



# PREMIER FOODS

Welcome to the New Premier Foods  
Full Year Results 31<sup>st</sup> December 2013

4<sup>th</sup> March 2014



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## CAUTIONARY STATEMENT (2)

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## KEY MESSAGES AND AGENDA FOR TODAY

**1**

This is a transformational restructuring that liberates Premier Foods from its past

**2**

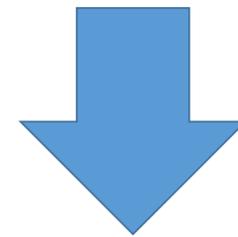
We grew underlying profits in 2013 by 18% and adjusted eps by 64%

**3**

We have a new and sustainable capital structure, incorporating a landmark agreement with the Pension Schemes

**4**

We have a robust and sustainable strategy to maximise performance in a challenging market



**Result: A Powerful Investment Proposition**

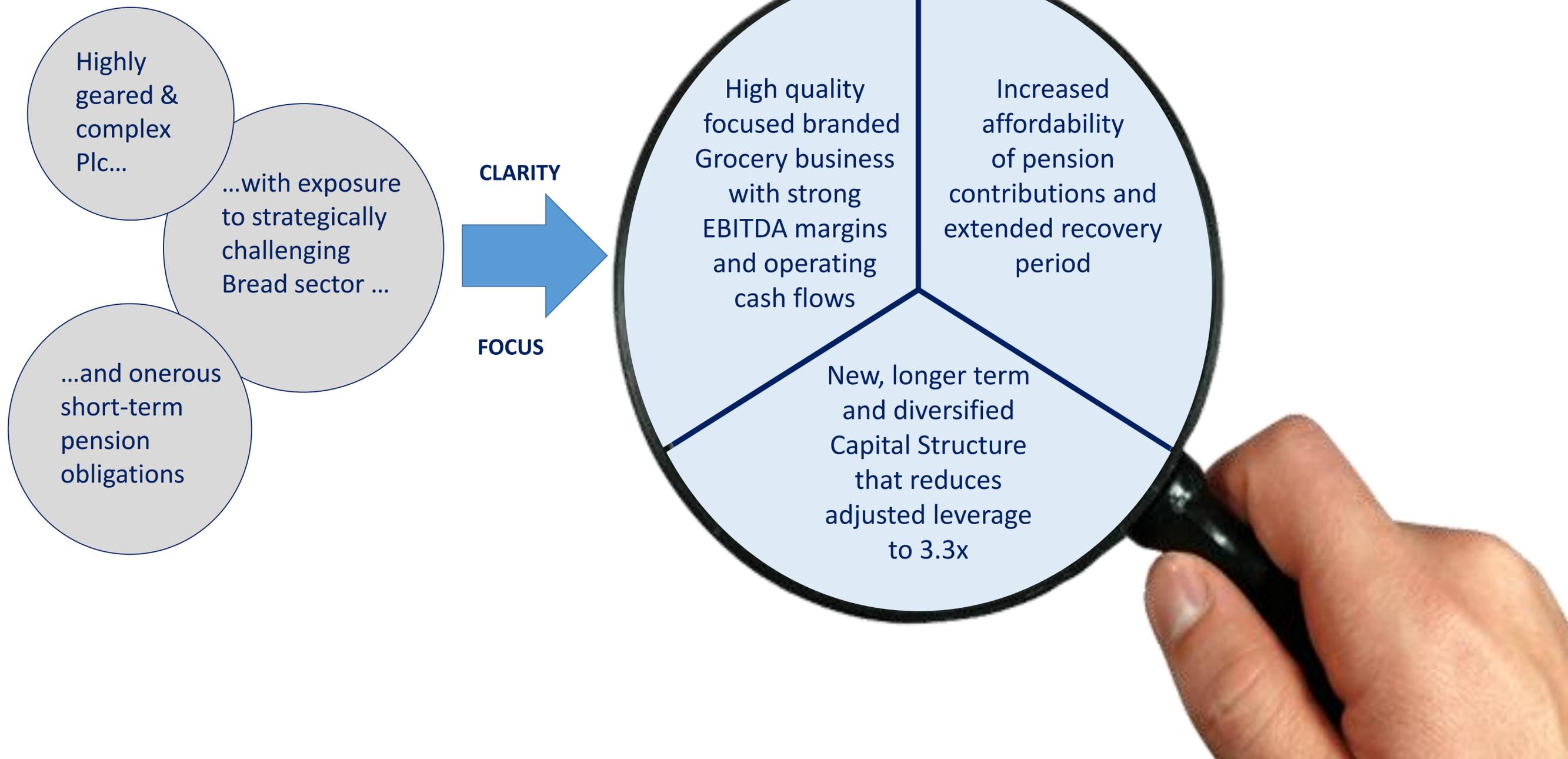


1

This is a transformational restructuring that liberates Premier Foods from its past

# A TRANSFORMATIONAL RESTRUCTURING

## New Premier



## OUR INVESTMENT PROPOSITION



**Focused on growth categories**



**Broad stable of leading brands driving category growth through marketing and innovation**



**Diverse manufacturing processes provide wide scope to innovate**



**Strong capabilities to serve today's multi-format retail environment**



**Continued cost reduction supports brand investment**



**Strong operational cash flows**



**Committed and experienced management team**





2

We grew underlying profits in 2013  
by 18% and adjusted eps by 64%

Alastair Murray - CFO



## 2013 RESULTS IN LINE OR AHEAD OF EXPECTATIONS

**Grocery Power Brand Sales**

**+2%**

**SG&A**

**+16%**

**Trading profit growth**

**+18%**

**Adjusted PBT**

**+61%**

**Adjusted eps**

**+64%**

**Net debt**

**+13%**



## TRADING PROFIT UP 18%

£ millions	2013	2012
<b>Underlying business sales</b>	<b>1,283</b>	<b>1,297</b>
<b>Underlying business Trading profit</b>	<b>145</b>	<b>123</b>
Add: 2012 disposals	1	32
Less: Bread business	(6)	4
<b>Continuing operations Trading profit</b>	<b>140</b>	<b>159</b>
Amortisation of intangible assets	(44)	(50)
Fair value movements on forex derivatives	(2)	2
Net interest on pension and administration costs	(31)	(28)
Restructuring costs for disposed businesses	(7)	(31)
Re-financing costs	(0)	(1)
(Loss)/Profit on disposal of businesses	(3)	33
<b>Operating profit</b>	<b>53</b>	<b>84</b>
<b>Operating profit before profit on disposal of business</b>	<b>55</b>	<b>51</b>

## STRONG ADJUSTED EARNINGS PER SHARE GROWTH

£m	2013	2012	%
<b>Underlying Trading profit</b>	<b>145</b>	<b>123</b>	<b>17.7%</b>
Net Regular Interest	(58)	(69)	16.0%
<b>Adjusted PBT</b>	<b>87</b>	<b>54</b>	<b>61.0%</b>
Notional Tax @ 23.25%/ 24.5%	(20)	(13)	52.9%
<b>Adjusted earnings</b>	<b>67</b>	<b>41</b>	<b>63.6%</b>
<b>Adjusted earnings per share (pence)</b>	<b>27.8</b>	<b>17.0</b>	<b>63.6%</b>

- Adjusted PBT of £86.8m, 61% ahead of last year
- Net regular interest lower due to lower average Net debt in H2
- Adjusted earnings significantly ahead of prior year

## GROCERY POWER BRANDS PERFORMED WELL IN A CHALLENGING MARKET

Sales (£m)	2013	2012	Growth (%)
<b>Power Brands</b>	<b>544</b>	<b>533</b>	<b>2.0%</b>
Support brands	196	206	(4.9%)
<b>Total branded</b>	<b>740</b>	<b>739</b>	<b>0.1%</b>
Non-branded	97	115	(14.9%)
<b>Total</b>	<b>837</b>	<b>854</b>	<b>(2.0%)</b>

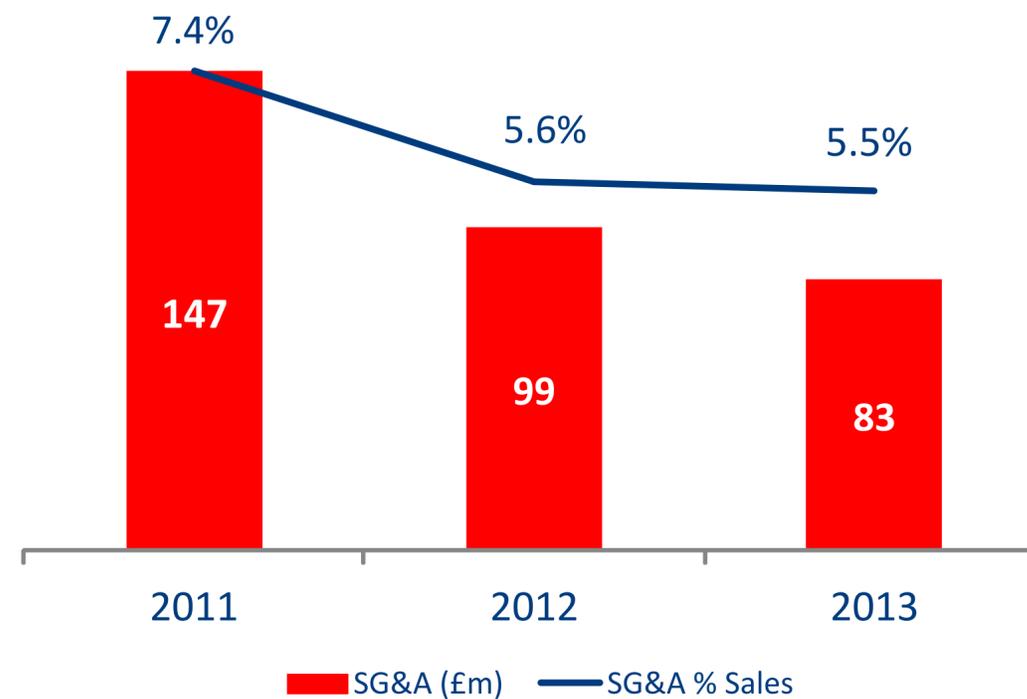
- Strong performances in Ambrosia, Bisto and Oxo, partly offset by Mr. Kipling and competitive cooking sauces category
- Q4 Grocery Power Brands down 1.0% due to challenging market conditions
- Improved momentum on Support brands in Q4 reflecting category based strategy
- Non branded declines a result of disciplined approach to low margin business
  - This trend is likely to continue with resultant margin mix benefit to the Group



## STRONG CONTINUED SG&A COST REDUCTION

£m	2013	2012	Growth (%)
Divisional contribution	228	222	2.6%
SG&A costs	(83)	(99)	16.2%
<b>Underlying Trading profit</b>	<b>145</b>	<b>123</b>	<b>17.7%</b>

- Full year effect of SG&A cost programme flows through
- Represents 44% reduction from 2011 cost base
- Equivalent to 5.5% of total sales



## RECURRING CASH FLOW AHEAD OF GUIDANCE

£m	2013	2012
<b>Underlying Trading profit</b>	<b>145</b>	<b>123</b>
Depreciation	33	37
Other non-cash items	5	9
Interest	(36)	(52)
Taxation	-	0
Pension contributions	(11)	(18)
Regular capital expenditure	(34)	(56)
Working capital	(15)	7
<b>Recurring cash flow</b>	<b>87</b>	<b>50</b>

- Ahead of guidance, due to better performance across capex, interest and working capital
- Capex at 2.25% of total sales in 2013- will increase in 2014 to reflect upweighted investment in Cake

## NET DEBT LOWER THAN EXPECTATIONS

£m	2013	2012
<b>Recurring cash inflow</b>	<b>87</b>	<b>50</b>
Disposed businesses cash flows	0	6
Restructuring activity	(40)	(22)
<b>Operating cash flow from total Group</b>	<b>47</b>	<b>34</b>
Net disposal proceeds	106	312
Financing fees & finance leases	(28)	(24)
<b>Free cash flow</b>	<b>125</b>	<b>322</b>
Other non-cash items	(5)	
Opening Net debt	(951)	
<b>Closing Net debt</b>	<b>(831)</b>	

- Disposal proceeds £106m
  - £91m from Sweet Pickles business, £15m in Q4 from Bread business sites closed in the year
- Restructuring costs of £40m due to Bread restructuring and SG&A access costs
- Financing fees of £28m in line with guidance



## CASH TAX EXPECTED TO BE NIL TO MEDIUM TERM

- Group has significant brought forward losses available
- Capital allowances in excess of depreciation
- Pension deficit contributions also allowable for tax
- Deferred tax asset £73m
- Notional corporation tax rates:
  - 2014: 21.5%
  - 2015: 20.25%
  - 2016: 20.0%
- Significant potential for further tax relief

## WE RETAIN A 49% INTEREST IN HOVIS JOINT VENTURE

- Stand alone JV with The Gores Group
- Consideration of £30m<sup>1</sup> + working capital £28.7m
- Combined £45m cash injection by PF and Gores to unlock £200m 5-year investment plan
- Short-term cash benefits of £28.0m will be invested in Grocery business
- Retention of 49% stake provides potential future upside



## COMPARATIVE TRADING PROFIT FOR FY2013 IS £139m

Retained Grocery business P&L				
£m	2011	2012 FY	2013 H1	2013 FY
Power brands sales	513	533	253	544
Support brands sales	215	206	92	196
Total branded sales	728	739	345	740
Non-branded sales	100	127	43	110
<b>Total sales</b>	<b>828</b>	<b>866</b>	<b>388</b>	<b>850</b>
<b>Trading profit</b>	<b>119</b>	<b>131</b>	<b>47</b>	<b>139</b>
EBITDA	137	150	56	156

Retained Grocery business includes Charnwood Foods and Retained Flour Business



3

We have a new and sustainable capital structure, incorporating a landmark agreement with the Pension Schemes

## OVERVIEW OF THE CAPITAL REFINANCING PLAN

- ✓ Comprehensive pensions deal reduces deficit contributions by £161m over 6 years
- ✓ £353m in new equity to reduce adjusted Net debt to 3.3x 2013 Grocery EBITDA
- ✓ £475m senior secured 7 year notes diversifies sources of funding
- ✓ Simplified and reduced £300m senior revolving credit facility
- ✓ No significant debt maturity before 2019

**A sustainable capital structure that provides the platform for management to deliver its category based strategy**

## COMPREHENSIVE PENSION DEAL REDUCES DEFICIT CASH CONTRIBUTIONS BY £161m OVER 6 YEARS

£m	2014	2015	2016	2017	2018	2019
New schedule	35	9	42	50	44	42
Old schedule	83	80	79	47	47	47
<b>Reduction/(Increase)</b>	<b>48</b>	<b>71</b>	<b>37</b>	<b>(3)</b>	<b>3</b>	<b>5</b>

- Contributions fixed until end 2019
- A reduction in cash payments of £161m in first 6 years compared to current schedule
- Significantly reduced payments in first three years
- NPV valuation of future post-tax cash flows of £405m<sup>1</sup>
- IAS 19 accounting deficit £603 (£463m net of deferred tax)
- Future dividend match with pension schemes until 2019 (limited carve out in 2016 & 2017)

## SIMPLIFIED AND REDUCED SENIOR REVOLVING CREDIT FACILITY

### Key terms of revolving credit facility

Total commitment	£300m
Tenor	5 years
Initial interest	3.50% + LIBOR

- Streamlined syndicate of banks for the new facility
- Flexibility to fund capital expenditure and working capital requirements
- Appropriate covenant package
- Dividends permitted when Net debt/EBITDA below 3.0x
- Debtors securitisation programme extended to December 2016



## £475m OF SENIOR SECURED NOTES EXTENDS DEBT FOR 7 YEARS

Key terms of secured notes offering	
Amount targeted	£475m
Currency	GBP
Coupon	To be confirmed on pricing
Tenor	6 year floating/7 year fixed
Repayment	Bullet at maturity
Expected ratings	To be confirmed

- Long term funding results in no significant maturity before 2019
- Expected to bring in new, diversified investor base
- £475m of high yield notes to be launched
- “Backstopped” arrangements by the underwriters provides certainty



## £353M EQUITY RAISE TO RESTRUCTURE BALANCE SHEET AND REDUCE DEBT

Key terms of equity raise	
Offering size	£353m
Firm placing	£100m
Placing price	£1.30
Rights issue	£253m
Rights issue terms	8 for 5
Subscription price	£0.50 per share

Timetable	
EGM	20 March
Record date	20 March
Ex-rights date	24 March 2014
Subscription period	24 March to 7 April 2014
New shares start trading	8 April 2014

- Fully underwritten equity issue to raise gross proceeds of £353m
- Warburg Pincus and Paulson have indicated their support for the transaction



## ADJUSTED NET DEBT

£M	2013
Reported Net debt at 31 December 2013	831
Proceeds from rights issue and placing	(353)
Net proceeds from Bread JV Disposal	(28)
Underwriting, bank, bond and advisory fees	41
Deferred fees	22
<b>Adjusted Net debt at 31 December 2013</b>	<b>513</b>

- Adjusted 2013 Net debt 3.3x 2013 Grocery EBITDA
- Deferred bank fees of £22m reflected in 2013 Net regular interest



## 2014 GUIDANCE

2014 Guidance	
Depreciation	£18-20m
Capex	£35-40m
Net regular interest	£45-50m
Cash interest	£45-50m
Tax- P&L notional rate	21.5%
Tax- cash	Nil
Pension deficit contributions	£35m
Working capital (outflow)	(£30m)
Consumer Marketing	Double-digit % growth

- Major Cake Capex investment in 2014 of approximately £20m
- Ongoing capex expected to be broadly in line with depreciation
- Cash tax expected to be nil over medium term

## 2014 OUTLOOK

- Q1 expected to be slower than prior year
  - Subdued consumer spending
  - Easter move from Q1 to Q2
  - Strong comparative due to 2012 cold weather
- Expect Grocery Power Brands to grow 2-3% for full year
- Support brands to grow modestly, non-branded to decline
- Second half plan reflects NPD and increased consumer marketing
- Costs to be managed tightly
- Group confident in its expectations for the full year

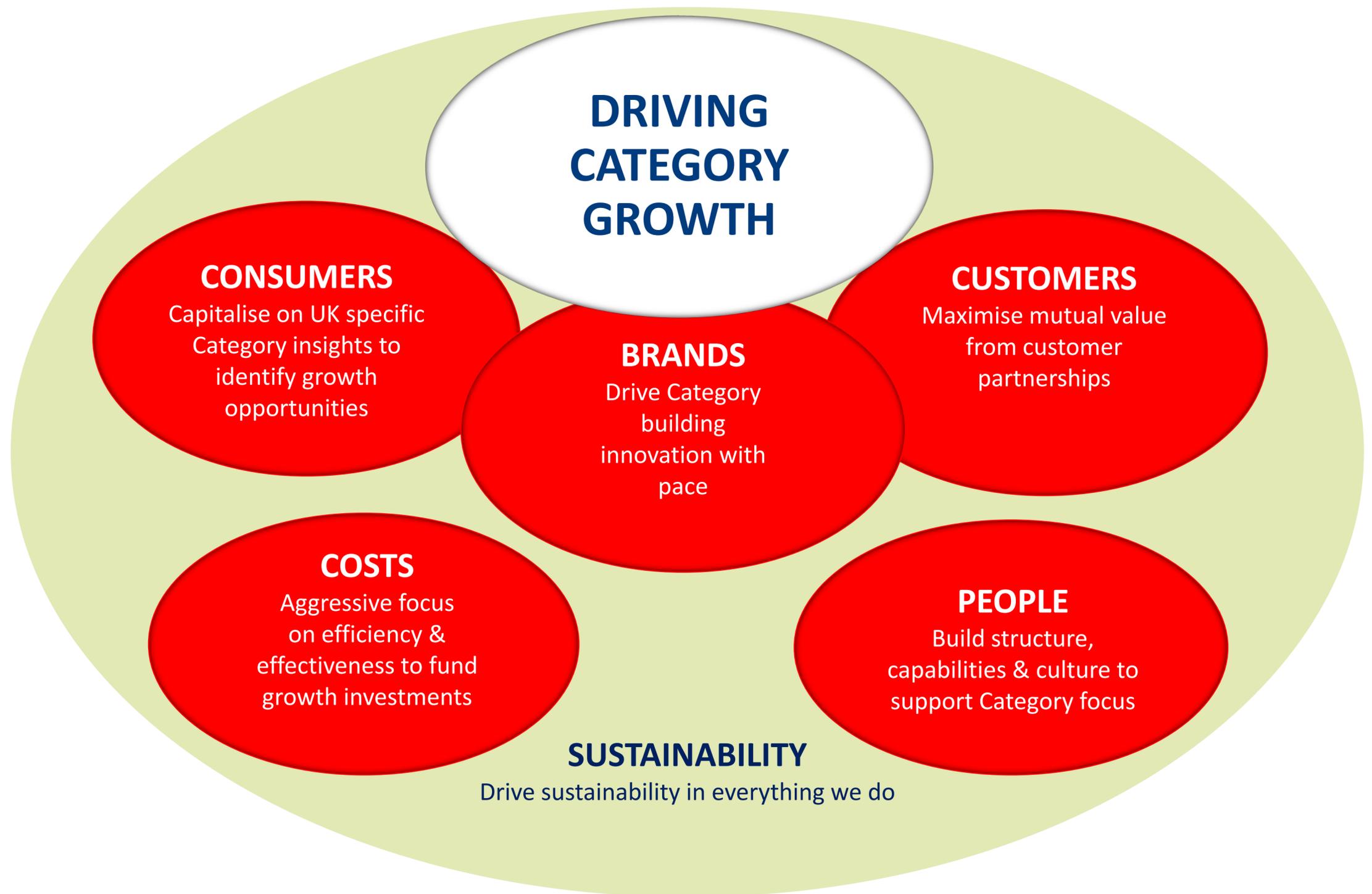






# CATEGORY FOCUSED GROWTH STRATEGY

## Designed to drive value growth



## OUR INVESTMENT PROPOSITION



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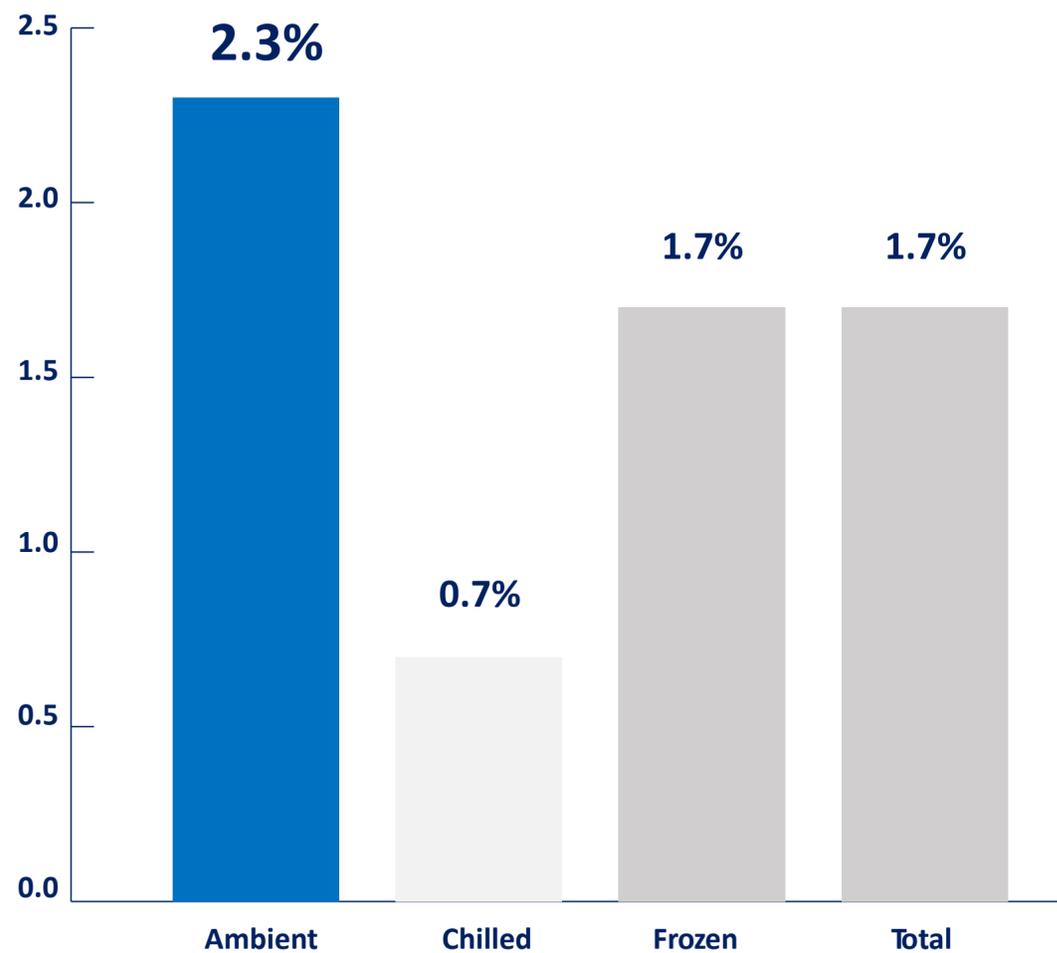
**Committed and experienced management team**



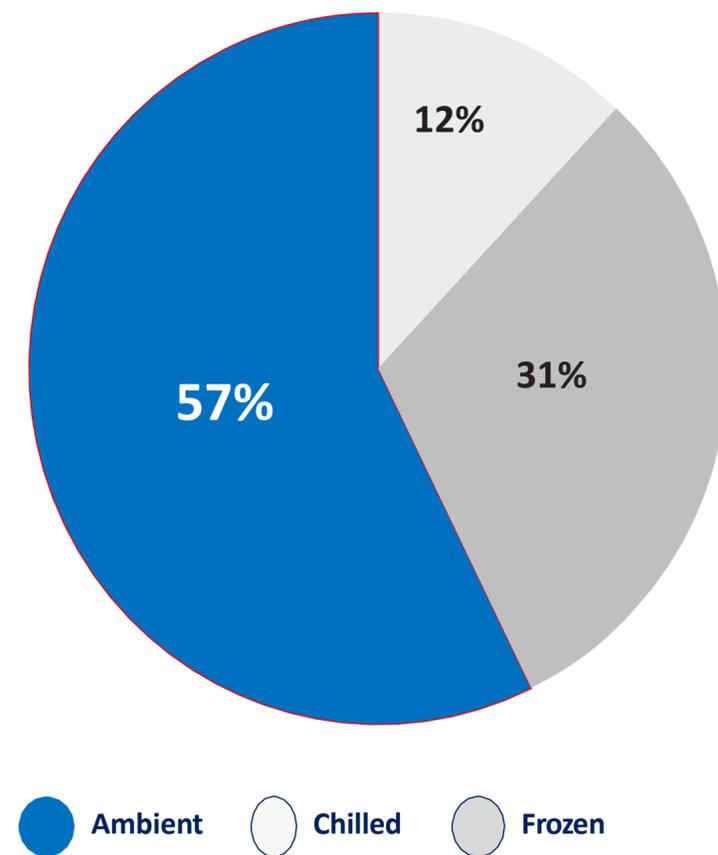
# AMBIENT GROCERY: THE BEST PERFORMING AND LARGEST SEGMENT IN MARKET



Value Sales



Market segments

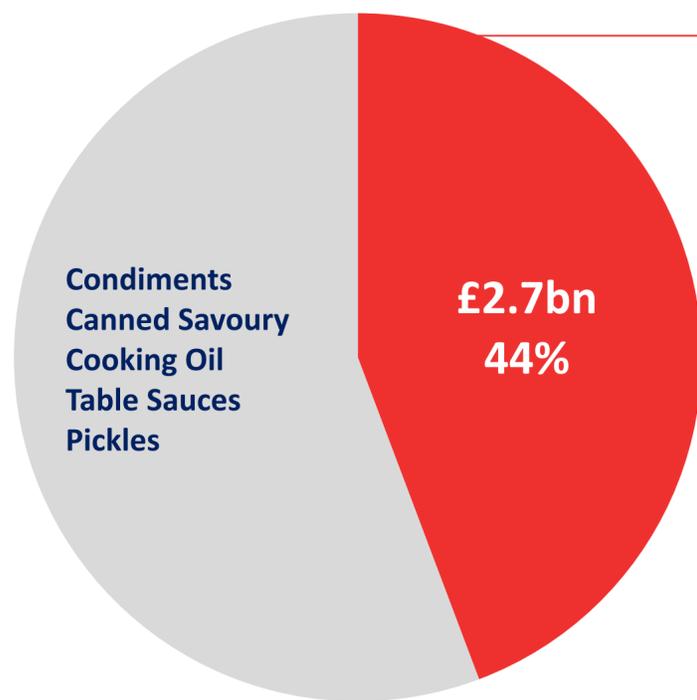




# FOCUS ON TWO BROAD AND GROWING SEGMENTS

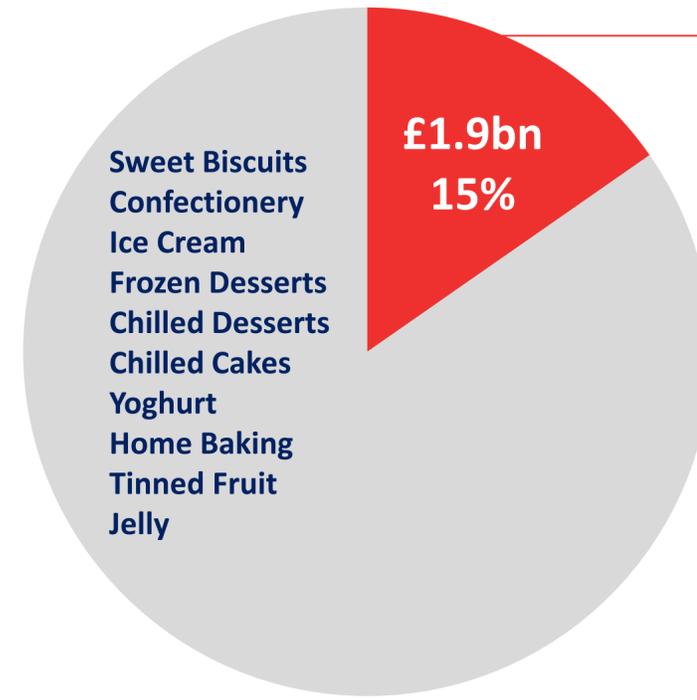
**Savoury Meal Making - CAGR +4.4%<sup>1</sup>**

**Sweet Foods - CAGR +3.2%<sup>1</sup>**



£6.1bn<sup>1</sup>

- Cooking Sauces
- Savoury Rice/Noodles
- Dry Pasta/Noodles
- Ethnic Ingredients
- Herbs & Spices & Salt
- Instant Hot Snacks
- /Mash
- Gravy, Stocks, Stuffing
- Packet Soup



£12.4bn<sup>1</sup>

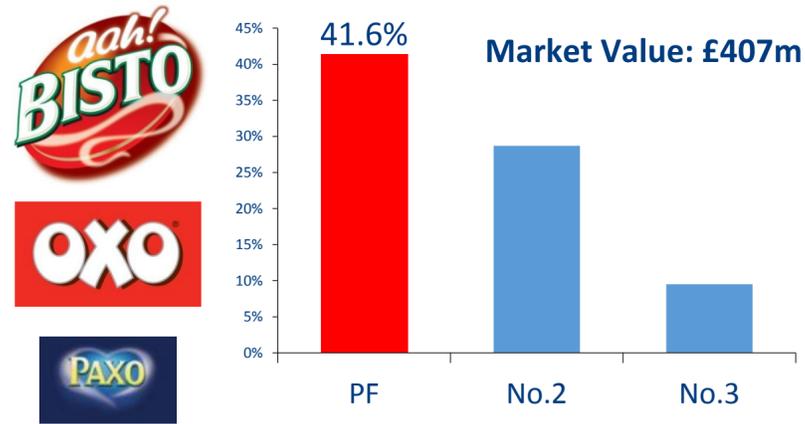
- Ambient Cake
- Ambient Desserts
- Ambient Toppings
- Sweet Mixes

 = Categories Premier Foods participates in

# STRONG COMPETITIVE POSITION IN ALL CATEGORIES

## Flavourings & Seasonings

**No. 1**



Category **+4.6%**; Premier **+5.8%**

## Ambient Desserts

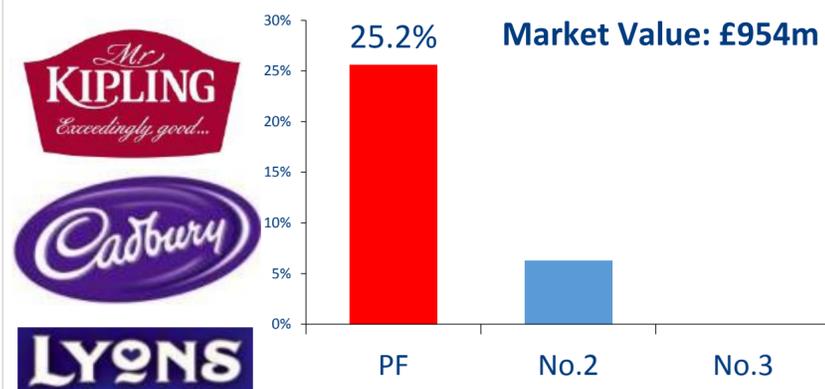
**No. 1**



Category **+3.1%**; Premier **+7.1%**

## Ambient Cakes

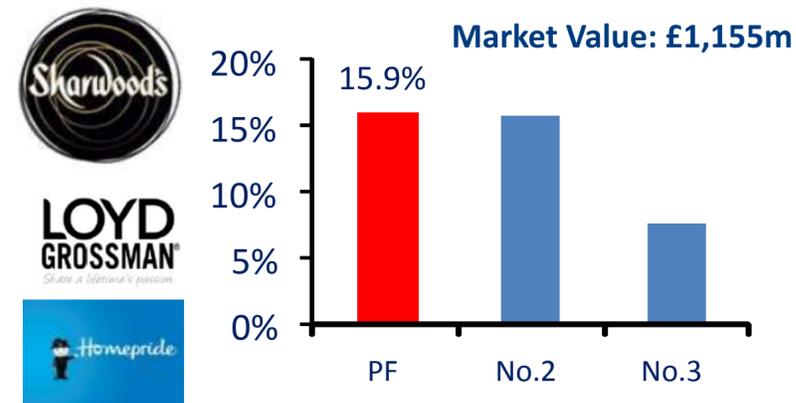
**No. 1**



Category **+0.9%**; Premier **(1.2%)**

## Cooking Sauces & Accompaniments

**No. 1**



Category **+1.6%**; Premier **+0.8%**

## Easy Eating

**No. 1**



Category **+5.6%**; Premier **+3.2%**

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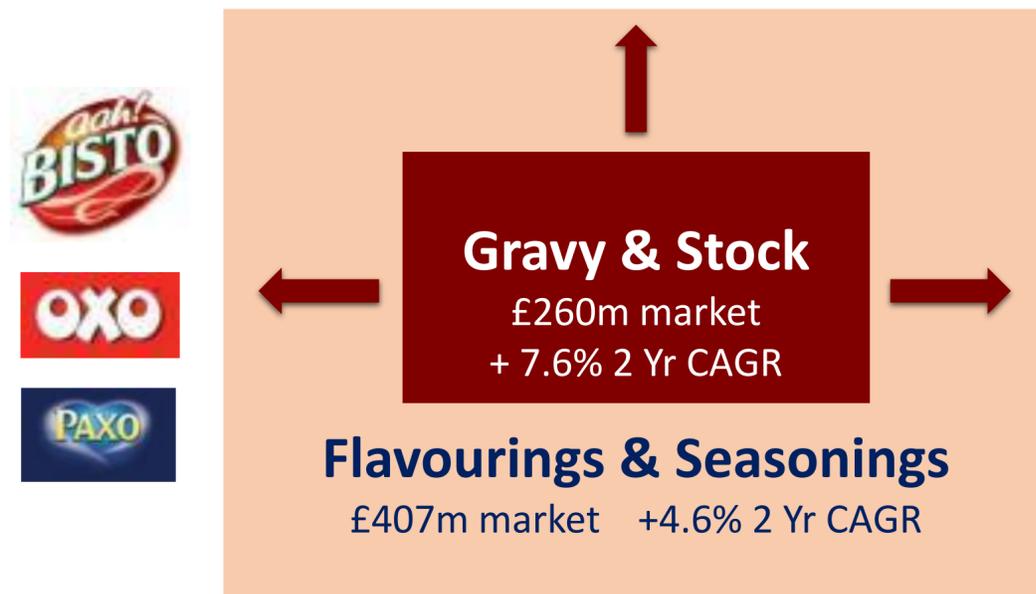
**Strong operational cash flows**



**Committed and experienced management team**



# EXPANDING CATEGORY DEFINITION TO FLAVOURINGS AND SEASONINGS



## INVIGORATE CORE



## DRIVE NEW USAGE



## KEY HIGHLIGHTS

- Flavourings & seasonings at the heart of savoury meal making
- Extended category now includes Gravy, Stock, Stuffing and dry mixes
- Premier Foods and Unilever have 70% share
- Opportunity to invigorate core gravy and stock and innovate beyond the core

## INNOVATE



## COMMUNICATE

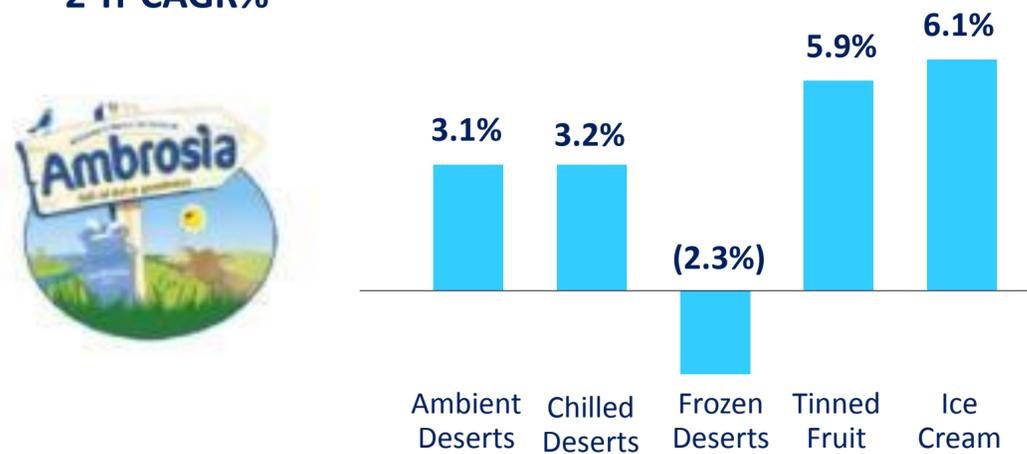




# DRIVING RELEVANCE OF AMBIENT DESSERTS

## WIDER DESSERTS CATEGORY DEMONSTRATES GROWTH

2 Yr CAGR%



## INVIGORATE CORE



## DRIVE NEW USAGE



## KEY HIGHLIGHTS

- Ambrosia is now a £100m brand
- Sales +10.7% vs 2012
- 53% penetration, +5.5ppts vs 2012
- Ambrosia: Strong market share of 31.4%
- Ambient desserts category grown +4.8%

## INNOVATE



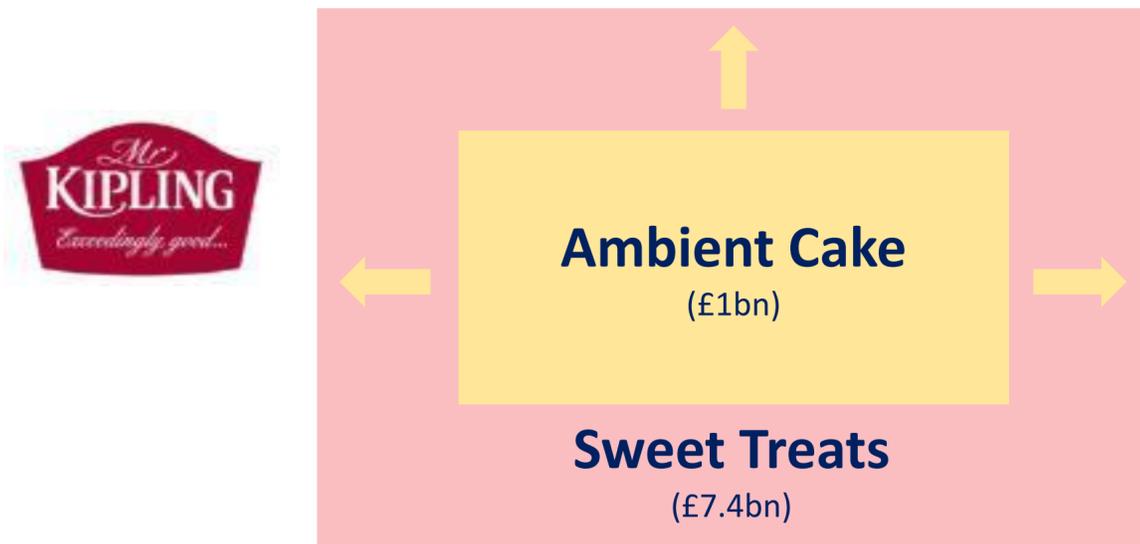
## COMMUNICATE





# RE-POSITIONING CAKE AS EVERYDAY SWEET TREAT

## SWEET TREATS CATEGORY



## KEY HIGHLIGHTS

- Mr. Kipling has 16.4% share of £954m ambient cake market<sup>1</sup>
- Cake market grown +1.4% p.a. in value over last 3 years (vs +18% value growth sweet treats)<sup>2</sup>
- Focus on cake as everyday sweet treat to compete with biscuits and confectionery
- Snack Packs demonstrate potential, +20m usage occasions vs 2011 esp. lunchbox/snacking<sup>3</sup>

## INVIGORATE CORE



Focus portfolio and reposition brand to more informal occasions

## DRIVE NEW USAGE



## INNOVATE



2 pack      4 pack      9 pack

£20m investment increases capacity by +130%

## COMMUNICATE





# SIMILAR APPROACH IN OTHER CATEGORIES

## EASY EATING

Increase penetration to drive new eating occasions

## COOKING SAUCES & ACCOMPANIMENTS

Maximise delivery of existing range

### INVIGORATE CORE



### DRIVE NEW USAGE



### INVIGORATE CORE



### DRIVE NEW USAGE



### INNOVATE



### COMMUNICATE



### INNOVATE



### COMMUNICATE





# SUPPORT BRANDS PLAY AN IMPORTANT CATEGORY ROLE



Stretching brand to compete in adjacent categories



Competing in all category segments



Premium



Mainstream



Value

Tactical offering in value retailers



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# A CATEGORY BASED MANUFACTURING BASE WITH MULTIPLE TECHNOLOGIES AND PACKAGING FORMATS

Cans



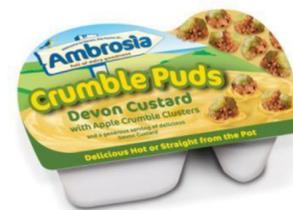
Pots



Tetra pak



Twin pots



Drums



Packets



Snackpack



Flow wrap



Pouches



PET cartons



Jars



Sachets



- A wide variety of different pack types produced across 9 manufacturing sites
- Flexibility provides a range of packaging options for future innovation
- UK based supply chain ensures speed to market

# OUR INVESTMENT PROPOSITION



**Focused on growth categories**



**Broad stable of leading brands driving category growth through marketing and innovation**



**Diverse manufacturing processes provide wide scope to innovate**



**Strong capabilities to serve today's multi-format retail environment**



**Continued cost reduction supports brand investment**



**Strong operational cash flows**

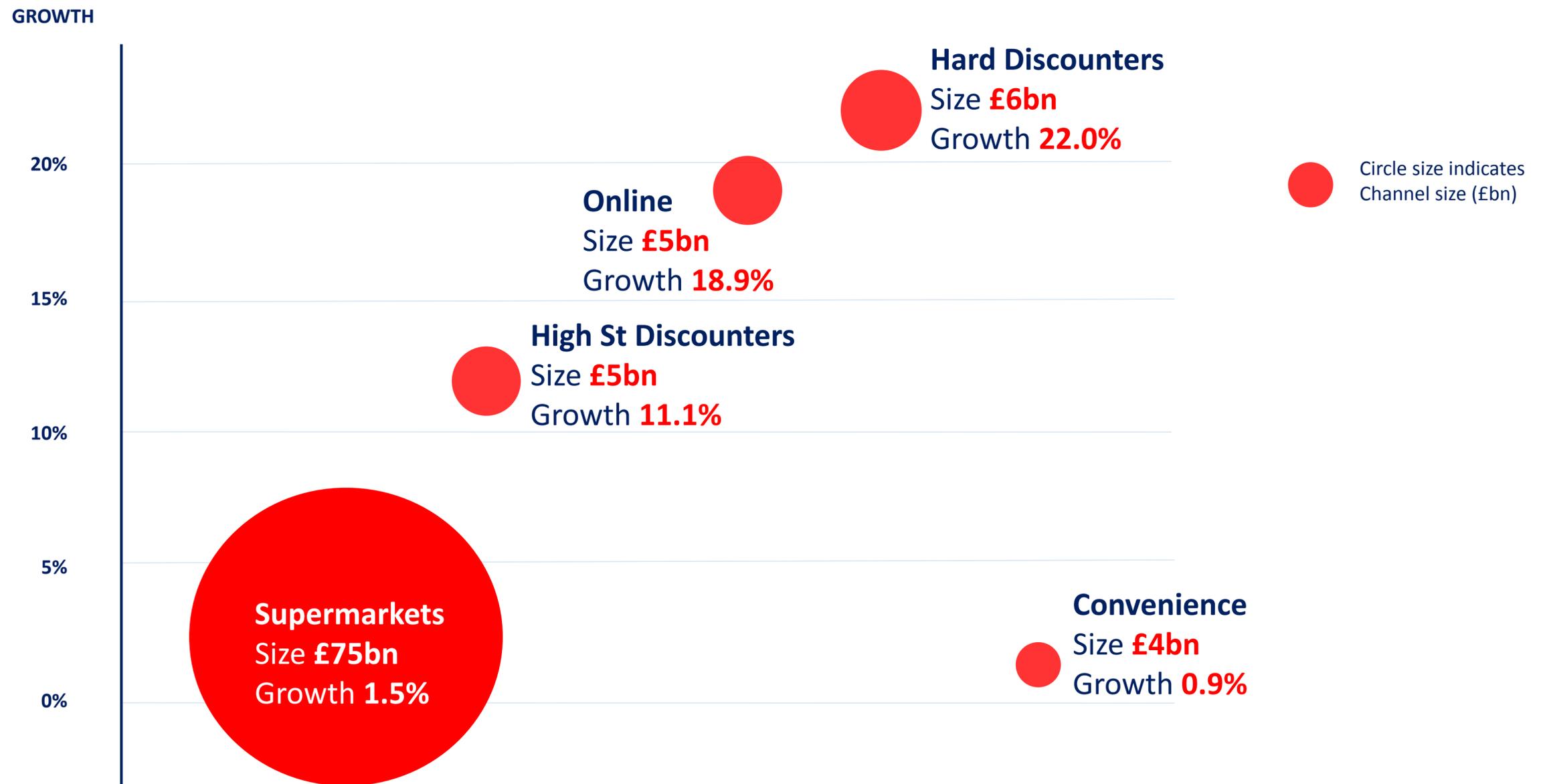


**Committed and experienced management team**





# WE HAVE OPPORTUNITIES TO GROW IN ALL CHANNELS





# WELL PLACED TO SERVE MULTI-FORMAT RETAIL ENVIRONMENT

## SUPERMARKETS

- Good rebuilt relationships with UK retailers
  - Additional category captain roles
  - Joint business plans developed with key customers
- Strong brands drive category growth for customers
- Drive value over volume
- Opportunities to optimise pack price architecture



## CONVENIENCE

- Premier's brands typically over-index in convenience
- Ability to flex for convenience e.g. case/pack sizes





# WELL PLACED TO SERVE MULTI-FORMAT RETAIL ENVIRONMENT

## DISCOUNTERS

- Discounters growing well ahead of the market
- Support brands align to value offering



## ONLINE

**£5.2 Billion**  
UK Online  
Grocery Market  
Growth +18.9%

**23.0%**  
of UK population  
currently shop  
online for groceries

- We over-index in online shopping with a 27% share of our Power Brand categories
- The company's online growth rate is 17.7% vs. the overall online market of 17.5%

# SELECTIVE INTERNATIONAL OPPORTUNITIES

- Tactical approach using distribution partners
- Utilise existing infrastructure with no capex requirements
- Target markets with opportunity for UK/Western brands



US



Australia



China



# OUR INVESTMENT PROPOSITION

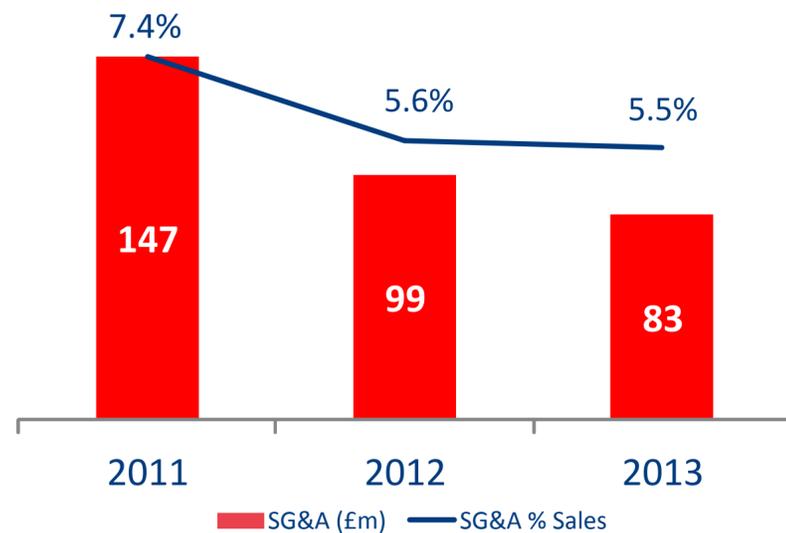
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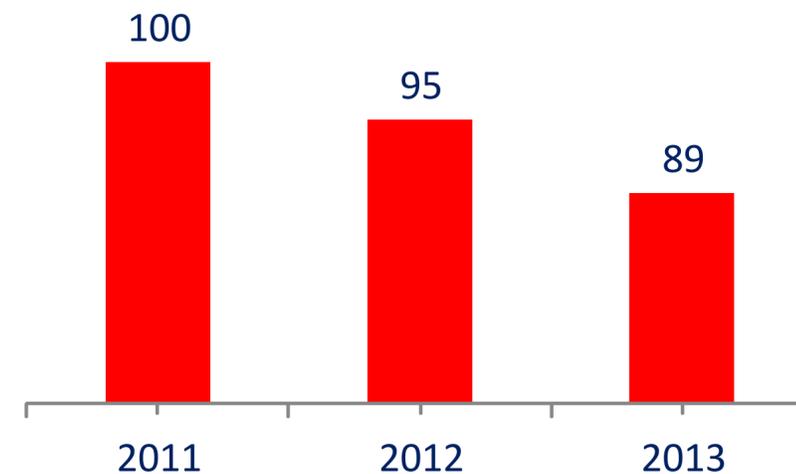


# COST SAVINGS RE-INVESTED BEHIND BRANDS

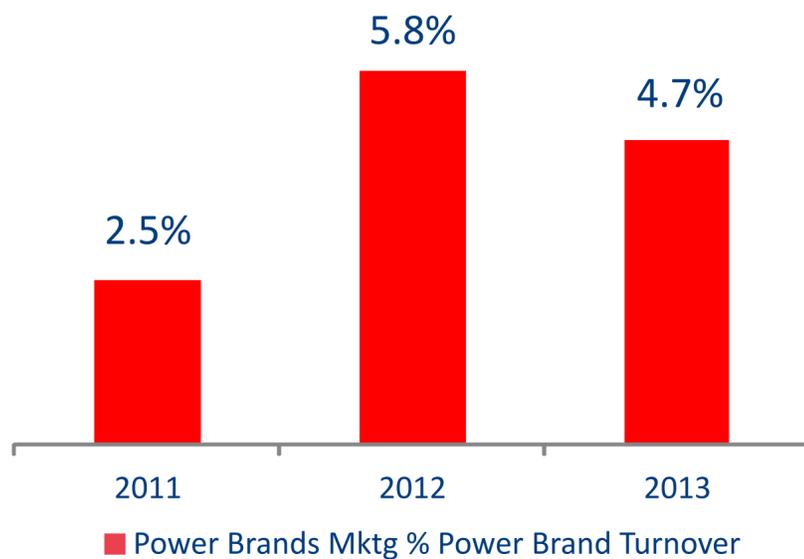
## Focus on SG&A reduction...



## Manufacturing cost reduction<sup>1</sup>



## ...reinvested into consumer marketing



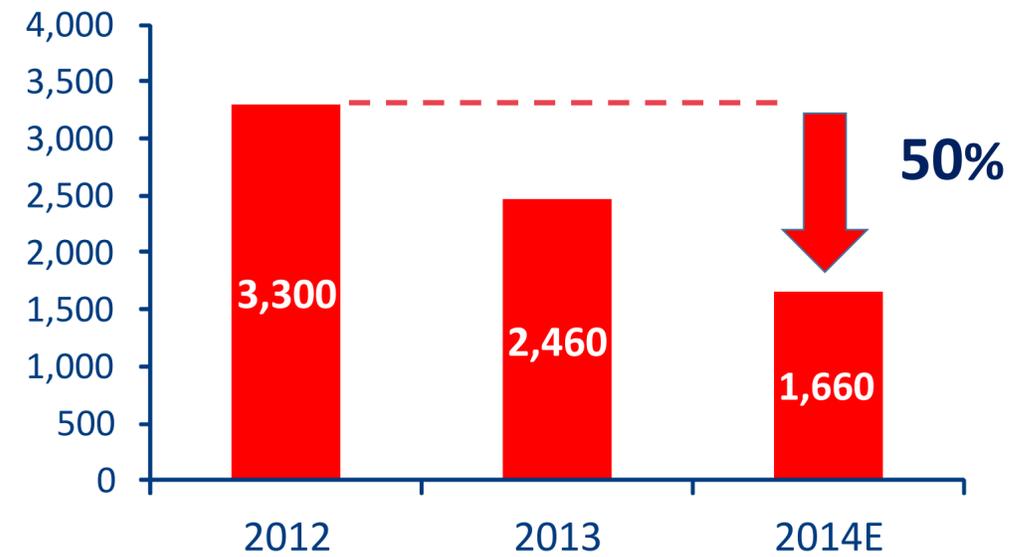
- Cost savings reinvested into consumer marketing
- Significant SG&A cost reduction in last 2 years
- Manufacturing controllable cost reduction programme has consistently delivered savings



# SUSTAINED REDUCTION IN COMPLEXITY

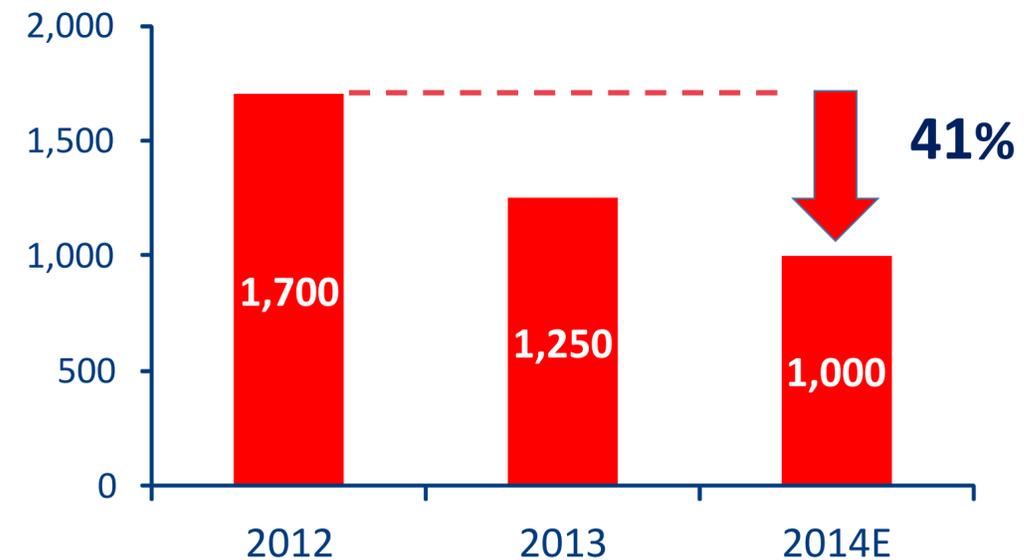
## SUPPLIER REDUCTIONS

- Rationalisation of supplier base drives:
  - Savings through greater economies of scale
  - Process improvements that reduce complexity
  - Strategic relationship to support innovation



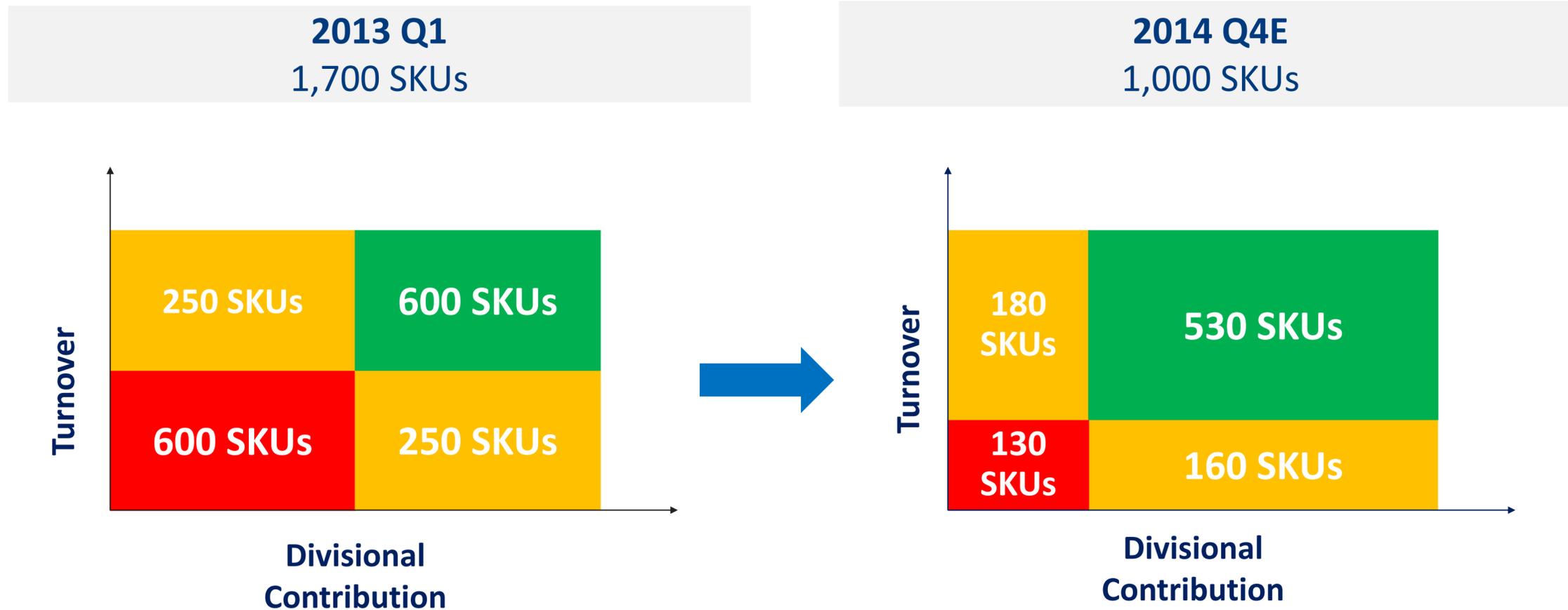
## SKU REDUCTIONS

- Grocery SKUs reduced by 26% in 2013
- A further 20% reduction targeted in 2014





# CLEAR DEMONSTRATION OF PROGRESS IN REDUCING COMPLEXITY



- Green SKU count expected to increase from 35% to 53% of total
- Red SKUs planned reduction to just 13% of total



# WORKING SMARTER THROUGHOUT THE BUSINESS



## Process alignment – Common Ways of Working

- Commercial systems effectiveness inc Business Planning & Promotional Management
- All site roll out of Integrated Factory and Planning
- Optimised back office operation



## Collaboration and Mobility

- Mobile 'Apps' for 'on the go' operation
- Collaboration tools for agile business
- Engaged workforce via improved communications



## Supplier reduction & strategic partnerships

- Simplifying supplier base e.g. Telecoms 4>1
- Key support partners
- New technology alliances e.g. Cloud technology - AWS



## Sustainable approach

- Knowledge based Process Groups
- Embedded Change ownership
- Simplification & Compliance

# OUR INVESTMENT PROPOSITION



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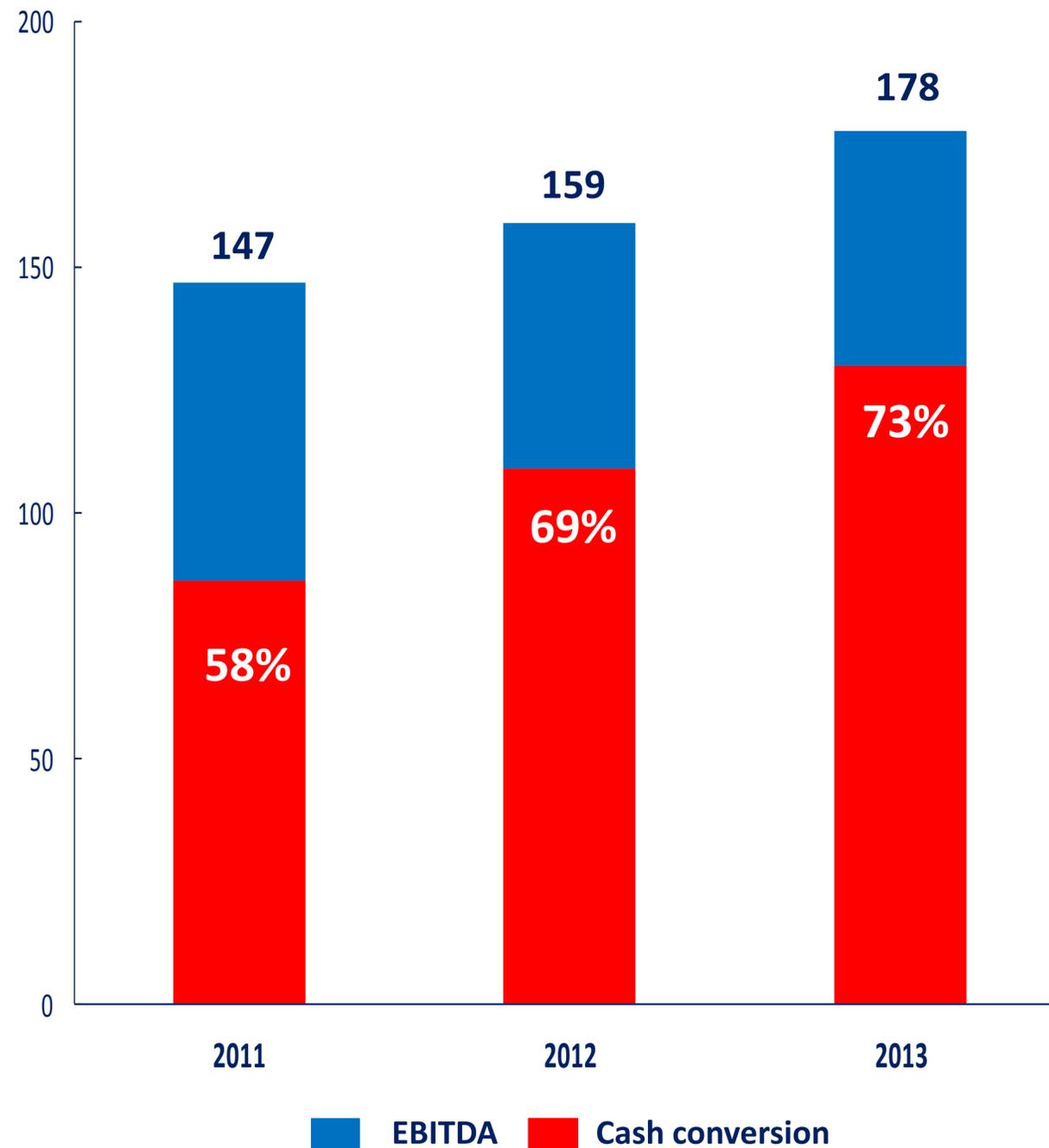


**Committed and experienced management team**



# STRONG FREE CASH FLOW CONVERSION

Historic Group cash flow



- Leading consumer sector EBITDA margins
- Provides strong foundation for further organic de-leverage
- Cash flow conversion increased to 73% in 2013
- Underlying capex broadly in line with depreciation
- Cash tax nil over the medium-term



# OUR INVESTMENT PROPOSITION

- ✓ **Focused on growth categories**
- ✓ **Broad stable of leading brands driving category growth through marketing and innovation**
- ✓ **Diverse manufacturing processes provide wide scope to innovate**
- ✓ **Strong capabilities to serve today's multi-format retail environment**
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- ✓ **Committed and experienced management team**



# EXPERIENCED MANAGEMENT TEAM



**Gavin Darby**  
CEO



**Alastair Murray**  
CFO

Management & commercial team has vast experience across the consumer industry

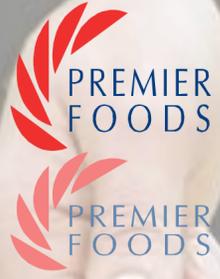
- Fresh Top Team
- Experienced Business Leaders
- Plc Board members expected to commit approximately £2m of own money to re-capitalisation





## MEDIUM TERM OUTLOOK

- Power Brands revenue growth of 2-3%; total Branded revenue growth 1-2%
- Gross margin to grow ahead of revenue
- Marketing investment to grow double digit %, funded through continued cost reduction
- Progressive organic de-leveraging towards 2.5x Net debt / EBITDA
- Bank and pension agreements provide a path for future dividend payments



## KEY MESSAGES

**1**

This is a transformational restructuring that liberates Premier Foods from its past

**2**

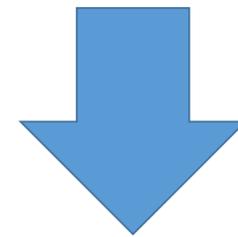
We grew underlying profits in 2013 by 18% and adjusted eps by 64%

**3**

We have a new and sustainable capital structure, incorporating a landmark agreement with the Pension Schemes

**4**

We have a robust and sustainable strategy to maximise performance in a challenging market



**Result: A Powerful Investment Proposition**

Appendix



## DEFINITIONS

- Results for the year ending 31 December 2013 are presented on an '**Underlying business**' basis, unless otherwise stated. 'Underlying business' excludes the results of previously completed business disposals, Milling (sales only), and strategic contract withdrawals
- Trading profit is defined as operating profit before re-financing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension administration costs and net interest on the net defined benefit liability.
- Adjusted profit before tax is defined as Trading profit less net regular interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 23.25% (2012: 24.5%) divided by the weighted average of the number of shares of 239.8 million. Net regular interest is defined as total net interest excluding write-off of financing costs, fair value adjustments on interest rate swaps and other financial liabilities at fair value through profit or loss and the unwind of the discount on provisions.

## GROCERY DIVISION

£m	2013	2012	Growth (%)
Branded sales	740	739	0.1%
Non-branded sales	97	115	(14.9%)
<b>Total sales</b>	<b>837</b>	<b>854</b>	<b>(2.0%)</b>
Power Brands sales	544	533	2.0%
<b>Divisional contribution</b>	<b>197</b>	<b>195</b>	<b>0.6%</b>

- Grocery Power Brands sales growth slowed in H2
- Ambrosia, Bisto and Oxo continued to perform well

## BREAD DIVISION

£m	2013	2012	Growth (%)
Branded bread sales	346	340	1.9%
Non-branded bread sales	99	103	(4.6%)
<b>Total bread sales</b>	<b>445</b>	<b>443</b>	<b>0.4%</b>
Milling sales	222	191	15.9%
Total sales	667	635	5.1%
<b>Divisional contribution</b>	<b>31</b>	<b>27</b>	<b>16.7%</b>

- Hovis branded sales finished year with strong momentum
- Divisional contribution performance reflects improved manufacturing efficiencies
- Milling sales increase due to higher prices for majority of 2013

## INTEREST

£m	2013	2012
Bank debt interest	25	36
Swap contract interest	7	17
Securitisation interest	4	3
<b>Cash interest</b>	<b>36</b>	<b>56</b>
Amortisation and deferred fees	22	13
<b>Net regular interest</b>	<b>58</b>	<b>69</b>
IAS 39 – fair valuation of financial instruments	(12)	10
Write off of financing costs	-	11
Other	2	1
<b>Net finance expense</b>	<b>48</b>	<b>92</b>

## PENSIONS – COMBINED UK SCHEMES

Key IAS 19 assumptions	31 Dec 2013	31 Dec 2012	Scheme Assets (£m)	31 Dec 2013	31 Dec 2012
Discount rate	4.40%	4.45%	Equities	300	411
Inflation rate (RPI/CPI)	3.35%/2.35%	3.0%/2.2%	Government bonds	516	589
Expected salary increases	n/a	3.95%	Corporate bonds	384	609
Mortality assumptions	LTI +1.0%	LTI +1.0%	Property	182	105
<b>IAS19 Pension deficit (£m)</b>			Absolute/Target return	1,268	712
Assets	3,219	3,209	Swaps	(116)	(195)
Liabilities	(3,822)	(3,676)	Cash	192	503
<b>Gross deficit</b>	<b>(603)</b>	<b>(467)</b>	Other	493	475
<b>Deficit net of deferred tax</b>	<b>(463)</b>	<b>(352)</b>	<b>Total</b>	<b>3,219</b>	<b>3,209</b>

- Actuarial valuation at 5 April 2013 - £1,062m<sup>1</sup> , assumes discount rate of gilts + 1%

## BALANCE SHEET

£m	2013	2012
Fixed Assets – Property, plant & equipment	196	374
Fixed Assets – Intangibles / Goodwill	1,289	1,391
Fixed Assets – Deferred tax	73	72
<b>Total Fixed Assets</b>	<b>1,558</b>	<b>1,837</b>
Assets less liabilities held for sale	25	78
Working Capital		
Stock	69	116
Debtors	248	299
Creditors	(336)	(412)
<b>Total Working Capital</b>	<b>(19)</b>	<b>3</b>
Net debt		
Gross debt	(988)	(1,004)
Cash	157	53
<b>Total Net debt</b>	<b>(831)</b>	<b>(951)</b>
Other net liabilities	(715)	(562)
	18	405
Share capital & premium	1,149	1,149
Reserves	(1,131)	(744)
	18	405

## OTHER REFINANCING TERMS

Lending Covenant tests	Net debt / EBITDA	EBITDA / Interest
June 2014	5.50x	2.25x
December 2014	5.50x	2.25x
June 2015	5.25x	2.45x
December 2015	5.00x	2.50x
June 2016	4.90x	2.55x
December 2016	4.60x	2.65x
June 2017	4.30x	2.70x
December 2017	4.20x	2.75x
June 2018	3.85x	2.80x
December 2018	3.65x	3.00x

- Commitment fee on undrawn facilities of 40% of applicable margin
- RCF maturity March 2019
- Securitisation facility £120m, margin 2.75% + cost of commercial paper

## DRIVING SUSTAINABILITY IN EVERYTHING WE DO

### Health & nutrition

- Committed to remove trans fats, lower salt levels, reduce calories and introduce front-of-pack 'traffic light' labelling
- At least 50% of NPD focused on Better-For-You choices

### Key highlights

- End-to-end approach to sustainability
- Focus on turning external risks to opportunities where possible
- Target driven approach
- Broad external engagement

### Skills

- Managing future UK shortage of engineers by doubling apprenticeships and supporting National Centre of Excellence for Food Engineering
- Supporting other programmes to improve attractiveness of food industry as a career

### Environment

- Sustained year on year reductions in energy, water, emissions, waste
- Certification, standards and traceability through raw material sourcing and supply chain