

Premier Foods plc

12 November 2007

On course to meet market expectations for the full year

Premier Foods plc ("Premier") announces its Trading Update covering trading for the four months to the end of October 2007.

Highlights

- Pro forma Group sales up 3%; core Premier sales up 3%
- Challenging conditions for Bread Bakeries division remain, but further price increases achieved
- Integration synergies on track
- On course to meet market expectations for the full year 2007

Trading performance

Sales for the Group for the four months to October 2007 were significantly ahead of the same period in 2006 as a result of the acquisitions of Campbell's and RHM in August 2006 and March 2007, respectively. Pro forma sales for the Group¹ for the four months to October 2007 were approximately 3% ahead of the same period in 2006.

Sales for the core Premier business for the four months to October 2007 were ahead of the same period in 2006 by approximately 3%. Within core Premier, the Spreads and Desserts businesses saw improved branded sales growth and, although the Meat-free business also saw improved sales growth, costs are running ahead of normal levels whilst we improve the efficiency of the Methwold factory. We are pleased with the performance of the Campbell's business which moved into good growth, although we have yet to see an improvement in the core Convenience Foods business.

Sales for the Culinary Brands business for the four months to October 2007 were approximately 3% ahead of the same period in 2006, where strong summer sales have been partly offset by reduced promotional activity in September and October. This is in line with our strategy of reducing promotional activity, but increasing advertising, on these acquired brands. Sales for the Cakes business for the four months to October were approximately 3% ahead of the same period in 2006. We announced at the time of our Interim Results the exit from the Cake van sales operation, which has now been completed and will start to deliver a positive contribution in 2008. The Customer Partnerships business continued to perform well with sales increasing by approximately 3% in the four months to October 2007 compared to the same period in 2006.

Sales by the Bread Bakeries division for the four months to October 2007 were also moderately ahead of last year due to the price rises we have achieved during 2007, partly offset by reduced volumes. At the time of announcing the bread price increase in September, we cautioned that a further increase would be necessary if the cost of wheat remained high. As a result of this continuing cost pressure, it became necessary to implement a further price increase in the last week in October to mitigate the margin impact of the unprecedented increase in wheat costs seen during the summer. Whilst the retail price of our bread has risen, we have only recently started to see similar increases in the retail price of other bread brands. Consequently, we have seen lower volumes and, combined with the impact of the higher wheat prices, trading profit for the division has been significantly lower during September and October than the same period last year.

We indicated at the time of our Interim Results that we would seek to address the high level of fixed costs in the Bread Bakeries Division, as part of which we have rationalised of the Bradford bakery and Telford distribution depot, both of which were completed in October.

Integration of Acquired Businesses

The integration of the RHM businesses continues to move forward at pace and remains on track to achieve the forecast £85m of annual cost synergies. The £28m of annual cost synergies arising from the integration of Campbell's are also being delivered to plan, which combined with RHM, will deliver £17m of incremental trading profit in 2007.

With regard to the rationalisation of the manufacturing network, the closure of the King's Lynn (ex Campbell's) factory is on track for the end of 2007 and we have completed consultation with employees at the 6 manufacturing sites that we proposed would be closed as part of the RHM integration and the transfer of production has commenced. We have recently announced the closure of our preserves factory in Dublin and we have also entered into consultations with employees on a proposal to close our factory in Thurles, also in the Republic of Ireland.

In addition to the closure of the Marlow head office in June, we have completed the integration of Culinary Brands within 6 months from acquisition, with the transfer of the business onto Premier's core information systems in October 2007. We are also pleased to have completed the disposal of the RHM frozen foods business².

Trading Outlook

We are delighted by the progress we have made on the integration of RHM and expect that the integration will continue to run to plan.

We anticipate sales growth will continue to improve as we enter the important Christmas trading period. We are pleased to have achieved further bread price increases to offset higher wheat costs but we anticipate that our bread volumes will continue to be affected whilst a disparity in retail prices between the main bread brands remains.

As we stated at the time of our Interim Results, raw material and packaging inflation is a significant issue across all parts of the business. We continue to make significant progress in delivering the price increases necessary to mitigate this cost inflation.

November and December are important trading months for the Group and we anticipate that we will meet market expectations for 2007.

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

Conference call details:

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1. Pro forma sales for the Group represents the sales of the Group as if all acquisitions and disposals made since 1 January 2006 had been made on that date.

2. The RHM Frozen Foods Desserts business, which had gross assets of £2.6m, was sold to Country Style Foods Limited. The RHM Frozen Foods Pastry business, which had gross assets of £4.5m, was sold to Green Isle Foods Limited.