

Premier Foods plc (“Premier”)

12 May 2009

**Interim Management Statement for the 16 weeks ending 25 April 2009**

- **Group sales excluding bulk flour up by 6%**
- **Total Group sales up 3%**
- **Hovis continuing to build market share**
- **Shared service centre now operational**
- **Synergies being delivered in line with plan**
  
- **Expectations for the full year remain unchanged**

Robert Schofield, Chief Executive, said:

*“We are pleased by the solid start that the Group has made in 2009. We have seen continued strong sales growth by our Grocery division during the first four months of the year. This was driven mainly by pricing achieved during 2008 despite sales volume growth being held back during the period by an element of destocking by some retailers.*

*“Our biggest brand, Hovis, has continued to make excellent progress following its relaunch last year and is now the clear number two in the wrapped bread market with a market share of over 25%. Further activity and innovation is planned on Hovis during the remainder of 2009. Quorn, our market-leading meat free brand, is also undergoing a brand relaunch with new advertising, innovation and packaging.*

*“Synergy delivery remains on track with the consolidation of back office operations into the new Group shared service centre at Manchester progressing well. Following the successful moves to strengthen the Group’s balance sheet, we continue to focus on increasing cash flow generation and reducing our debt whilst developing our plans for increased innovation behind our industry-leading brand portfolio.”*

## **Introduction**

Group sales in the first four months of the year were 3% ahead compared to the same period in 2008. Excluding sales of bulk flour, Group sales were up 6% in the first four months primarily due to price rises achieved during 2008.

## **Grocery**

Sales for the first four months of the year were 6% ahead of the same period in 2008. Whilst our sales volume growth in the UK has been held back by an element of destocking by some retailers, our brands overall have gained volume market share. Total branded volumes in the UK grocery market remain firm but the consumer environment continues to be competitive with an increased focus on value. Sales for the Irish business are broadly flat with currency translation benefits offsetting lower volumes.

## **Hovis**

Sales in our baking business were 6% ahead of the same period last year with strong branded sales growth partly offset by lower volumes of own label bread. Bulk flour sales have primarily been reduced by our exit from a low margin flour contract during 2008. Sales for the division as a whole were 4% lower than the same period last year.

*Hovis* market share has continued to improve following the recent brand relaunch, reaching 25.7% for the four weeks ending 18 April, compared to 22.2% for the same period last year. *Hovis* remains a high priority for further investment this year with the launch of *Hovis* rolls, which will feature advertising from the 'Go On Lad' theme, used successfully in the relaunch last year.

The previously announced sales of Le Pain Croustillant, Sofrapain SAS and Martine Spécialités SAS have now been completed.

## **Chilled**

The chilled business has started the year well, with sales 8% ahead of the same period a year ago. The chilled ready meals business is benefiting from the contract wins from last year, whilst the chilled cake business is also performing well year on year. The *Quorn* brand has a new advertising campaign – 'eat Qlever' - which is already delivering increased household penetration.

## **Business Transformation**

The new Group shared service centre in Manchester was opened in February this year with the first phase of back office processes now fully operational. The rollout of SAP has continued with the successful implementation of factory processes at the Knighton site and with the implementation of SAP in the ambient cake business scheduled for the end of May.

We remain on track to deliver the 2009 cost synergies in line with expectations.

## **Financial Position**

As previously announced, we have strengthened the capital structure of the Group by successfully raising a net £379m of new equity capital. This provides significant additional liquidity and covenant headroom. We have also extended our banking facilities and revised the Group's pension funding arrangements. Net debt is in line with our expectations.

## **Trading Outlook**

We believe that our increased focus on brand investment and new product development, combined with the delivery of synergies and efficient cash management will provide us with a platform for solid progress throughout the remainder of 2009. Our expectations for the full year remain unchanged.

## **Divisional reorganisation**

Over the last few months, we have seen a significant shift by retailers in the Republic of Ireland to source many of our products directly from the UK. To enable us to serve these customers more efficiently, we have transferred our Irish operations into the Grocery division. In addition we have transferred the Charnwood Foods frozen pizza base business from the Chilled division to the Hovis division. The former Chilled & Ireland division has been renamed the "Chilled" division and now comprises our chilled retailer branded ready meal business, chilled own label cake business and our Meat-free business. Restated segmental information reflecting these changes will be published on our website shortly.

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, sells and distributes 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.***