



PREMIER FOODS

Premier Foods
Worksop site visit
19th June 2014





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.



AGENDA FOR TODAY



Time	Activity	Who
08:45	Arrival & Introductions	All
09:00	Why have we invited you here today?	Gavin Darby, Chief Executive Officer
09:10	Cost reduction programmes	Alastair Murray, Chief Financial Officer Brian Leach, Operations Director
09:40	Innovation at Premier Foods	Helen Warren-Piper, Business Unit Director, Savoury John Petre, Technical & Innovation Director
10:10	Q&A	All
10:40	Development & Innovation centre tour	John Petre, Technical & Innovation Director
12:00	Show & Tell lunch	All
12:30	Workshop factory overview	Karl Smith, Factory General Manager
12:45	Factory tour	All
15:30	Final Q&A	All
15:45	Close & depart	All



1

Gavin Darby
Chief Executive Officer

TODAY'S OBJECTIVES

1

Demonstrate how we can drive future category growth through:

- Delivering innovative new products to market
- Our breadth of process & packaging capabilities

2

Recent cost reduction activity

3

Illustrate the scale and flexibility of our manufacturing facilities

4

Provide opportunity to meet some senior management

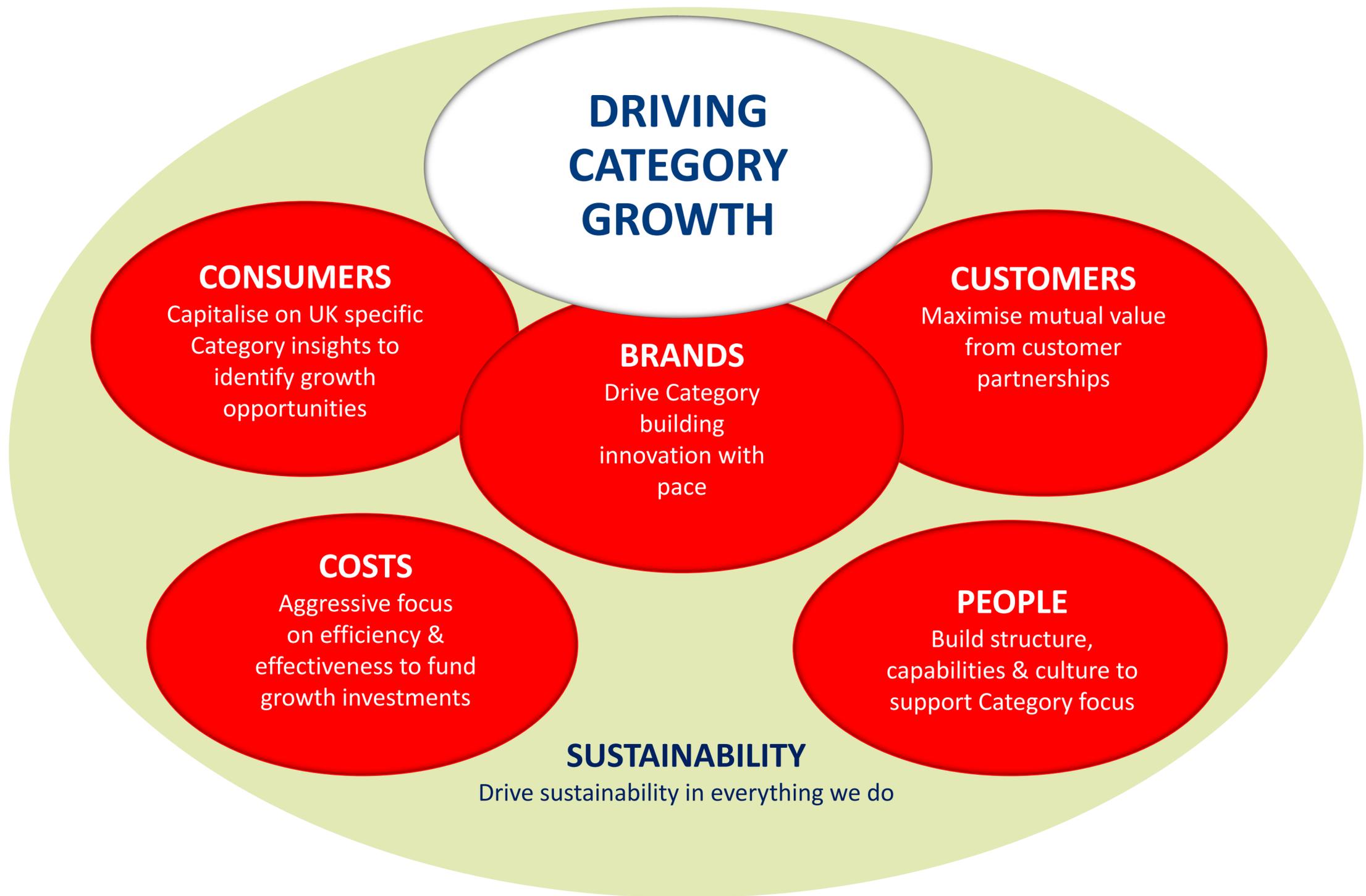
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To demonstrate confidence in our medium term strategy



CATEGORY FOCUSED GROWTH STRATEGY

Designed to drive value growth



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

Alastair Murray, Chief Financial Officer
Brian Leach, Operations Director

MANUFACTURING CAPABILITIES & COST REDUCTION PROGRAMMES



- 1** Knighton joint venture
- 2** Grocery supply chain infrastructure
- 3** Technologies & capabilities
- 4** Key performance indicators
- 5** Simplifying our business
- 6** Investing for growth and efficiency





KNIGHTON JOINT VENTURE – OVERVIEW

- A 'Dry Powders' site
- Strong capabilities:
 - Spray drying
 - Agglomeration
 - Blending
 - Instantisation
- Significant capacity availability
- Home to support brands and non-branded products
- Prohibitive closure costs
- Joint venture decided as optimal solution





KNIGHTON JOINT VENTURE – WHAT THIS SOLUTION BRINGS

✓ **Joint expertise with Specialty Powders to drive future growth**

✓ **Increases Group's branded focus**

✓ **Good news for 200 skilled employees**

✓ **Improved efficiencies for Ashford site**

✓ **Increased utilisation at Knighton**

- 2014 EBITDA impact positive
- Cash restructuring costs in 2014 c.£4m, capex c.£1m (guidance unchanged)
- Assets entering JV c.£15m
- Transaction expected to complete end June

GROCERY SUPPLY CHAIN INFRASTRUCTURE - MANUFACTURING



9 Manufacturing sites delivering:
385,000 : Tonnes
1.1m : Pallets



GROCERY SUPPLY CHAIN INFRASTRUCTURE - DISTRIBUTION



GREAT BEAR (3rd Party)



- Northern RDC
- 29,000 PALS
- 24/7 Operation

CORBY (3rd Party)

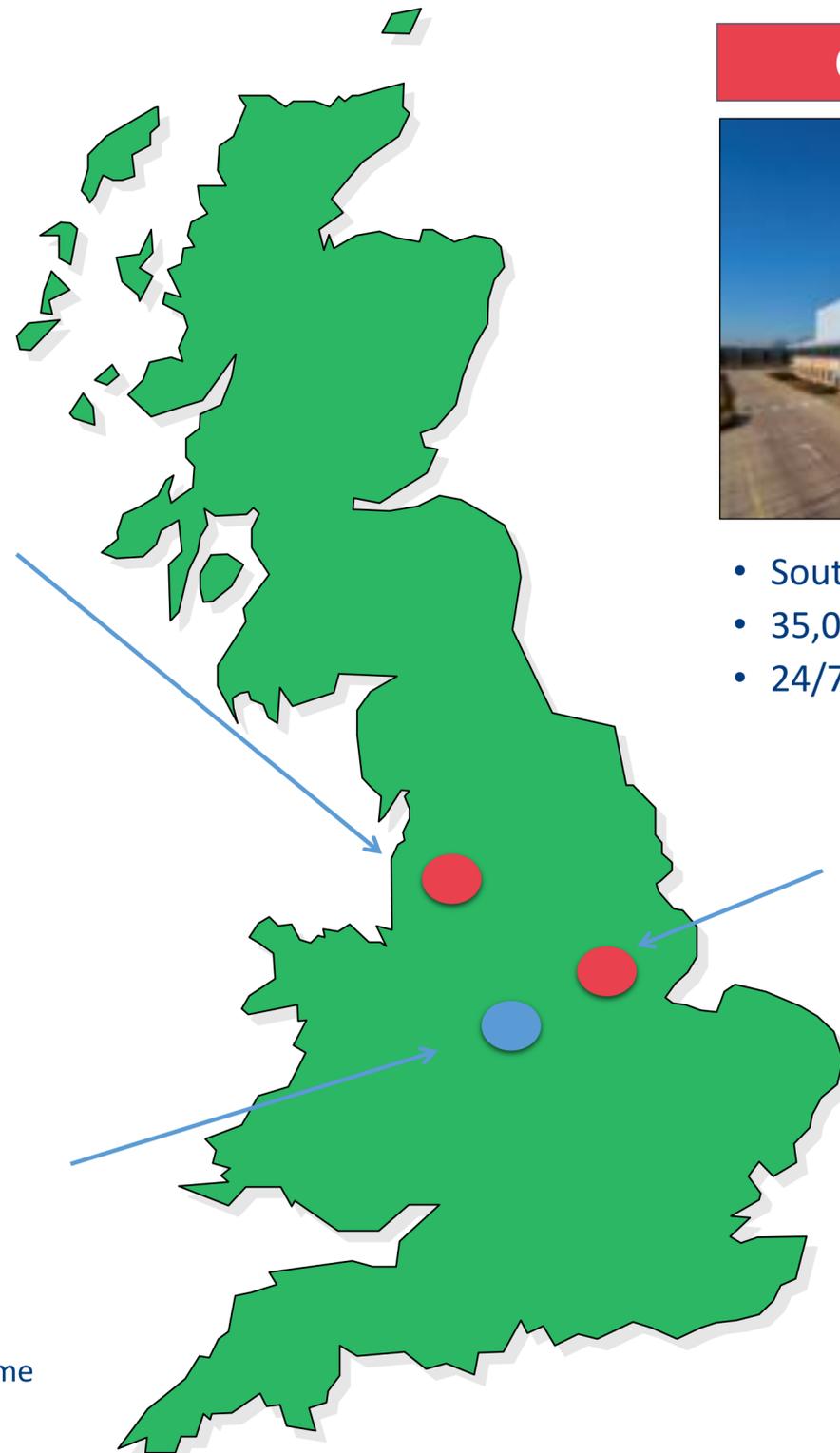


- Southern RDC
- 35,000 PALS
- 24/7 Operation

RUGBY (CAKE NDC)



- Central Logistics
- Customer Service
- Central Planning
- Cake Warehouse
- 6,000 PALS
- 50% Case Picks Volume



- Transition from NDC to 2 RDC solution
- Drives improved customer service
- Significant reduction in food miles

TRANSFORMING OUR SERVICE OFFERING



Service Offering (2012)

- Day 1 for day 3 delivery
- 5 day ordering
- Fixed minimum order quantities
- Internally focussed on our dispatch measure



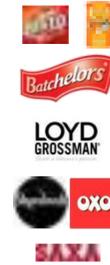
Revised Service Offering

- Day 1 for day 2 delivery
- 7 day ordering & deliveries
- Shared resource with top 5 customers and developing VMI
- Variable minimum order quantities
- Focussed on customer OTIF and on shelf availability

Customer	Recent Feedback/Current Positions
Tesco	“Walking the walk on transforming service”
Sainsbury	Step-change improvement in benchmark score
Asda	No. 2 YTD in their grocery service league table
Morrisons	“Chalk & cheese to the supplier you used to be....now one of our top 3 grocery suppliers”
Waitrose	“Now providing consistent supply”
Co-Op	99% Service YTD

WIDE RANGE OF TECHNOLOGIES & CAPABILITIES

WORKSOP Wet Savoury



Capabilities

- Wet sauce manufacturer in glass & pouches
- Poppadoms & noodle manufactured in flow wrap & multivac
- Agglomerations & extrusion to cube & glass jar
- Cardboard drum & poly bottle filling

ASHFORD Dry Savoury



Capabilities

- Dry mix powders combined with fat addition
- Multi dimension blending
- Food Service large bag operation
- High speed sachet packaging
- Bag in box technology

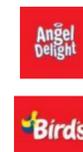
LIFTON Desserts Creamery



Capabilities

- Aseptic can line
- High speed retort can line
- Aseptic pot filling
- Aseptic combi block filling line
- Twin Pot & Mini Pot

KNIGHTON Powdered Foods



Capabilities

- Spray drying
- Agglomeration
- Blending
- Glass, plastic and board containers
- Sachet and bag in box

ANDOVER Retail Flour Mill



Capabilities

- Bulk flour outloading facility
- Ingredient mixing operation
- High speed bag flour packing
- Paper sack and Tote bag packing lines
- High speed yeast sachet packing line

CHARNWOOD Frozen Pizza Bases



Capabilities

- Sheet & Cut technology
- High speed flow wrap
- Product freezing and storage
- Flavoured dough Garlic / Cookie



WIDE RANGE OF TECHNOLOGIES & CAPABILITIES - CAKE



CARLTON (BARNESLEY) Cake - Pies



Capabilities

- Pie
- Slice
- Fondant Fancies
- Whirls
- Battenburg

MORETON Cake – Chocolate



Capabilities

- Mini rolls enrobing
- Large celebration cakes
- Hand decoration through to automated rolling

STOKE Cake - Slices



Capabilities

- Snack Pack packing technology
- Iced toppings
- Pies & slices packed in traditional board cartons



Plus a number of strategic manufacturing partners delivering

- Gel technology
- Wet Noodles
- Indian Breads
- Prawn Crackers

KEY PERFORMANCE INDICATORS – A TRACK RECORD OF CONTINUOUS IMPROVEMENT



**Customer Service
up to 98.7%¹**



**Zero Waste to
landfill**



**CO₂ Emissions
reduced by 9%²**





INVESTING FOR GROWTH AND EFFICIENCY

2014 PROJECTS DOUBLING OUR 2013 INVESTMENT

GROWTH

- New Snackpack slices line
- Cadbury Desserts
- Additional Pack formats
- Bisto Best relaunch

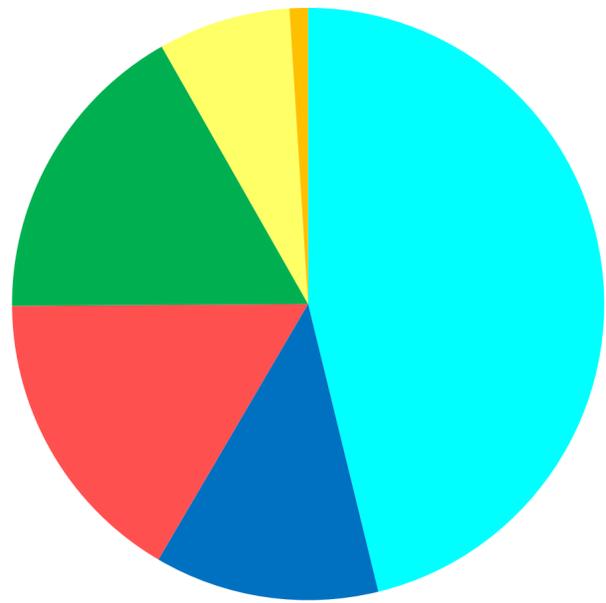
COST REDUCTION

- Auto palletiser at Carlton
- Process optimisation
- Auto powder blending
- New Poppadom fryer
- Ashford filler replacement

IT

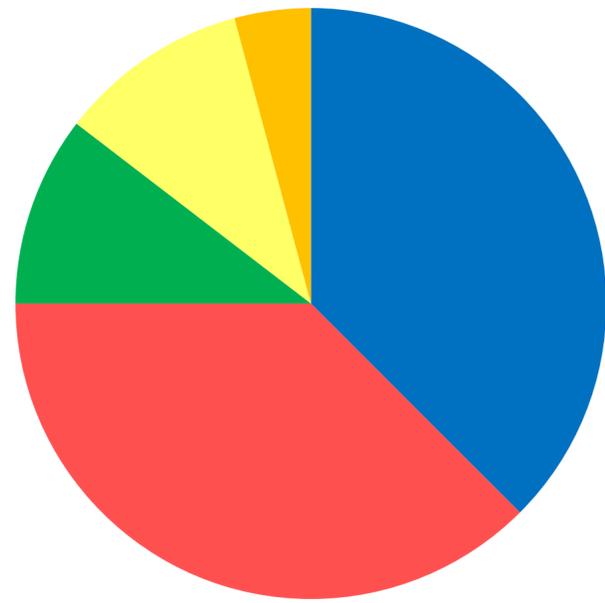
- Completes the manufacturing base conversion to SAP

£35m-£40m



2014

c.£20m



2015 AND BEYOND

- Snackpack
- Other Growth
- Cost reduction
- IT
- Infrastructure
- Technical

EXAMPLES OF RECENT INVESTMENT



CANNING FILLER - LIFTON



TWIN POT FILLING - LIFTON



AUTO PACKING - MORETON



REPLACEMENT FRYER - WORKSOP





3

Helen Warren-Piper, Business Unit Director
John Petre, Technical & Innovation Director

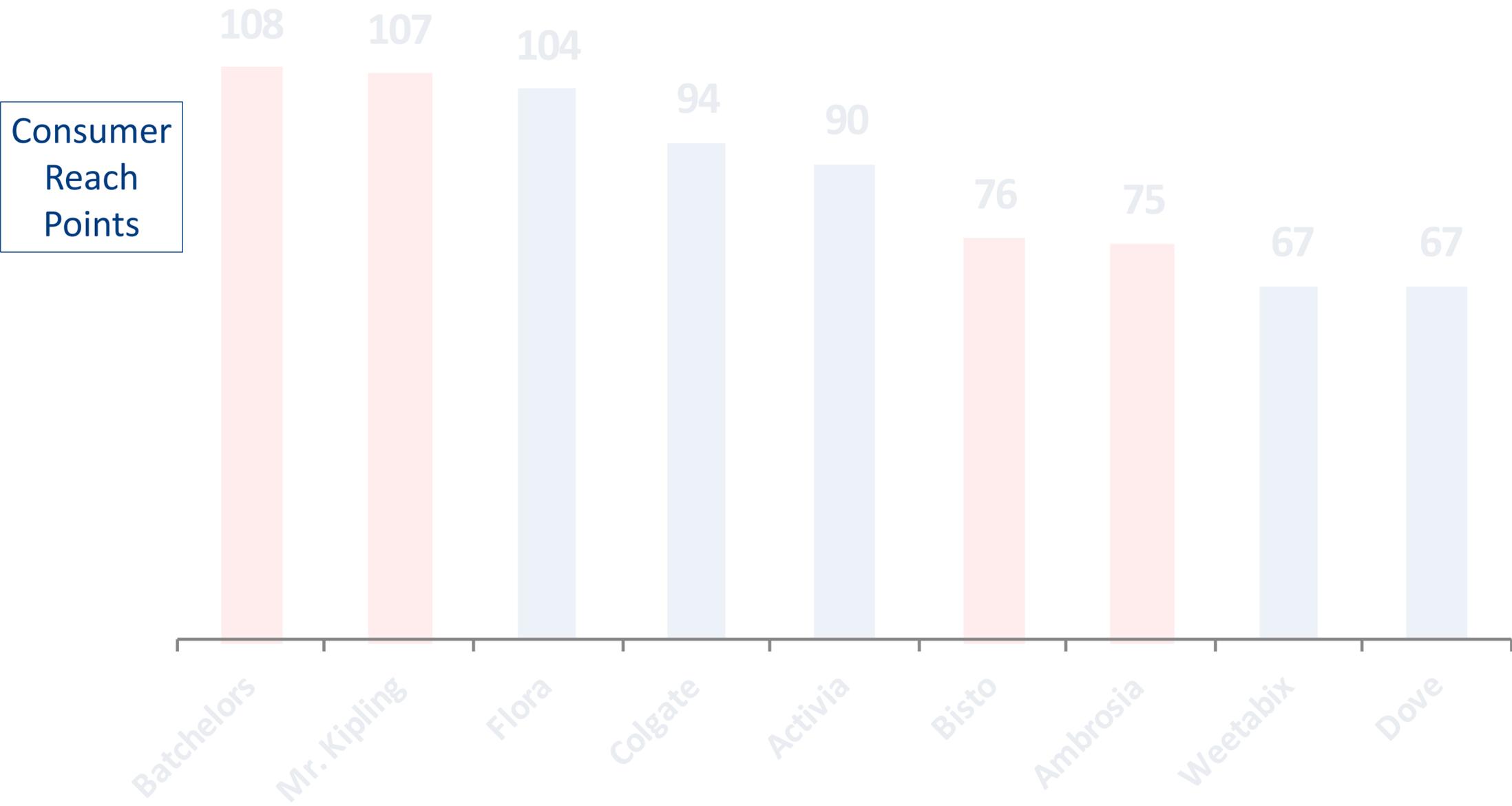
OUR CATEGORY APPROACH



- ✓ **Drive category growth and market share**
- ✓ **Clear category growth drivers grounded in shopper insights**
- ✓ **Insight led innovation as a driver of category growth**
- ✓ **Premier products in more meal occasions**
- ✓ **Premier products in more family meal occasions**



BRAND METRICS DEMONSTRATE HIGH CONSUMER USAGE IN UK



- High 'Consumer Reach Points' a function of purchasing frequency
- The Premier Foods brands above grew CRPs in 2013



KEY CONSUMER TRENDS IN SAVOURY FOOD

CONVENIENCE

Busy Lives

Pressure on time to cook & eat

On the Go eating

Key role for convenient ingredients

FEELS LIKE I'M COOKING

Increasing interest in food & cooking (TV chefs)

Time pressures / skill gaps

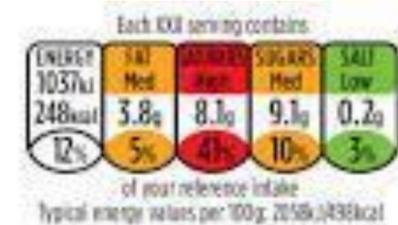
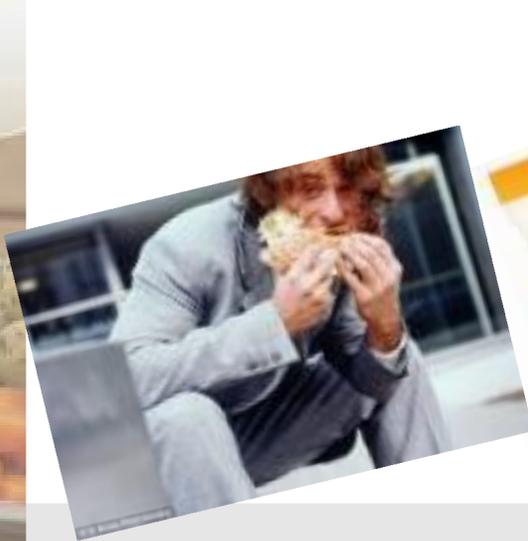
Emotional need to 'feel like a hero mum'

REAL FOOD

Increased concerns about 'what's in it'

Wet feels fresher than dry

"I made it myself"

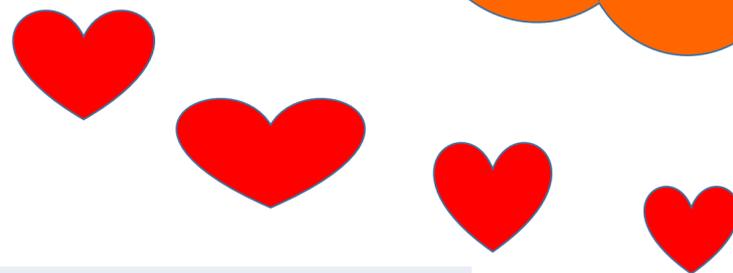




CONSUMER INSIGHT

Definition of insight:

a clear, deep understanding of a complicated problem or situation



Consumer Insight

I'd love to be able to create the sort of delicious meals I see on TV, but I don't have the time / skill to experiment successfully



We always eat the same old meals over and over again



THE WORLD OF SAVOURY

FLAVOURINGS & SEASONINGS



Competitive set

- Knorr Stock Pots
- Knorr cubes
- Aunt Bessies
- Schwartz, Colmans, Maggi packets

EASY EATING



Competitive set

- Ainslie soup & Cous Cous
- Pot Noodle
- Naked/ Kabuto/ Itsu
- Dolmio & Uncle Bens pots
- Uncle Bens Rice

COOKING SAUCES & ACCOMPANIMENTS

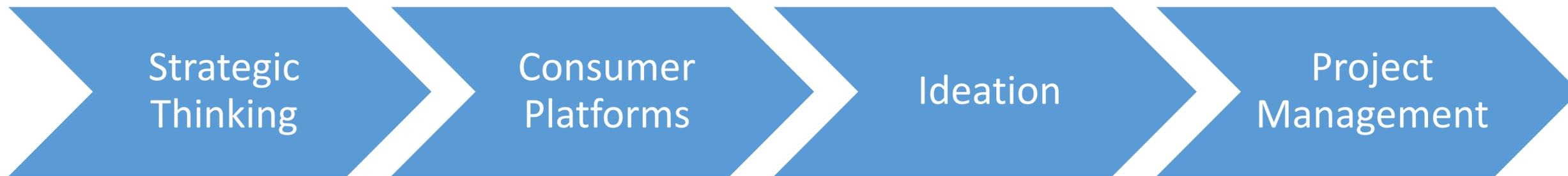


Competitive set

- Blue Dragon
- Pataks
- Dolmio



INNOVATION PROCESS

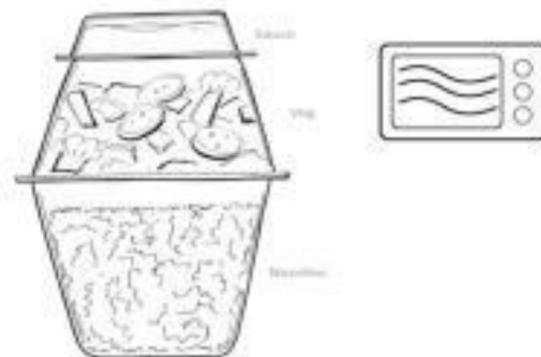


- Category Strategies
- Technical Platforms
- Brand Strategies
- Situation Analysis

- Consumer Trends
- Consumer Segments
- Consumer Insights

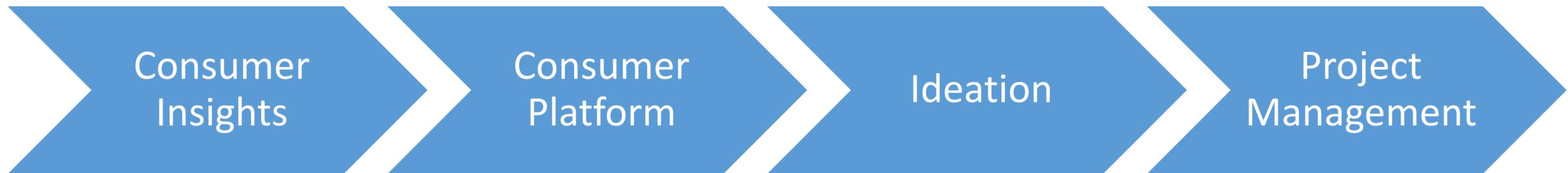
- Consumer Relevant
- Differentiated
- Scalable
- Feasible

- Product development
- Technical validation
- Manufacturing Capability
- Consumer Acceptability
- Profitability
- Customer Sell In





RECENT INNOVATION: OXO SHAKE 'N' FLAVOUR



- I trust OXO to add flavour to my cooking
- Cubes can be fiddly and messy to use
- I'm scared by herbs and spices. I don't know what to use

- Easy flavour transformer

- A simple shaker pot
- Flavours to create family favourite meals

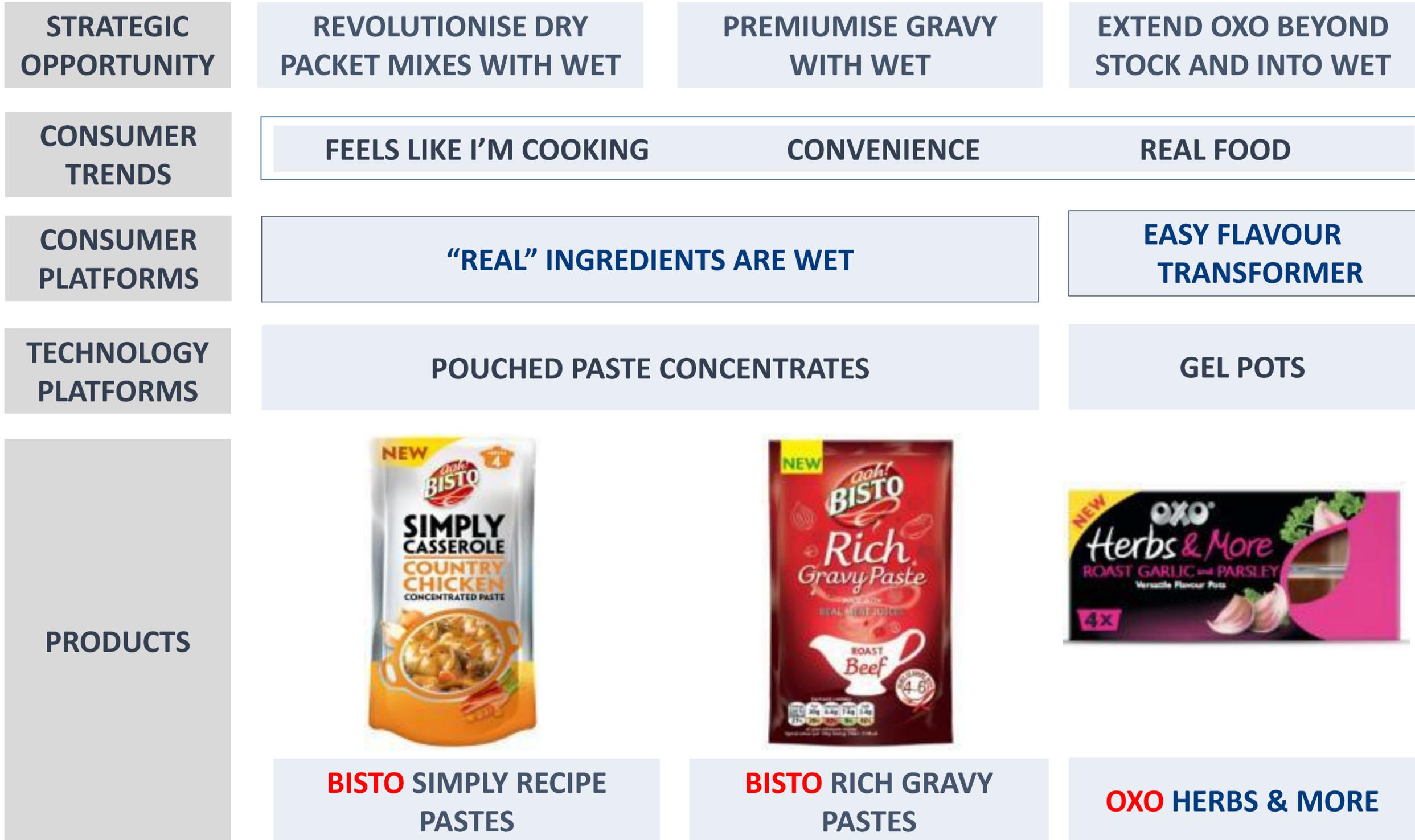
- Idea → In store = 7 months
- Worksoop Agglomeration
- 3rd party Packing
- Premium ppg vs cubes
- Consumer concept



Concept Probability of Success
Out- standing



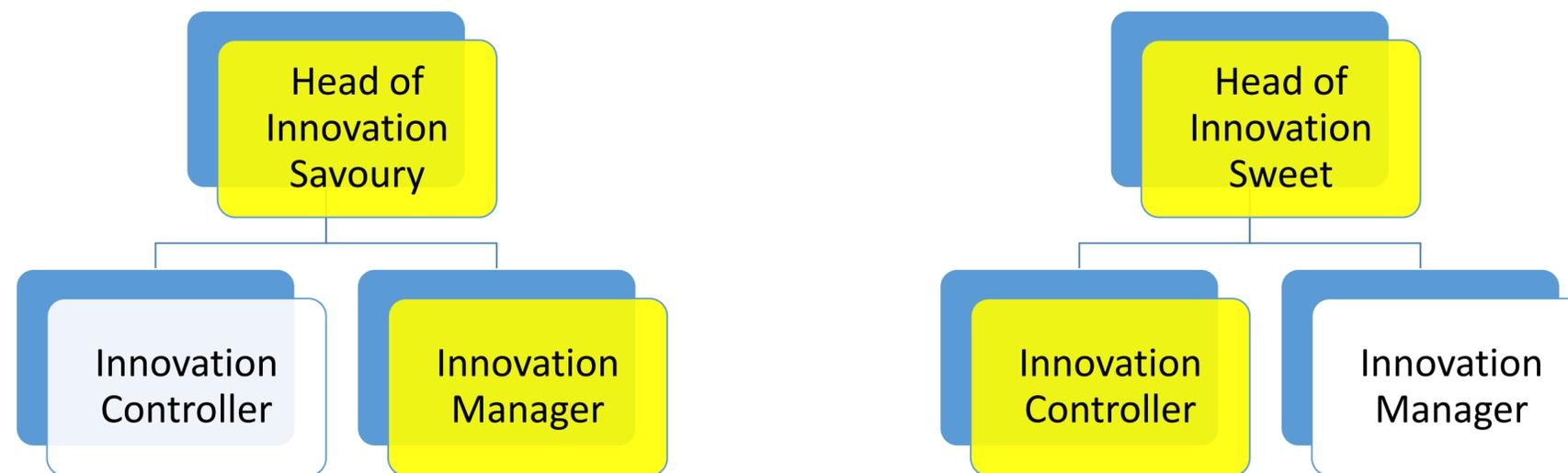
UPCOMING INNOVATION



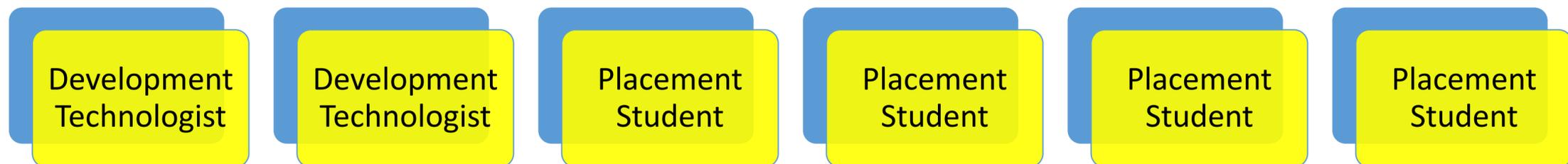


UPWEIGHTING OUR TECHNICAL & INNOVATION RESOURCES

✓ Increased Marketing resource in developing Innovation



✓ Commitment to additional Technical Development resource



ROLE OF TECHNICAL INNOVATION



Innovation

- Drive branded growth through fewer, bigger & better projects.
- Development through the whole process
- Innovation funnel
- Development chefs



Value

- Deliver Business Improvement Savings
- Drive complexity reduction
- Non-branded product development



Quality

- Consumer Quality Benchmarking vs competitors
- Ensure our products meet and exceed consumer expectations
- Customer complaints - monitor, address and fix



Compliance

- Identify key opportunities for competitive advantage through nutrition
- Front of pack labelling
- Calories, saturated fat and salt reduction

SAVOURY CENTRE OF EXCELLENCE - CAPABILITIES



Category

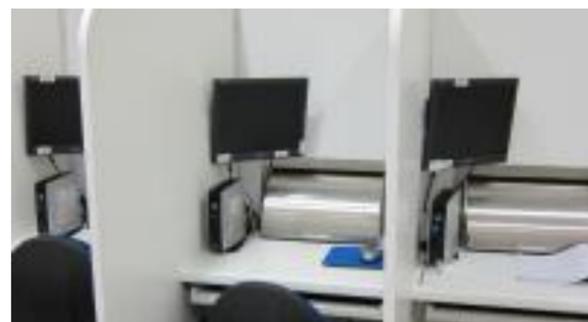
Savoury

Main brands



Capabilities

Pilot Plant Demonstration Kitchen
Packaging Lab Sensory & Product Guidance Development chefs
Sensory Panel Development Kitchen Shelf life testing



SWEET CENTRES OF EXCELLENCE



Category

Centre

Main Brands

Products

Packaging

Processes

Facilities

Sweet

Cake - Barnsley

Desserts – Lifton (Devon)



Small cakes Large cakes
Celebration Cakes
Puddings Pies

Custard
Rice Pudding

Cartons Film
Plastic Thermoforms
Heat sealing

Cans
Pots Cartons

Baking

UHT Retorting
Aseptic

Development Kitchen
Shelf life testing

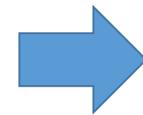
Pilot Plant
Development Kitchen
Shelf life testing



LEVERAGING INNOVATION WITH OUR SUPPLIERS

APPROACH

- Briefing based on category growth drivers/consumer insights
- Supplier response on potential ideas
- Feedback on key areas to focus on
- Co-creation day



OUTCOME

- More than 100 relevant ideas generated
- Screened to 12 big ideas
- 2 projects being fast tracked, 6 ideas included in existing projects
- Additional strategic opportunities identified



Working with AAK - A global leader in value added speciality fats & oils

KEYS TO SUCCESS

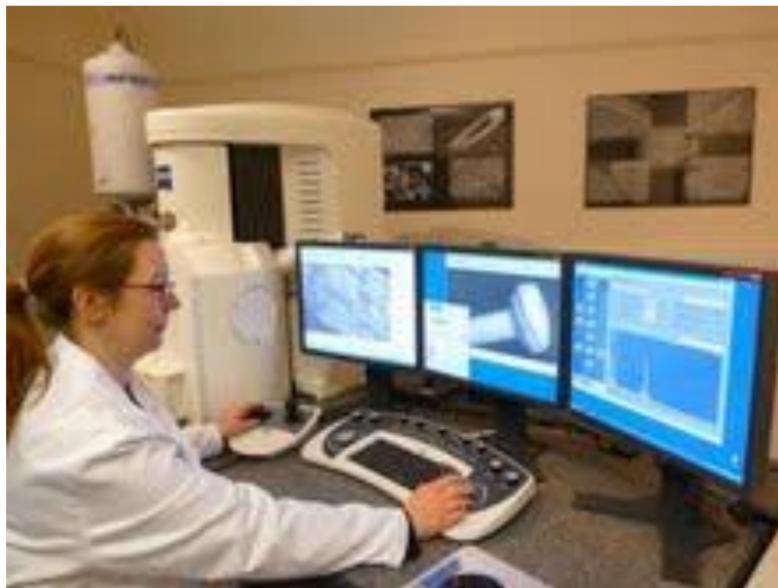
Strategic Partnerships

Mutual Benefits

Engagement

PREMIER ANALYTICAL SERVICES

- Premier Analytical Services (PAS) – the Group’s main science and testing laboratory
- Each Year - 130 customers, 200 different tests, 37,000 samples
- Innovation project support provision
- Food safety, legal and quality expertise and testing
- Troubleshooting and emergency response expertise
- Third party testing – Horsemeat DNA
- Drive towards increasing capacity and self-sufficiency
- Located at High Wycombe, employs 38 people





Q&A



4

Karl Smith
Factory General Manager

SITE HISTORY

1

Started life as a dried pea manufacturing site in the late 1930s
– William Batchelor started a grocers business in Sheffield in the 1890s



2

A few owners in recent times:



1943 - 2001



2001 - 2006



2006 - Present



3

Manufacturing capabilities have been enhanced over time:
– 1992: Batchelors Super Noodles
– 1995: Wet sauces introduced



4

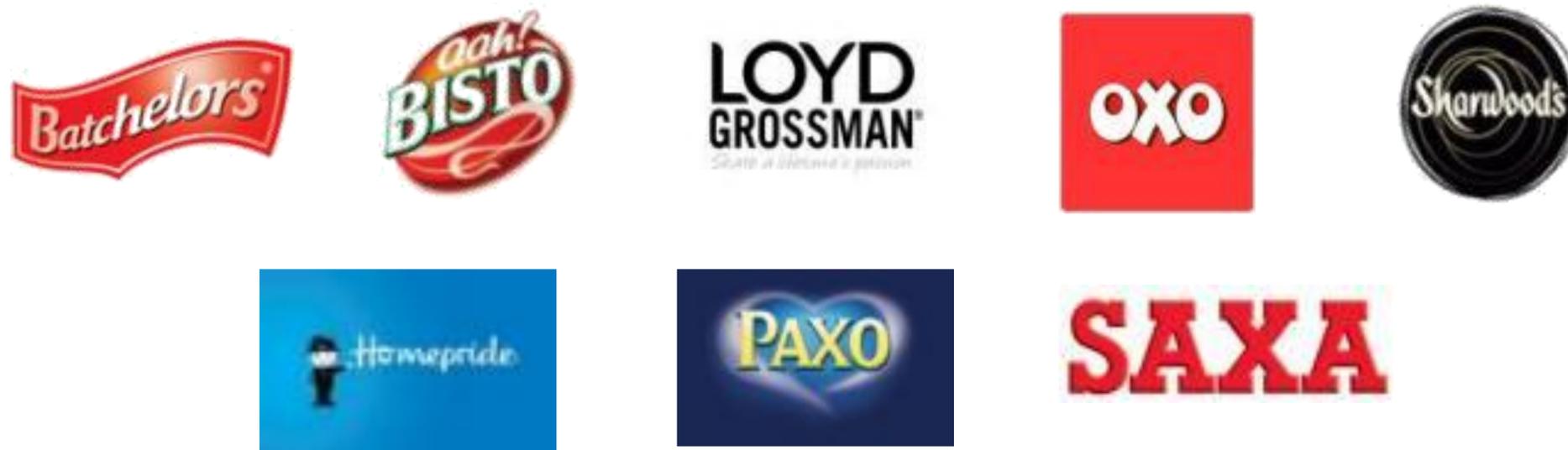
Following the RHM acquisition in 2007, further capabilities were introduced:
– Bisto agglomeration / extrusion
– Sharwood's Poppadoms
– Saxa Salt



SITE FACTS & FIGURES

	Pre-2007	2013	% Increase
Tonnes	21,000	84,000	300%
SKUs	182	375	106%
Headcount	320	484	51%
Tonnage/head	66	174	165%
Acreage	23	23	No change
Branded mix	100%	95%	(5%)

Worksop is home to the following Brands



FURTHER WORKSOP FACTS



Worksop factory is organised in 4 Manufacturing Centres:

- Sauces
- Oxo
- Noodles & Poppadoms
- Salt & Savouries



A Technical support team exists in each centre, delivering

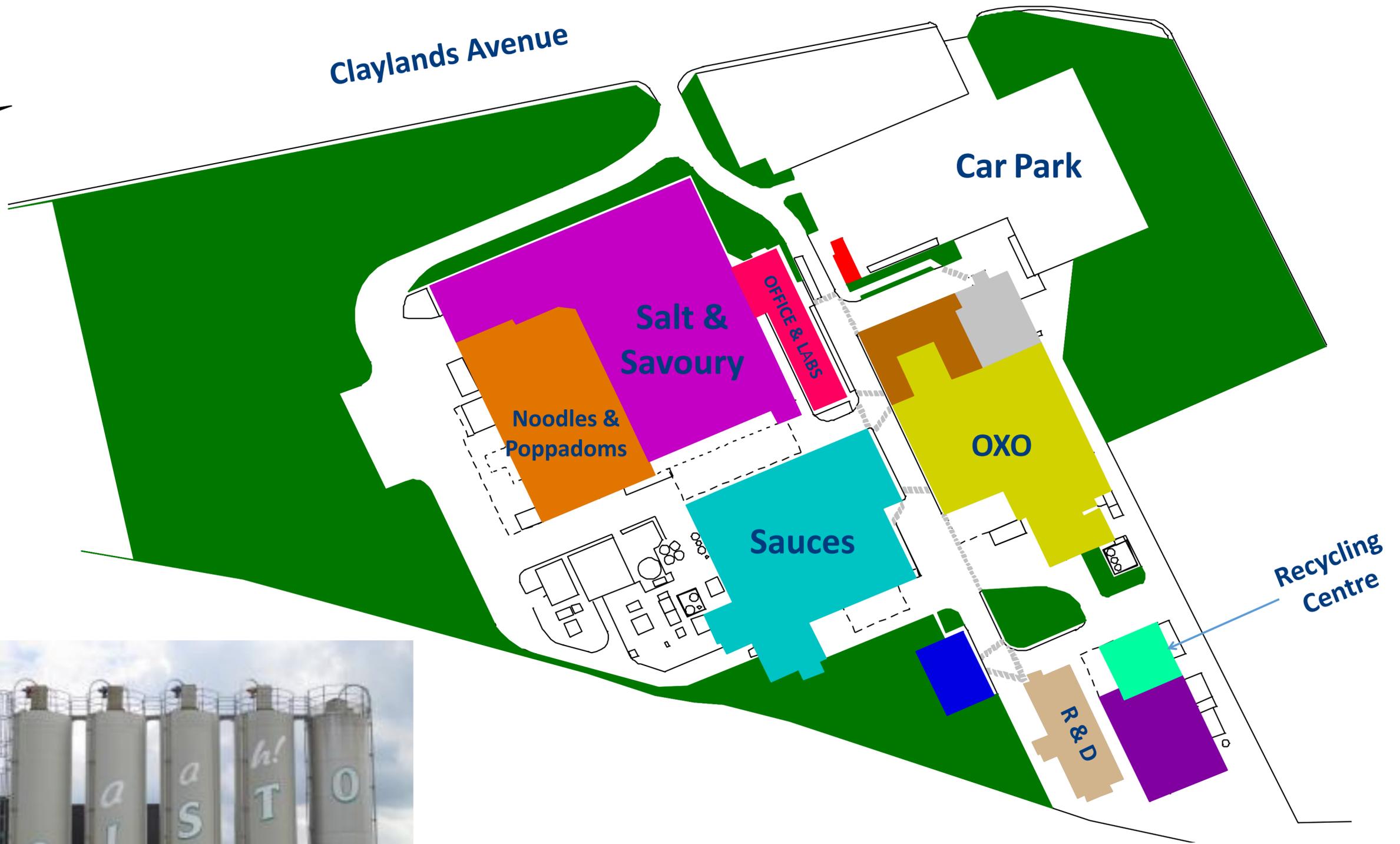


Skilled technical operators carry out changeovers, inspections & maintenance tasks



Reward deal incorporates achievement of MCC (Manufacturing Controllable Cost) targets

SITE PLAN



MANUFACTURING CAPABILITIES



Manufacturing Centre	Product	Formats	Process	Packing
Sauces	Wet Sauces Wet Pouches	Glass Jars Foil/PET pouches	Blending, Pasteurising, Retorting	Filling, Labelling, Case-packing
Noodles & Poppodoms	Block Noodles with flavour sachet Poppadoms	Flow-wrap PET containers	Dough mixing, Rolling, Slitting, Steaming & Frying	Flow-wrapping with sachet, Multivac forming & Case-packing
Oxo	Oxo cubes Bisto Best Gravy	Foil Wrapping & Cartoning PET & Glass Jars	Agglomeration & Conditioning Extrusion	Cube wrapping, Cartoning, filling & case-packing
Salt & Savoury	Bisto Granules Range of Salt products	Cardboard Sonoco Drums Polybottles, Polybags, Drums	Extrusion	Filling, capping, Case-packing



FACTORY KPIs



KPI	Target	Year to date
Accidents	14 (Full Year)	4
Attendance	98.5%	98.6%
Quality (cpmu)	12.6 (End of Year)	17
Service	99.0%	99.7%
Efficiency	72.5%	73.6%
Manufacturing Controllable Costs	£13.0m	£12.7m

OHSAS 18001

ISO 14001

BRC A+ Grade





FACTORY TOUR