



**Premier Foods**

**Interim Results**

**Half-year ended 1 July 2006**

**Monday, 7<sup>th</sup> August 2006**



**Robert Schofield**  
**Chief Executive**

# Business Highlights

- **Healthy sales performance**
  - Grocery sales up 20.0%
  - Like-for-like Grocery sales up 3.1%
  - Like-for-like branded sales, ex Cadbury's up 4.1%
  - Like-for-like own label sales up 0.6%
  - Double-digit sales growth from Meat-Free
  
- **Announced proposed acquisition of Campbell's UK for £460m**
  - Funded by rights issue for approximately £458m
  - Debt facility increased to £1,085m

\* Trading profit is defined as operating profit before exceptional items, amortisation and foreign exchange valuation adjustments

# Financial Highlights

- **Solid profit development enhanced by Quorn acquisition**
  - Trading profit\* up 26.6% at £47.6m
  - Like-for-like trading profit \* up 4.6%
  - Like-for-like Grocery trading profit \* up 6.7%
  
- **Fresh Produce stabilised**
  
- **Bury fire insurance claim fully settled**
  
- **Adjusted earnings per share up 13%**

\* Trading profit is defined as operating profit before exceptional items, amortisation and foreign exchange valuation adjustments



**Paul Thomas**  
**Finance Director**

## Group Turnover

Sales £m	2006	2005	%
Convenience Foods, Pickles & Sauces	168.3	168.1	0.1%
Meat-Free	57.2	5.3	na
Convenience Foods, Pickles, Sauces & Meat-Free	225.5	173.4	30.0%
Spreads, Desserts & Beverages	141.0	131.9	6.9%
<b>Grocery</b>	<b>366.5</b>	<b>305.3</b>	<b>20.0%</b>
Fresh Produce	64.0	58.3	9.8%
<b>Continuing operations</b>	<b>430.5</b>	<b>363.6</b>	<b>18.4%</b>
<b>Like-for-like Grocery sales</b>	<b>309.3</b>	<b>300.0</b>	<b>3.1%</b>

### Healthy sales growth – organic and through acquisition

\*Like-for-like grocery sales excludes sales in relation to Quorn and Cauldron in the first half of 2006 and 2005

## Continuing Operating Profit

Summary Profit & Loss (£m)	2006	2005	%
Sales	430.5	363.6	18.4%
Cost of sales	(327.3)	(278.2)	17.6%
<b>Gross profit</b>	<b>103.2</b>	<b>85.4</b>	<b>20.8%</b>
Selling & Distribution costs	(37.0)	(31.4)	17.8%
Administrative costs excluding amortisation	(20.1)	(16.6)	21.1%
Other income	1.5	1.9	(21.1%)
<b>Trading profit</b>	<b>47.6</b>	<b>37.6</b>	<b>26.6%</b>
Foreign exchange valuation adjustments	(2.2)	1.7	Na
Amortisation	(4.2)	(2.3)	82.6%
Operating exceptional items	0.5	-	Na
<b>Operating profit</b>	<b>41.7</b>	<b>37.0</b>	<b>12.7%</b>
<b>Like-for-like trading profit</b>	<b>38.8</b>	<b>37.1</b>	<b>4.6%</b>
<b>Like-for-like Grocery trading profit</b>	<b>38.4</b>	<b>36.0</b>	<b>6.7%</b>

### Solid trading profit growth

## Margin Development

<b>2005 H1 Trading profit * margin %</b>	<b>10.3</b>
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Commercial development/cost saving programmes	<b>0.4</b>
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Quorn and Cauldron	<b>0.4</b>
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<b>2006 H1 Trading profit * margin %</b>	<b>11.1</b>
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- Margin impacted by utilities inflation
- Acquisitions further enhance margins

**Margin development in line with target**



# Cost Inflation

## ■ Utilities

- Impact weighted towards heavy users – Convenience Foods
- Pricing recovery across broader business base
- Timing of price increases phased through the year

## ■ Ingredients

- Potential impact of hot dry weather
- Mitigated by diversified ingredients base
- Pricing agreements to cover cost impact of lower harvests

## Strategies in place to deal with cost inflation

## Interest Charges

Summary Profit & Loss (£m)	2006	2005	%
Net cash interest payable	18.7	14.8	26.4%
Amortisation of debt issuance costs	0.6	7.3	Na
IFRS – valuation effect	(5.5)	2.4	Na
Total interest charge	13.8	24.5	Na

- Increase in cash interest due to acquisitions in 2005
- Interest margin reduced by refinancing June 2005
- One off amortisation of debt issuance does not recur
- Total interest charge affected by IFRS valuation effects

### Financing costs distorted by non-cash items

## Normalised Earnings

£m	2006	2005	% increase
Continuing operations			
Profit after tax	<b>20.6</b>	9.1	126.4%
Exceptional items	<b>(0.5)</b>	-	Na
Amortisation	<b>4.2</b>	2.3	82.6%
Accelerated amortisation of debt issuance costs	-	6.3	Na
IFRS valuation adjustments	<b>(3.3)</b>	0.7	Na
Normalised Profit after tax	<b>21.0</b>	18.4	14.1%
Average shares in issue	<b>247.8</b>	244.5	1.3%
Basic eps (p)	<b>8.3</b>	3.7	124.3%
Adjusted eps (p)	<b>8.5</b>	7.5	13.3%

### Strong earnings per share growth

## Consolidated Cash Flow

Cash Flow £m	2006	2005
<b>Operating Cash Flow – pre Bury</b>	<b>34.0</b>	<b>30.5</b>
Bury fire insurance proceeds	18.3	-
<b>Operating Cash Flow</b>	<b>52.3</b>	<b>30.5</b>
Net capital expenditure	(13.9)	(10.9)
Dividends	-	(22.0)
<b>Cash in flow before acquisitions</b>	<b>38.4</b>	<b>(2.4)</b>
Non-cash movements	(0.6)	-
Acquisitions *	-	(251.3)
<b>Net Cash Inflow/(Outflow)</b>	<b>37.8</b>	<b>(253.7)</b>
<b>Opening gross debt * *</b>	<b>(576.9)</b>	<b>(377.5)</b>
<b>Closing gross debt * *</b>	<b>(539.1)</b>	<b>(631.2)</b>

### Improved operating cash flow

\* Includes repayment of acquired borrowings and £3.6m loan notes issued to vendors but excludes £1.5m of costs paid in H2 2005

\* \* Before capitalised debt issue costs



# **Robert Schofield**

## **Chief Executive**

## Sales Overview

£m	Sales	%
Convenience Foods, Pickles & Sauces	168.3	0.1%
Meat-Free	57.2	-
Convenience Foods, Pickles, Sauces & Meat-Free	225.5	30.0%
Spreads, Desserts & Beverages	141.0	6.9%
<b>Total Grocery</b>	<b>366.5</b>	<b>20.0%</b>
Fresh Produce	64.0	9.8%
<b>Total</b>	<b>430.5</b>	<b>18.4%</b>
<b>Grocery – like-for-like</b>	<b>309.3</b>	<b>3.1%</b>

**Like-for-like sales growth ahead of targets due to price increases**  
**Underlying sales growth in line with targets**

\* Trading profit is defined as operating profit before exceptional items, amortisation and foreign exchange valuation adjustments

## Sales Overview

- **Reported like-for-like Grocery sales increase of 3.1%**
  - Increase includes energy and utility related price increases
  - Like-for-like sales, excluding acquisitions, in line with original 1.5-2.0% target
  
- **Like-for-like Meat-Free growing at 12.6%**
  
- **Branded sales, excluding Cadbury's ahead by 4.1%**
  
- **Retailer brand ahead by 0.6%**
  - New contracts in Desserts offsetting Convenience Foods performance

### Healthy like-for-like sales performance

## Trading Profit Overview

£m	Trading profit	%
Convenience Foods, Pickles & Sauces	7.7	(35.8%)
Meat-Free	8.8	-
Convenience Foods, Pickles, Sauces & Meat-Free	16.5	32.0%
Spreads, Desserts & Beverages	30.7	27.9%
<b>Total Grocery</b>	<b>47.2</b>	<b>29.3%</b>
Fresh Produce	0.4	(63.6%)
<b>Total</b>	<b>47.6</b>	<b>26.6%</b>
<b>Group – like-for-like</b>	<b>38.8</b>	<b>4.6%</b>
<b>Grocery – like-for-like</b>	<b>38.4</b>	<b>6.7%</b>

**Strong overall trading profit performance**

**Issues within Convenience Foods, Pickles & Sauces**

\* Trading profit is defined as operating profit before exceptional items, amortisation and foreign exchange valuation adjustments



## Convenience Foods, Pickles & Sauces

- Trading Profit down £4.3m to £7.7m
- Pickles and Sauces business on track
- Marketing expenditure behind Branston – brand performing well
- Own label declines in Soup and Beans
- Disproportionate effect of energy and utility inflation on Convenience Foods business

### Own Label performance, cost pressures on Convenience Foods

# Convenience Foods, Pickles & Sauces

- **Like-for-like sales flat at £168.3m**
  
- **Sales of Branston growing strongly**
  - Branston beans retaining 10% market share
  - More TV in second half
  - Branston tomato ketchup and brown sauce successfully launched
  
- **Sales of Loyd Grossman continue to grow strongly**

**Brands trading strongly, soft own label performance**

## Meat-Free

- **Like-for-like sales at £57.2m up 12.6%**
- **Trading profit of £8.8m (ahead of expectations)**
- **Quorn sales up circa 15%**
  - Penetration up to 19.3% from 17.7% in June 2005
- **Cauldron sales flat**
  - Capacity limitations in existing site
- **£11m investment in chilled facility in “Methwold”**
  - Remove capacity constraints on Cauldron
  - Bring Quorn co-manufacturing in-house to capture margin
- **£7m investment in additional Quorn forming capacity**

### Quorn delivering ahead of acquisition expectations

\* Trading profit is defined as operating profit before exceptional items, amortisation and foreign exchange valuation adjustments

## Spreads, Desserts & Beverages

- **Sales up 6.9% at £141.0m**
- **Trading profit up 27.9% to £30.7m**
  - Bird's synergies starting to flow
  - Own label contract wins
  - Switch of marketing spend to Branston and Quorn in first half
  
- **Ambrosia sales growing strongly**
- **Hartley's preserves growing strongly**
- **Transition to Cadbury co-manufacturing agreement from end May**

### Strong sales and profit growth

\* Trading profit is defined as operating profit before exceptional items, amortisation and foreign exchange valuation adjustments

# Fresh Produce

- **Trading improving in 2006 v H2 2005**
  - Sales up 9.8% to £64.0m due to Gedney's acquisition
  - Trading profit down £0.7m to £0.4m vs H1 2005
  - Trading profit up £1.0m against H2 2005
  
- **H1 2005 benefited from retail contracts which terminated in that period**
  
- **Cost reduction initiatives in 2005 are starting to yield benefits**
  - Cost base matched to demand patterns
  - New contracts won
  
- **Business returned to profitability**

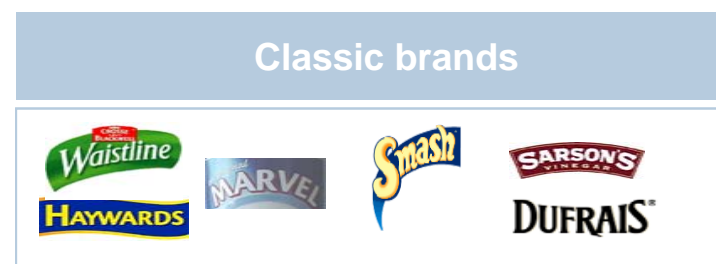
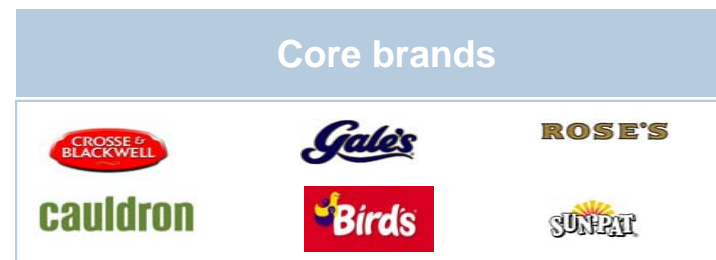
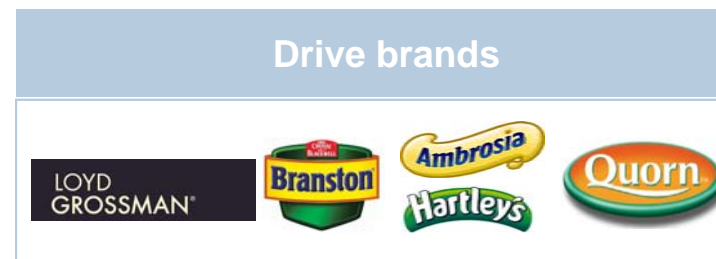
## Fresh Produce making steady improvement

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## Portfolio Development

Sales Growth '06 Vs '05	Sales £'m	Growth * %	% of portfolio
Drive	139.1	11.0%	38.0%
Core	43.9	(0.8%)	12.0%
Classic	19.9	(6.5%)	5.4%
Branded	202.9	6.4%	55.3%
Retailer label	141.4	0.6%	38.6%
Cadbury's	22.2	(3.5%)	6.1%
<b>Total Grocery</b>	<b>366.5</b>	<b>3.4%</b>	<b>100.0%</b>

\* Based on inclusion of pre-acquisition sales for Quorn, Cauldron and Bird's businesses



**Branded sales in strong growth**

# Campbell's acquisition

- **Excited by acquisition**
  - Glove fit with the business
  - £460m price agreed
  - Great brands: Oxo, Batchelors, Homepride
  - Strong synergy potential - £28m
  - Low risk integration
  
- **Rights issue to fund the acquisition**
  - 1:1 Rights priced at £1.85 per share
  - Fully underwritten
  
- **Completion scheduled for 15<sup>th</sup> August**
  
- **Integration commences 16<sup>th</sup> August**

**A classic Premier acquisition**

# Trading Outlook

- **Branded sales continue to perform well**
- **Tough market: Hot dry weather / cost pressures**
- **Strong plans in place for second half**

**Our expectations for the year are unchanged**



# Summary

- **Healthy sales performance**
- **Solid profit development**
- **Increase in input costs covered to date**
- **Quorn growth ahead of expectations**
- **Excited by Campbell's acquisition**

## Premier strategy on-track



# Premier Foods

## Q&A



# Appendices

## Consolidated Balance Sheet

Balance Sheet £m		2006	2005
<b>Fixed assets</b>	- tangible/other	198.7	189.0
	- intangible	425.3	380.8
	- total	624.0	569.8
<b>Working capital</b>	- stock	83.1	99.8
	- debtors/other	108.3	130.3
	- creditors/other	(224.4)	(292.4)
	- cash	28.8	93.3
	- Total	619.8	600.8
	<b>Creditors over one year</b>	(568.3)	(599.7)
	<b>Retirement benefit obligations</b>	(46.4)	(58.7)
	<b>Net assets / (liabilities)</b>	5.1	(57.6)

## IFRS Valuation effect

- **Expense in 'Other operating expenditure/income' of £2.2m on forward foreign exchange contracts**
  - Relates to forward US\$ and Euro purchases to hedge future commodity purchases
  
- **Half year valuation interest 'income' of £5.5m**
  - Relates to variable-to-fixed interest rate swaps
  - 'Interest receivable' reflects favourable value to Premier of swaps compared to current market rates
  - Instrument is an effective economic hedge against a portfolio of interest rate risk
  
- **Valuation movements are non-cash and cannot be predicted**



**Premier Foods**

**Interim Results**

**Half-year ended 1 July 2006**

**Monday, 7<sup>th</sup> August 2006**