

Premier Foods plc (“Premier”)

15 October 2009

**Interim Management Statement for the 13 weeks to 26 September 2009  
 (“third quarter”)**

**Branded Sales Momentum Continues**

- **Total Branded sales up 6% in third quarter reflecting volume growth**
- **UK Grocery branded sales up 4% in third quarter**
- **Sales of *Hovis* branded bread up 22% in third quarter**
  
- **Group sales excluding bulk flour up 2% in third quarter (up 5% in first nine months)**
- **Group sales up 1% in third quarter (up 3% in first nine months)**
  
- **Expectations for the full year remain unchanged**

Robert Schofield, Chief Executive, said:

*“We are pleased by the progress that the business has made in a tough trading environment. Our brands continue to perform well; across the Group their growth rate has increased from 5% in the first half to 6% in the third quarter as volume growth has accelerated. We have also exited some low margin retailer brand contracts, which, whilst reducing overall sales growth, has improved our branded mix.*

*“Additionally, our brands have continued to take market share through a combination of innovation and advertising, supported by strong promotional campaigns. Hovis has consolidated its market share gains and the division is now benefiting from the branded sales growth achieved over the last year.*

*“I am pleased to welcome Jim Smart to Premier Foods as Group Finance Director. His wide experience will prove invaluable to the Group.*

*“As we enter the important Christmas trading period, in what is a competitive environment, we remain confident of achieving adjusted profit before tax for the full year within the range of market expectations.”<sup>1</sup>*

## **Introduction**

Group sales, excluding bulk flour, were 2% ahead in the third quarter and 5% ahead in the first nine months, compared to the prior year. Total Group sales increased 1% in the period and 3% in the first nine months. Our brands continue to perform well; across the Group their year-on-year sales growth rate increased from 5% in the first half to 6% in the third quarter as branded volume growth accelerated. Retailer brand sales were down 8% in the quarter, primarily due to lower sales of bread and bulk flour. Overall sales volume and mix for the Group was flat with the increased branded volumes being offset by the lower volumes of retailer brand products. In line with our stated strategy of focusing on branded growth, the branded mix of Group sales increased by 2 ppts to 63%.

## **Grocery**

Sales for the Grocery division for the third quarter were 2% ahead of the same period last year and 5% ahead in the first nine months. In the UK, branded sales were up 4% against the third quarter last year primarily due to increased volumes as we continued to support our brands. However, following the exit from a number of low margin retailer brand contracts in the quarter, overall volumes for the UK were flat year-on-year. The higher level of sales growth due to price rises seen in the first half of the year has moderated in the third quarter as we cycled the price rises achieved in 2008.

As previously reported, the grocery market in Ireland has been difficult this year. Sales for our business in Ireland in the third quarter were 14% below the same period in 2008.

## **Hovis**

Sales of *Hovis* branded bread for the third quarter were up 22% on the same period last year. We saw a significant decrease in retailer brand bread volumes as we elected to exit certain unprofitable contracts during the period. As a result, total sales in our baking business increased by 3% in the third quarter. The branded mix of our baking business showed a significant improvement with 72% of sales now branded, up from 63% in the same period last year.

Bulk flour sales declined due to lower wheat and wheat feed prices. Consequently total sales for the division for the third quarter were 2% lower than the same period last year.

*Hovis* has maintained its strong market share performance through the third quarter, reaching 26.2% for the 12 weeks ending 5 September 2009, compared to 22.8% for the equivalent period last year. Investment in the *Hovis* brand continues with the recent introduction of a new Farmhouse soft white loaf. We are also pleased to be supporting The Royal British Legion's Poppy Appeal this year through sales of *Hovis* Seed Sensations.

## **Chilled**

In our Chilled business, sales for the third quarter increased by 1% on the comparable period in 2008, with sales for the first nine months up by 5%. Sales growth of *Quorn* improved in the period, although profitability was held back by the previously reported additional manufacturing costs, which are being addressed. Our retailer brand chilled ready meal and cake business is trading in line with our expectations.

## **Transformation Programme**

The transformation programme following the acquisitions of Campbell's and RHM is now substantially complete although a small level of investment remains as we continue to improve operational efficiencies in the manufacturing sites and expand the scope of the new Group shared service centre.

## **Financial Position**

Our financial position is broadly unchanged since the half year aside from normal trading cash flows. We expect good cash generation in the second half reflecting the typical seasonality of our business. We continue to focus on cash generation to reduce net debt.

## Trading Outlook

As we enter the important Christmas period, in what is a competitive environment, we believe our brands are well placed to continue to benefit from the coordinated programmes of innovation, advertising and promotional activity that have driven growth this year. We remain confident of achieving adjusted profit before tax for the full year within the range of market expectations<sup>1</sup>.

A conference call will be held for analysts and investors today at 8:30am.

Conference call details:

Telephone numbers:

UK Callers                    0808 109 0700  
International Callers    +44 20 3003 2666  
No pin number

1. The range of market expectations, as reported by Reuters, for adjusted profit before tax for 2009 is £162m-£186m.

Certain statements in this trading update 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.

### **Notes for editors**

***Premier Foods is the UK's largest food producer, which manufactures, distributes and sells a wide range of branded and retailer branded foods. We supply a broad range of customers including the major multiple retailers, wholesalers, foodservice providers and other food manufacturers. Premier owns iconic British brands such as Hovis, Mr. Kipling, Batchelor's, Quorn, Bisto, Ambrosia, Sharwood's, Branston, Oxo, Hartley's and many more. The business employs around 16,000 people and operates from over 60 sites across the UK and Ireland.***