



PREMIER FOODS

Half Year results
for 26 weeks ended 1 October 2016
15 November 2016



PERFORMANCE SUMMARY

Resilient profit performance against lower Q2 sales

(1.8%)

H1 sales
Good Q1 offset by
Q2

£48m

H1 Trading profit

£29m
reduction

Net debt
vs prior year H1

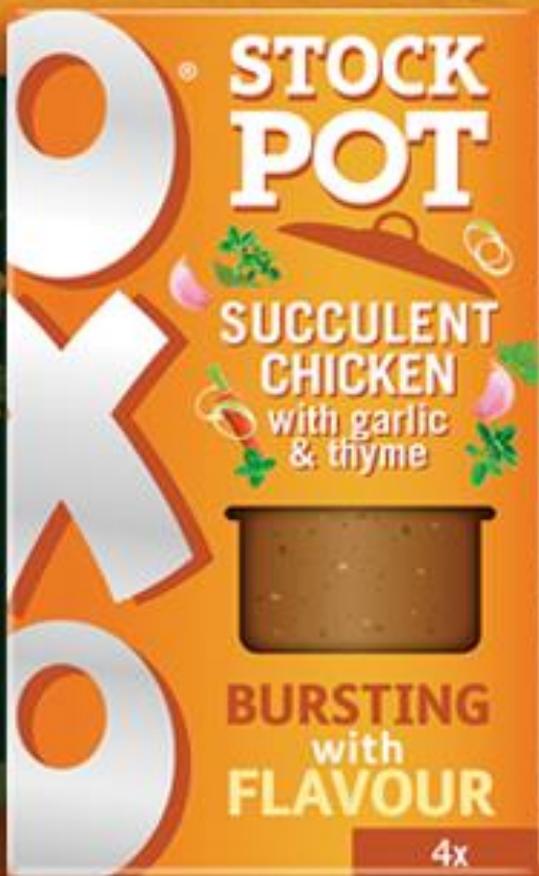
Profit

Full year
Expectations
unchanged

£100m
reduction

NPV of pensions
deficit recovery
schedule

NEW



Alastair Murray
Chief Financial Officer

TRADING PROFIT SLIGHTLY LOWER THAN PRIOR YEAR

Resilient margins



£m	FY16/17 H1	FY15/16 H1	Change (%)	Q2 Change (%)
Branded sales	295	307	(3.7%)	(7.9%)
Non-branded sales	53	48	+9.8%	+10.1%
Total sales	348	355	(1.8%)	(5.4%)
Gross profit	124	127	(2.6%)	
<i>Gross profit % Sales</i>	35.5%	35.8%	(0.3ppt)	
Divisional contribution	63	68	(7.2%)	
Group & corporate costs	(15)	(18)	16.4%	
Trading profit	48	50	(4.0%)	
Trading profit %	13.8%	14.1%	(0.3ppt)	
<i>Trading profit ex Consumer marketing</i>	62	63	(1.7%)	

- H1 sales (1.8%) lower as good quarter 1 performance offset by decline in quarter 2
- Gross Margins mix lower due to Knighton Foods consolidation
- Group & Corporate costs slightly lower in H1 although not expected to repeat in H2

GROCERY

A good first quarter offset by weaker Q2



£m	FY16/17 H1	FY15/16 H1	Change (%)	Q2 Change (%)
Branded sales	213	226	(5.9%)	(12.4%)
Non-branded sales	37	35	+8.6%	+8.8%
Total sales	250	261	(4.0%)	(9.5%)
Divisional contribution	56	60	(6.6%)	
Divisional contribution %	22.5%	23.1%	(0.6ppt)	

- Quarter two branded sales impacted by warmer weather, particularly in September
- Non-branded sales higher due to increased B2B Food ingredients volumes and retail flour contract wins
- Consumer marketing slightly higher than prior year
- Divisional contribution reflected lower Q2 volumes and consumer marketing investment
- International sales up over 9% in H1

SWEET TREATS

Cadbury and Non-branded delivering strong progress



£m	FY16/17 H1	FY15/16 H1	Change (%)	Q2 Change (%)
Branded sales	83	81	2.7%	5.1%
Non-branded sales	15	13	12.5%	12.9%
Total sales	98	94	4.1%	6.4%
Divisional contribution	7	7	(12.1%)	
Divisional contribution %	6.7%	7.8%	(1.1ppt)	

- Strong performance from Cadbury cake reflecting continued success of Amaze Bites and good Mini Rolls volumes
- Non-branded increased sales due to a number of contract wins across range of customers in seasonal and core product ranges
- Mr Kipling Cup cake exclusivity in major retailer performing well
- Divisional contribution lower reflecting investment in Cake on the go capability and instore marketing

OPERATING PROFIT

Slightly lower than prior year



£m	FY16/17 H1	FY15/16 H1
Continuing operations Trading profit	48	50
Amortisation of intangible assets	(19)	(19)
Foreign exchange fair value movements	1	1
Restructuring costs	(7)	(2)
Net interest on pension and administration costs	(1)	(7)
Operating profit	22	23

- Amortisation of intangibles in line with prior year and expectations
- Restructuring costs associated with corporate activity and SG&A restructuring
- Net income on pensions offset by administration costs

ADJUSTED EARNINGS PER SHARE

H1 adjusted eps 2.54p

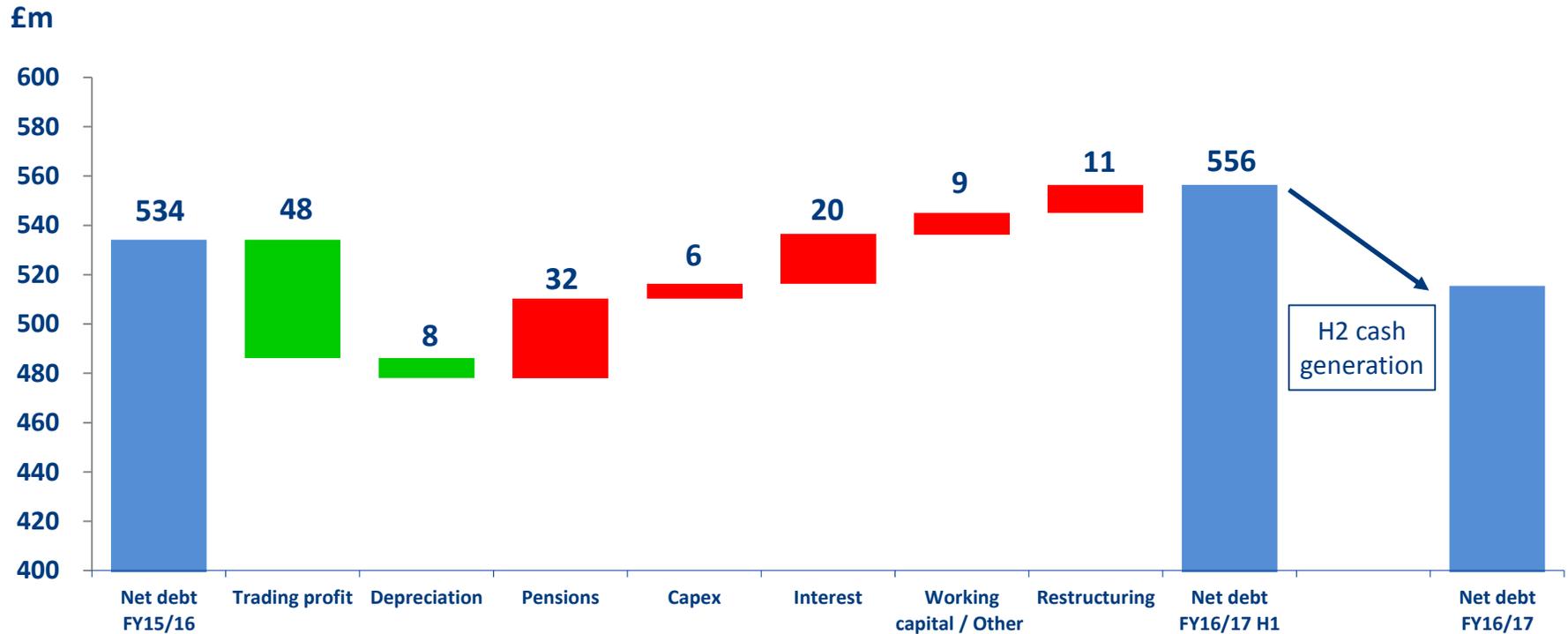


£m	FY16/17 H1	FY15/16 H1	Change (%)
Trading profit	48	50	(4.0%)
Net regular interest	(22)	(23)	3.4%
Adjusted PBT	26	27	(4.4%)
Notional tax @ 20.0%	(5)	(5)	(4.4%)
Adjusted earnings	21	22	(4.4%)
Weighted average shares in issue (million)	827.7	825.7	0.2%
Adjusted earnings per share (pence)	2.54p	2.66p	(4.6%)

- Net regular interest lower due to lower average debt levels
- Tax rate unchanged at 20.0%

NET DEBT EXPECTATIONS UNCHANGED

Cash generation weighted to second half, reflecting seasonality



- Pension cash costs more weighted to first half of the year
- Vast majority of FY16/17 cash restructuring costs spent in H1
- Capex weighted to the second half of the year

COMBINED PENSION SCHEMES – ACCOUNTING BASIS

Combined deficit of £229m as discount rates fall



IAS19 Accounting valuation (£m)	<u>1 October 2016</u>			<u>2 April 2016</u>		
	RHM	Premier Foods	Combined	RHM	Premier Foods	Combined
Assets	4,424	692	5,116	3,759	584	4,343
Liabilities	(4,062)	(1,283)	(5,345)	(3,208)	(1,004)	(4,212)
Surplus/(Deficit)	362	(591)	(229)	551	(420)	131
Surplus/(Deficit) net of notional tax (Tax @ 20.0%)	290	(473)	(183)	441	(336)	105
Discount rate	2.25%	2.25%	2.25%	3.55%	3.55%	3.55%
Inflation rate (RPI)	3.15%	3.15%	3.15%	3.00%	3.00%	3.00%

- Combined surplus at 2 April 2016 now combined deficit following discount rate reduction of 130bps
- RHM scheme remains in surplus reflecting hedging instruments in place
- Pension deficit cash contributions fixed until December 2019

UPDATE ON TRIENNIAL PENSIONS VALUATION

£646m reduction in funding deficit

Surplus/(Deficit) £m	April 2016	April 2013	Change	Change (%)
RHM	135	(504)	639	-
Premier Foods	(551)*	(538)	(13)	(2.4%)
Ireland	0	(20)	20	100.0%
Total schemes	(416)	(1,062)	646	60.8%

- Strong performance in RHM portfolio benefitting from a successful hedging strategy

* - Expected position, subject to final approval

DEFICIT CONTRIBUTION SCHEDULE CHANGES

NPV of future deficit recovery payments reduced £100m to £300-320m

Nominal value* £m		2020/21	2020/21-2022/23 Average
RHM schemes	Previous	20	20
	Revised	0	0
	Change	20	20
Premier schemes	Previous	32	33
	Proposed	33	34
	Change	(1)	(1)

- No change to previously agreed payments until January 2020
- No deficit contributions to RHM scheme after 2019 reflecting its fully funded status
- Minor changes to Premier Foods schemes in 2020 and thereafter
- Payments in 2020 and beyond to be revisited following 2019 triennial valuation and Company affordability

* - Expected position, subject to final approval

CASH GUIDANCE FOR FY16/17 UPDATE

FY16/17 guidance	£m
Working capital	Neutral to positive
Depreciation	£17-18m
Capital expenditure	£20-25m
Interest – cash	£40-£43m
Interest – P&L	c.£44-45m
Tax – cash	Nil
Tax – notional P&L rate	20.0%
Pension deficit contributions	£48m
Pension administrative & PPF levy cash costs	£6-£8m
Restructuring costs	£12-£14m

- Capex cash costs weighted to second half of the year
- Cash tax expected to be nil in medium term (subject to Finance Act 2016)
- Pension administrative & PPF cash costs now lower than previous guidance
- Restructuring cost slightly higher than previous guidance



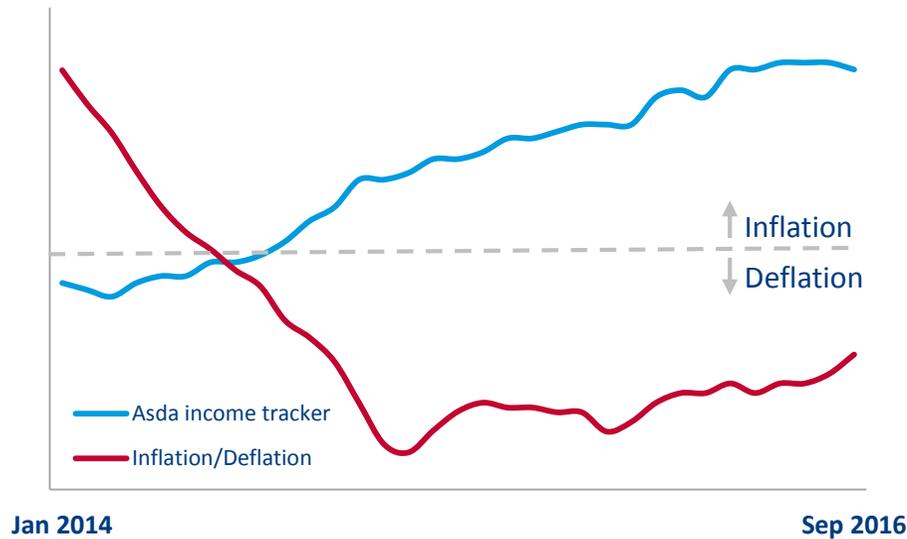
Gavin Darby
Chief Executive Officer
Operating Review

A CHANGING MACRO ENVIRONMENT

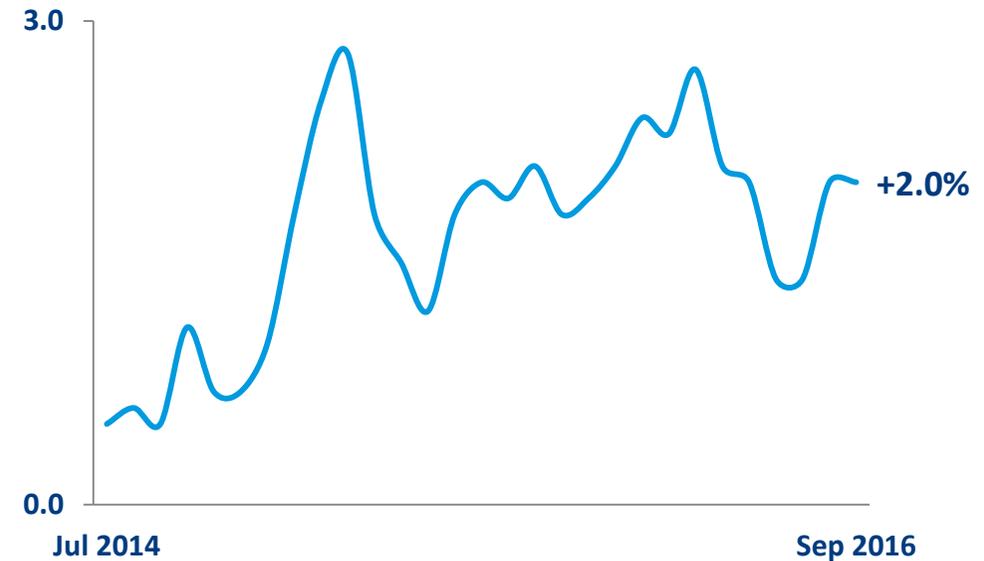
Disposable incomes and industry volumes growing



Consumer disposable incomes



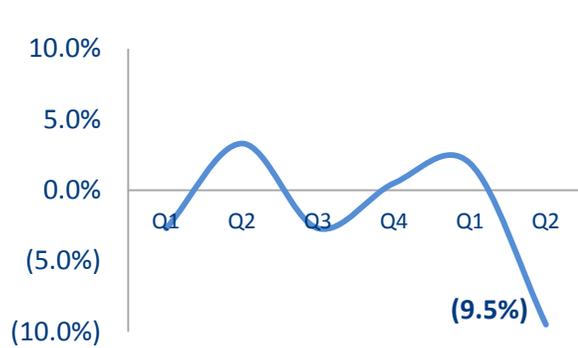
Industry volume growth



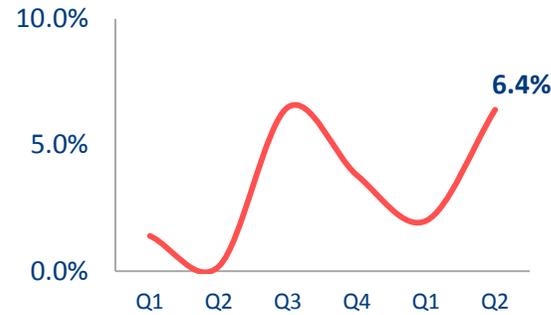
- No discernible change in consumer spending post Brexit
- UK Grocery market continues to display volume growth

STRATEGIC PROGRESS IN MANY AREAS

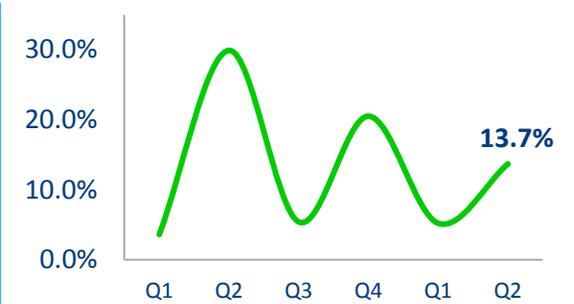
Positive momentum in Sweet Treats and International



 Grocery



 Sweet Treats



 International



 Innovation



 Marketing

League table ranking



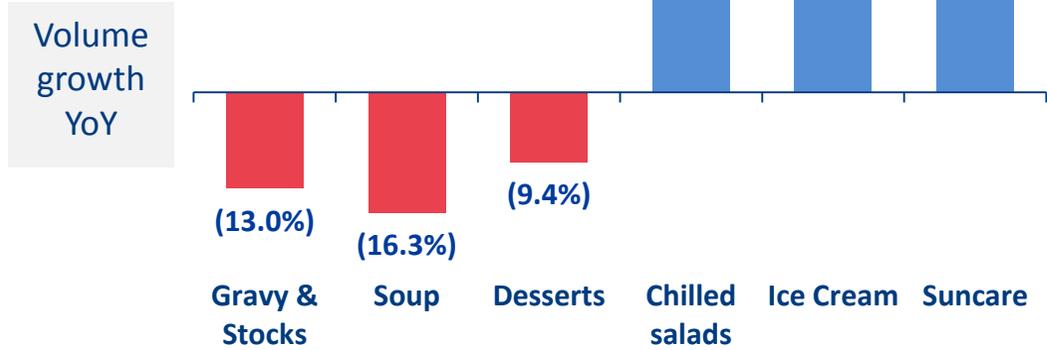
 Customers

A WARM SECOND QUARTER FOLLOWING GOOD Q1

Certain Grocery categories sensitive to temperature variations



Quarter 2 Selected category growth rates¹



Grocery Sales growth

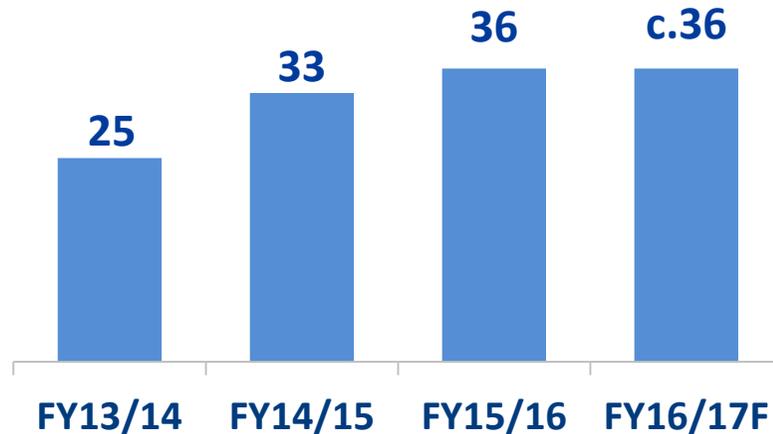
	Quarter 1	Quarter 2
Sales Growth (%)	+1.9%	(9.5%)
Major brands in growth	6	0
Temp. Change ² to PY	0°C	+2°C

Sources: 1. IRI 12 weeks ended 24 September 2016, 2. Met Office

MARKETING INVESTMENT

A strong commitment to continued brand investment

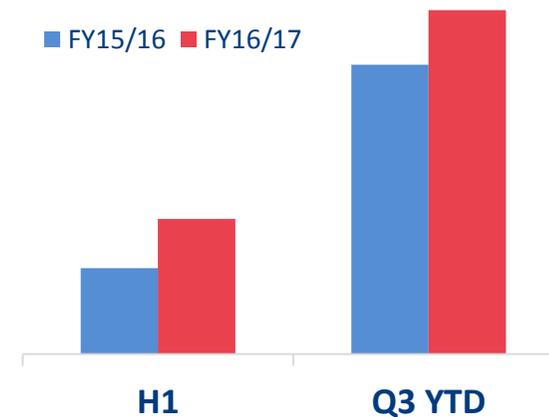
Consumer marketing (£m)



- FY16/17 represents equal highest ever levels of total marketing spend in £m
- Focused on alignment to NPD launches and key Q3 trading period

TVRs

Increase on prior year



+57%

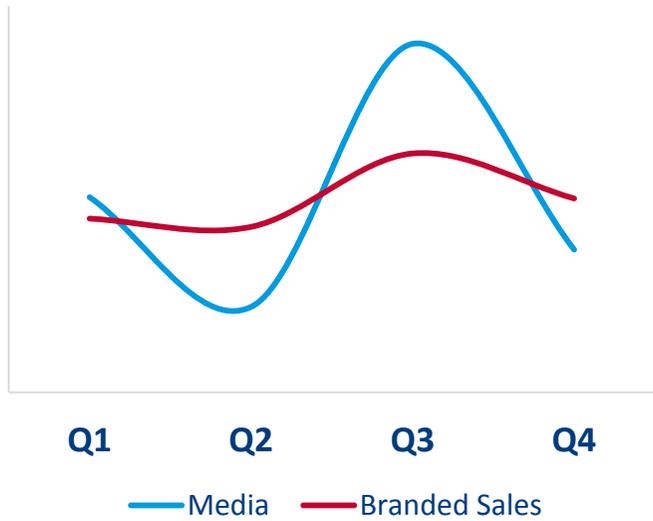
+19%

MARKETING INVESTMENT

7 brands on TV in FY16/17



Profile of media investment
Q3 most important quarter



7 brands on TV in FY16/17



Marketing teams
Upweighted Insights & R&D



Insight teams



R&D teams



New recruits with strong FMCG backgrounds

FLAVOURINGS & SEASONINGS

Bisto and Oxo gaining market share



Oxo Stock Pots Building market share



Bisto & Oxo innovation Aligned to consumer trends



8%
share and
growing



Taking share
from No.1

New TV advertising campaign



Convenience



Foodiness



Healthier

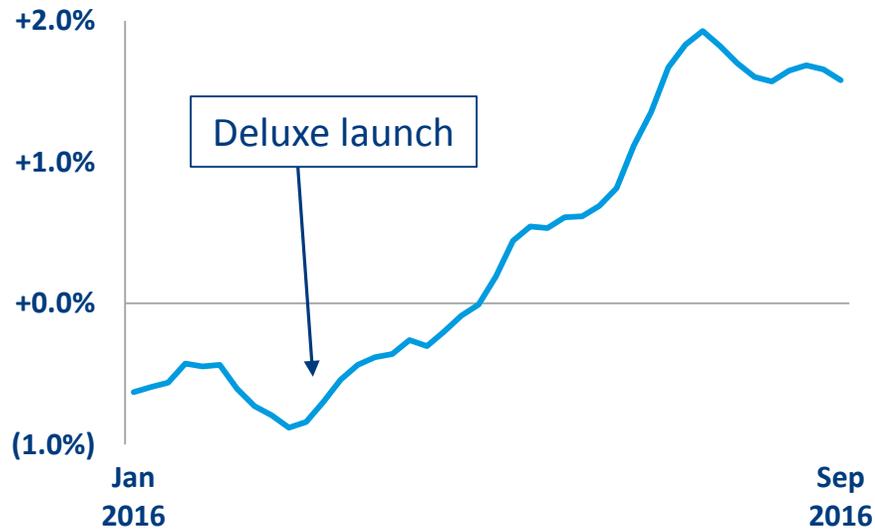
AMBROSIA

Market share building following Deluxe launch and on TV in Q3



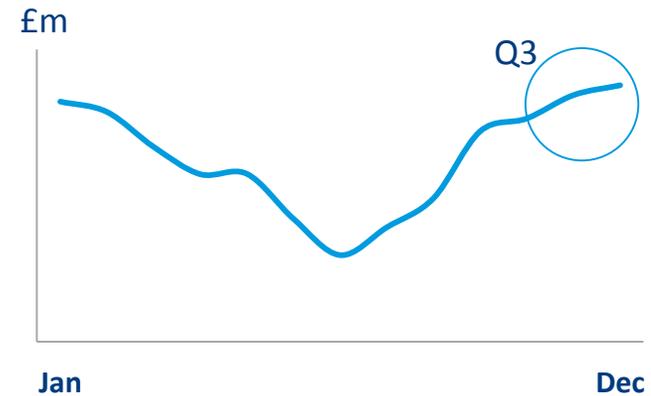
Market share

Increase supported by Deluxe Custard



TV Advertising

On air in Q3



Sales profile

BACHELORS PRODUCT LAUNCHES FOR H2

Filling, tasty and positively healthy products, ready in 90 seconds



High Veg Pots



- One of your 5 a day
- Microwaveable

High Protein Pots



- Satisfies hunger
- Green traffic light labels

Soup & Dippers



- Thick and chunky soup with black pepper crispy breads



Convenience



Foodiness



Healthier

NEW PRODUCTS ACROSS THE GROCERY PORTFOLIO

Aligned to key consumer trends



Cooking Sauces

Sharwood's, Loyd Grossman & Homepride



Paxo

Premiumisation



Angel Delight

Convenience



- Individual portion
- No need to chill
- Clean label: No artificial flavours, colours or preservatives

SWEET TREATS

Cadbury performed very well in H1; indulgent new products for H2



Cadbury Amaze Bites

Strong H1 performance



+£6m

Retail sales value

Top 2 new SKUs in cake market this year

Cadbury Choc Tarts & Whole Cakes

H2 innovation



Launching Cadbury cake beyond lunchbox occasion heartland

SWEET TREATS

Mr Kipling and Cake on the go



Mr Kipling

Cup cakes & seasonal ranges



- Major retailer exclusive
- Won collaboration award for launch



Out of home sales +19%

Cake on the go distribution building



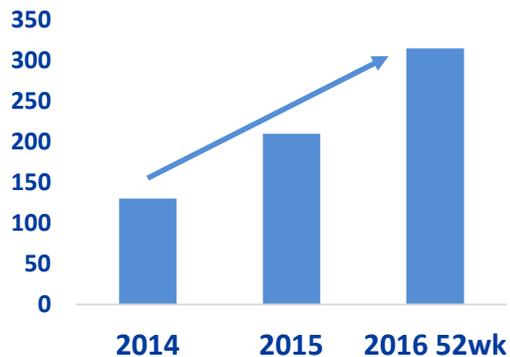
- New channels distribution in key travel locations
- Higher price and margin per eating occasion

INTERNATIONAL MAKING STRONG STRATEGIC PROGRESS

H1 sales grew over 9% and Q3 launch of Cadbury cake in UAE

Australia

Cake and Sharwood's



Cake

- Volumes and share growing strongly
- Now brand leader

Middle East

Cadbury cake launch in UAE



Significant instore marketing activity to accompany major launch



Sharwood's

Integrated marketing campaign

- UAE cake market worth £120m
- Leverage Cadbury brand equity in market
- Using existing UK manufacturing capability



NON-BRANDED SALES UP +9.8% IN H1

Both Grocery and Sweet Treats businesses delivering strong growth

Grocery

Sales up +8.6% in H1

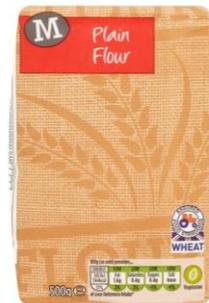
B2B Food ingredients

COSTA

GREGGS

Mondelēz
International

Retailer brand



- Business to business volumes from wide range of customers following Knighton Foods stabilisation and return to growth
- Flour contract gain with major retail customer

Sweet Treats

Sales up +12.5% in H1



- Additional business across broad customer base in both seasonal and all-year-round product ranges
- Supports asset utilisation

CUSTOMER RELATIONSHIPS

Demonstrable progress in a number of areas



Range review resets

+50
SKUs

Retailer 1

59
NPD SKUs

Retailer 2

NPD exclusivity



Grocery Advantage Survey

League table ranking



Awards



NISSIN OPPORTUNITIES - UK



Distribution of major Nissin brands Soba distribution



- Distribution of Nissin products from Q4 expanding presence within the UK
- Deliver real authenticity to the category
- Additional product launches to follow

New Sharwood's & Batchelors ranges UK launch in FY17/18 Q1-Q2



- Co creation of new branded ranges
- Utilisation of Nissin's advanced & extensive R&D capability and manufacturing expertise in Europe and the Far East

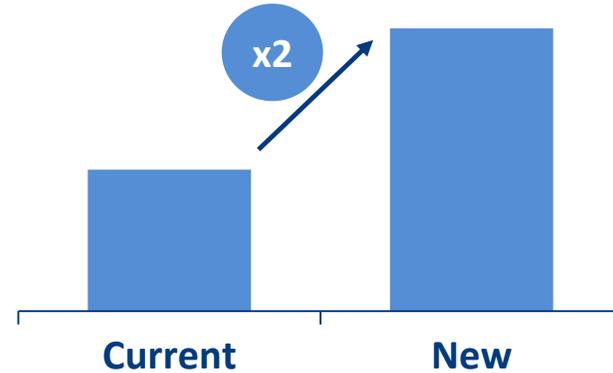
NISSIN OPPORTUNITIES - INTERNATIONAL



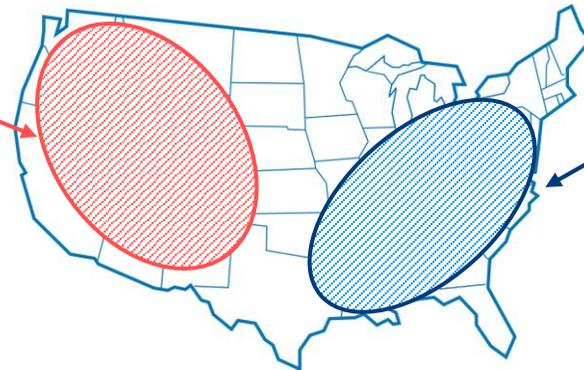
Acceleration of Sharwood's in USA

Leveraging Nissin platform to accelerate Sharwood's distribution in Q4

Distribution points increase to double



Target states through Nissin presence



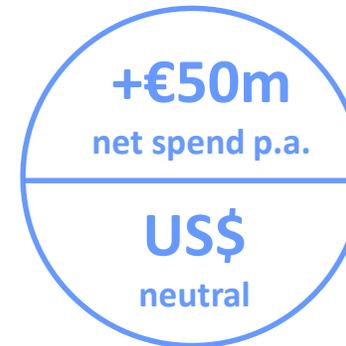
Current Geographical distribution

FOREIGN CURRENCY & COMMODITIES

Exposure to Euro will require a range of mitigating actions



Foreign currency movements



- US\$ sales & purchases broadly equal
- Euros spend over €50m per annum
- Forward cover only temporary



A blend of mitigating actions



- All PF manufacturing in UK
- 89% of expenditure with UK suppliers
- Indirect currency effects

COST REDUCTION & EFFICIENCY PROGRAMME



Logistics Restructuring



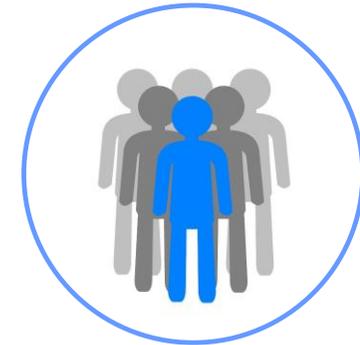
- Significant opportunity to consolidate distribution centres
- Potential savings in both warehousing and distribution
- Majority of restructuring costs & benefits from FY17/18

Simplification



- Ensuring ways of working leverage business unit structure
- Agility to focus on revenue generating activity
- Streamline and compliance to processes
- People empowerment

National Living Wage



- Relatively small impact in FY16/17
- Some manufacturing sites more impacted than others
- Apprenticeship levy effective April 2017

SUMMARY

- Our strategic priorities are unchanged
- Sweet Treats & International displaying strong momentum
- Lower Grocery Q2 sales after a good Q1
- Trading profit, adjusted PBT and eps slightly lower than prior year
- Pensions NPV valuation reduced by £100m to £300-320m

OUTLOOK

- FY16/17 H2 sales outlook expected to be in line with Medium term sales growth guidance of 2-4%
- FY16/17 FY sales guidance 1-2%
- Consumer marketing expected to be broadly in line with last year
- Ongoing focus on brand investment continues; 7 brands planned on TV in FY16/17
- Profit & Net debt expectations unchanged

Cadbury

NEW

Q & A



#FREETHEJOY

Cadbury

NEW

Appendix



#FREETHEJOY

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.

Please note that any disclosures or statements referring to pro forma results provided in this presentation have not been subject to audit or review by the Company's auditors.

DEFINITIONS

- The period 'FY16/17 H1' refers to the 26 weeks ended 1 October 2016. The period 'FY15/16 H1' refers to the 26 weeks ended 3 October 2015 and includes the results of Knighton Foods
- The period 'Q2' refers to the thirteen weeks ended 1 October 2016 and the comparative period, the thirteen weeks ended 3 October 2015.
- Underlying business is defined as continuing operations excluding the results of previously disposed businesses and includes results of acquired businesses in current and comparative reporting periods.
- Trading profit for the underlying business is defined as Profit/(loss) before tax before net finance costs, profits and losses from share of associates, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs, and net interest on pensions and administration expenses
- Adjusted profit before tax is defined as Trading profit for the underlying business less net regular interest. Net regular interest is defined as net finance cost after excluding write-off of financing costs, fair value movements on interest rate financial instruments and other interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 20.0% divided by the weighted average of the number of shares of 827.7 million (26 weeks ended 3 October 2015: 825.7 million).
- Television Viewer Ratings (TVRs) are measured by the number of people watching an individual television advertisement as a percentage of the total population. The more times an individual advertisement is shown, the higher the aggregate scores of TVRs is

SEGMENTAL COMPARATIVES

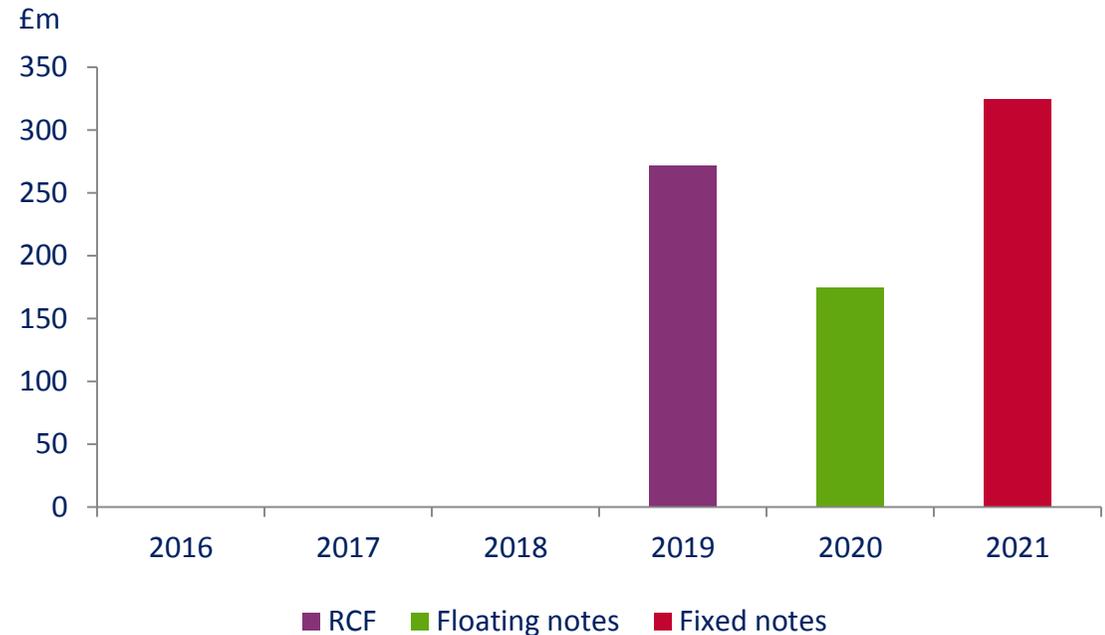
52 Weeks to 2 April 2016 to reflect consolidation of Knighton



£m	Q1 (13 weeks)	Q2 (13 weeks)	H1 (26 weeks)	Q3 (13 weeks)	Q4 (13 weeks)	FY (52 weeks)
Grocery						
Branded sales	110.1	116.1	226.2	155.0	123.7	504.9
Non-branded sales	16.1	18.4	34.5	20.7	18.1	73.3
Total sales	126.2	134.5	260.7	175.7	141.8	578.2
Divisional contribution	-	-	60.2	-	-	140.2
Sweet Treats						
Branded sales	40.0	40.4	80.4	53.0	45.1	178.5
Non-branded sales	6.0	7.4	13.4	25.2	6.0	44.6
Total sales	46.0	47.8	93.8	78.2	51.1	223.1
Divisional contribution	-	-	7.4	-	-	25.0
Group						
Branded sales	150.1	156.5	306.6	208.0	168.8	683.4
Non-branded sales	22.1	25.8	47.9	45.9	24.1	117.9
Total sales	172.2	182.3	354.5	253.9	192.9	801.3
Divisional contribution	-	-	67.6	-	-	165.2
Group & corporate	-	-	(17.6)	-	-	(36.1)
Trading profit	-	-	50.0	-	-	129.1
EBITDA	-	-	58.3	-	-	146.5

CAPITAL STRUCTURE OVERVIEW

- £500m Senior Secured Notes raised in FY14:
 - £325m Fixed notes @6.5%
 - £175m Floating notes @5.0%+LIBOR
- £272m Revolving Credit Facility
 - Streamlined bank syndicate
- Fixed payment schedule with Pension Trustees through to December 2019
- Net debt/EBITDA: Medium term target 2.5x
 - FY15/16 = 3.6x
- Dividend payable when Net debt / EBITDA <3.0x



INTEREST

£m	FY16/17 H1	FY15/16 H1
Senior secured notes interest	15	15
Bank debt interest	5	5
Cash interest	20	20
Amortisation of debt issuance costs	2	3
Net regular interest	22	23

TAX

- Deferred tax asset of £30m at 1 October 2016 (2 April 2016: £26m)
- Capital allowances in excess of depreciation
- Total recognised and unrecognised assets relating to losses = c.£75m, equivalent to c.£440m taxable profits in future periods
- Notional corporation tax expected to be 20.0% in FY16/17; deferred tax rate 17.0%
- Cash tax expected to be nil for medium term (subject to Finance Act 2016)

PENSIONS – COMBINED SCHEMES

£m	1 October 2016	2 April 2016
Assets	5,116	4,343
Liabilities	(5,345)	(4,212)
(Deficit)/Surplus	(229)	131
(Deficit)/Surplus net of notional tax	(183)	105

Key IAS 19 assumptions	1 October 2016	2 April 2016
Discount rate	2.25%	3.55%
Inflation rate (RPI/CPI)	3.15%/2.05%	3.0%/1.9%
Mortality assumptions	LTI +1.0%	LTI +1.0%

- Combined schemes deficit reflects RHM schemes surplus of £362m offset by Premier schemes deficit of £591m

Scheme Assets (£m)	1 October 2016	2 April 2016
Equities	468	405
Government bonds	491	475
Corporate bonds	174	2
Property	360	292
Absolute/Target return	1,188	1,228
Cash	116	327
Infrastructure funds	231	228
Swaps	1,437	863
Private equity	301	259
Other	350	264
Total	5,116	4,343

PENSION DEFICIT SCHEDULE CONTRIBUTIONS

Fixed to December 2019

£m	2016/17	2017/18	2018/19	2019/20
Deficit contributions	48	49	44	40
Administration costs (including PPF levy)	6-8	6-8	6-8	6-8
Total cash outflow	54-56	55-57	50-52	46-48

- The pension deficit contributions set out above are fixed to December 2019
- Administration costs now slightly lower at £6-8m per annum

BALANCE SHEET



£m	1 October 2016	2 April 2016
Property, plant & equipment	184	188
Intangibles / Goodwill	1,129	1,145
Retirement assets	362	551
Investments & loans to associates	-	-
Deferred tax	30	26
Non-current Assets	1,705	1,910
Working Capital - Stock	81	63
- Debtors	84	101
- Creditors	(198)	(205)
Total Working Capital	(33)	(41)
Net debt		
Gross debt	(590)	(542)
Cash	34	8
Total Net debt	(556)	(534)
Pension liabilities	(591)	(420)
Other net liabilities	(69)	(66)
Net Assets	456	849
Share capital & premium	1,489	1,489
Reserves	(1,033)	(640)
Total equity	456	849