

Premier Foods plc (“Premier”)

10 January 2008

Trading update for the year ended 31 December 2007

Premier, the UK’s leading supplier of grocery products, is providing the following trading update for the year ended 31 December 2007.

Highlights

- Second half pro forma sales¹ up 3%
- Full year pro forma sales up 1.4%
- Bread price rises achieved to offset wheat price inflation and shelf price differentials restored in mid-December
- Transformation of the business continues apace: integration and synergies continue being delivered to plan

Pro forma sales	
Full year	
Group	+1.4%
Second half	
Group	+3%
Core Premier ²	0%
Branded	+3%
Retailer brand	-8%
Culinary Brands	+2%
Cakes	+7%
Customer Partnerships	+4%
Bread Bakeries	+6%

We expect total reported sales for continuing operations for the year to be up by approximately 165% reflecting the acquisitions of Campbell’s in August 2006 and RHM in March 2007. Pro forma sales growth over the second half of the year was approximately 3% resulting in pro forma sales growth for the year of approximately 1.4%. Christmas trading was satisfactory across the Group with the Cakes and Customer Partnerships businesses performing well, offset by a disappointing result from the core Premier business, where although branded sales grew by approximately 3% in the second half retailer branded sales declined by 8%.

As we have previously indicated, we have experienced significant cost pressures across the business this year, particularly wheat. Despite these cost pressures and reduced branded bread volumes we anticipate full year Trading Profit will still be within the range of market expectations.

Robert Schofield, Premier Foods plc CEO, said:

“After a slow first half, we have seen sales growth improve during the second half, although this has been held back by the decline in retailer branded sales in the core Premier business. We mentioned earlier in the year that we foresaw considerable raw material and packaging inflation led by wheat but also affecting dairy, fruits and vegetables in particular. Whilst these additional costs have had an impact in the second half of 2007 we have now recovered a large proportion of these cost increases through pricing and cost savings, which should provide a solid platform for the development of the business in 2008.

“We are delighted by the progress we have made in the transformation of Premier in 2007. The integration of the Campbell’s business was completed in March 2007 and the integration of the RHM Culinary Brands division was completed in October 2007. We have also made significant progress on the manufacturing rationalisation plan with the closure of two factories in 2007 and seven more planned for 2008/9.”

Premier Foods, Campbell’s and Culinary Brands

The integration of the Campbell’s and Culinary Brands businesses into the core Premier business has proceeded smoothly with the combined business under a single management structure since August. Overall, pro forma sales during the second half of the year for Premier Foods, Campbell’s and Culinary Brands combined were in line with the second half of 2006. Within this branded sales were approximately 3% ahead of 2006 and retailer branded sales were down approximately 8%.

Cakes

The Cakes business has continued to make good progress with sales for the year to 31 December 2007 approximately 7% ahead of 2006. The integration of the division into the core Premier business has now commenced with the transfer of the Cakes head office to St Albans.

Customer Partnerships

The Customer Partnerships business has seen continued strong sales growth with sales for the year to 31 December 2007 approximately 6% ahead of 2006. We completed the disposal of the loss-making RHM Frozen Foods business in the second half.

Bread Bakeries

The bread category has seen unprecedented change in 2007 with the price of milling wheat more than doubling and a brand relaunch by one of our major competitors. We recovered the increase in the cost of wheat through price increases at the start of September and end of October. We finally saw similar increases in the retail prices for all our major competitors in early December. Consequently, we experienced lower branded bread volumes whilst the material differential in on-shelf prices persisted, which led to a significant reduction in profitability. Sales value in the second half of 2007, however, was approximately 6% ahead of the same period in 2006 due to the increased prices partly offset by the reduced branded bread volumes.

Financial matters

We anticipate our underlying interest charge will be approximately £110m, comprising £106m of cash interest costs and £4m of amortisation of debt issuance costs. This charge reflects a higher average level of debt through the latter part of the year reflecting the phasing of capital expenditure and restructuring costs coupled with the effect of recent higher short-term interest rates.

We have recently concluded a debtors securitisation which, combined with asset disposals, has realised cash proceeds of approximately £100m.

Subject to the finalisation of asset impairments associated with the closure of sites as part of our integration programme, exceptional costs are expected to be in the range of £120-£130m for 2007. Full provision has been taken for all closures announced to date, although the cash costs will not be incurred until later this year. The total cash costs of the RHM and Campbell's integrations remain in line with our plans.

2008 Outlook

We expect the market to remain highly competitive in 2008 with input cost inflation continuing to be a factor. However, we believe our extensive portfolio of good value food and great brands will stand us in good stead.

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

Conference call details:

Telephone number +44 20 8322 3331

Preliminary results for the year ended 31 December 2007 are scheduled to be announced on 4 March 2008. We will host a presentation to analysts at 9am at ABN AMRO, 250 Bishopsgate, London, EC2M 4AA.

1. Pro forma sales represents sales as if all acquisitions and disposals made since 1 January 2006 had been made on that date and adjusts the Cadbury hot beverages licence which ended in May 2006. All figures are unaudited and provisional.

2. Core Premier comprises the continuing operations of Premier Foods prior to the acquisition of RHM and therefore includes the Campbell's business acquired in August 2006.

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