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29 June 2017

To Whom It May Concern,

Please find enclosed a copy of an open letter to David Beever, Chairman, Premier Foods PLC.

Sincerely,

Adam Rackley
Investment Director

Cape Wrath Capital
1 Fore Street
London
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29 June 2017

Dear David,

As the investment advisor to the VT Cape Wrath Focus Fund, which is an investor in Premier Foods PLC, I am writing to urge that the Board consider the interests of shareholders, and act to realise the maximum value from the business.

Having met with Gavin Darby and Alastair Murray on 22 May 2016, I understand that under the new 'strategic rebalancing', the 'overall' strategy is to de-lever the business, based on the assumption that bringing leverage to below 3.0x will result in a re-rating of the business. Sadly, this overall strategy will not have the intended effect, because leverage is merely a distraction from the key issue. The key issue is Management credibility.

Management credibility is weak, for three key reasons:

1. Failure to grasp effective capital allocation

Since Gavin Darby joined the board (February 2013), there has been no consistent strategy or approach to capital allocation. For example, management has recently started using marketing spend as the 'flex' (management's term) at year-end to allow them to meet earnings guidance (and as a result no longer provides marketing spend guidance). Given that the payback period on marketing spend is 1-2 years (according to management), Management's actions demonstrate a disregard for long-term value creation, and the lack of an effective investment decision-making framework. The outcome of this failure has been a decline in Adjusted Reported EPS from 17.0p (restated) at December 2013 to 7.2p at April 2017.

2. Failure of the Board to act in the best interests of shareholders during the McCormick approach

Broadly, Management has given three reasons for why the Board rejected the approach:

- a. The offer undervalued the business. This is untrue. The final offer of 65p was a 115% premium to the undisturbed share price and, on a pension-adjusted basis, corresponded to a significant premium to sector EV/EBITDA multiples.
- b. The major shareholders supported the Board in rejecting the offer. This is untrue. The two largest shareholders at the time of the approach (Warburg Pincus and Paulson), representing around 27% of the equity, were supportive of the offer.
- c. The new strategic plan would deliver '2-4%' sales growth, while a tie-in with Nissin could deliver '2-4%+' sales growth. This is untrue. Despite completing the tie-in with Nissin, Premier Foods went on to deliver an underlying sales *decline* of 1.4% and management has since abandoned the '2-4%+' target.

OPEN LETTER TO DAVID BEEVER, CHAIRMAN, PREMIER FOODS

Furthermore, by bringing Nissin on board as a 'White Knight' investor, the Board have created an obstruction to any future prospective acquirer, and imposed a discount on any future bid, thus improving their job security at the shareholders' expense.

3. Failure to deliver on the strategy proposed in defence of the bid rejection

With the May 2017 results announcement, Management outlined another change of strategy, further eroding shareholder confidence. The sudden change highlights that the previous targets were simply part of the effort to justify turning down McCormick's offer. Management promised shareholders an ambitious turnaround that they are still waiting for.

Our overall impression is of a Management and Board with poor regard for shareholder value, and without the skill-set to deliver it. Therefore, we urge the board to put the company up for sale, and to start the process by either untangling the Group's relationship with Nissin, or by urging Nissin to do the right thing by independent shareholders and make an offer at or beyond 65p for the rest of the business.

It is my fiduciary duty to urge the Board to act on this matter, and for the reasons outlined above, it is the Board's duty to act. Please understand that nothing in this letter is intended to be personal in nature.

I would welcome the opportunity to discuss this matter further with you.

Sincerely,



Adam Rackley

Investment Director

Copied to:

Premier Foods Non-Executive Directors: Ian Krieger, Jennifer Laing, Pam Powell, Richard Hodgson, Tsunao Kijima (Nissin Foods Holdings), Daniel Wosner (Oasis Management Company)

Premier Foods Executive Directors: Gavin Darby, Alastair Murray

Major Shareholders: Standard Life Investments, Brandes Investment Partners, Dimensional Fund Advisors, BlackRock Investment Management (UK), Legal and General Investment Management, LSV Asset Management, Paulson & Co, Apollo Global Management

