



21 January 2016

Premier Foods plc (the "Company" or the "Group")

Quarter 3 Trading Statement for 13 weeks ended 2 January 2016

Solid Q3 trading underpinned by strong Sweet Treats performance

- Q3 Group sales up +0.1%; Branded sales down (1.0%)
- Q3 Year to date Group sales +0.3%; Branded sales down (0.4%)
- Strong Q3 Sweet Treats sales up +6.5% reflecting successful *Cadbury* innovation programme
- Q3 Grocery sales down (2.7%); Q3 Year to date down (0.9%)
- International sales up +9.8% in Q3 at constant currency
- Simplification of capital structure through closure of £80m debtors securitisation programme
- Profit and Net debt expectations for the year unchanged

Gavin Darby, Chief Executive Officer

"Our third quarter Group sales performance was solid, particularly against the background of a broader food sector where top-line growth was negative. As expected, our Sweet Treats business performed very well, with sales up 6.5% due to a strong innovation programme, especially in *Cadbury* cake. In 2015, we sold 185 million mince pies; 8% more than last year, which supported growth in Non-branded and reflected a great performance by the team."

"While we are encouraged by the results of our innovation programme to date, Grocery sales were held back in the quarter due to an unexpectedly mild December and a decision to reduce promotional activity of *Ambrosia*. Sales in our International business continued their strong trajectory from Q2, growing by 10% in the quarter³. We have a strong innovation programme in place for the fourth quarter and our profit and Net debt expectations for the full year remain unchanged."

Group Performance

£m	2015/16	2014/15	Change
Quarter 3 Sales			
Branded	208.0	210.1	(1.0%)
Non-branded	37.0	34.7	6.4%
Total	245.0	244.8	0.1%
Quarter 3 - Year to date Sales			
Branded	514.6	516.5	(0.4%)
Non-branded	71.6	68.0	5.3%
Total	586.2	584.5	0.3%

Group sales in the third quarter were slightly ahead of the same period last year. Branded sales were (1.0%) lower reflecting milder weather in December, principally impacting Grocery, but offset by a stronger Non-branded performance due to contract gains, especially mince pies in Sweet Treats.

While the market continues to be a challenging one with food deflation persisting at 1.5%-2.0%, the Company's Gross margins were slightly ahead in the quarter. Consumer marketing was 43% higher than last year in Q3 and four brands are expected to benefit from TV advertising in the fourth quarter. Additionally, the Group was pleased with the quality of instore execution in the quarter with significantly more off shelf shipper display units deployed than the prior year. Growth in the discounters channel continued the good underlying trend seen in the second quarter, with sales up over 30% in the period.

Grocery

£m	<u>2015/16</u>	<u>2014/15</u>	<u>Change</u>
Quarter 3 Sales			
Branded	155.0	160.1	(3.1%)
Non-branded	11.8	11.3	4.2%
Total	<u>166.8</u>	<u>171.4</u>	<u>(2.7%)</u>
Quarter 3 - Year to date Sales			
Branded	381.2	385.1	(1.0%)
Non-branded	33.0	32.9	0.3%
Total	<u>414.2</u>	<u>418.0</u>	<u>(0.9%)</u>

Sales in the Grocery business were £166.8m in the quarter, (2.7%) lower than the same period last year. Branded sales were (3.1%) lower at £155.0m and Non-branded sales increased 4.2%. On a year to date basis, Grocery sales were down (0.9%) at £414.2m, with Branded sales (1.0%) lower and Non-branded up 0.3%.

While the Grocery branded portfolio benefitted from significantly improved instore execution over the Christmas period with 27% more off shelf shipper displays compared to the prior year, this was offset by the warmest December since records began⁴. Despite this, sales of both *Bisto* and *Oxo* grew in the quarter, benefitting from respective innovation programmes, with *Bisto* achieving its highest ever share in December and its premium offering 'Bisto Best' growing by over 20% supported by new television advertising. Sales of *Ambrosia* were lower in the quarter due to a decision to focus on reducing less profitable promotional activity, and sales of *Sharwood's*, *Loyd Grossman* and *Homepride* were also marginally down in the period.

International sales continued their strong trajectory seen in Q2 into the third quarter, delivering growth of 9.8% at constant currency, reflecting a strong performance in Australia and North America in the period.

Looking forward to the fourth quarter, the Grocery business will launch a number of new innovative products. As previously announced, the Company has entered into a partnership with renowned baker, Paul Hollywood, to launch a unique range of premium, artisanal home-baking products under the Paul Hollywood name. These products will be launched instore in the fourth quarter of the year.

Additionally, two new ranges will be launched under the *Ambrosia* brand. Firstly, a range of premium Deluxe custard including clotted cream, toffee and contemporary salted caramel flavours and a significant extension of the brand into the ice cream market with a range of frozen custard ice cream

A range of American inspired Sticky sauces including Texan BBQ, Hickory Smoked Maple and Smoky Cajun will be launched in an impactful modern pouch format, which will be marketed as the Homepride All American range.

Sweet Treats

£m	<u>2015/16</u>	<u>2014/15</u>	<u>Change</u>
Quarter 3 Sales			
Branded	53.0	50.0	6.0%
Non-branded	25.2	23.4	7.5%
Total	78.2	73.4	6.5%
Quarter 3 - Year to date Sales			
Branded	133.4	131.4	1.5%
Non-branded	38.6	35.1	10.0%
Total	172.0	166.5	3.3%

Sweet Treats delivered a very strong performance in the quarter, growing sales by 6.5% compared to the prior year. Within this, Branded sales increased 6.0% and Non-branded sales were up 7.5%. In the first three quarters of the year, sales increased by 3.3% in Sweet Treats, with healthy growth coming from both the Branded and Non-branded parts of the business.

Cadbury cake was instrumental in delivering strong growth in the quarter, driven by very encouraging sales of new Amaze Bites and Hot Cakes products, while *Mr. Kipling* also grew sales. *Mr. Kipling* and *Cadbury* cake also continued to grow their share of the c.£1 billion cake market on a year to date basis.

Sales of Non-branded Sweet Treats were also very good, ahead 7.5% compared to the prior year, primarily as a result of mince pie contract gains across both multiple retail and discounters channels. In 2015, the Company sold 185 million mince pies, an 8% increase on the prior year.

As previously highlighted, the Sweet Treats business unit remains on track to deliver double digit divisional contribution margins in the Full Year. This reflects improved asset utilisation through increased branded and non-branded volumes and efficiency benefits from capital projects.

In the fourth quarter, the Company is expecting to launch two exciting new ranges under the *Mr. Kipling* brand; firstly an Exceedingly Good range of delicious golden oaty snack pack cake slices aligned to 'better for you' consumer trends. Secondly, the introduction of premium cup cake products, in a variety of different pack sizes, and to capture opportunities in a higher growth segment of the market.

Financial position & Share count

The Company's financial position at 2 January 2016 and cash flow guidance for the year ending 2 April 2016 are unchanged from the release of the Company's Half Year results on 10 November 2015.

On 14 January 2015, the Company elected to withdraw from its £80m debtors securitisation programme. Following the completion of the Company's capital re-financing in April 2014, the closure of the debtors securitisation programme, which was unutilised at the Half Year, marks a further step to a simpler and more appropriate capital structure for the Company.

Issued share capital is now 826.5m, slightly up from 825.7m at the Half Year reflecting the vesting of options associated with the Company's 2012 sharesave plan.

Outlook

As previously highlighted, the Sweet Treats business remains on track to deliver double digit divisional contribution margins in FY15/16. The Company has a strong programme of innovation planned for the

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fourth quarter and profit and Net debt expectations for the full year are unchanged. The Group's sales growth targets of 1-2% for FY16/17 and the medium term are also unchanged.

~ Ends ~

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Conference call

A conference call for investors and analysts hosted by Gavin Darby, CEO and Alastair Murray, CFO, will take place on 21 January 2016 at 9.00am, details of which are outlined below. A replay of the conference call will be available on the Company's website later in the day:

www.premierfoods.co.uk/investors/results-centre

Telephone number: 0800 376 7922 (UK toll free)
+44 20 7192 8000 (standard international access)
Conference ID: 17417112

Notes to editors:

1. All financial data detailed above is unaudited and has not been subject to review by the Company's auditors.
2. All sales data relates to the 13 weeks to 2 January 2016 or 3 January 2015, the "quarter", as appropriate. Quarter 3 year to date sales data is for the 39 weeks to 2 January 2016 or 3 January 2015 as appropriate.
3. International sales growth is stated on a constant currency basis.
4. Met Office, 7 January 2016

Certain statements in this management statement 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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<http://www.premierfoods.co.uk/media/image-gallery>