

'Continued strategic progress despite weaker second quarter sales for Grocery'

Key Messages:

- H1 Group underlying sales down (1.8%); due to weak Grocery sales (4.0%); partly offset by good performance in Sweet Treats +4.1%
- Q2 Grocery underlying sales down (9.5%) due to warmer weather after good Q1
- Sweet Treats & International delivering consistently strong quarter on quarter growth
- Total reported sales up +2.0% reflecting Knighton Foods consolidation
- Underlying Trading profit £48.0m, £2.0m lower partly due to increased marketing investment
- Net debt £556.0m at H1; £29m lower than prior year H1
- Combined IAS 19 pensions deficit £228.8m due to fall in discount rates
- Net present value of pension deficit recovery schedule expected to reduce by c.£100m
- Profit and Net debt expectations for the year unchanged

Group performance - H1 (€m)	FY16/17 H1	FY15/16 H1	%
Branded sales	295.4	306.6	(3.7%)
Non-branded sales	52.6	47.9	9.8%
Total sales	348.0	354.5	(1.8%)
Divisional contribution	62.8	67.6	(7.2%)
Group & corporate costs	(14.8)	(17.6)	16.4%
Trading profit	48.0	50.0	(4.0%)
EBITDA	56.1	58.3	(3.8%)

Divisional performance - H1 (€m)	FY16/17 H1	FY15/16 H1	%
Grocery			
Branded sales	212.8	226.2	(5.9%)
Non-branded sales	37.5	34.5	8.6%
Total sales	250.3	260.7	(4.0%)
Divisional contribution	56.2	60.2	(6.6%)
Sweet Treats			
Branded sales	82.6	80.4	2.7%
Non-branded sales	15.1	13.4	12.5%
Total sales	97.7	93.8	4.1%
Divisional contribution	6.6	7.4	(12.1%)

Statutory earnings per share	FY16/17 H1	FY15/16 H1
Underlying business Trading profit	48.0	50.0
Previously completed disposals	0.0	0.3
Continuing operations Trading profit	48.0	50.3
Amortisation of intangible assets	(19.0)	(18.7)
Foreign exchange fair value movements	1.0	1.2
Net interest on pensions and admin expenses	(0.9)	(7.0)
Restructuring costs	(7.1)	(2.5)
Operating profit	22.0	23.3
Net finance cost	(30.7)	(21.4)
Share of loss from associates	0.0	(7.0)
Loss before tax	(8.7)	(5.1)
Taxation (charge)/credit	(46.9)	26.8
(Loss)/profit after tax	(55.6)	21.7
Average shares in issue (millions)	827.7	825.7
Basic (loss)/earnings per share (pence)	(6.7p)	2.6p

FY16/17 guidance	€m
Working capital	Neutral to positive
Depreciation	c.17-18
Capital expenditure	c.20-25
Interest - cash	40-43
Interest - P&L	c.44-45
Tax - cash	Nil
Tax - notional P&L rate	20.0%
Pension (includes admin costs)	54-56
Restructuring	12-14

Outlook summary

- Sales growth in H2 expected to be 2-4%, and partly dependent on avg temperatures
- Full year sales growth expected to be 1-2%
- Medium term sales growth expected to be 2-4%
- Profit and Net debt expectations unchanged
- NPV of pension deficit recovery schedule expected to reduce by c.£100m from £400-420m to £300-320m
- Board sees strong future with its category leading positions, great brands and strong operational cash flows

Adjusted Earnings per share	FY16/17 H1	FY15/16 H1	%
Trading profit	48.0	50.0	(4.0%)
Less: net regular interest	(21.7)	(22.5)	3.4%
Adjusted Profit before tax	26.3	27.5	(4.4%)
Less: notional tax (20%)	(5.3)	(5.5)	4.4%
Adjusted profit after tax	21.0	22.0	(4.4%)
Divided by: Average shares in issue	827.7	825.7	0.2%
Adjusted earnings per share	2.54	2.66	(4.6%)

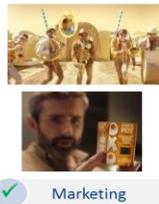
Sales - Q2 (€m)	FY16/17 Q2	FY15/16 Q2	%
Grocery			
Branded sales	101.7	116.1	(12.4%)
Non-branded sales	20.0	18.4	8.8%
Total sales	121.7	134.5	(9.5%)
Sweet Treats			
Branded sales	42.4	40.4	5.1%
Non-branded sales	8.4	7.4	12.9%
Total sales	50.8	47.8	6.4%
Group			
Branded sales	144.1	156.5	(7.9%)
Non-branded sales	28.4	25.8	10.1%
Total sales	172.5	182.3	(5.4%)

Cash flow (€m)	FY16/17 H1	FY15/16 H1
Trading profit	48.0	50.0
Depreciation	8.1	8.3
Share based payments	3.2	2.1
Interest	(20.2)	(20.7)
Pension contributions	(32.1)	(6.0)
Capital expenditure	(6.2)	(13.7)
Working capital & other	(8.6)	(13.7)
Restructuring costs	(11.3)	(2.8)
Free cash (outflow)/inflow	(19.1)	3.5
Purchase of own shares	(0.7)	(1.5)
Total cash (outflow)/inflow	(19.8)	2.0

Net debt position	€m
Net debt at 2 April 2016	534.2
Total cash outflow in period	19.8
Movement in debt issuance costs	2.0
Net debt at 3 October 2016	556.0

Pension valuation (€m)	1 October 2016	2 April 2016
RHM Pension schemes		
Assets	4,424.0	3,758.7
Liabilities	(4,062.0)	(3,207.8)
Surplus	362.0	550.9
Premier Foods Pension schemes		
Assets	691.9	584.2
Liabilities	(1,282.7)	(1,004.2)
Deficit	(590.8)	(420.0)
Combined Pension schemes		
Assets	5,115.9	4,342.9
Liabilities	(5,344.7)	(4,212.0)
(Deficit)/surplus	(228.8)	130.9
(Deficit)/surplus net of tax	(183.0)	104.7
Discount rate	2.25%	3.55%
Inflation rate (RPI/CPI)	3.15%/2.05%	3.0%/1.9%
Mortality rate	LTI +1.0%	LTI +1.0%

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All disclosure refer to Underlying business definitions. For full definitions refer to the accompanying RNS at www.premierfoods.co.uk/investors/results-centre