



31 October 2013

Premier Foods plc

Interim Management Statement for the three months ending 30 September 2013

Grocery Power Brands growth continued, good progress on strategic priorities and full year expectations unchanged

Premier Foods today reports the Company's Interim Management Statement for the three months ending 30 September 2013.

Highlights

- **Grocery Power Brands up 2.0% in Q3 and 3.3% year to date**
- **Total underlying sales down 3.2%**
- **Good progress on strategic priorities, including cost savings initiatives as outlined at Half year**
- **Full year expectations unchanged**

Gavin Darby, Chief Executive Officer said:

"Overall, I'm encouraged by the progress we are making in what continues to be a highly competitive market. The intensity of promotional activity in our markets remains high while our categories were significantly impacted by the hotter weather in July and early August.

"We continue to make good progress against our strategic priorities supporting our category based approach. We have grown our Grocery Power Brands for a further quarter, completed a major restructuring of our Bread supply chain and our plans to reduce complexity across the business remain on track.

"Against this backdrop, and as the Company enters the important Christmas trading period, expectations for the full year remain unchanged."

Introduction

Sales^{1,2} for the three months to 30 September 2013 decreased by 3.2% to £283m compared with the prior year while Grocery Power Brands sales increased by 2.0%. On a year to date basis, Branded sales were up 0.5%, primarily reflecting the continued good Grocery Power Brands performance, which were ahead 3.3%.

Support brand sales decreased by 9.8% in the quarter while lower margin, non-branded sales were down 11.4%. We expect the decline in support brand sales to be reduced in future through further focus on this part of the portfolio across all channels.

Quarter 3 Sales

£m	<u>2013 Q3</u>	<u>2012 Q3</u>	<u>Change</u>
Power Brands	197.7	196.9	0.4%
Support brands	45.6	50.4	(9.8%)
Total branded	243.2	247.4	(1.7%)
Non-branded	40.0	45.1	(11.4%)
Total sales^{1,2} (ex. Milling)	283.2	292.5	(3.2%)
<i>Grocery Power Brands</i>	125.9	123.5	2.0%

Quarter 3 Year to Date Sales

£m	<u>2013 Q3 YTD</u>	<u>2012 Q3 YTD</u>	<u>Change</u>
Power Brands	626.0	612.0	2.3%
Support brands	146.2	156.6	(6.6%)
Total branded	772.2	768.7	0.5%
Non-branded	132.2	150.6	(12.2%)
Total sales^{1,2} (ex. Milling)	904.4	919.3	(1.6%)
<i>Grocery Power Brands</i>	379.1	367.1	3.3%

Grocery

Grocery Power Brands sales increased by 2.0% in the third quarter of the year and were ahead 3.3% year to date. Total Grocery sales were down 4.0% in the quarter, as a result of lower Support Brand and Non-branded sales.

Overall the quarter started slowly as the hotter than average summer significantly impacted a number of the categories in which the Company competes, although this was less marked in desserts and cake. In particular, *Ambrosia* performed well, growing share in an expanding market, reflecting strong and effective back to school promotional campaigns and growth in the discounters channel. Sales of *Mr. Kipling* returned to growth in the period, delivering its highest share position for over two years driven by continued momentum behind the 'snackpack' format.

In stocks and gravies, sales of *Bisto* were ahead of last year partly as a result of new listings in high growth channels, although this was partly offset by softer sales of *Oxo*. Sales of *Sharwood's* and *Batchelors* were impacted by a combination of hotter weather in July and early August and competitive market conditions. *Sharwood's* is back on television with a new advertising campaign in the final quarter this year, while the new *Oxo* 'Shake & Flavour' product has just been fully launched into market supported by a major advertising campaign.

Support brands were lower in the quarter with *Homepride* sales in particular impacted by a strongly competitive promotional environment in the cooking sauces category. In line with the Company's focus on driving total category growth, we are beginning to build distribution for our support brands across all channels including the growing discounter channel. The Company has strong plans in place to deliver an improved performance for Support brands in 2014.

With branded sales now 90% of total Grocery sales, non-branded sales represent an increasingly small proportion of Grocery divisional contribution. Lower margin, non-branded sales were down in the quarter due to contract withdrawals in Desserts and powdered Beverages, a continuation of the trend seen in the first half of the year.

In line with our category based strategy, we are working on driving improved category returns across our promotional investment programmes. Although total consumer marketing expenditure is expected to be lower in overall terms this year, we continue to improve the efficiency of our marketing investment. Over the medium term, the Company remains committed to both increasing the quantum and improving the efficiency of consumer marketing to support growth in its branded portfolio.

Bread

Sales² in the Bread business (excluding Milling and a high cost to serve contract exited in April) were 1.5% behind the same period last year reflecting a slower start to the quarter as a result of the hotter July weather. However, performance improved through the quarter, supported by progressively stronger customer partnerships. In particular, we are starting to benefit from substantial increases in space and distribution across both the larger supermarket and convenience formats of major customers.

The yield and quality of the UK wheat harvest has also improved compared to last year, and reflect long-term average outputs.

This year, the Bread business has focused on a major restructuring programme, involving the closure of three bakeries, two mills and a significantly reconfigured logistics network. The Greenford bakery closed in the third quarter and production at the Barry Mill finished in October. Restructuring costs associated with this programme are unchanged and expect to be approximately £28 million in the full year.

Milling sales were up 15.1% in the quarter, largely reflecting higher pricing compared to the same period last year.

Strategic Priorities Progress

At the Half Year, the Company outlined a number of strategic priorities as part of its broader category based approach. These included a major focus on reducing complexity from which the Company identified £10 million of incremental cost savings in the second half of the year. During the quarter we made good progress in pruning the number of lower margin products (SKU's) in the Grocery business by over 270, representing a reduction of more than 15% since the beginning of the year. In addition, the Company is tracking ahead of its plan to halve the number of suppliers by the end of 2014 with 83% of total procurement expenditure now with just 250 lead suppliers.

During the period, the Company also consolidated its Grocery logistics operation through moving to a Regional Distribution Centre approach, reducing the number of hubs from three to two, with the additional benefit of improving customer service. Further opportunities are being reviewed to maximise value from the Grocery fixed cost base.

In line with our strategy to expand the customer base beyond our existing channels, and where appropriate across geographies, the Company recently signed a ten year partnership agreement with Swire Foods Holdings Ltd, to distribute Ambrosia rice pudding pots in China. This agreement, while initially focusing on Ambrosia, may extend to other Power Brands in the portfolio in due course.

Financial Position

The Company's financial position and Net debt expectations for 2013 remain unchanged, with recurring free cash flow generation in the year expected to be in the range of £50-70m.

During the quarter, the Company completed the closure of its defined benefit pension schemes to future accrual. All current and future employees are now able to participate in the Company's defined contribution pension schemes only.

Outlook

The Company is encouraged by the strategic progress it is making in what continues to be competitive market conditions. Against this market backdrop, the Company has a well planned and solid programme of activity in place for the important Christmas trading period and expectations for the full year remain unchanged.

~ Ends ~

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Conference Call

A conference call for investors and analysts will take place on 31 October 2013 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/investor-relations/results-centre/

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Notes to editors:

1. All sales data for Premier Foods is for the three months to 30 September 2013 or 30 September 2012 as appropriate.
2. Sales in 2013 and 2012 are stated excluding Milling sales, a high cost to serve Bread contract exited in April 2013 and all previously completed disposals.

Certain statements in this Interim 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.

A Premier Foods image gallery is available using the following link:

www.premierfoods.co.uk/media/image-gallery/