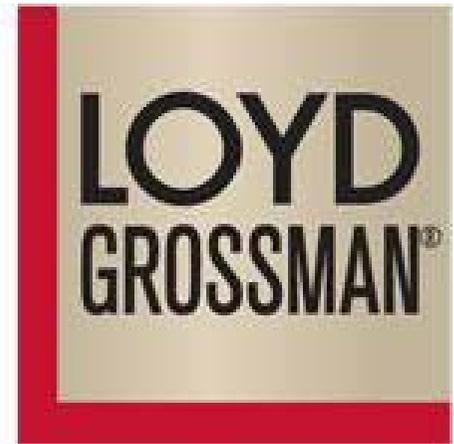
Delicious
Desserts
From
Mr Kipling

Freshly
Baked
Mr Kipling's
Kitchen

FUTURE

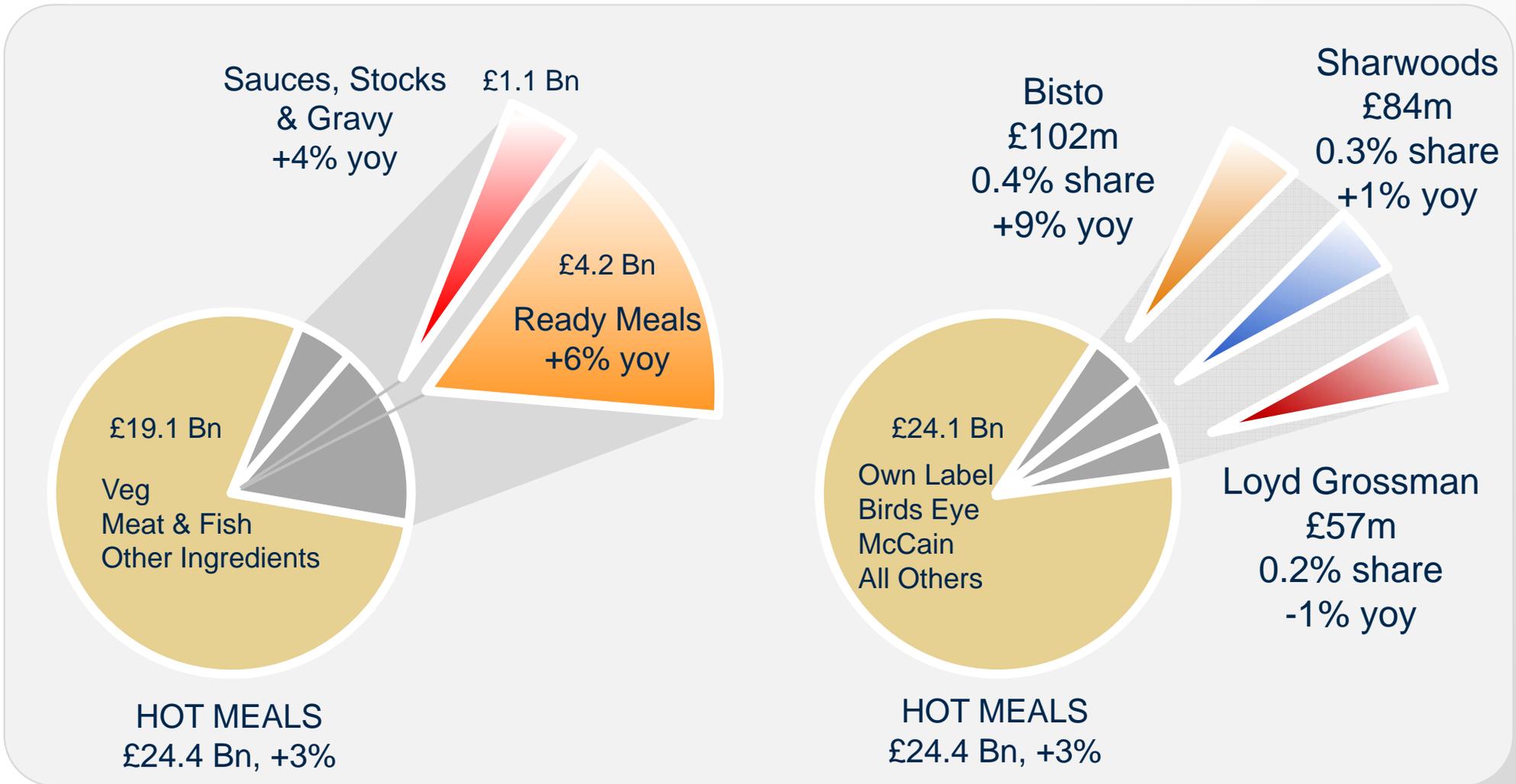
£340m
5% share of Sweet Treats

* Source: Kantar Worldpanel Retail sales value 52 w/e March 2011





The Hot Meals category is large and in growth



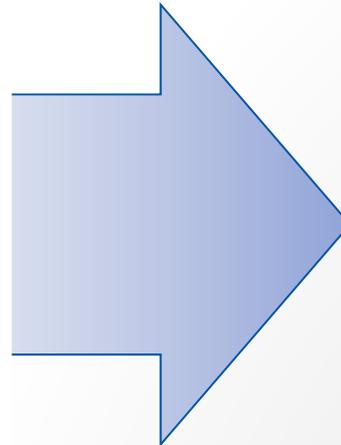




Our job is to transition Bisto from being all about “Gravy” to standing for “Family Togetherness”



Gravy



Family Togetherness



Our current advertising does this very successfully





This is possible because Bisto is Britain's most loved food brand

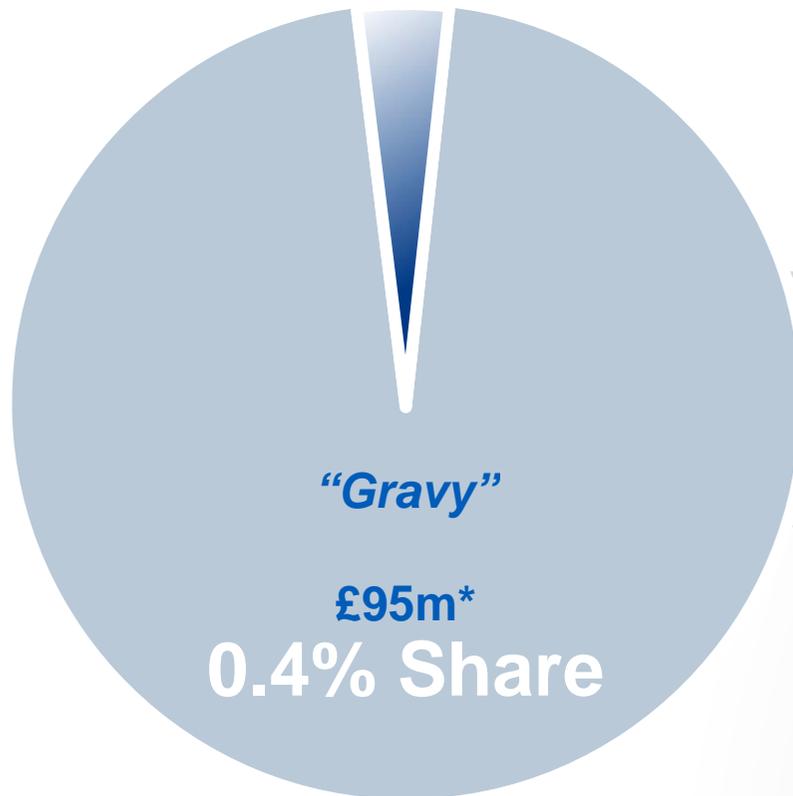
"Is a Brand you Love"



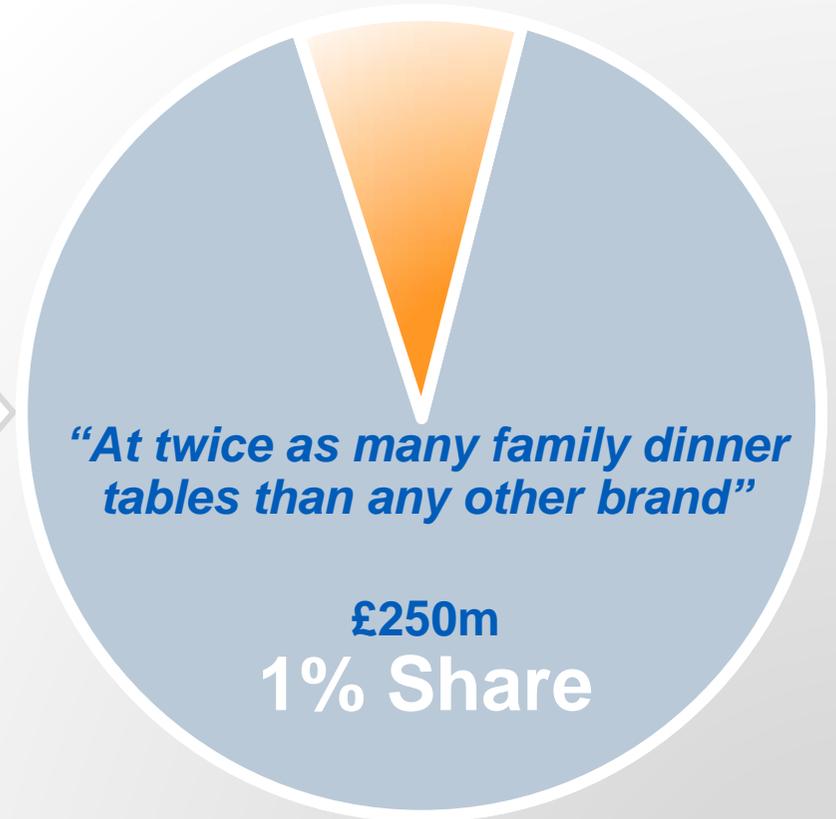


Our vision for Bisto is to grow from this great base

TODAY



FUTURE

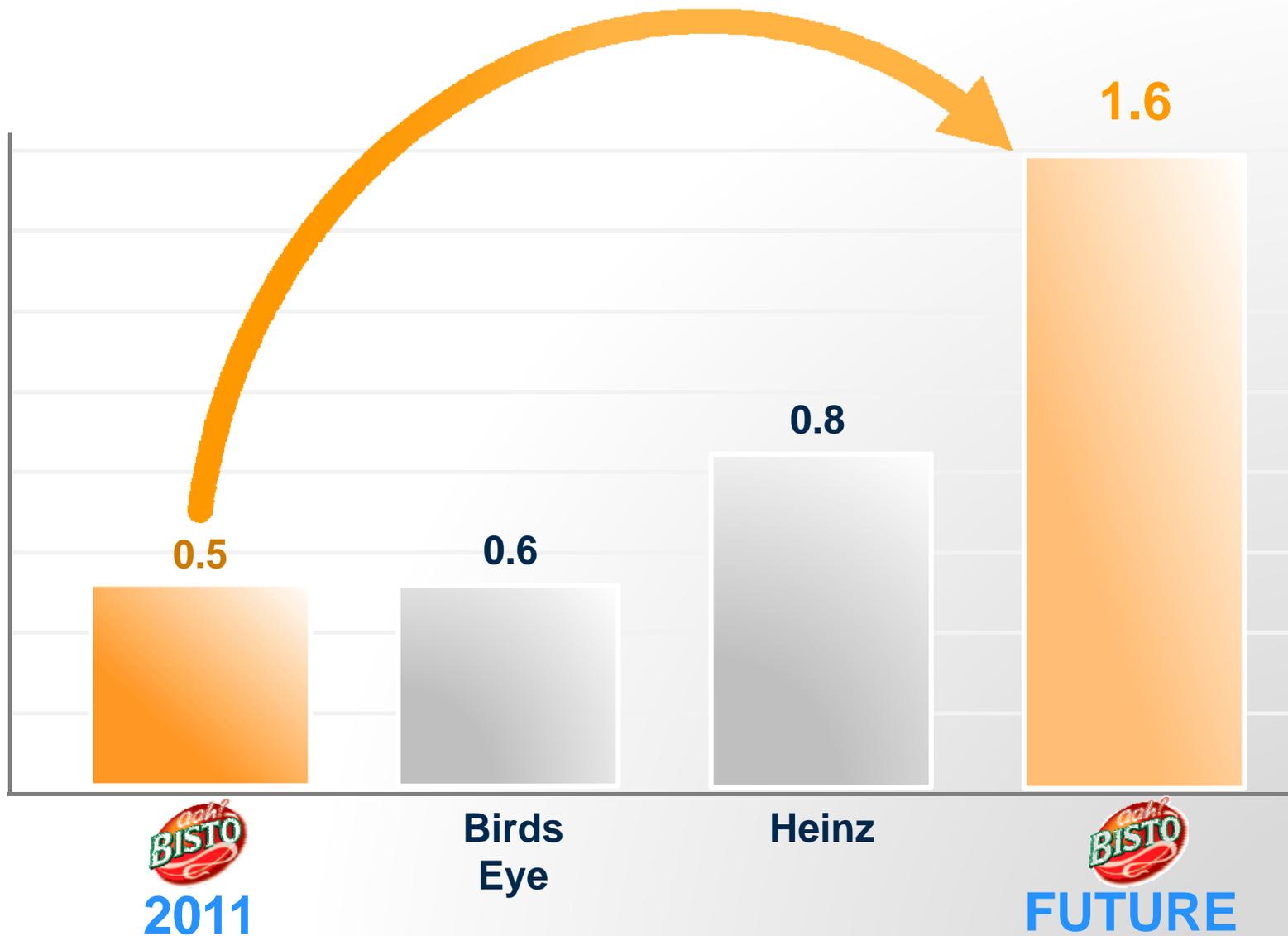


* Source: Kantar Worldpanel Retail sales value 52 w/e March 2011



This is Quite a Challenge!

Family
Mealtime
Occasions
(Billions)





But we believe we have the right platforms

FUTURE



TODAY

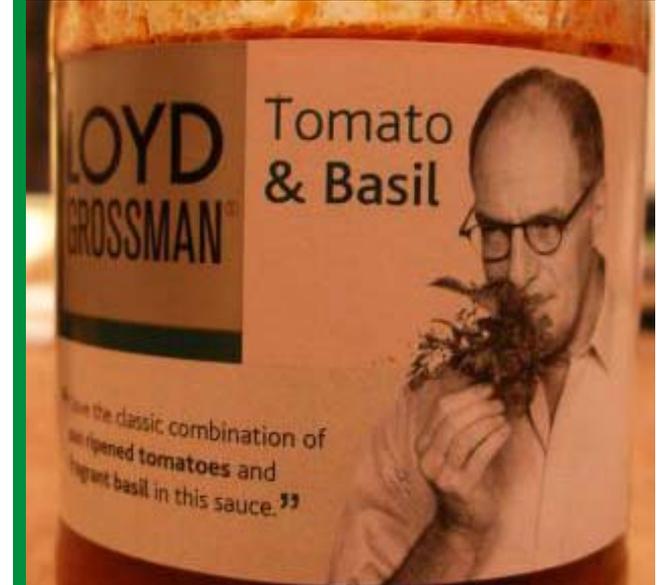
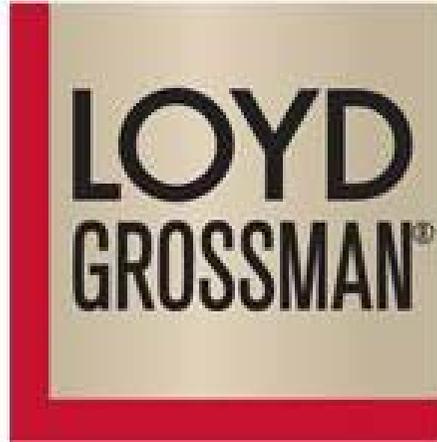
£95m*
0.4%
share of
Hot
Meals

Proper
Gravy
for Proper
Food

Family
Cooking
Made
Easy

Bisto
Cooks
It For
You

£250 m
1%
share of
Hot
Meals



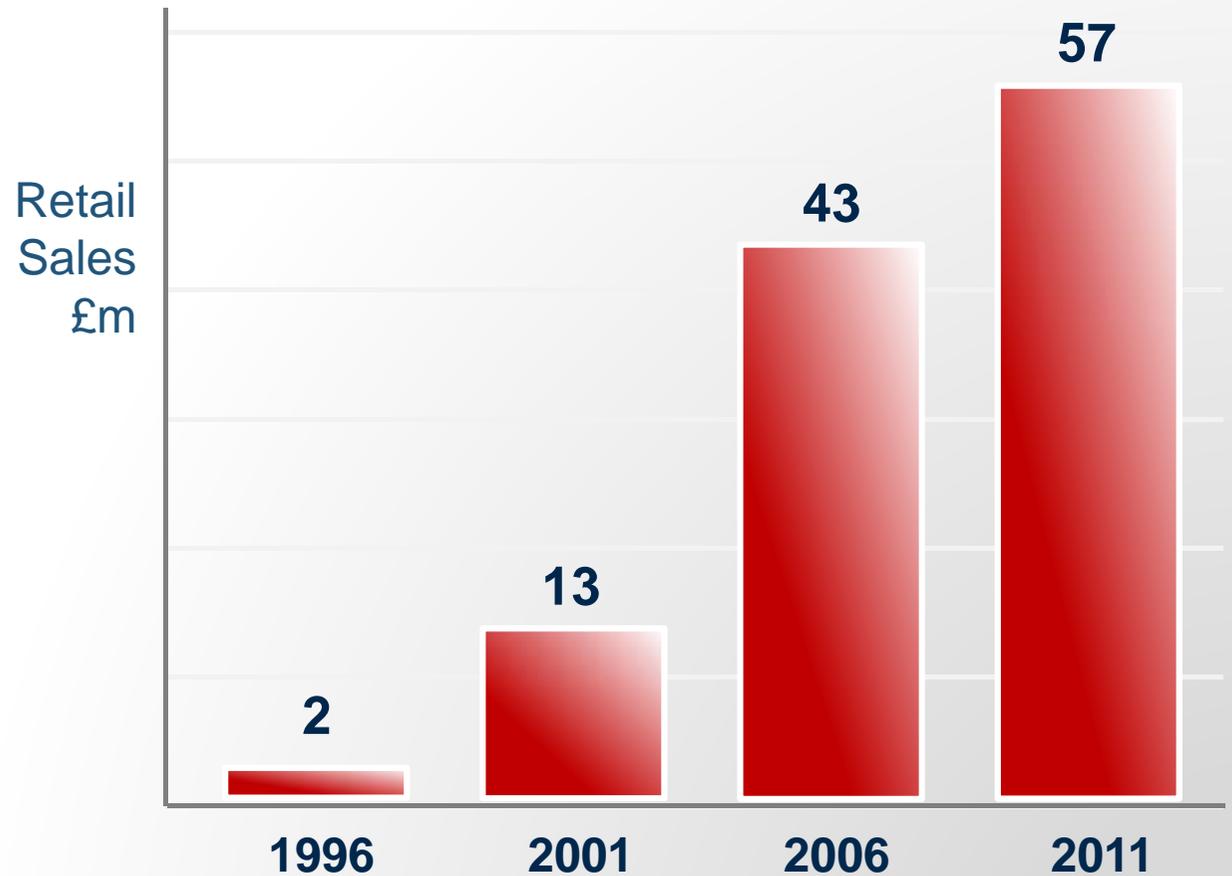


Loyd Grossman was launched 15 years ago and has gone from strength to strength



Loyd Grossman

- Inventive
- Care and Attention to Detail
- Experience and Knowledge

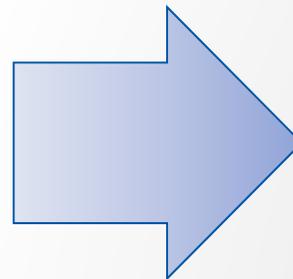




Our aim is to transition it from being seen as an Italian sauce brand to representing 'food lovers'



**Italian Cooking
Sauce brand**



Food Lovers Choice



We believe that three platforms can deliver £100m of growth

FUTURE



TODAY

£55m*
0.2%
share of
Hot
Meals

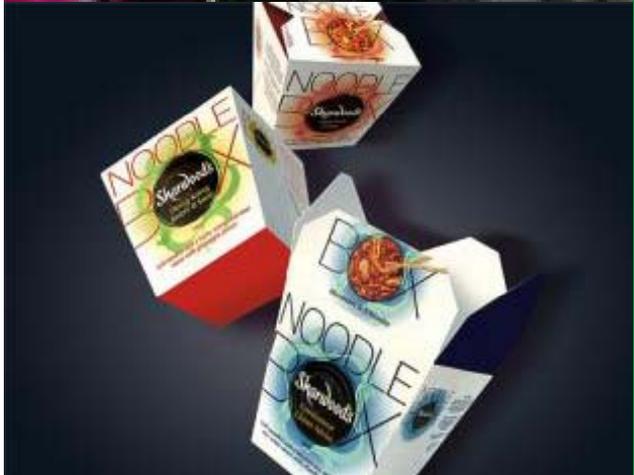
Exploding
Italian

Doing it
Better

The
Missing
Ingredient

£150 m
0.6%
share of
Hot
Meals

*Source: Kantar Worldpanel Retail sales value 52 w/e March 2011





Sharwood's was first launched in the 1880s and has been leading Britain on a taste adventure ever since



1889 Company **founded by James A Sharwood** launched his first range of products in the UK

1890 James presents **1st range of Indian chutneys, pickles & powders**

1985 **Sharwood's launch Chinese range**



1987 **1st to market with Ready to Eat Puppodums**

1994 Sharwood's first to market with **Ready to Eat Naan Breads**

2007 Sharwood's launch **NEW range of Thai food**





We see the future of the brand continuing this tradition of “Taste Adventure”



Logo denotes where brand already operates in OR an area of cuisine 'or exploration as part of 'Discover the Spice Trail' platform



We think four platforms can deliver £100m of growth



TODAY

£75m*
7%
of world meals

Indian the new Italian

Teach Britain to Stir-fry

Lunchtime Adventure

Discover the Spice Trail

FUTURE

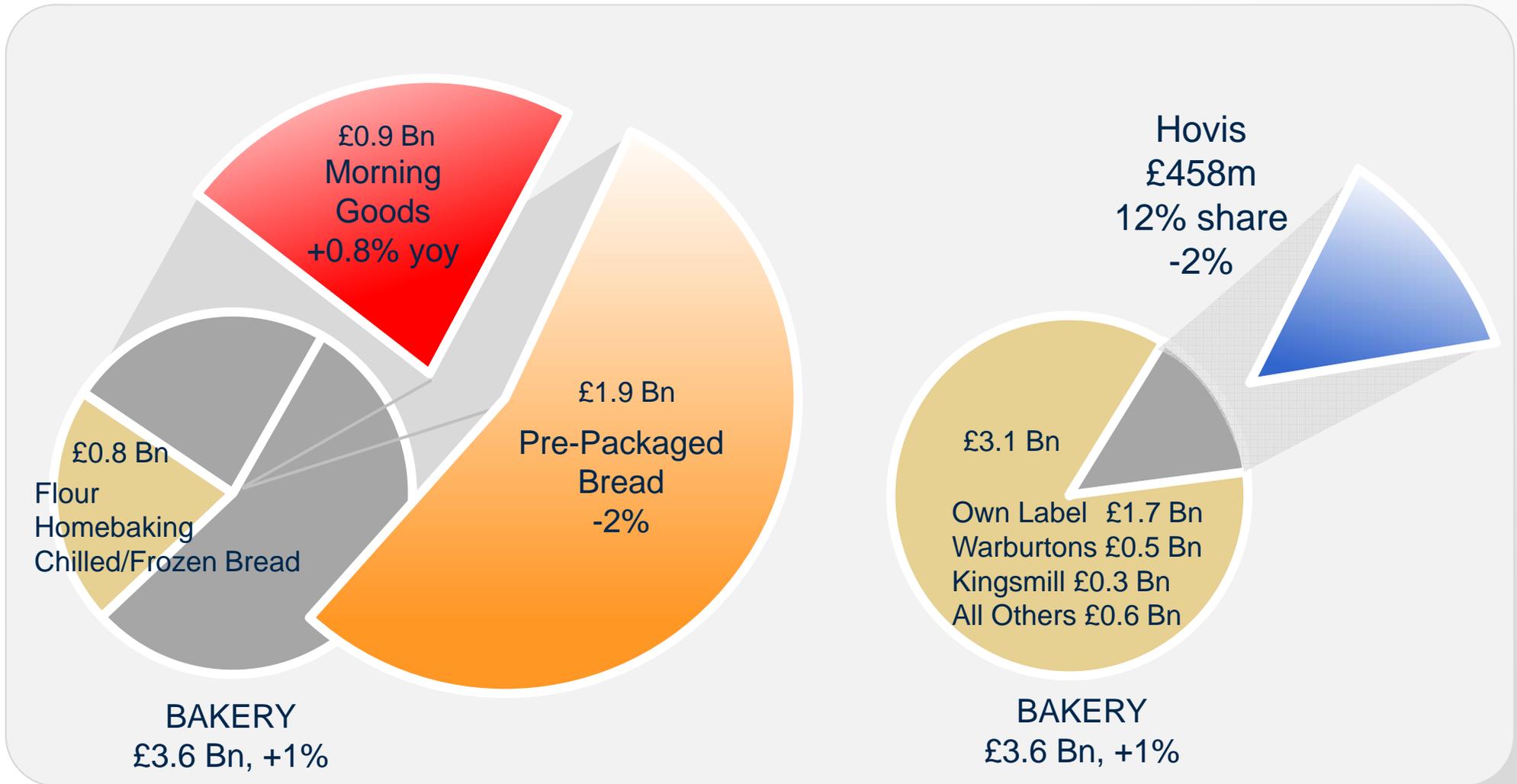
£175 m
14%
of world meals

*Source: Kantar Worldpanel Retail sales value 52 w/e March 2011





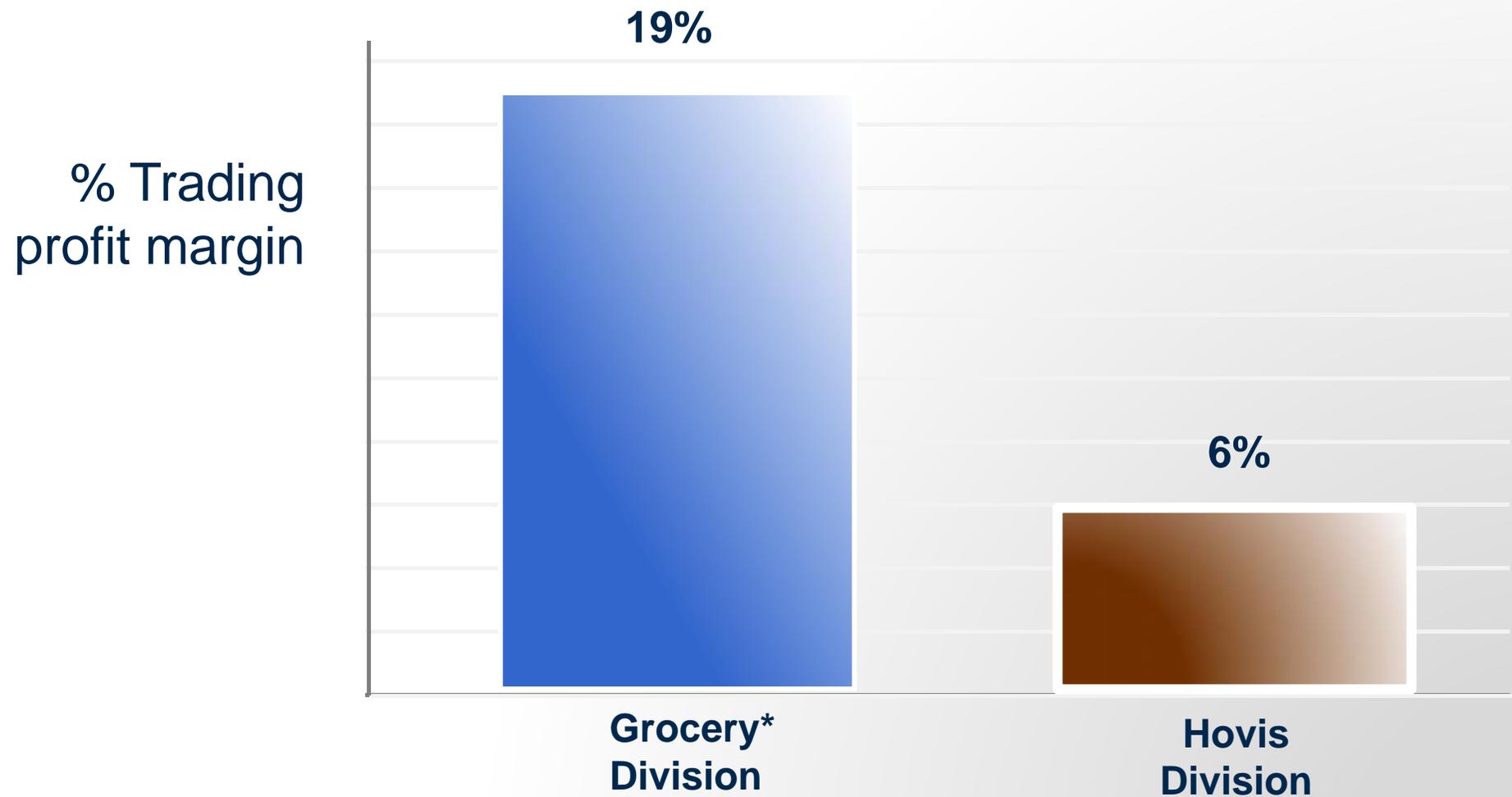
Our plan is to grow our share of Bakery



* Source: Kantar Worldpanel, 52 w/e March 2011



But it is critical that we improve profitability





The ambition is to step-change margin whilst gaining share



TODAY

£440 m*
12% share

Worth Paying More For

Win in White

Girls Allowed

My Choice, My Hovis

Good to Go Snacks

FUTURE

£560 m
16% share

Aim is to expand Trading profit margin from 6% to 10% through costs savings and innovation

*Source: Kantar Worldpanel Retail sales value 52 w/e March 2011



In summary...

**Brands with great
potential for growth!**

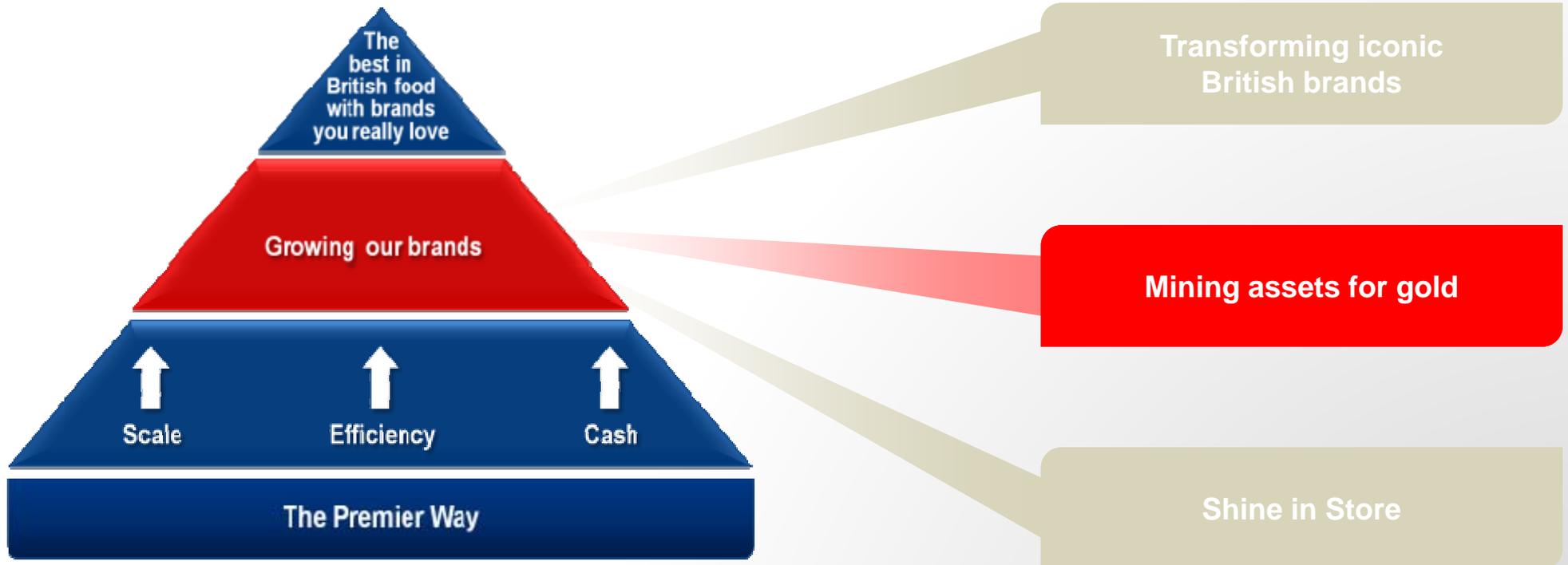


BREAK

Back in 30 minutes



Mining assets for gold



Tim Kelly, Chief Operating Officer



... our “Defend” brands...

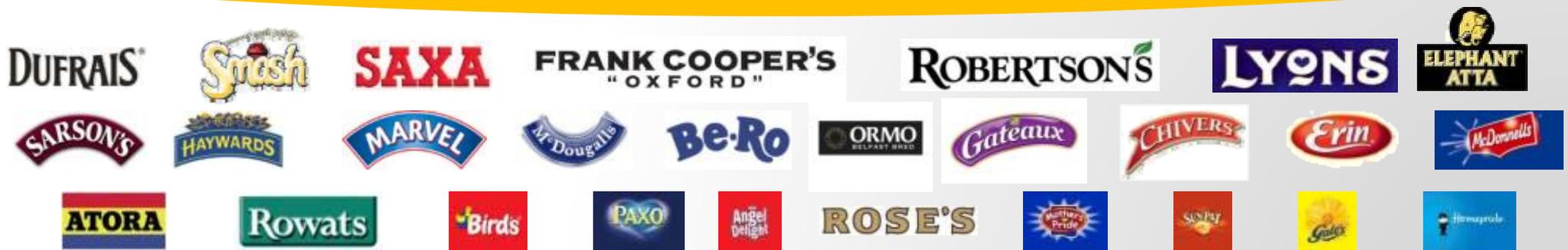
They already have

- Scale in their category
- Strong category shares
- Categories modest in size or low growth

They will have

- Dedicated management
- Tactical marketing and innovation
- Relentless focus on cash and profit

We will defend their positions with a relentless focus on cash and profit





... and our Non Branded business

Retailer branded

- Scale in category, e.g. Spreads
- Scale with customer
- Supply chain scale
- Generates cash

Business to business

- Low margin but low risk
- Additional volume to support manufacturing scale
- Flour
- Preserves
- Vinegar

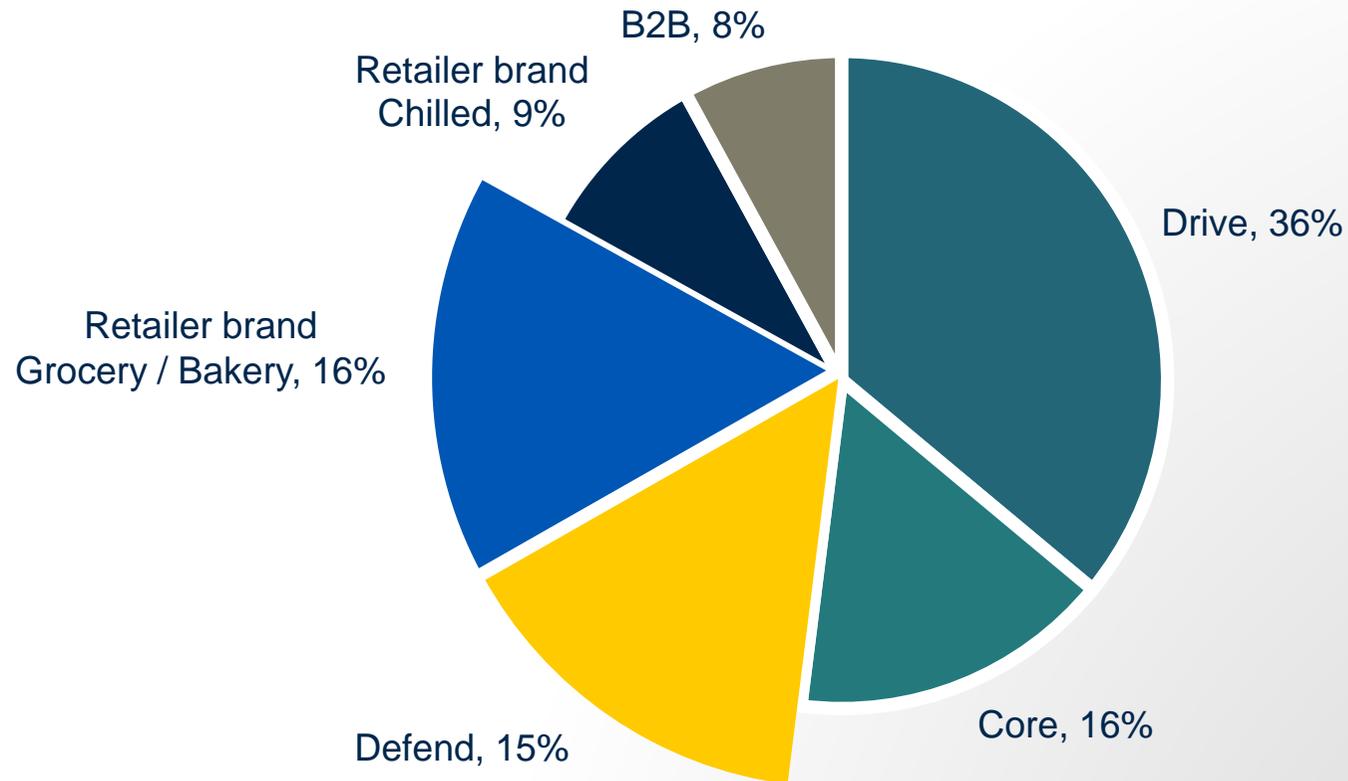


Our non branded business has strong category positions and contributes scale



A significant part of our portfolio

2010 pro forma sales



Defend Brands and Grocery / Bakery Retailer branded are 31% of Premier's sales



Defend and non branded combine to create category scale

2010 Sales pro forma for disposals	Branded £m	Non branded £m	Branded %
Spreads ¹	69	56	55%
Cake & Home baking	73	42	63%
Desserts	45	23	66%
Side of plate	58	56	51%
Beverages	14	30	32%
Baking & Milling	21	290	7%
Other	33	7	83%
Total²	311	504	38%

¹ Includes Hartley's branded spreads ² Excludes Homepride cooking sauces



This is an attractive part of our Portfolio

- High market shares, hence high margins and category leadership



72%



66%



98%

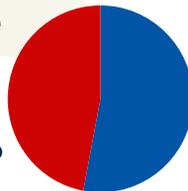


79%

- Recovery of overheads

Bury Volume

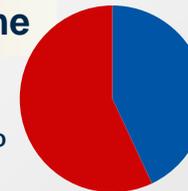
Defend brand &
Non branded 47%



Drive & Core
53%

Ashford Volume

Defend brand &
Non branded 57%



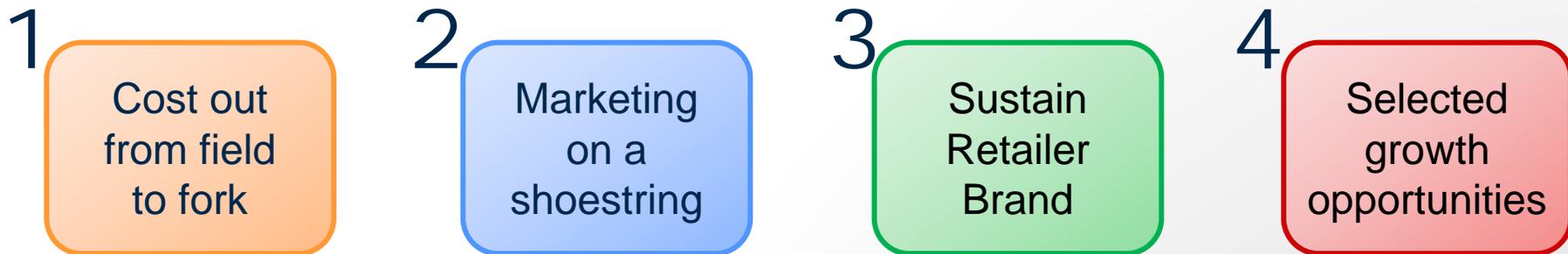
Drive &
Core 43%

- Growth opportunities





Our objective is to provide a greater focus



Managed by a dedicated Defend and Retailer brand team

1 Cost out from field to fork

- Alignment with Procurement to take out raw material cost
- Ingredient consolidation
- Optimisation of factories to take out manufacturing controllable costs
- Remove the long tail of small run skus

From



To



2 Marketing on a Shoestring

Use PR to exploit opportunities



“Paddington becomes
the face of Robertson’s
marmalade”
Licensing.biz

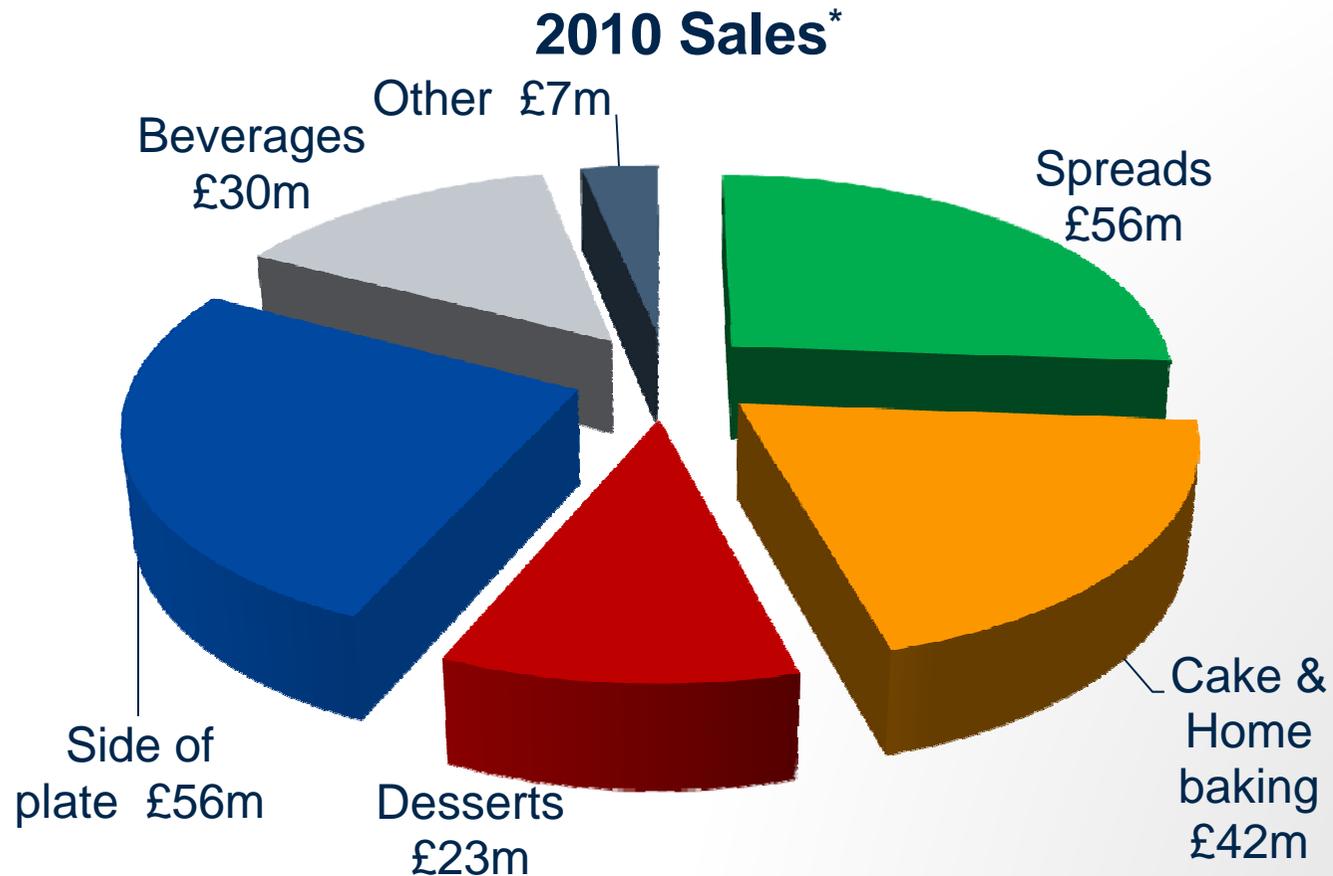


“Space is an issue for
winner of TV Martian”
Metro



“Orange crush: Pregnant
Victoria Beckham 'can't
get enough' of marmalade
on toast”
Daily Mail

3 Sustain Retailer Brand



Significant scale in categories enables us to be lowest cost suppliers

Category captancy through brands supports retailer brand

Selectively take opportunities where they do not create complexity

4 Selected growth opportunities

- Even within Defend we have growth opportunities



- We will selectively grow these brands as opportunities are identified
- Exploit licensing opportunities
- We can migrate into our bigger brands

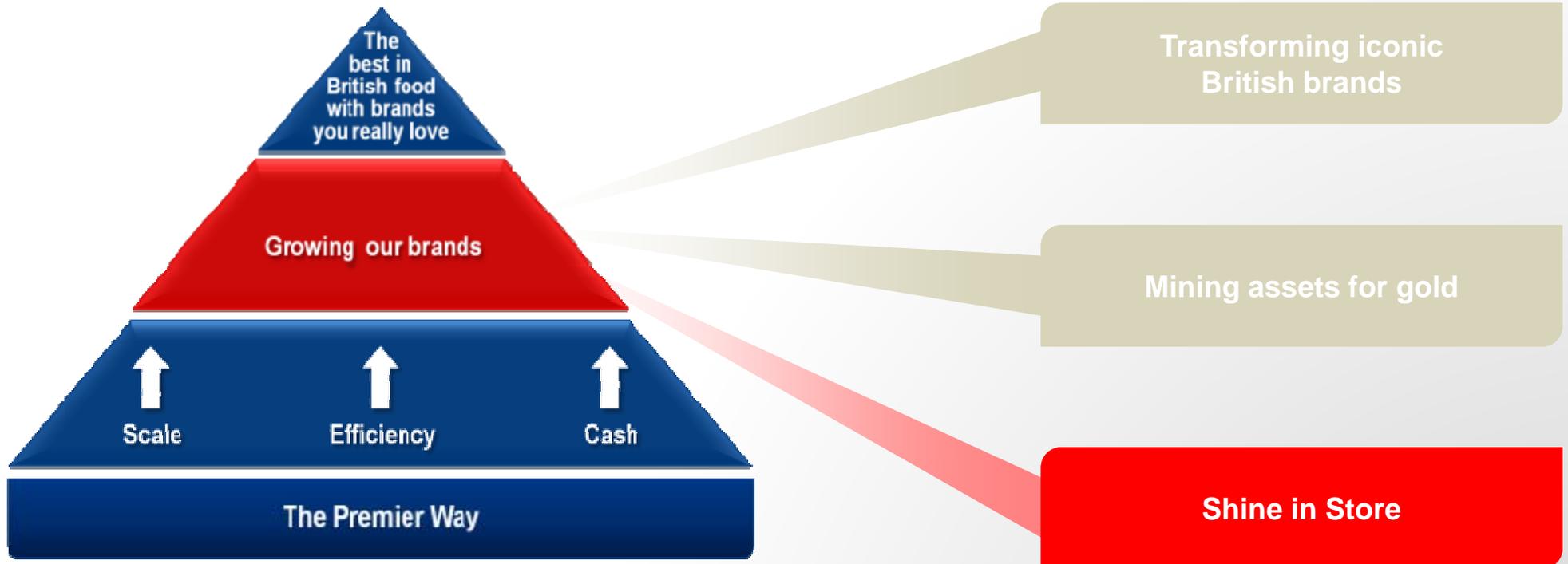


Focus on profit and cash

- **Role in the portfolio is clear**
- **Category scale**
- **Now structured to give necessary focus**
- **Management team focused on maintaining sales and growing profit**

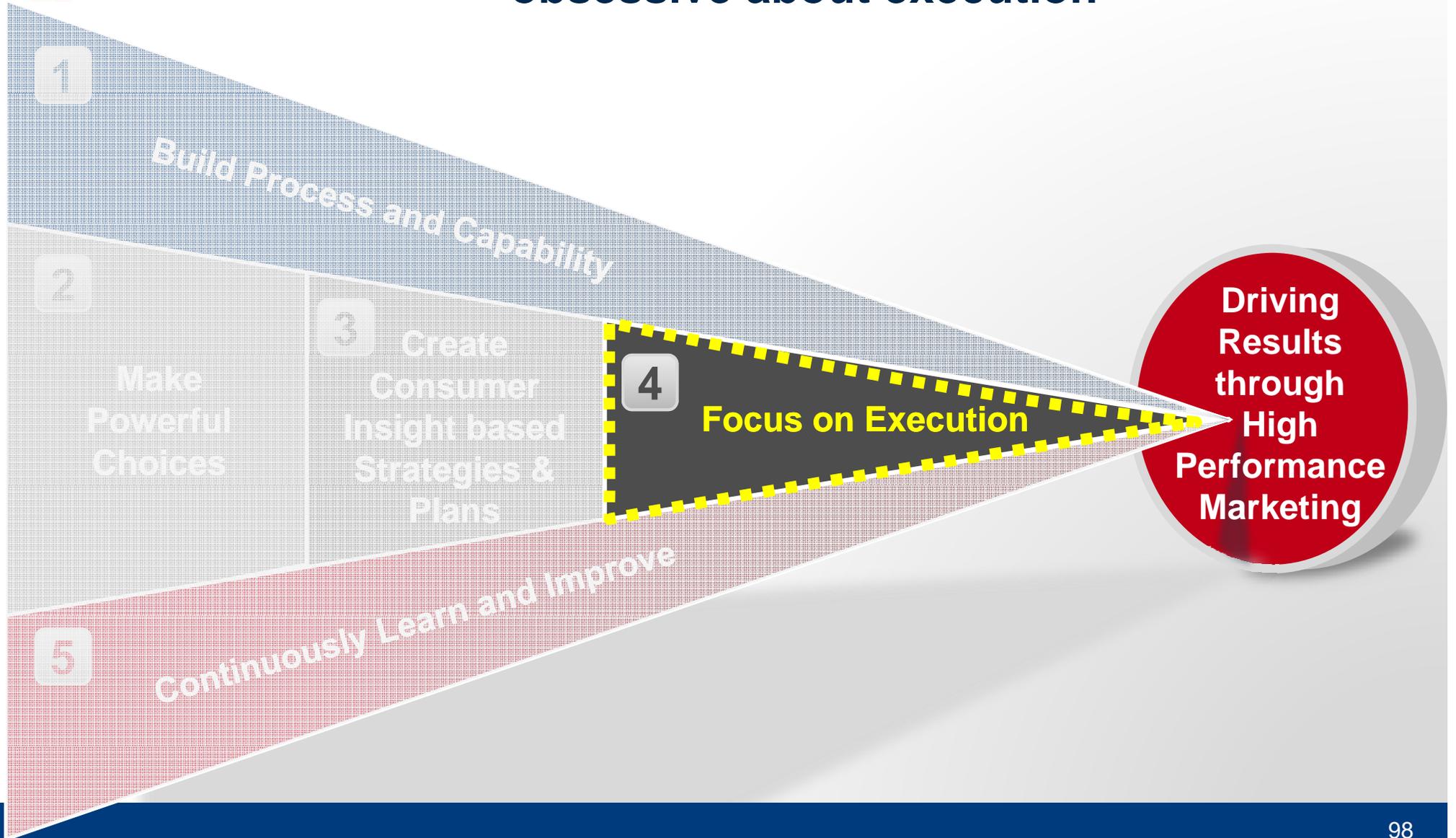


Shine in store





No great brand plans will work without being obsessive about execution





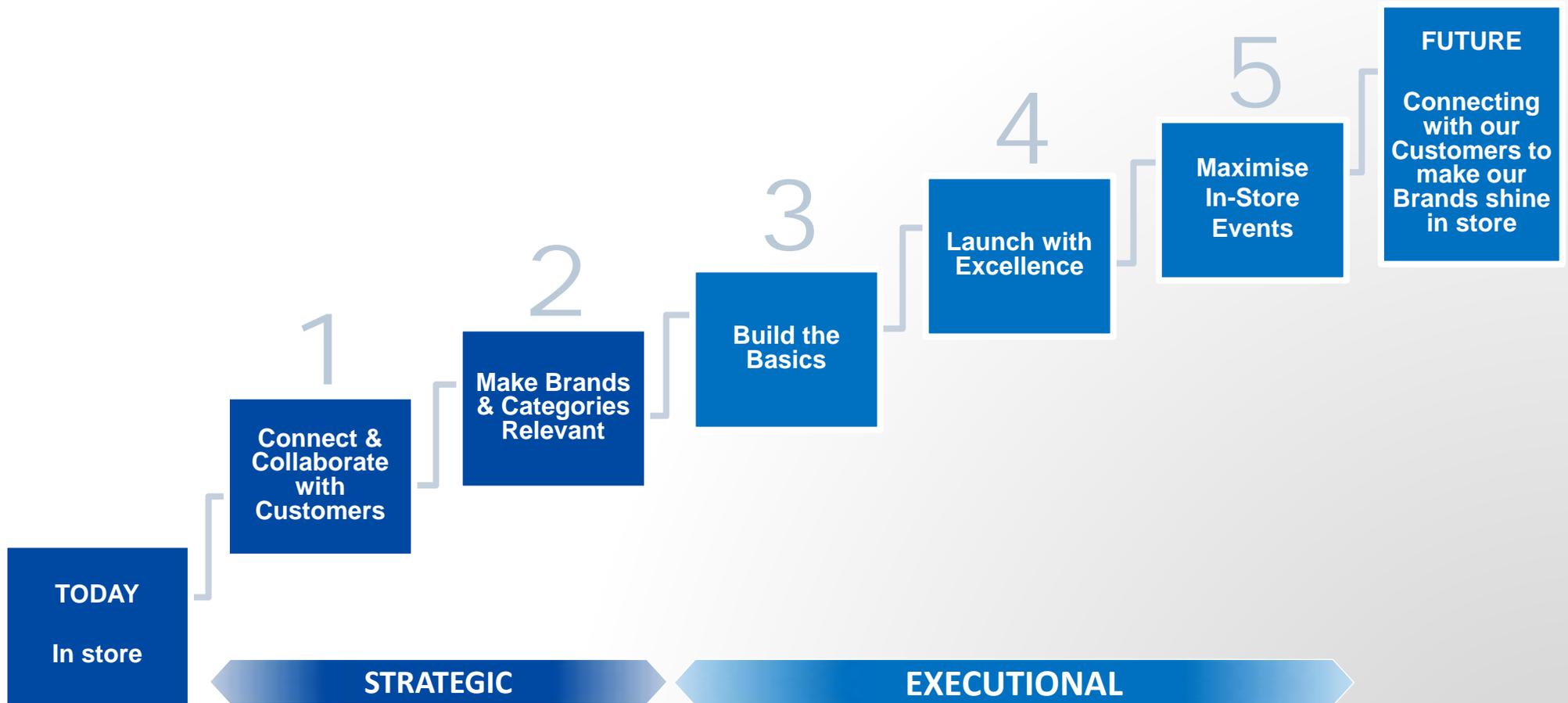
Our vision is to step-change our levels of in-store execution



Connect with our
Customers to make our
Brands
Shine in Store



We have identified five platforms to help us realise this vision



Connect and Collaborate with Customers



Key Initiatives:

- Standardised trade terms that reward in-store execution
- Senior communication of a rolling 18 month activity calendar
- Strategic alignment of resource
- Align structure to our customers

Make Brands and Categories Relevant



Key Initiatives:

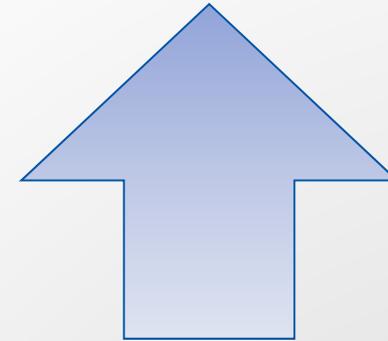
- Become 'customer champions' in our four focus categories:
 - Bakery
 - Sweet Treats
 - Desserts
 - Hot Meals
- Launch industry leading category growth solutions
- Build 'best in class' category management capability



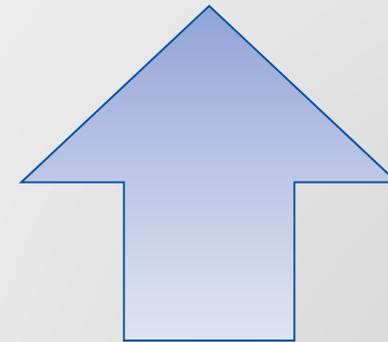
We have a track-record of success in this area to build upon



Food Enhancers Category:



Premier Foods Brands:



Build the Basics



Key Initiatives:

- Improved control over promotional compliance
- Industry leading tools to:
 - Ensure planogram compliance
 - Maximise distribution
 - Improve availability
- Improve packaging design to deliver better shelf stand-out

Launch with Excellence



Key Initiatives:

- Annual 'top to tops' to showcase our Innovation Pipeline
- Gold, Silver, Bronze executional standards
- Gold to really mean Gold!
 - Best in class investment
 - Coke/Walkers style theatre
- Stick to our guns, do what we say we are going to do

Maximise In-Store Events



Key Initiatives:

- Build upon our success at Christmas
- Link commercial calendar to key retailer events:
 - Valentines, Halloween, etc
 - Mothers Day, Fathers Day
 - Easter, Bank Holidays
 - Olympics, World Cup, etc
 - Race for Life, Comic Relief, etc
- Leverage 'Great Little Ideas' at these key events



Execution of our Strategy

We believe **sales execution** is as
important as our **strategic direction**



Building foundations in a difficult environment

**Trading hard in a
difficult environment**

Building foundations:

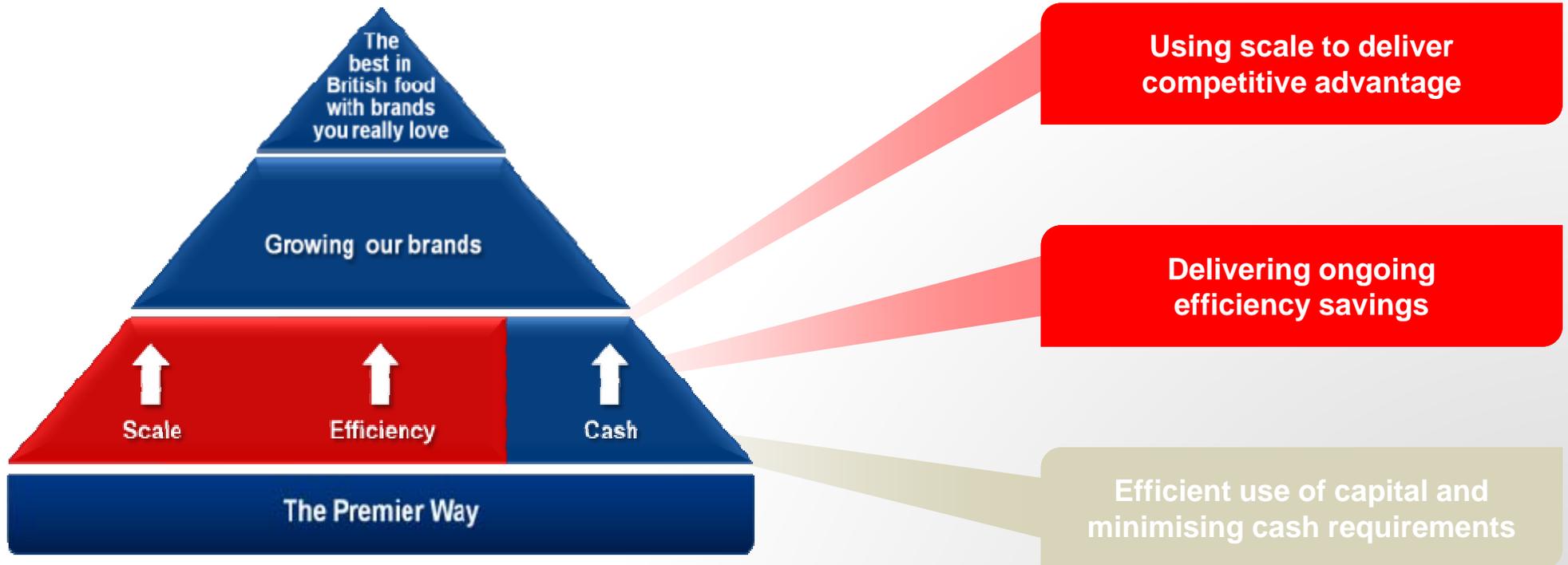
- **Capability**
- **Structure**
- **Choices**
- **Allocating resources**

**Building the case for
Brand investment**

**Despite the short term headwinds of the tough trading
environment we continue to build the foundations of
Brand growth**



Scale and efficiency in supply chain Providing the fuel for growth



Bob Spooner, Group Operations Director

What we inherited

- **> 50 Factories & > 30 Distribution Centres**
- **Under utilised asset base <40%**
- **Some well invested sites, Unilever, Campbell's**
- **Some poorly invested sites ex RHM**
- **As a consequence**
 - **High overheads, low efficiencies**
 - **Poor standards, aging infrastructure**



Strategic options we considered

The Big Questions

- Could we sustain a long term competitive position?
- Could our supply base support our brand growth strategy?

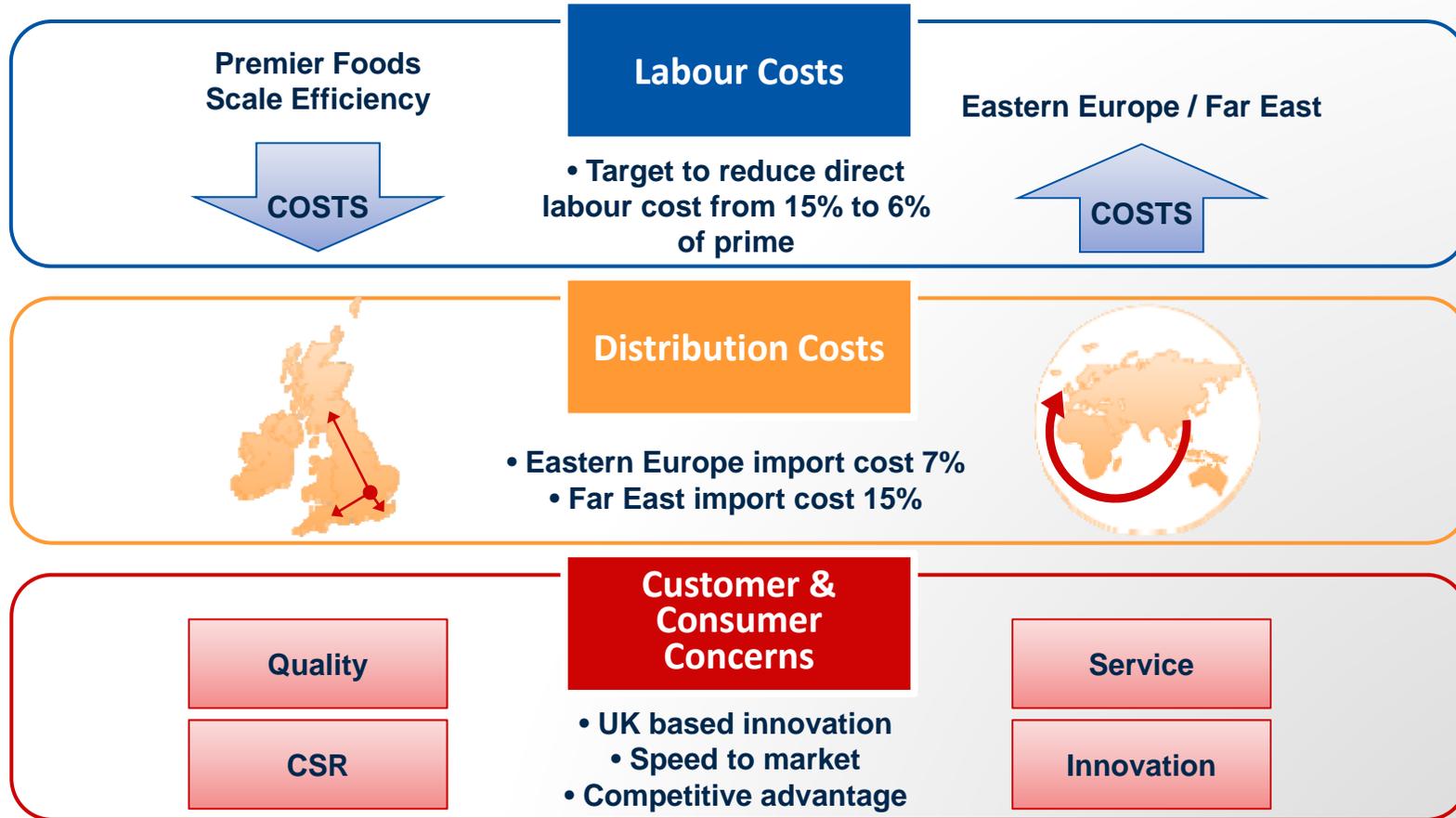
Our Choices

- Outsource our manufacturing
- Invest in a reconfigured UK manufacturing base

Considerations

- The investment required
- The sustainability of which ever option we chose
- The long term return we could expect

In-house or outsourced



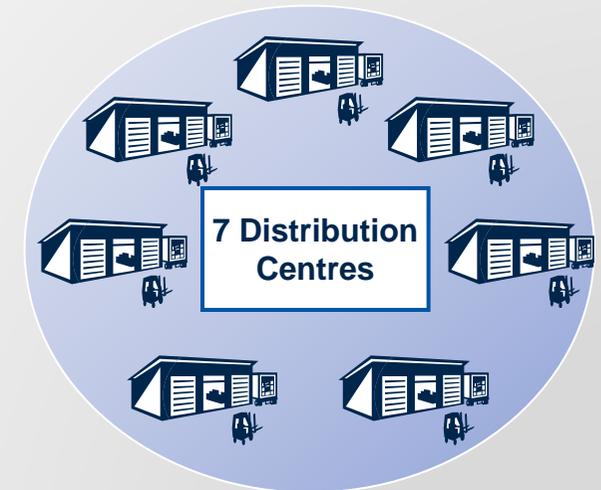
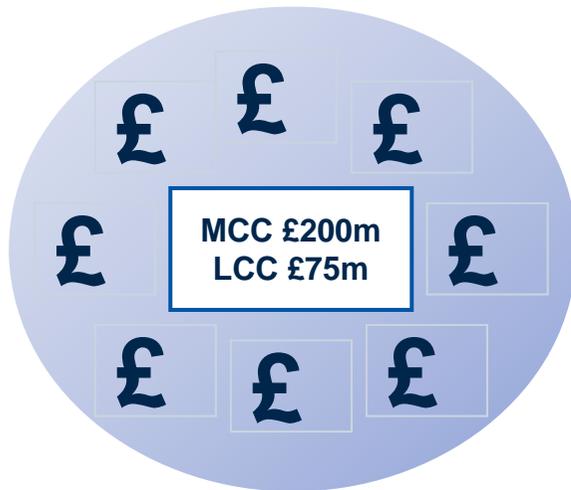
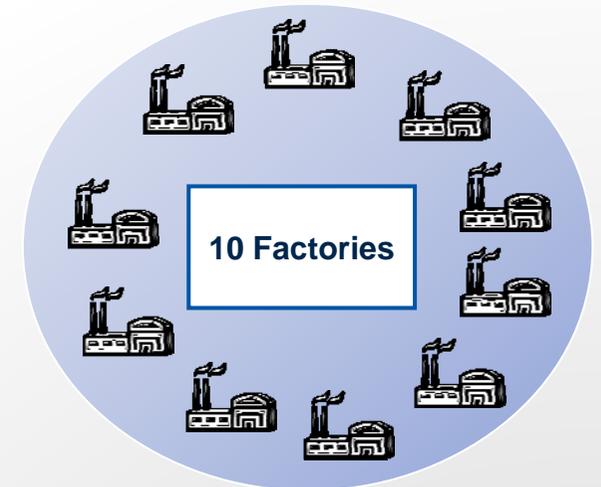
In-house scale manufacture is economic, sustainable and meets the needs of customers and consumers

What we did

- **Closed 15 factories and 5 distribution centres**
- **MCC & LCC reduced by £41m or 5.3% over past 12 months**
- **Asset utilisation increased from < 40% to > 55%**
 - **Two shift operation moving to three shift operation**
- **Technical standards and infrastructure substantially upgraded**
- **Inventory reduced by 8.5% over past 12 months**

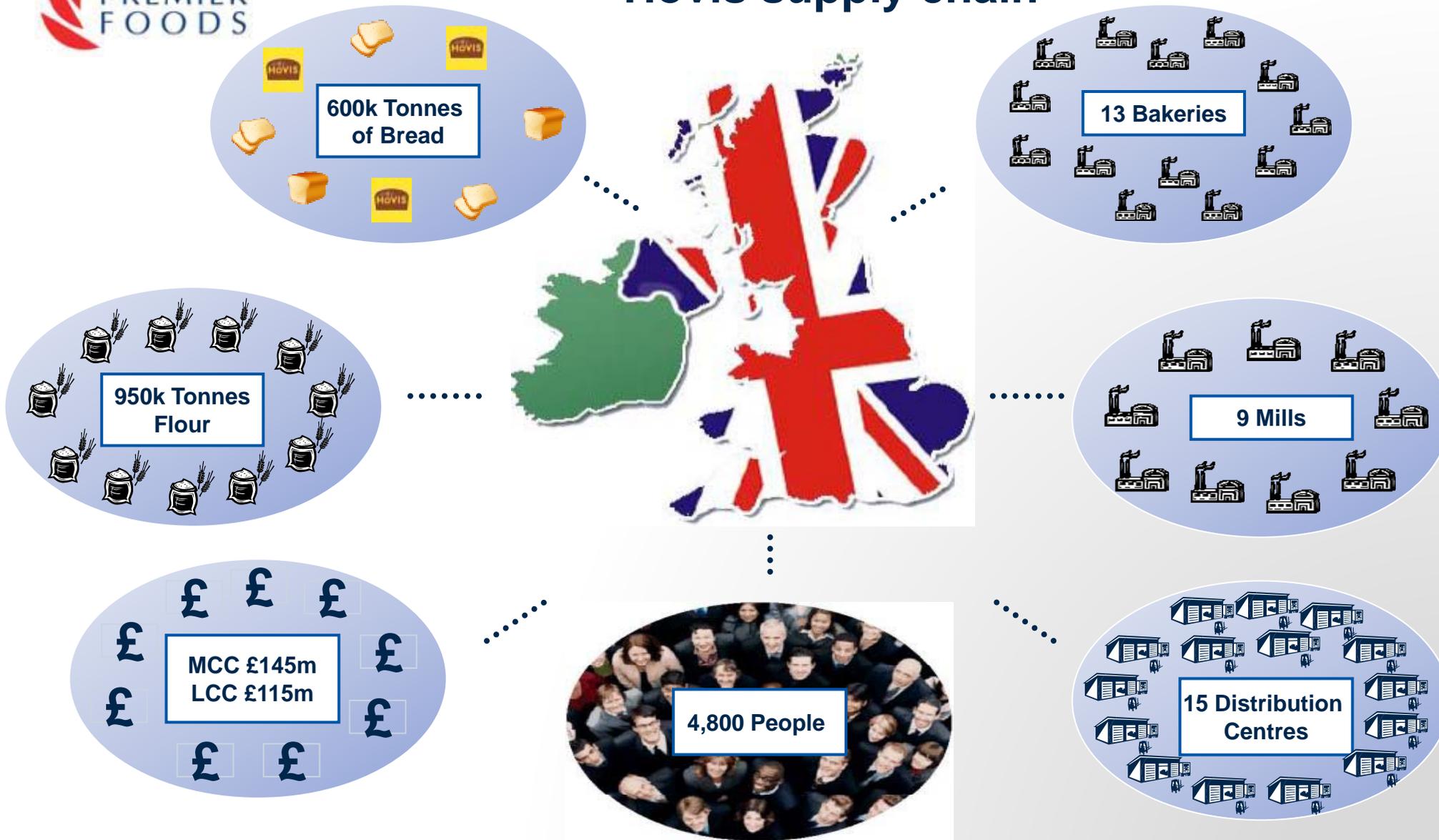


Grocery supply chain





Hovis supply chain





Reducing controllable costs

Controllable costs defined as:

- Direct and indirect labour
- Operational overheads
- Business variances
- Waste

Automation:

- Labour <6% of prime cost from current 15%
- 3 Shift operation

Capex Aligned to Strategic NPD:

- Ambrosia single/twin pots
- Kipling single serve

Hovis Supply Chain:

- Technology investment to reduce conversion cost
- Consolidation opportunity

Waste and Yields:

- Value improvement programme
- Continuous improvement

Overhead Reduction:

- Energy efficiency
- Indirect costs

Consolidation of Grocery Logistics:

- Post canning disposal
- Two regional distribution centres

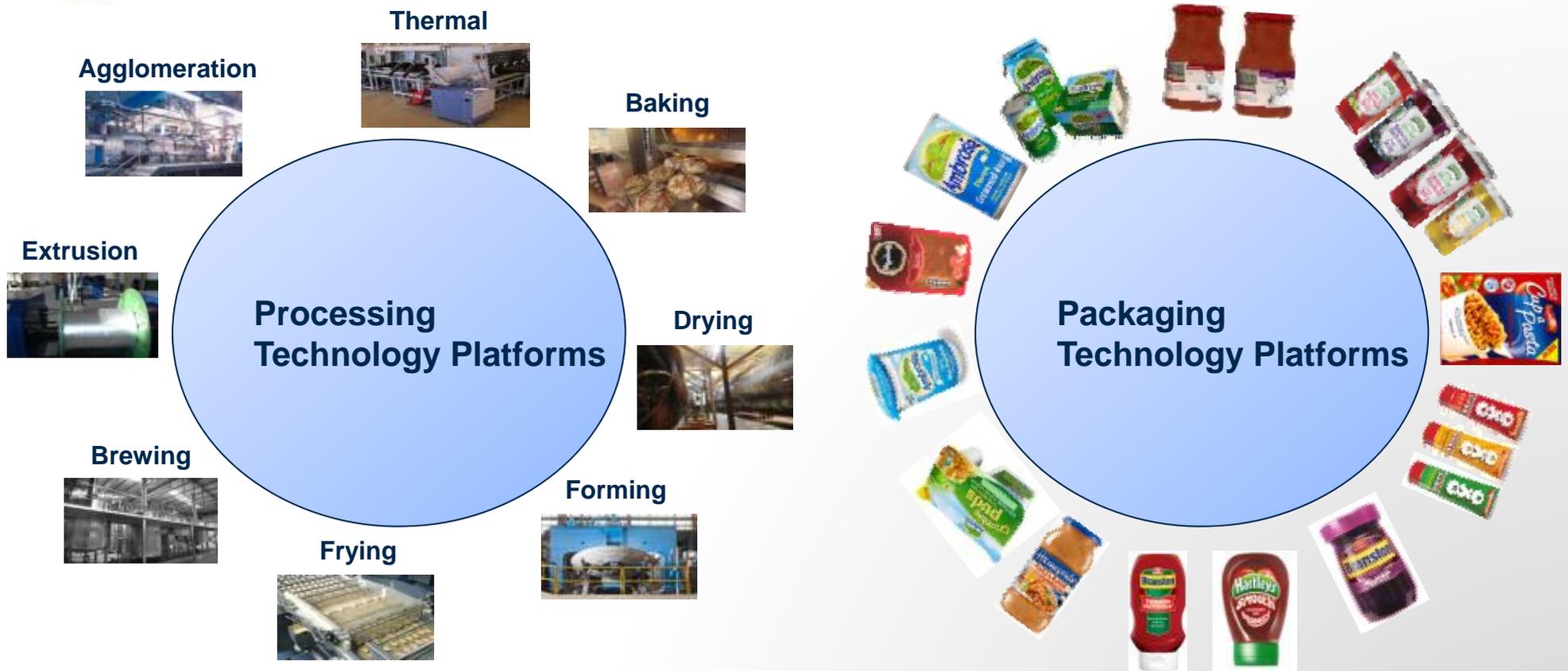
Cost reduction of gross 4% Year on Year is sustainable: Capex aligned for growth

Our people

- We have the best Supply Chain Leadership Team in UK Manufacturing
- Our factories and logistics operations will have increasingly flexible working patterns
- We will invest in training and development to achieve self directed work teams
- Our people culture will focus on agility and excellence in execution
- Our graduate recruitment programme will develop and grow our Supply Chain capability for the future
- We have adopted a competency based assessment process
 - For recruitment
 - Appraisal
 - Development

Our people will be the foundation of our continuing success in delivering our strategy

Technology platforms to support innovation



Wide range of technology platforms to support innovation

The financial fuel to fund growth

Controllable Costs



Reduction

£41m
5.3%

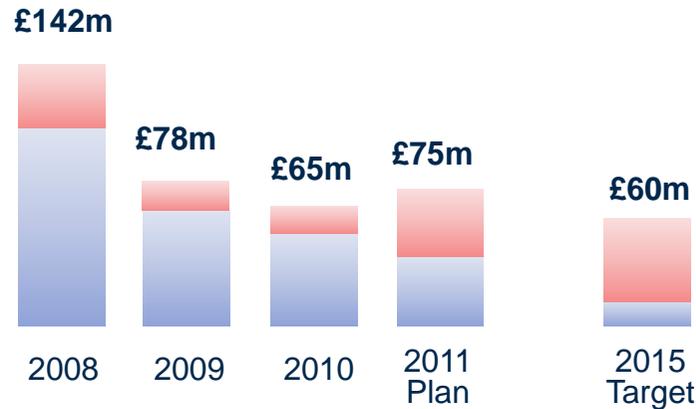
Reduction

£135m
19.6%

■ LCC
■ MCC

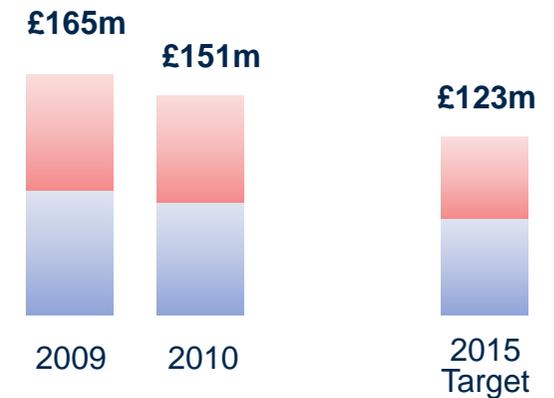
* Excludes inflation

Capital Investment



■ Strategic growth and profit improvement
■ Infrastructure

Inventory



Reduction

£14m
8.5%

Reduction

£28m
18.5%

■ Raw Materials, Packaging, WIP
■ Finished Goods

The fuel to grow the business

Corporate social responsibility



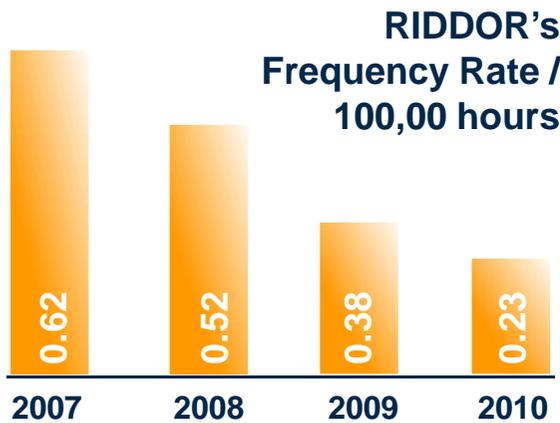
Health & Safety



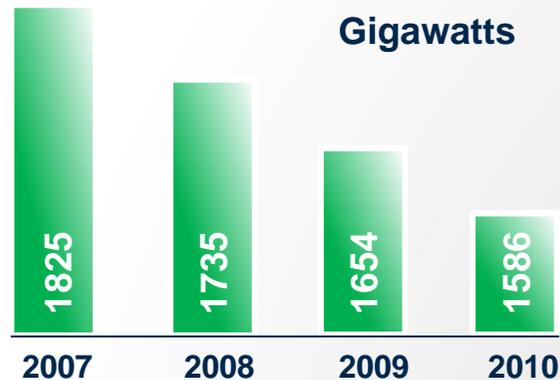
Energy Usage



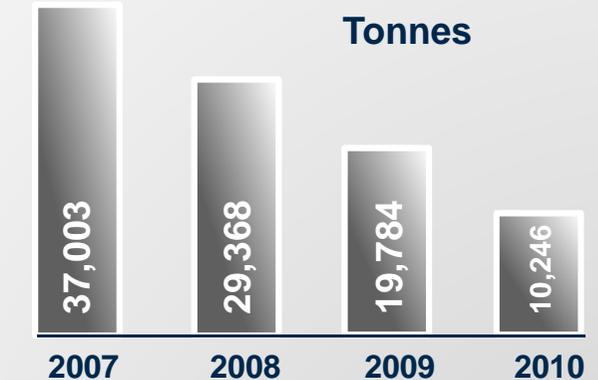
Waste to Landfill



**60% Reduction Over 3 Years
2011 Target 30% Reduction**



**13% Reduction Over 3 Years
2011 Target 3% Reduction**



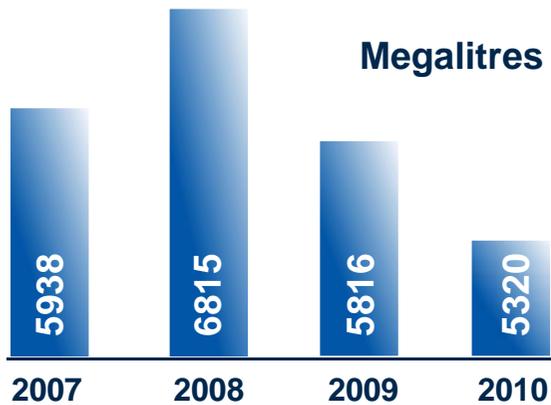
**72% Reduction Over 3 Years 2011
Target 20% Reduction**



Corporate social responsibility



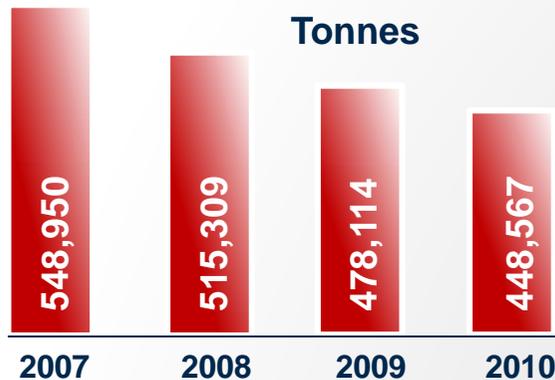
Non Ingredient Water Usage



10% Reduction Over 3 Years
2011 Target 3% Reduction



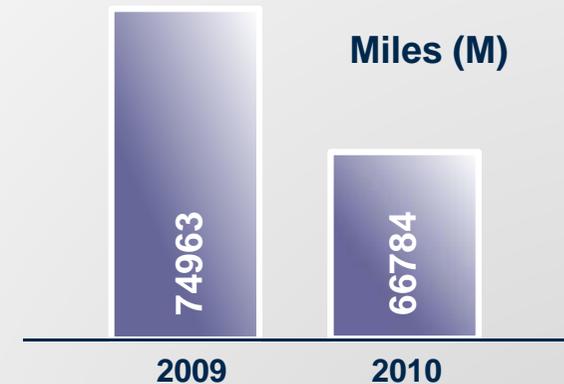
CO2 Equivalent Emissions



18% Reduction Over 3 Years
2011 Target 4% Reduction



Delivery Miles



11% Reduction Over Year
2011 Target 5% Reduction



The way ahead

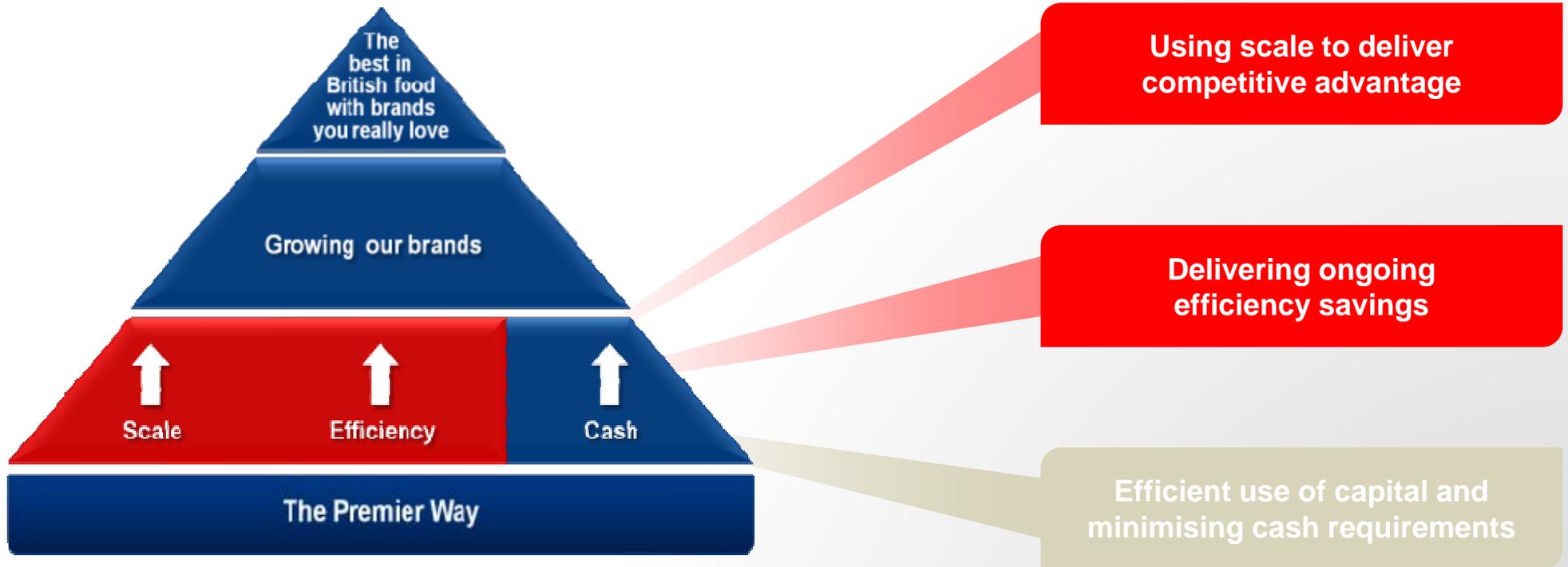
- **We have chosen strategically to invest in Britain**
- **We have achieved and will continue to sustain a cost advantage**
- **Local supply shortens lead times**
- **Local supply meets customer service needs and CSR concerns**
- **Technical standards that are a true competitive advantage**
- **Investment in innovation excellently executed through our extensive technology platforms**



We will sustain a long term competitive position and support our brand growth strategy

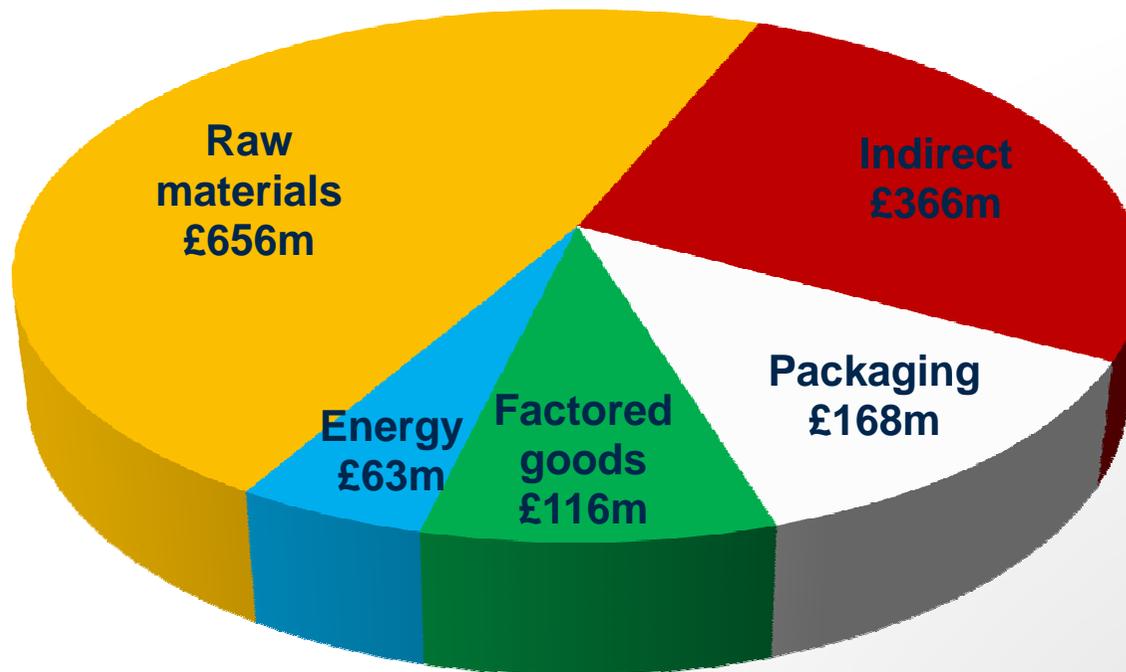


Competitive advantage through better procurement



Mark Hughes, Group Procurement Director

What do we buy?



In a year we buy:

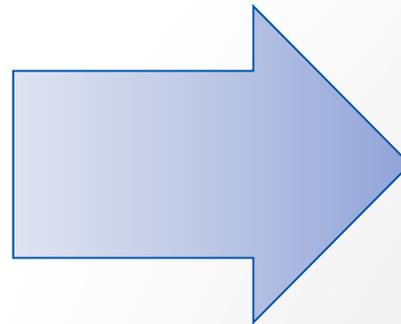
- 1 million tonnes of wheat produced by some 4,000 growers - 1 in 8 UK wheat fields
- 70 million litres of milk (enough to fill 28 Olympic swimming pools)
- 82,000 tonnes of UK produced sugar

We spend c. £1,400,000,000 a year

Significant progress from a strategic function

2007

- No centralised procurement
- Not leveraging scale effectively
- Poor coverage of indirect categories
- Multiple ERP systems
- Poor data visibility
- Lots of suppliers (>10,000)



2011

- Centralised, category specialist buyer structure
- Greater leverage of spend
- Significant systems, process and data improvement
- Enlarged indirect category team and coverage
- Track record of cost reduction and risk management
- Fewer suppliers (<7,000)

How are we structured?

**Group Procurement
Director**

Finance
Support & analysis

**Programme
& Project
Management**

Packaging

Ingredients

**Operational
Indirects**

**Corporate
Services**

**Business
Partners**

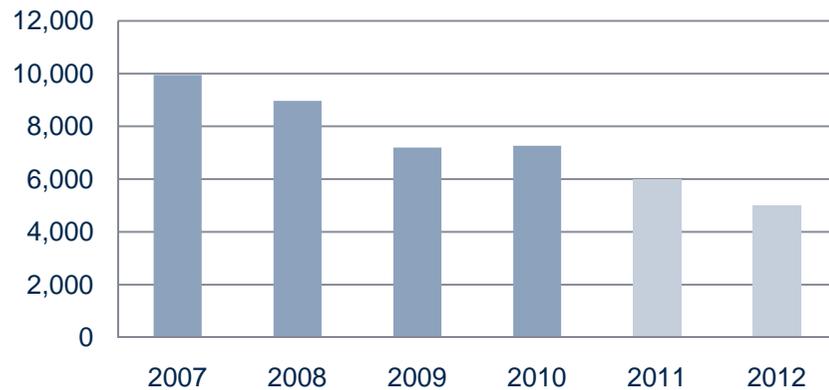


Scale allows us to have category experts

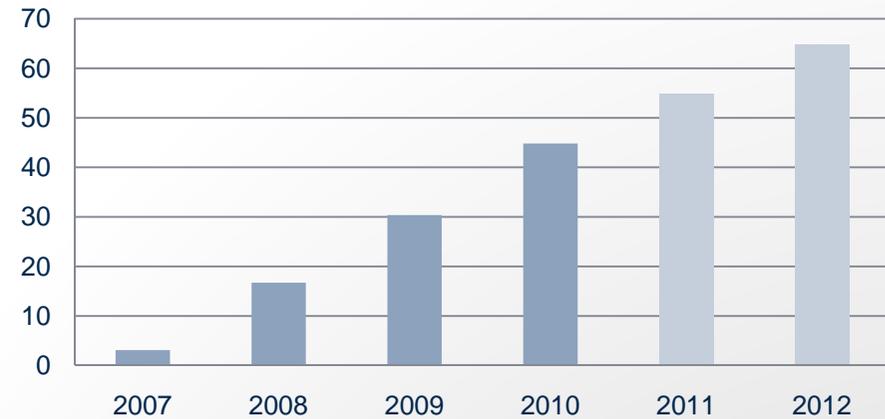


How are we doing?

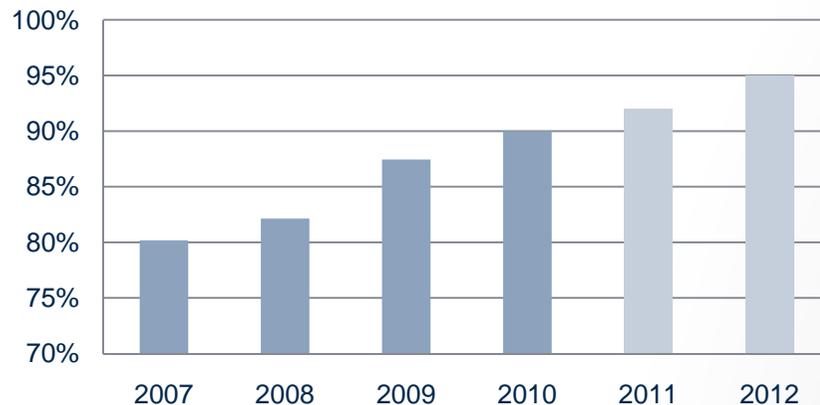
Number of suppliers



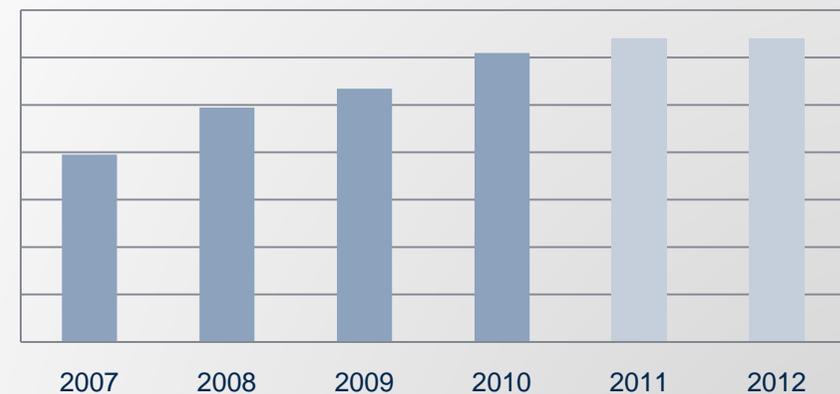
Cumulative Indirect Savings - £m



Spend under direct control



Payment days



Year on Year progress on all key KPI measures



How do we buy?

Directs

- **Hedging – smoothing volatility**
- **Standardising items**
- **Simplifying specifications**
- **Leveraging our scale**
- **Innovation from our suppliers**

Indirects

- **Supporting Manufacturing Controllable Costs (MCC)**
- **Increasing compliance**
- **Control through SAP**
- **Catalogues**
- **Supplier consolidation**

Scale gives us competitive advantage



Building long term sustainable supplier relationships, an innovative competitive advantage

Issue:

- Importing foreign wheat as no viable UK strain available

Aim:

- Develop a new strain of UK wheat to match high quality Canadian wheat

How:

- Trialling various strains over a number of years
- Build the confidence of the UK grower network to promote wheat contracts to a sufficiently wide grower base

Deliverables:

- 600 UK farmers grow a premium wheat in the UK that matches Canadian wheat quality
- Premier gained leadership as first baker to source 100% wheat for all its branded bread
- Enhanced CSR credentials across brand
- Enhanced Brand message



Hovis is still the only major bread brand made with 100% British Wheat

Sustainable packaging

Issue:

- Committed to reducing carbon footprint and wider environmental impact of products

Aim:

- Significantly reduce use of resources on Sun-Pat over the entire lifecycle of the products



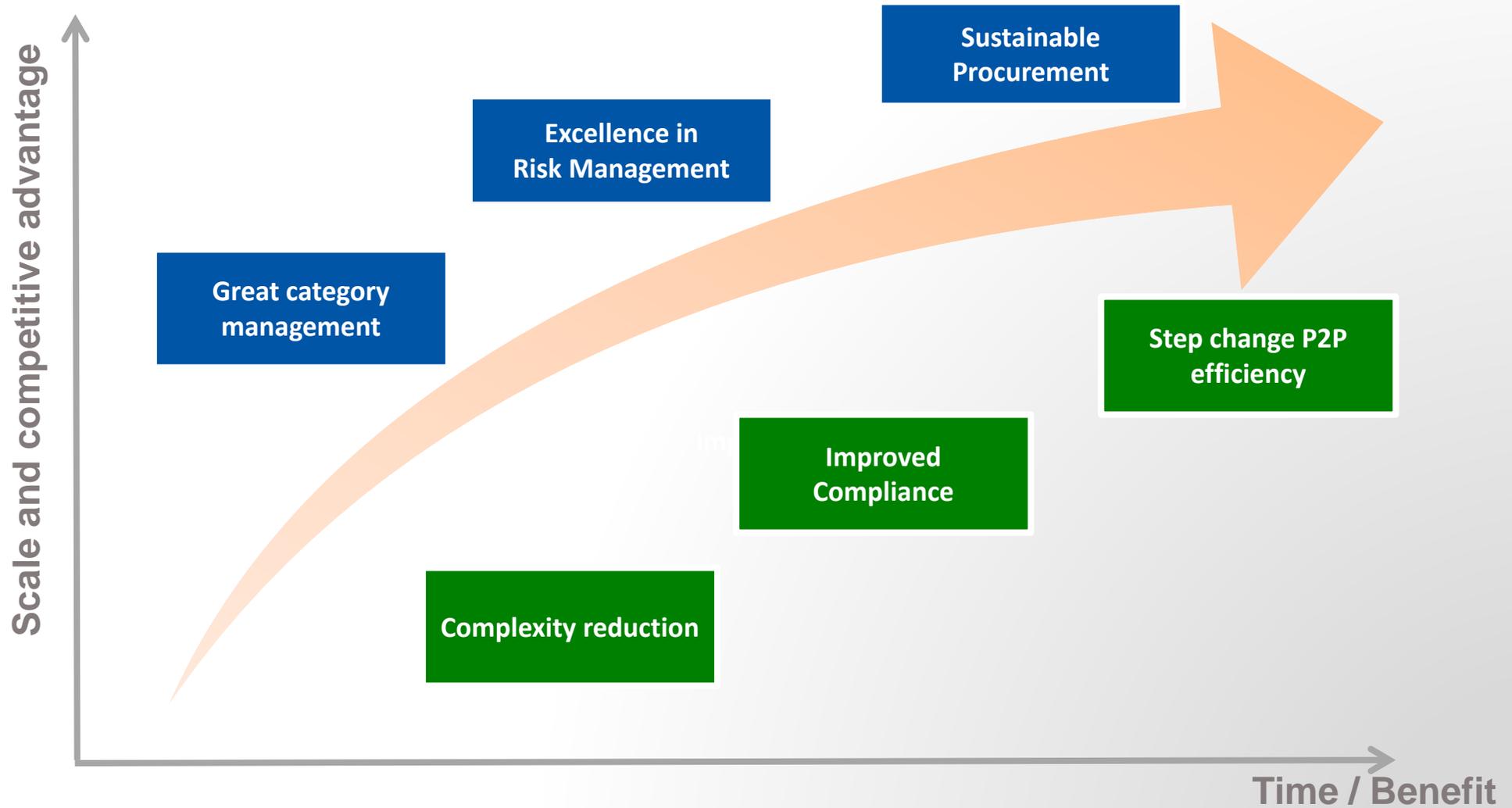
Deliverables:

- By moving to PET jars we:
 - Reduced 2,404 tonnes of packaging
 - Significant logistics efficiency gains
 - Reduced road miles through greater weight allowance for PET on vehicles versus glass
 - Cost saving of c.£600k
 - 886 tonnes less CO₂e
 - Zero impact to consumer acceptance of PET
 - PET grade selected had 50% recycled content

Sun-Pat now used by WRAP as an example of best practice



What next? 2011 and beyond





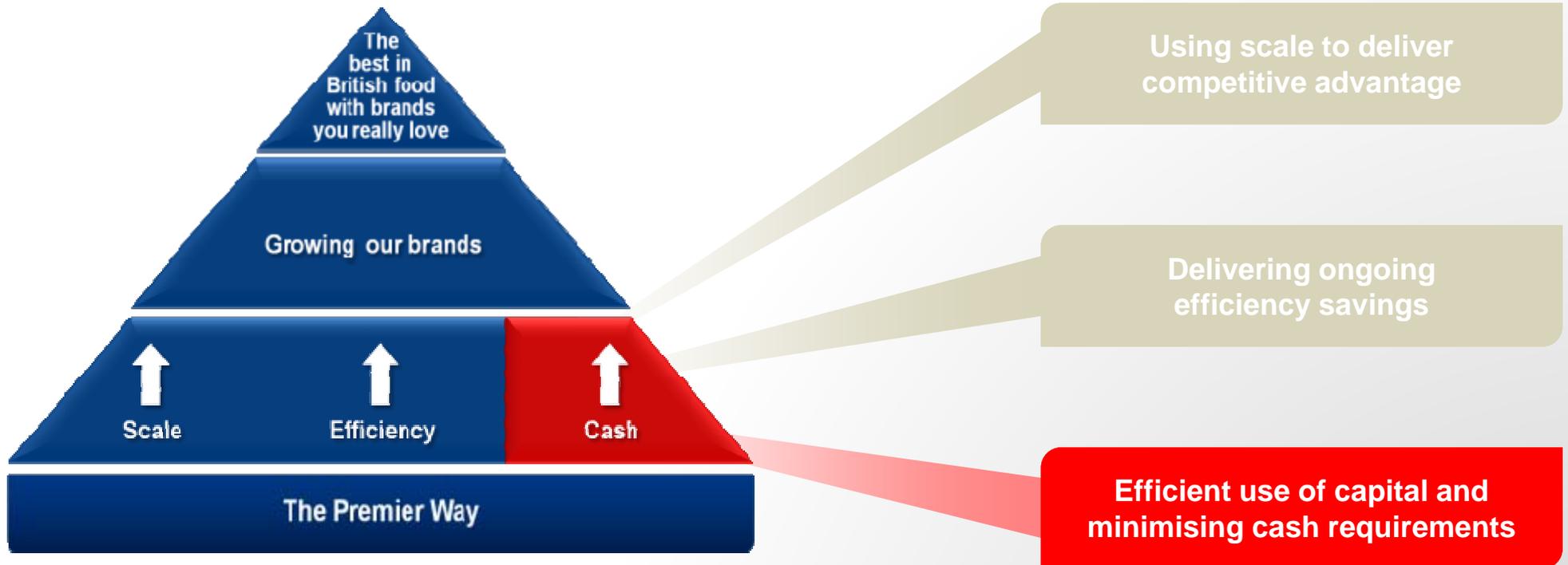
Summary

- Further opportunity to leverage scale and drive competitive advantage
- Track record of year on year benefit and synergy delivery
- Clear objectives to support the business strategy
- Direct commodity exposure is less than 25% of our spend
- Continue to recognise and manage our supply chain risks

Our scale gives us competitive advantage



Our operating model



Jim Smart, Chief Financial Officer



Building foundations in a difficult environment

**Trading hard in a
difficult environment**

Building foundations:

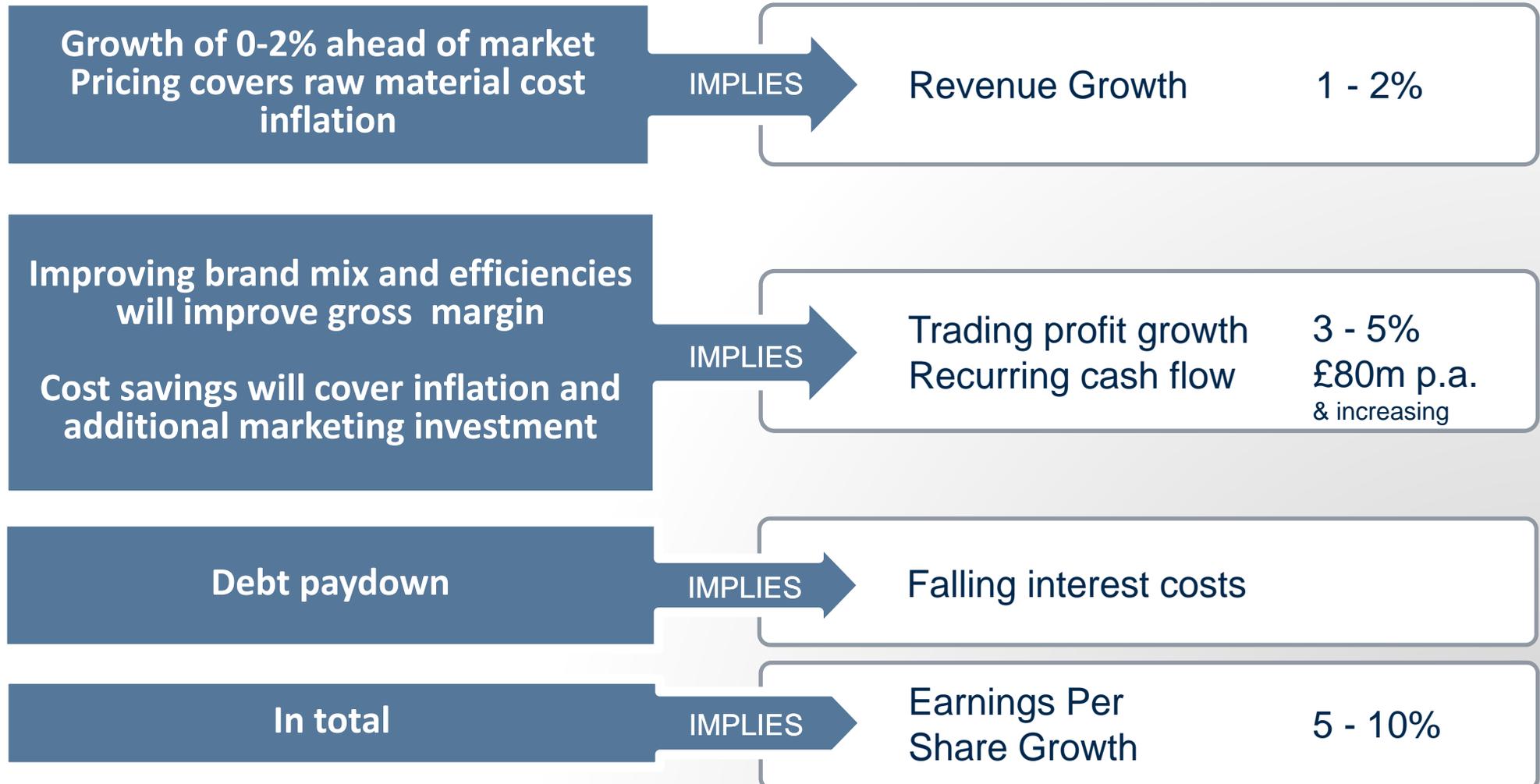
- **Capability**
- **Structure**
- **Choices**
- **Allocating resources**

**Building the case for
Brand investment**

**Despite the short term headwinds of the tough trading
environment we continue to build the foundations of
Brand growth**



Business model: What it might imply





Annuity value of cash flow

Target maximum average debt level 3.25 x EBITDA

Once achieved:
Recurring cash flow becomes 'surplus'

IMPLIES

Choices which benefit shareholders

- Return: Dividend
- Share buyback
- Continue debt reduction
- Accelerate pension de-risking
- Invest in value creating projects

Yield

Capital growth

Recurring cash flow growth
EPS growth

Lower risk
Transfer of value

Scale/Efficiency/Innovation
EPS growth



Summary and Q & A

Robert Schofield



Summary

Transforming iconic British brands

Our Drive and Core brands are capable of transformational growth

Mining assets for gold

Our focus on Defend brands and Non branded can grow profit and cash

Shine in Store

We will connect with our customers to make our Brands Shine in Store

Enabled by:

- structure aligned for growth
- enhanced capability
- resources focused on growth
- clear KPIs



Summary

Using scale to deliver competitive advantage

Delivering ongoing efficiency savings

Business model

With both procurement and our operations we can drive long term sustainable cost savings to support our branded growth

**5-10% Earnings growth
£80m and growing recurring cash flow**

We have created a powerful business which we will use to drive value for shareholders



The Best in British Food with Brands You Really Love

