



PREMIER FOODS

Investor & Analyst Carlton visit

1 July 2015



AGENDA FOR TODAY

Time	Activity	Who
08:45	Arrival & introductions	All
09:00	Investing for the future	Gavin Darby, Chief Executive Officer
09:10	Funding the investment	Alastair Murray, Chief Financial Officer
09:20	Delivering results in Grocery	Helen Warren-Piper, Marketing Director, Grocery
09:35	Driving growth in Sweet Treats	Graham Hunter, Managing Director, Sweet Treats
09:55	Capturing opportunities in Sweet Treats	Phil Ellis, Marketing Director, Sweet Treats
10:25	Q&A	All
10:45	Exhibition & coffee break	All
11:25	New Snack pack cake line	David Seeckts, Manufacturing Director, Sweet Treats
11:40	Carlton factory overview	Simon Wood, Factory General Manager, Carlton
11:50	Factory preparation	All
12:00	Factory tour	All
13:30	Lunch	All
14:30 – 14:45	Q&A, closing remarks & depart	All

A stack of square cakes with white frosting and yellow drizzle on a glass plate. The cakes are arranged in a stack, with the top one being the most prominent. The frosting is white and has several thin, parallel yellow lines drizzled across it. The cakes are on a clear glass plate with a decorative pattern. In the background, a silver fork is visible, slightly out of focus. The overall lighting is warm and soft.

Gavin Darby
Chief Executive Officer

TODAY'S OBJECTIVES

- 1 Demonstrate the growth opportunities in the Sweet Treats business**
 - Growth through cost and efficiency
 - Growth through insights and innovation

- 2 Showcase our new Mr. Kipling Snack Pack line**

- 3 A reminder of the great work going on in the Grocery business**

- 4 An opportunity to meet the Sweet Treats management team**

- 5 To eat a little bit of cake....or maybe a lot!**

A YEAR SINCE WE MET AT WORKSOP

Our new organisational structure is working well

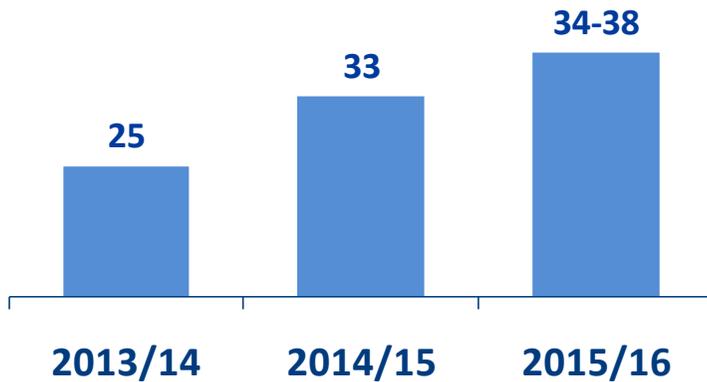


OUR STRATEGY IS TO DELIVER CATEGORY GROWTH

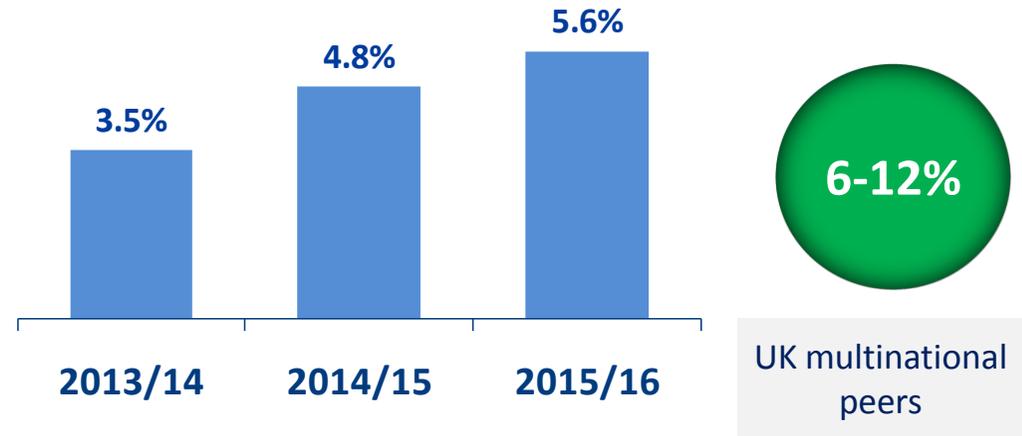
We invest in marketing, innovation, people and capex



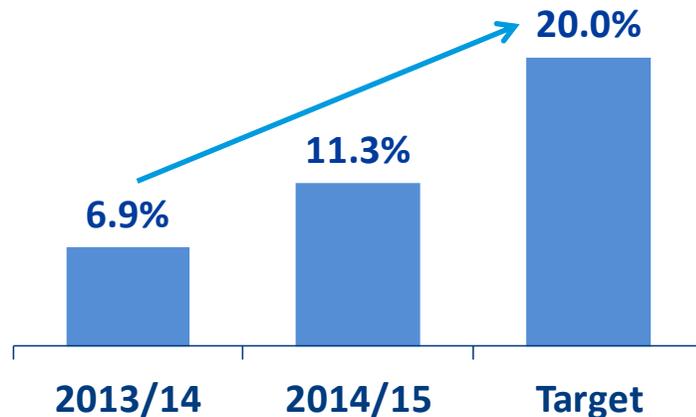
Consumer marketing (£m)



Consumer marketing % Branded sales¹



Sales from innovation



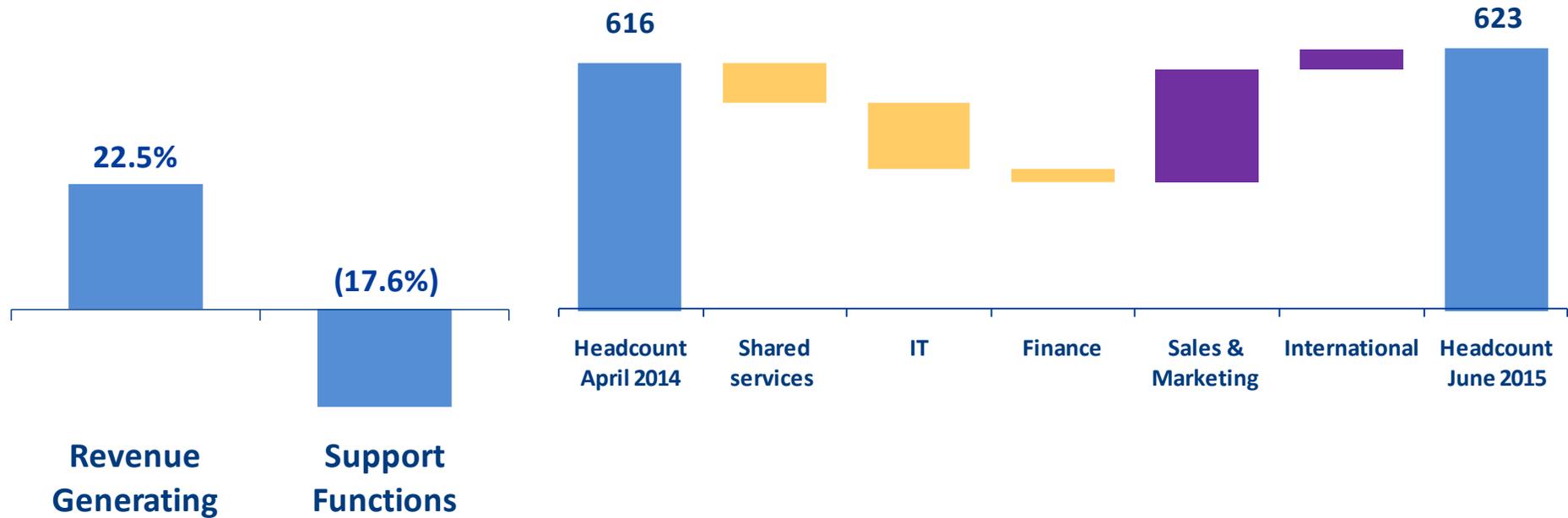
Household Penetration²



1 - Assumes 2015/16 consumer marketing of £38m and if Branded sales = FY14/15 of £684m

2 - Kantar Worldpanel, 52 w/e 29 April 2015

WE ARE INVESTING IN OUR ORGANISATION

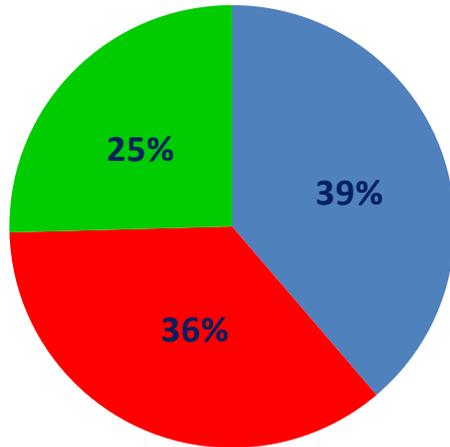


- Significant increases in commercial areas to support category growth strategy
- Reductions in IT and shared service functions following completion of systems upgrades

A stack of square cakes with white frosting and yellow drizzle on a glass plate. The cakes are arranged in a stack, with the top one being the most prominent. The frosting is white and has several thin, parallel lines of yellow icing drizzled across it. The cakes are on a clear glass plate with a decorative pattern. In the background, a silver fork is visible, slightly out of focus. The overall lighting is warm and soft.

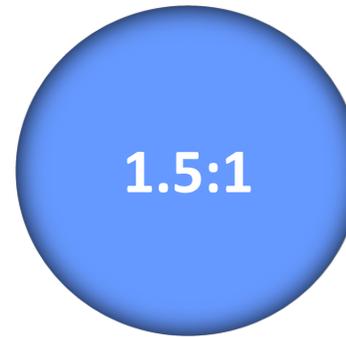
Alastair Murray
Chief Financial Officer

CAPITAL INVESTMENT TO DRIVE GROWTH AND COST EFFICIENCIES

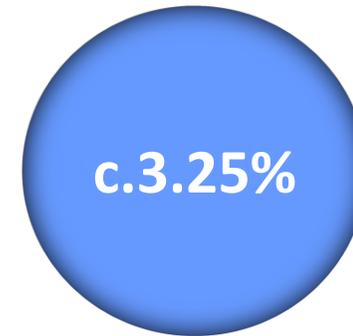


■ Growth ■ Cost release ■ Infrastructure

2015/16 CAPEX
c.£25m



Capex : Depreciation



Capex % Sales

A strong pipeline of cost release and growth projects, many with less than 3 year paybacks

- A legacy of under-investment across the Group
- Many quick payback projects previously put on hold
- Opportunities clearly evident in Sweet Treats
- Many areas of the Group require investment in infrastructure

CAPEX PROJECTS AT STOKE CAKE BAKERY

£7m investment expected to deliver 2.5 year paybacks



Project	Investment	Payback
<ul style="list-style-type: none">Packing automation for pies line, reducing labour costsIntroduces capability to produce twin pack formats for convenience channel	£4.0m	2.7 yrs
<ul style="list-style-type: none">Packing automation for slices line, reducing labour costsDelivers fully automated cartoning capability	£1.7m	3.0 yrs
<ul style="list-style-type: none">Automatic sieving operation	£0.5m	1.1 yrs
<ul style="list-style-type: none">Ultrasonic cutter replacing water jet cutter for Snack pack line, reducing labour costAutomatic case packer for pies & tarts line reducing labour costs	£0.8m	2.6 yrs

CAPEX PROJECTS AT STOKE CAKE BAKERY

£7m investment expected to deliver 2.5 year paybacks



Pies & Tarts line automatic case packer



Ultrasonic Snack Pack slices cutter



Robotic carton loader



OPERATIONAL EXCELLENCE



Value engineering delivering:

- Reduced cost
- Improved product quality



Better demand planning processes

- Improved promotional planning
- Reduced product write offs



Moreton bakery operational improvements

- Overall equipment effectiveness (OEE) improved by over 10ppts on key Mini Rolls line

OUR CASH GUIDANCE IS UNCHANGED



2015/16 guidance	£m
Working capital	Broadly neutral
Depreciation	c.£16m
Capital expenditure	c.£25m
Interest – cash	£40-£43m
Interest – P&L	c.£45m
Tax – cash	Nil
Tax – notional P&L rate	20.0%
Pension deficit contributions	£6m
Pension administrative & PPF levy cash costs	£8-£10m
Consumer marketing	£34-£38m

- Cash tax expected to be nil over medium term
- Pension administrative & PPF cash costs reflected in Operating profit but not Trading profit



Helen Warren-Piper
Marketing Director, Grocery



WHAT WE SAID AT WORKSOP LAST YEAR

- 1** We have strong brand equity measures – Penetration, Consumer reach points
- 2** We have identified some key consumer trends which have informed our innovation agenda
- 3** Trailed our second half innovation agenda....which is delivering results
- 4** Showcased our research & development centre

A REMINDER OF OUR CONSUMER INSIGHTS



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'

"FOODIENESS"

Increased concerns about 'what's in it'
Wet feels fresher than dry
"I made it myself"



CONSUMER INSIGHTS, PLATFORMS AND EXAMPLES



Consumer trends & insights

Convenience

- Cooking times reduced to c.30 mins

Feels like I'm cooking

'Real' food

Consumer platforms

One pot solutions

Family favourites

'Closer to homemade'

Easy flavour transformers

Real ingredients are wet

Added meal excitement

Technology platforms

Pouched paste concentrates

Gel concentrates

New flavour technologies

Pasteurisation

Product examples

Bisto Gravy pastes
Bisto Simply Casserole pouches

Oxo Herbs & More
Loyd Grossman Pan Melts

Sharwood's Stir Fry Melts

Oxo Stock Pots

Homepride Peri-Peri & Hunter's chicken

OUR INNOVATIONS AND INVESTMENT ARE DELIVERING RESULTS



	Category	Volume	Sales	Share	Penetration
					
					



DELIVERING ON PREMIUMISATION

Value per serving increases to drive category growth



£0.15/serving



£0.24



£1.00



£0.66/serving



£0.85



£1.25



BISTO CASE STUDY



VISION:

Inspiring mum to create favourite meals that bring the family together, by showing new ideas or reminding her that existing family meals can taste better with flavourings and seasonings



“Home-made from fresh is ideal but takes time; dry packet mixes are helpful but not as good as home-made”



WHAT'S COMING UP NEXT?

Desserts



Significant innovation planned for 2016



Now instore and more to come

Flavourings & Seasonings



Continuation of consumer platforms:

- Real Ingredients are wet
- One pot solutions

Cooking Sauces



Continued support for 'flavour transformers' using gel technology platforms

Light Meals



Initiatives planned across each sub-category in H2

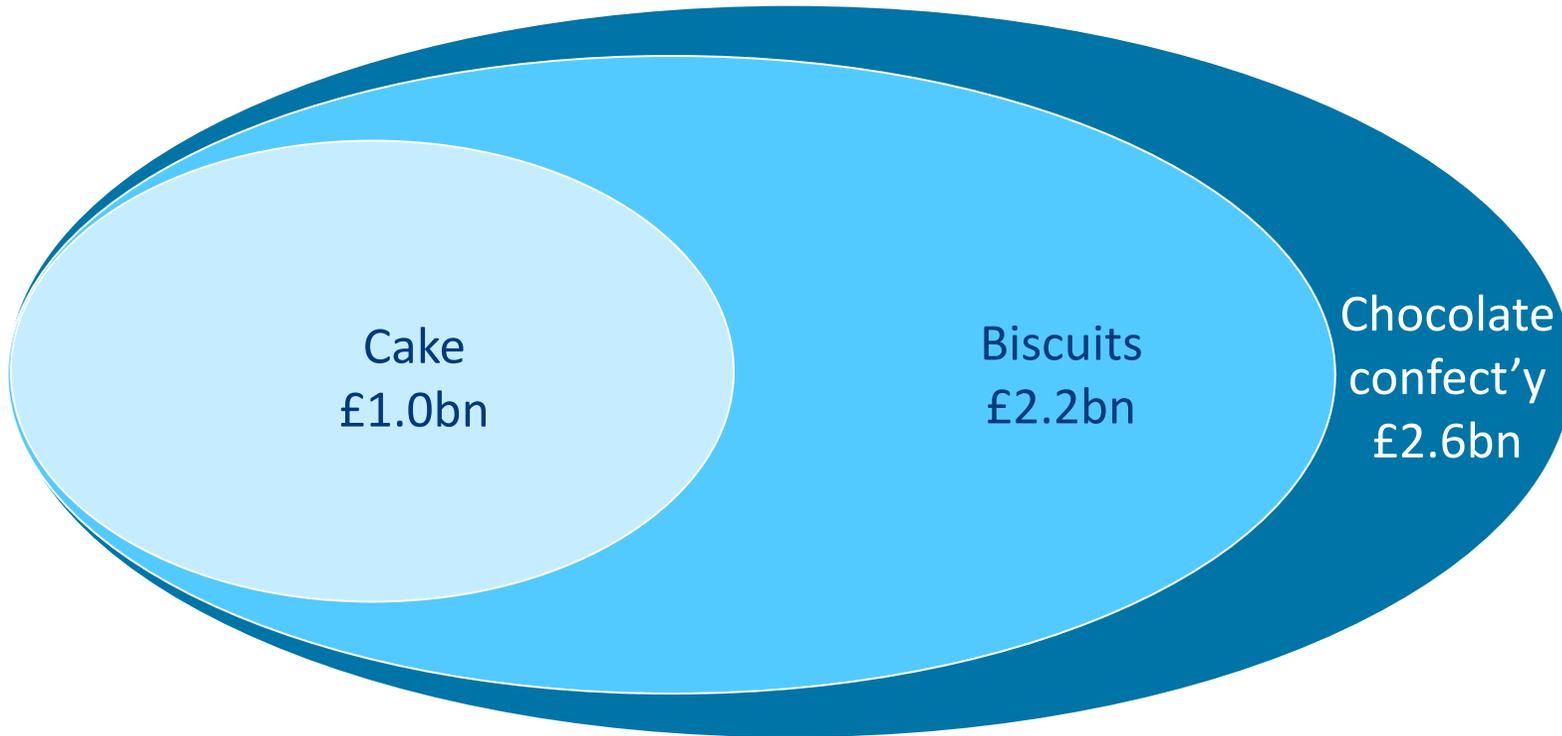
A close-up photograph of several square cookies stacked on a clear glass plate. Each cookie is topped with a thick layer of white frosting, which is decorated with thin, parallel lines of yellow icing. The cookies are arranged in a slightly overlapping stack. In the background, a silver fork is visible, and the overall lighting is warm and soft. An orange semi-transparent box is overlaid on the right side of the image, containing the text.

Graham Hunter

Managing Director, Sweet Treats

THE SWEET TREATS MARKET

A £6 billion opportunity



5 Year CAGR

+0.7%

+3.0%

+3.6%

As the Sweet Treats market has grown, Cake has not adapted as successfully as Chocolate & Biscuits

SWEET TREATS STRATEGY

BUSINESS UNIT OBJECTIVES

1. Grow share and become famous for snacking innovation across Sweet Treats
2. Build customer and consumer loyalty
3. Drive profitable growth



Enhance our brand offering

- Ubiquitous Mr. Kipling
- Quality a differentiator



Increase efficiency, reduce costs

- Productivity improvements
- Lower cost logistics



Extend formats, target new occasions

- Beyond 'teatime'
- Higher value propositions



Taking the right 'route to market'

- Extend impulse & convenience
- Leverage own label for asset utilisation

ALIGNED TO OUR CORPORATE STRATEGY



A NEW SWEET TREATS LEADERSHIP TEAM WITH OVER 100 YEARS SECTOR EXPERIENCE




GRAHAM HUNTER
MANAGING DIRECTOR




TARVINDER PURI
HR MANAGER




DAVID SEECKTS
OPERATIONS DIRECTOR




PHIL ELLIS
MARKETING DIRECTOR




CHRIS STONE
FINANCE DIRECTOR




RICHARD MARTIN
COMMERCIAL DIRECTOR



A CUSTOMER & CONSUMER FOCUSED ORGANISATION

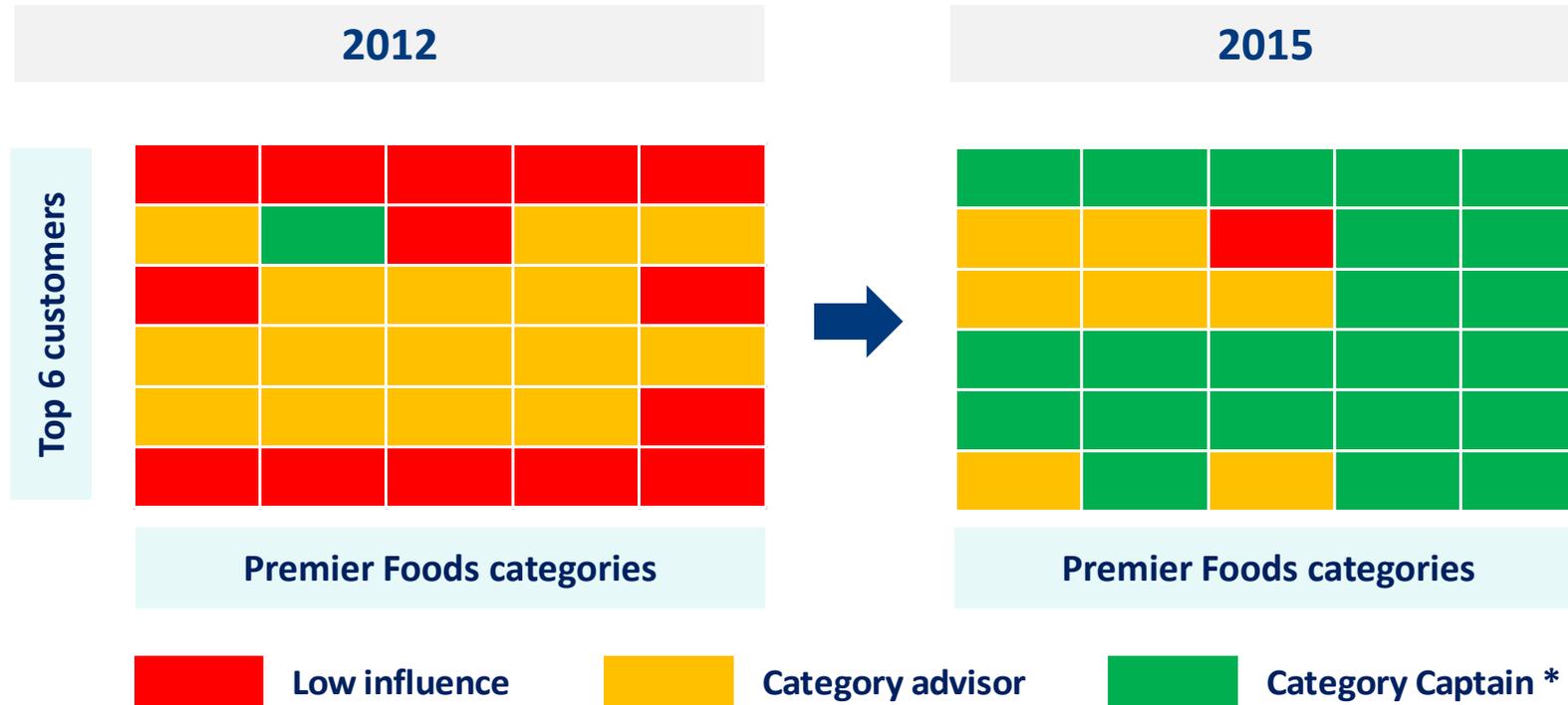


- Organisation refocused on the customer and consumer
- Our sales & marketing team is over 60 strong
- Over 25 heads added to the business to drive new commercial engine:

- 1** **Marketing** team under new leadership with injection of new talent
- 2** New **R&D** structure focusing on accelerating Brand and Own Label NPD
- 3** Focused **sales** team, with two new senior roles and a new focused business team leading development of 'Cake to go'
- 4** Strengthened **own label** structure under leadership of rising star



OUR PROGRESS WITH MAJOR CUSTOMERS AT A GROUP LEVEL IS STRONGLY REFLECTED IN SWEET TREATS



“I can’t remember having such a positive brief from my team in advance of a category review.” (Top 4 retailer Commercial Director)

THE CAKE MARKET: SOME UNIQUE CHARACTERISTICS

These present clear opportunities to win



Structural Characteristics

High



>45%



Barriers to entry high for scale participants

- Shelf life
- Supply chain

Fragmented competition

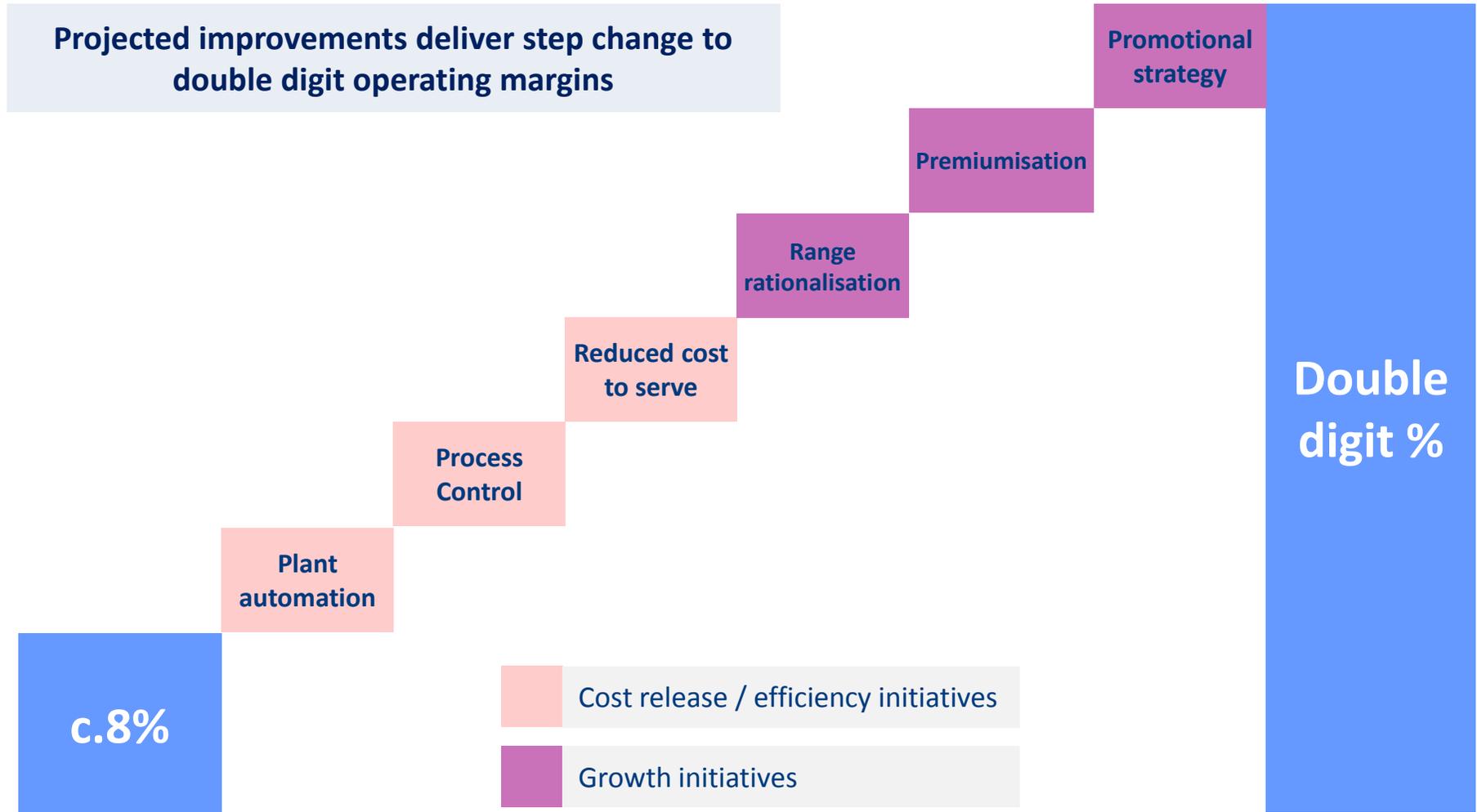
Non-branded market share above Grocery averages

Historically low brand investment & innovation

Immediate consumption underdeveloped

Added value segments are in strong growth

BUILDING BLOCKS TO A HIGHER MARGIN BUSINESS



PROGRESS TO DATE

Volume

Sales

Share

Penetration



+20%

+11%

+1.3ppt

+2.2ppt



+15%

+14%

+0.8ppt

+1.7ppt

RETAILER BRANDED STRATEGY



c.12%

Market share of
retailer branded
cake category



Sales

Expect retailer
branded in Sweet
Treats to deliver
sales growth in
FY16



Doubled
resources

Increased
resources in
commercial &
technical teams
over last 6 months



1. Supports asset utilisation
2. Extend retailer branded within core manufacturing competencies

HEALTH & NUTRITION

Cake in Context

- Consumers view cake as a treat
- Contribution of cake to UK sugar intake significantly less than soft drinks, fruit juice and confectionery ⁽¹⁾



Positive Approach

- Calorie caps on individual cakes <250kcal
- Investing in portion controlled Snack Pack format
- Industry pioneer on front of pack traffic light nutrition labelling
- Wholesome and nourishing ingredients in new product development
- Reformulating to reduce calories, fat, sugar where technologically possible and without compromising taste (e.g. Milkshake slices)



BENEFITS OF OUR STRATEGY ARE CLEAR

- 1 Renewed market growth following more focused and relevant activities**
- 2 Better customer relationships, engaging and helping solve category specific challenges**
- 3 Improved innovation pipeline**
- 4 Increased consumer marketing to support growth**
- 5 A focused drive to improve efficiency and reduce costs**

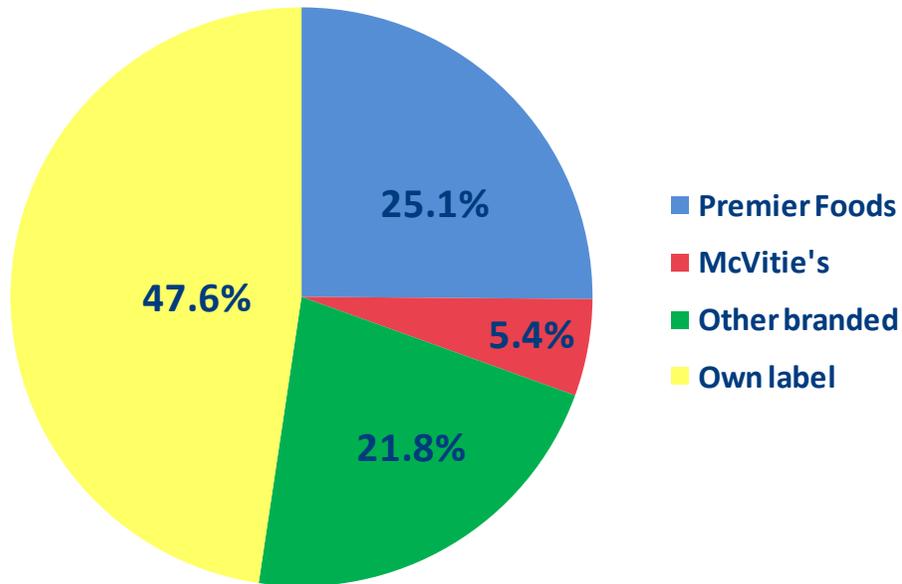
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Phil Ellis

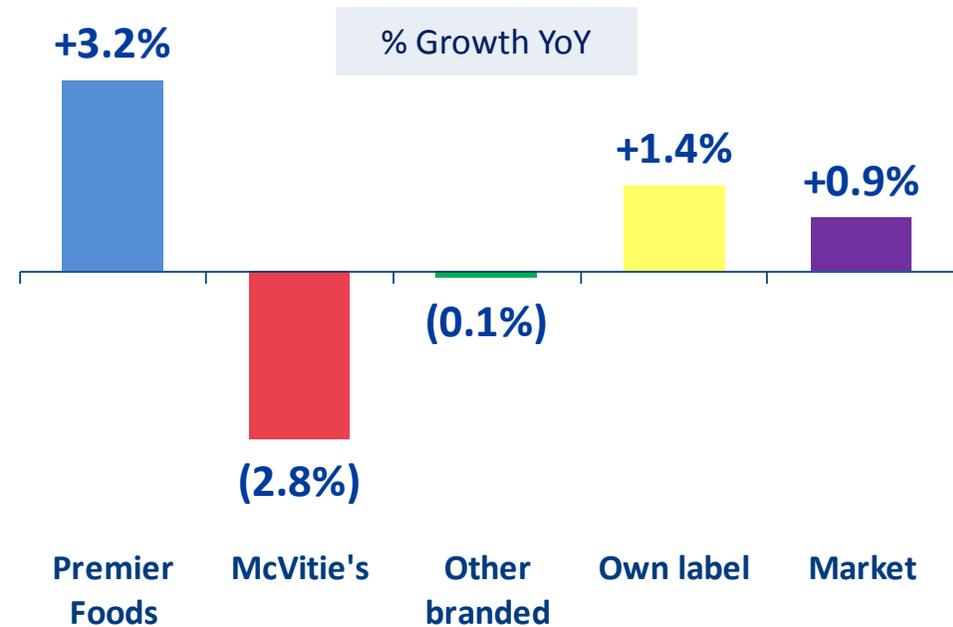
Marketing Director, Sweet Treats

THE SWEET TREATS/CAKE MARKET

Is worth nearly £1 billion



We are the major branded player in the market



Growing ahead of the market following brand investment

THE WAY WE LIVE OUR LIVES IS CHANGING

Traditional cake eating moments are increasingly less relevant



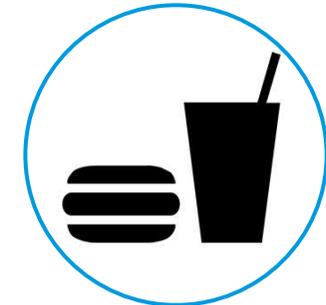
Individual eating



Variety &
excitement



On the go



Snacking

EVERYONE BUYS CAKE, EVERYONE EATS CAKE



Shoppers



Frequency



Trips per month

Chocolate

26m

37



Sweet
biscuits

26m

41



Cake

25m

19



A clear opportunity to increase frequency of purchase

FOUR BROAD CONSUMER NEED STATES THAT DICTATE ANY SWEET TREAT MOMENT



Togetherness

- Care and share
- Shared indulgence

Reward

- End of day reward
- Lunchtime treat
- Mood lift
- Casual munching

Snacking

- Quick top up
- Resourceful snack
- Sweet sign off

Nutrition

- Sustained energy
- Good start to the day
- Simple goodness

THERE ARE ALSO SOME KEY FLAVOUR AND PRODUCT FUSION TRENDS WHICH PRESENT OPPORTUNITIES



Coffee culture



Salted Caramel



Citrus / Lime



Honey, Nuts, Oats



KEY NEEDSTATES INFORM UPCOMING INNOVATION

Togetherhness



Reward



Snacking



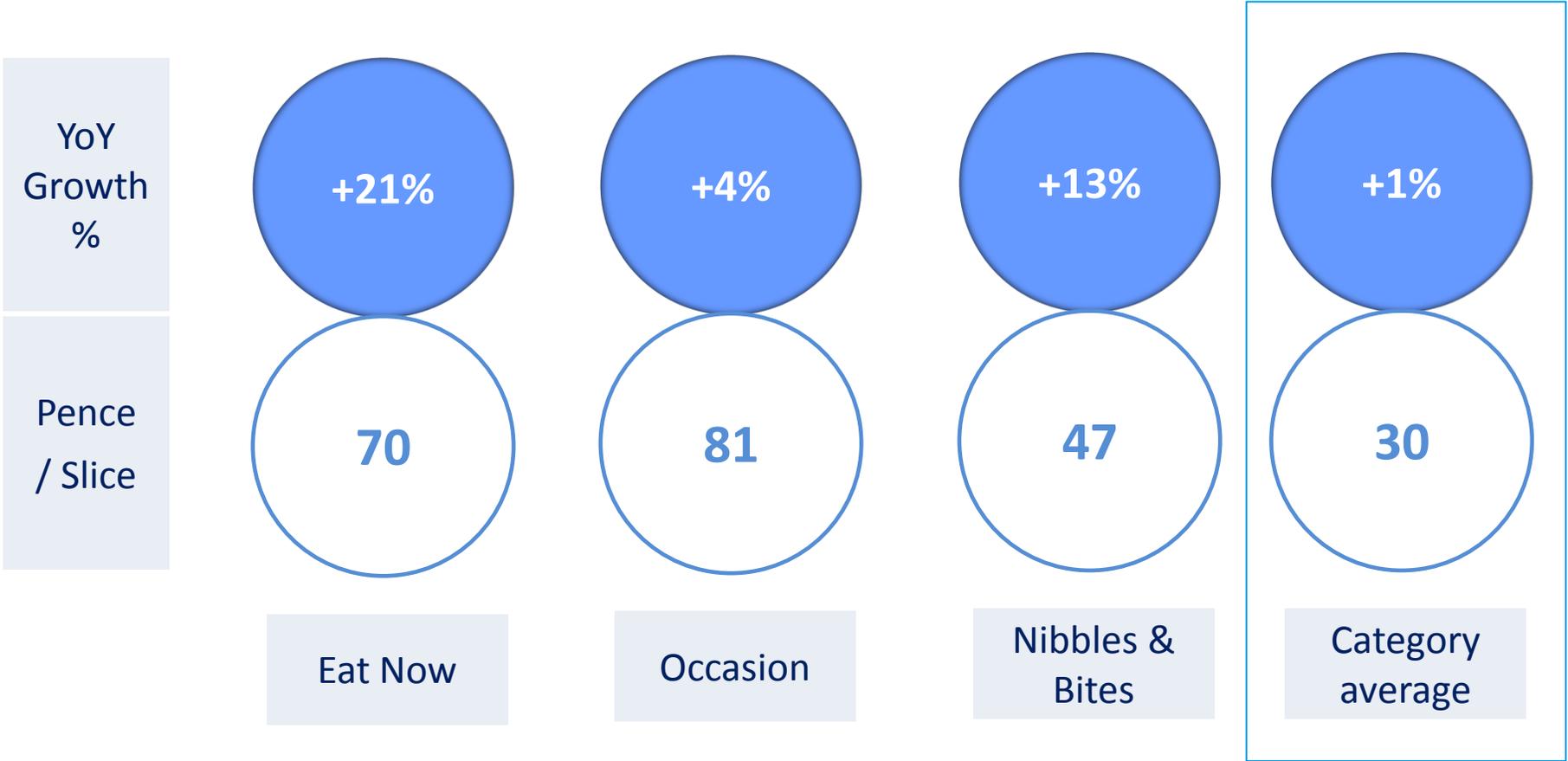
Nutrition



FY16 Product innovation:

- Oats
- Nuts
- Fruit
- Other meal occasions

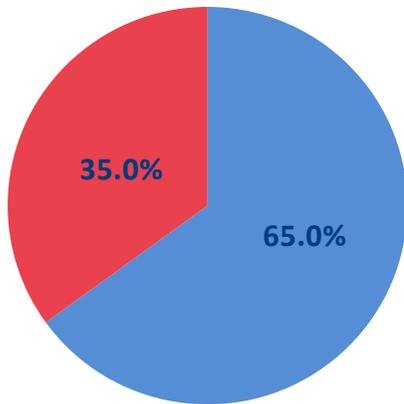
PREMIUMISATION OPPORTUNITIES



Source: IRI 52 w/e 16 May 2015

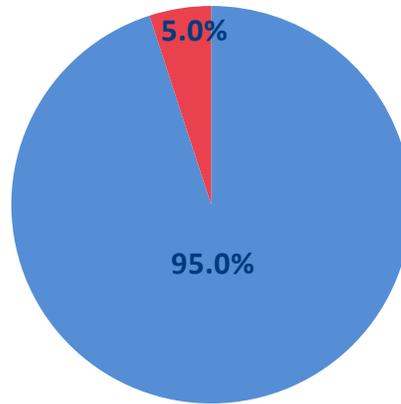
CAKE ON THE GO

Confectionery



Rest of market

Cake

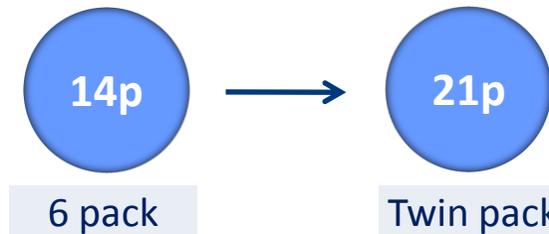


Impulse

Immediate consumption for cake is under developed compared to confectionery



Pack size flexibility delivered through capex investment



Turnover per slice 53% higher in Twin pack

UPCOMING NEW PRODUCTS FROM MR. KIPLING

Unlocking new opportunities, targeting new needs states



Fabulous Fancy

- Leveraging iconic Mr. Kipling cakes into sharing need-state
- Premium growth sector



Deluxe Whirls

- Indulgent flavours
- Added value format
- New occasions (Coffee and Cake)



Whole Cakes

- Sharing need-state
- Untapped opportunity for Mr. Kipling
- Classic and new flavours

Further innovation to come beyond 2015

CADBURY

Exciting new products for the Autumn



Hot Cakes

- Convenient solution: simply heat for 30 secs
- Plays strongly to Premiumisation



Amaze Bites

- Snacking & sharing moments
- Delicious brownie texture bite with chocolate chips

Further innovation to come beyond 2015

A close-up photograph of several square cookies stacked on a clear glass plate. Each cookie is topped with a thick layer of white frosting, which is decorated with thin, parallel lines of yellow icing. The cookies are arranged in a slightly overlapping manner, with the top one being the most prominent. The background is a dark, out-of-focus surface, possibly a wooden table, with a silver fork visible in the upper left corner. A semi-transparent orange banner is overlaid on the right side of the image, containing text.

David Seeckts

Manufacturing Director, Sweet Treats

SWEET TREATS SUPPLY CHAIN FOOTPRINT



3 Manufacturing site & 1 Distribution site:

- 84,000 Tonnes produced
- 31,000,000 Cases
- 77,000 Pallets moved
- 1,800 People

MANUFACTURING SITES

DISTRIBUTION SITE

SWEET TREATS TECHNOLOGY CAPABILITIES

CARLTON (BARNESLEY) Cake - Pies



Capabilities

- Pies
- Slice
- Fondant Fancies
- Whirls
- Battenburg

MORETON Cake – Chocolate



Capabilities

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

STOKE Cake - Slices



Capabilities

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

HISTORY OF MR. KIPLING SNACK PACK

2011

Snack pack range
launched in 6
pack and 9 pack
formats

£4.7m investment
at Stoke bakery

2012

Range extended
to three new
exciting flavours

Chocolate
Caramel
Banoffee

2013

7 day working
implemented

Demand began to
outstrip supply

2014/15

New £20m
investment at
Carlton, Barnsley
bakery

Enhanced
flexibility,
capacity and
automation



INVESTMENT RATIONALE

+130%

Capacity
increase

2 → 7

Pack format
flexibility

↓ 30%

Reduction in
headcount
through
automation

↑ 30%

Increase in line
throughput rate

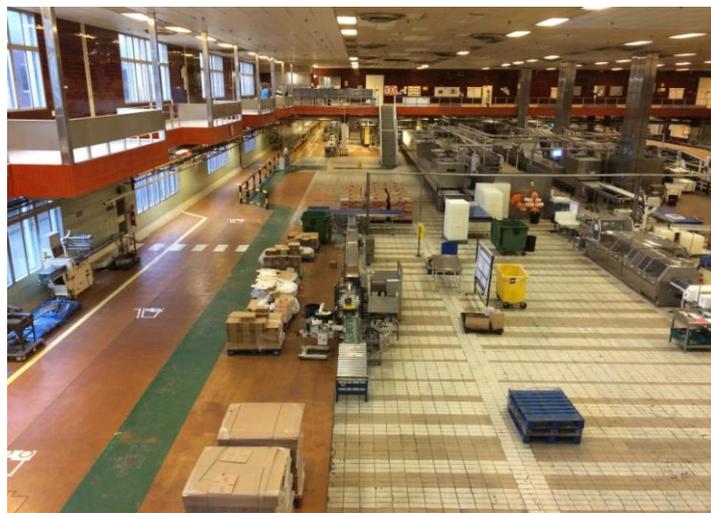
80

Jobs for the local
area

Other benefits

- Vision systems eliminating the picking of defective cake
- X Ray systems screening and removing non-metallic defects
- Heat recovery unit installed utilises 15% of surplus heat
- Kinetic energy recovery system installed on packaging line

IMPLEMENTATION TIMELINE



Before

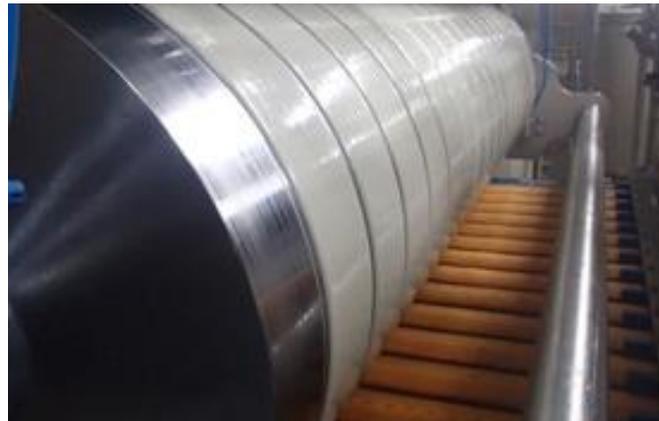


After

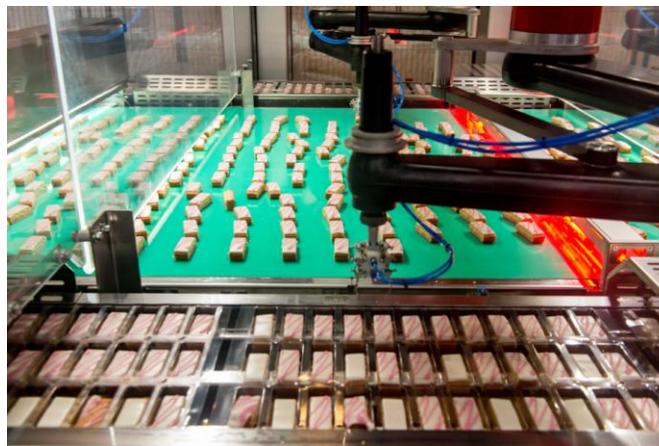
KEY COMPONENTS OF THE LINE



Mixing



Decorating



Robotics



Buffer

FACTS & FIGURES OF THE NEW SNACK PACK LINE

264 metres

Length of the
line

85 mins

A slice from
mixing to
palletising

310 million

Slice production
capacity per
annum

65,000

Contractor hours
used in
construction

65

Vehicles used to
deliver the
equipment

0

Lost time
accidents



Simon Wood
Factory General Manager, Carlton

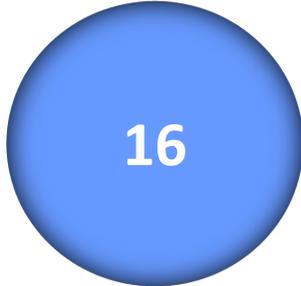
CARLTON SITE HISTORY

- 1975 Opened by Lyons manufacturing cakes, then the largest purpose built bakery in the world
- 1995 Acquired by RHM Manor Bakeries
- 2005 Production from Eastleigh bakery transferred to Carlton
- Asser (pie production) transfer of 3 lines
 - Fondant Fancies line
 - Mini Battenberg line transfer
- 2007 Acquired by Premier Foods
- 2010/11 Investment in Kipling Sponge Puddings and single slices
- 2012 Transformation project delivered including flexible shift patterns, monthly pay and new terms and conditions implemented and nominated for the CEO Award at the best In British Food Awards
- 2013 Continuation of transformation program delivered third year of MCC (cost) improvement above target
- 2014 Major £20m investment of Snack pack production line
- 2014 Biggest Christmas in 6 years, manufacturing 343 million mince pies

SITE FACTS & FIGURES



Production tonnes per annum



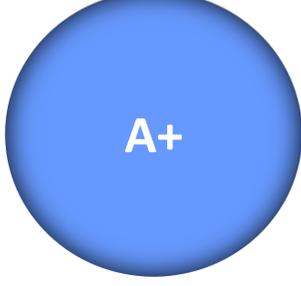
Production lines



SKUs



Employees



BRC accreditation



BAKERY OVERVIEW

A bird's eye view



CARLTON PRODUCTS & LINES

Plant line	Products/Packs
Battenburg	Standard
Mini Battenburg	5 per pack
Viennese Whirls	Packs in 6s & 8s
Slices	Shock & Orange, Bakewell, Country Slices
Pies	Apple, Fruit, Mince Pies Standard & lattice topped
Fondant Fancies	Packs in 8s, various flavour combinations
Sponge/ 'H' plant	Sponge puddings Mini Classics, Cup cakes
Swiss Rolls	Chocolate enrobed and standard Swiss roll products

FACTORY KPIs



KPI	2014/15 (12 months)	2013/14 (12 months)
Volume (equiv. packs)	140.2 million	130.8 million
Efficiency (OEE)	78.7%	78.7%
Manufacturing Controllable Costs	£29m	£29m
Quality (cpmu)	31	34
Service	97.3%	98.2%
Accidents	44	67

“In 2014, the site delivered its highest volume performance in 6 years, manufacturing over 340 million mince pies in the process”

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.

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