Premier Foods PLC

Trading Update for the year ending 31 December 2009

Encouraging branded sales growth in line with strategy

Premier Foods is pleased to report good progress in 2009, and expects to report encouraging branded sales growth of 6.4% and market share gains in its key branded categories. We expect to announce total sales for 2009 of £2,661m, up 2.2% on 2008, with branded sales for the year of £1,678m representing 63% of total Group sales compared to 61% in 2008. Sales in Q4 were up by 1.5% on Q4 2008 with branded sales up 7.0%.

We expect to report Trading profit[1] of around £320m, an increase of approximately 3.5% on 2008 and net regular interest of around £155m. Adjusted Profit before tax[1] is expected to be around £165m.

Subject to completion and audit we expect to report the following results for the fourth quarter and year as a whole:

Grocery

Grocery has made good progress in line with its strategy of driving branded sales. The sales growth trends in Q4 have improved on those seen in Q3 with year on year branded sales growth accelerating to over 8%.

	FY sales £m	FY sales growth %	Q4 sales growth %
Branded	1,152	5.3%	8.2%
Retailer brand	422	3.3%	(5.3%)
Total	**1,574**	**4.8%**	**4.4%**

Branded sales during the year were helped by strong growth of our top brands with especially strong performances by *Ambrosia* and *Hartley's* in desserts *Loyd Grossman* and *Homepride* in cooking sauces, *Branston* beans and relishes and *Batchelor's* soup and noodles. As a result, we have taken market share[2] in our key branded categories.

Retailer brand sales in Q4 were down by 5.3% on the same period in 2008. This is a continuation of the trend in Q3 where the impact of a decline in retailer brand's market share and the exit from a number of low margin contracts has reduced volumes year on year but this has been partially offset by pricing and better mix.

We have seen an improved performance in Ireland during the second half of the year. The decline in sales seen earlier in the year has been significantly reduced and our brands are gaining market share. The Irish grocery retail sector has continued to adapt to the difficult economic environment with a substantial increase in sourcing directly from the UK coupled with a move to more centralised distribution.

The sales and market share growth in our Grocery business has been achieved against a backdrop of significant year on year increases in input costs reflecting market price increases in many of our raw materials in 2008 and early 2009. We have largely offset this cost inflation by pricing and better procurement. The amount of promotional activity across the industry has increased and this, together with our strategy to drive branded growth, led to an increase in our promotional costs. The net effect of input cost inflation, pricing, procurement and promotions left gross margin percentage down year on year. As a consequence of the strong sales growth, the lower gross margins and increased marketing expenditure, we expect to report Grocery Trading profit in line with 2008.

Hovis

The Hovis division has had a very successful year in line with the strategy launched in 2008 to grow the *Hovis* brand. Strong branded sales growth in Bakery has been positive to profit. Milling profit has also increased as positive mix has more than offset lower volumes. We expect to report strong year on year growth in Trading profit.

	FY sales £m	FY sales growth %	Q4 sales growth %
Branded bakery	370	13.3%	7.5%
Retailer brand bakery	179	(15.7%)	(25.2%)
Milling	193	(16.7%)	(9.6%)
Total	**742**	**(3.7%)**	**(6.1%)**

Branded bakery sales for the year of £370m were up 13.3%. *Hovis'* market share increased by 3.0 percentage points over the year to 25.9%[3]. Sales were driven by improved product quality, better distribution, improved marketing and promotional activity. Year on year branded sales growth in Q4 2009 was 7.5% with Q4 2008 the first full quarter to benefit from the *Hovis* relaunch.

Retailer branded bread for Hovis declined by 25.2% in Q4 2009 and by 15.7% for the year as a whole. This was principally driven by a decline in the market for retailer brand bread of around 19% year on year in Q4 2009 and by 18% for the full year as customers have switched into branded bread. We also exited some contracts in Q3 2009 to allow for the continued branded growth and the lower own label volumes were more than compensated for by the growth in branded bakery volumes.

In Milling, third party flour volumes for the year declined by 2.4%, primarily as a result of the exit from a low margin flour contract in H2 2008. Sales in Q4 were down 9.6% on Q4 2008 and in the year were £193m, down 16.7% primarily due to deflation in flour selling prices reflecting lower input costs.

Trading profit for the Milling business increased as positive mix offset the lower volumes.

Chilled

	FY sales £m	FY sales growth %	Q4 sales growth %
Chilled retailer brand	214	5.5%	5.9%
Meat-free	131	1.9%	(4.0%)
Total	**345**	**4.1%**	**2.6%**

Sales for our chilled retailer brand ready meals and cake businesses in Q4 increased by 5.9% on the same period last year, bringing sales for the year to £214m, an increase of 5.5%. Sales growth was driven by new contracts and the launch of new branded products such as *Loyd Grossman* pizzas and *Mr Kipling* Christmas puddings.

Meat-free sales in Q4 2009 were 4.0% down on the same period in 2008. For the year in total, sales were up 1.9%. During the first nine months of the year we increased the level of promotional activity to support sales growth of *Quorn* against the backdrop of the poorer economic climate. Although we have maintained market share, we have been disappointed by the effectiveness of the promotions during the year and we therefore significantly reduced the level of promotional activity in Q4, which resulted in the year on year decline in sales in the quarter.

As previously mentioned, Trading profit for the Meat-free business has been adversely impacted by increased manufacturing costs. We have commenced a restructuring of the supply chain to improve manufacturing and logistical efficiency in the business. We intend to complete this restructuring by the middle of 2010 following which we would expect growth to resume.

As a consequence of the increased manufacturing costs, promotional performance and additional marketing expenditure in the Meat-free business, we expect Trading profit for the division to be lower than last year.

Net Debt

We expect to report net debt at 31 December 2009 around £1,375m.

Preliminary Results

Our results for the year to 31 December 2009 will be announced on 16 February 2010. A presentation to analysts and investors will be held at 9:00am at RBS, 250 Bishopsgate, London, EC2M 4AA. As part of this presentation we will provide additional disclosure on the key performance indicators that we will be reporting going forward.

1. The range of market expectations for 2009, as reported by Reuters, for EBITA is £320m-£330m, for adjusted profit before tax is £161m-£176m and for net debt is £1,351m-£1,381m.

2. Grocery market share data Source: IRI Infoscan, Total Grocery Outlets, Year to Date, 28 November 2009

3. *Hovis* market share data Source: IRI Infoscan, Total Grocery Outlets, Value share, 52 weeks ending 26 December 2009

Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS39 and pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities.

Net regular interest is defined as total net interest excluding exceptional write-off of financing costs, fair value adjustments on interest rate swaps and other financial liabilities at fair value through profit or loss and the unwind of the discount on provisions.

Adjusted Profit before tax is defined as Trading profit less net regular interest.

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.

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