

## Premier Foods plc (“Premier”) Interim Management Statement

13 May 2008

**The following Interim Management Statement is issued for the 17 weeks ended 26 April 2008<sup>1</sup>**

### Highlights

- **Group sales up 6.3%**
- **Price increases recovering commodity cost inflation**
- **Group Trading profit<sup>2</sup> in line with our expectations**
- **Hovis rejuvenation programme on track**
- **RHM and Campbell’s integration continues to plan**
- **Successful installation of core elements of SAP management information system in the Grocery division**

Robert Schofield, Chief Executive, said:

*“We are pleased by our progress so far this year and trading is in line with our expectations. The Group’s activities in the first four months of 2008 were dominated by three key themes. Firstly, we have made good progress in recovering commodity inflation through a combination of price increases and cost savings.*

*“Secondly, the integration of RHM and Campbell’s continues apace with the focus now shifting to the manufacturing integration. Preparations for the transfer of production are progressing well and we now intend to close all seven remaining plants in the programme by the end of 2008. In addition, we have successfully installed the core elements of our new SAP management information system in our Grocery division, which will deliver significant benefits in managing our production and our client relationships.*

*“Thirdly, we are pressing ahead with a fundamental rejuvenation of Hovis, which will be unveiled in the second half. This will reinvigorate one of Britain’s finest food brands with benefits for the Company and consumers alike.”*

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## **Introduction**

Premier's trading performance in the first four months of 2008 was in line with our expectations. The Group achieved sales growth of 6.3%, primarily reflecting the pricing action taken to recover the cost inflation we experienced in the second half of 2007 and we are pleased to have now implemented the necessary price increases. Trading profit is also in line with our expectations with, as previously indicated, the synergies from the integration of Campbell's and RHM being broadly offset by the delay in recovering cost inflation and lower bread volumes compared to the same period in 2007.

## **Grocery**

Sales were 2.4% higher in the first four months of 2008. Recovery of commodity cost inflation is the main driver of the sales growth with sales volumes broadly in line with last year.

## **Baking & Milling**

Sales were 14.4% higher in the first four months compared to the same period in 2007, due to higher prices partly offset by lower volumes. We have seen sales volumes of Hovis stabilise during the first four months of 2008 and we are pleased by the consumer response to our new Hovis white bread, which is being supported by new packaging and advertising during the second quarter of the year.

Our strategy to rejuvenate Hovis is well underway. We have now extended the programme to the whole of the Hovis range and we are currently developing improved recipes, improved packaging and new marketing that reflect the core values and strength of the brand. These improvements will come to market in the second half of 2008.

## **Chilled & Ireland**

Sales for Chilled & Ireland were 2.0% higher during the first four months with strong growth in sales of Quorn offset by lower retailer branded volumes.

## **Transformation Programme**

We remain on track to deliver the £113m of cost savings that we identified when we acquired the RHM and Campbell's businesses and the costs of integration also remain in line. The rationalisation of our manufacturing facilities is progressing ahead of plan and, following the successful closure of two factories in 2007, the remaining seven factories in the programme are now due to close by the end of 2008.

The implementation of the core elements of the SAP management information system in our Grocery division has proceeded smoothly with the "Orders to Cash" module, which brings everything from order intake to invoicing and billing onto a single IT platform, going live over Easter.

## **Financial Position**

Our financial position is in line with our expectations and, as previously indicated, incorporates the capital and exceptional costs of the restructuring programme and associated working capital build. We have successfully reached agreement in principle on a new schedule of contributions to the RHM pension scheme and thus will shortly have new contribution schedules in place on all our defined benefit pension schemes for the next three years.

## **Trading Outlook**

We expect sales growth through the remainder of the year to continue primarily to reflect pricing movements to recover cost increases. As noted at the time of our preliminary results, we anticipate that progress in 2008 will be weighted towards the second half and our expectations for the year remain unchanged. Whilst we have continued to see movement in some commodity prices, our overall cost inflation to date is in line with our expectations and we are offsetting the impact of this through planned pricing and cost reduction action. We continue to monitor closely energy and oil-related costs and their impact on the general inflationary environment.

Sales and Trading profit for 2007 restated into the new divisional structure will be placed today on our website at [www.premierfoods.co.uk](http://www.premierfoods.co.uk).

A conference call will be held for analysts and investors today at 9:00am.

Conference call details:

Telephone number +44 20 8322 3331

No pin number

1. All comparisons to 2007 are made to pro forma sales and trading profit for the Group which represent the sales and trading profit of the Group as if all acquisitions and disposals made since 1 January 2007 had been made on that date.

2. Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the movement in the IAS39 valuation of forward foreign exchange contracts, which cannot be predicted and the pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities.