



23 October 2012

Premier Foods plc

## **Interim Management Statement for the three months ending 30 September 2012**

### **Third Successive Quarter of Grocery Power Brands Sales Growth**

Premier Foods today reports the Group's Interim Management Statement for the three months ending 30 September 2012.

#### **Highlights**

- **Underlying sales excluding Milling<sup>1,3</sup> up 2.0% in Q3**
- **Power Brand sales up 2.0% YTD**
- **Grocery Power Brands sales up 4.1% YTD**
- **Additional Overhead Cost Reductions of £20m to be achieved in 2013**
- **Full Year expectations remain unchanged**

Michael Clarke, Chief Executive Officer said:

*"I'm delighted that we've grown sales of our Grocery Power Brands for a third successive quarter despite the challenging consumer environment. This underlines the substantial progress we have made this year in stabilising the business and delivering against our strategic priorities. Following recent divestitures we expect to deliver a further £20 million of overhead cost reductions in 2013, over and above the £40 million of savings we will deliver in 2012.*

*"We intend to build on this progress as we continue to drive momentum behind our Grocery Power Brands particularly through capturing opportunities in the growing convenient meals and snacking segments. We are also continuing our work to unlock the value in our Bread business, through taking the necessary decisions to improve sustainable profitability. We have a solid programme in place for the important Christmas trading period and our Full Year expectations are unchanged."*

#### **Introduction**

Underlying sales for the three months to 30 September 2012 increased by 2.0% compared to the prior year with another good performance from the Company's Power Brands, continuing the momentum seen in the first half of the year.

Total branded sales increased by 0.2% to £289.0m in the third quarter, also in line with the trend seen in the first half of the year, reflecting the performance of the Power Brands, offset by lower sales of our support brands. Non-branded sales grew by 9.7% in the quarter, reflecting contract gains in Cake and pricing benefits. The Company's branded sales mix was approximately 80% in the quarter.

**Quarter 3 Sales performance<sup>1,2,3</sup>**

£m	2012 Q3	2011 Q3	Change
Power Brands	<b>206.1</b>	202.0	2.0%
Support brands	<b>82.9</b>	86.4	(4.1%)
<b>Total branded</b>	<b>289.0</b>	288.4	0.2%
Non-branded	<b>75.7</b>	69.0	9.7%
<b>Total sales (ex. Milling)</b>	<b>364.7</b>	357.4	2.0%

**Quarter 3 Year to date Sales performance<sup>1,2,3</sup>**

£m	2012 Q3 YTD	2011 Q3 YTD	Change
Power Brands	<b>625.0</b>	612.6	2.0%
Support brands	<b>257.0</b>	265.6	(3.2%)
<b>Total branded</b>	<b>882.0</b>	878.2	0.4%
Non-branded	<b>226.7</b>	214.2	5.8%
<b>Total sales (ex Milling)</b>	<b>1,108.7</b>	1,092.4	1.5%

**Grocery**

Grocery Power Brands delivered year on year sales growth of 4.1% in the nine months to 30 September, a strong performance reflecting improved customer collaboration, consumer marketing investment and new product innovation.

*Ambrosia* delivered increased sales in the quarter, driven by the new rice pots range while *Oxo* sales increased significantly reflecting improved customer collaboration. *Batchelors'* continued its strong performance into the third quarter, supported by the new Deli-Box range and the successful '*Fuelling Britain*' campaign. During the quarter, the consumer and trading environment remained challenging with continued high levels of promotional activity in the market.

The quarter was characterised by a quieter period of consumer marketing investment (during the Olympics) compared to the first half of the year. However, the final quarter will see a return to increased levels of marketing activity. This will include a particular focus on *Batchelors'* and *Bisto*, the latter to support the recent launch of *Bisto* 'Stock Melts'.

**Bread**

Sales and market share of *Hovis* bread increased during the quarter, in a category which continues to be highly competitive. Marketing investment continued, with further advertising support of the new *Hovis Farmer's Loaf*.

In both the Milling and Baking parts of the Bread business, the Company was successful in the quarter in delivering price increases across its customer base to offset wheat price inflation.

However, supply chain efficiencies were impacted by a lower quality UK wheat harvest and higher net costs to serve. In light of the recent harvest, the Company continues to review its wheat procurement strategies to ensure it maintains optimum quality across its product range, particularly for *Hovis*.

Premier Foods plc

Following a recent business review, and consistent with its approach to improving sustainable profitability in Bread, the Company will be unable to renew a Bread contract it holds with a retail customer with effect from mid 2013. This contract loss accounts for approximately £75m annual sales, has very low margins, is costly to service and will not affect 2012 performance.

As previously announced, the Company is examining a range of options to unlock the future value of the Bread business and address the challenges facing the category.

### **Cost Reduction & Restructuring Programme**

Following recent divestitures, the Company expects to deliver additional overhead cost reductions of £20m in 2013, over and above the £40 million of savings to be delivered in 2012.

### **Financial Position**

The financial position of the Company remains unchanged since the publication of the Half Year results. Disposal proceeds of around £275m are currently expected to be received during the second half of the year. This will represent a 22% reduction in Net debt from the Half Year position of £1,269.4 million.

### **Outlook**

The Company has made substantial progress in stabilising and cleaning up the business and delivering against its growth strategies. While the economic, trading and consumer environment remains challenging, the Company's full year expectations remain unchanged.

~ Ends ~

### **For further information, please contact:**

#### **Institutional investors and analysts:**

Mark Moran, Chief Financial Officer +44 (0) 1727 815 850  
Richard Godden, Head of Investor Relations +44 (0) 1727 815 850

#### **Media enquiries:**

Lisa Attenborough, Director of Communications +44 (0) 1727 815 850

#### Maitland

Tom Buchanan +44 (0) 20 7379 5151  
Brian Hudspith

### **Conference Call**

A conference call for investors and analysts will take place on 23 October 2012 at 8:30am, details of which are outlined below. A replay of the conference call will be available on the Group's website, [www.premierfoods.co.uk](http://www.premierfoods.co.uk).

Telephone number: 0808 109 0700 (UK toll free)  
+44 20 3003 2666 (Standard international access)

**Notes to editors:**

1. The results of the Group exclude results of the following disposed businesses: Meat-free, Canned grocery, Brookes Avana, Irish Brands, Vinegar & Sour Pickles and Elephant Atta Ethnic flour.
2. All sales data for Premier Foods is for the period to 30 September 2012 or 30 September 2011 as appropriate.
3. All sales are stated on an 'Underlying business' basis and exclude Milling, commercial adjustments and a non-core contract loss, as described in the Company's 2012 Half Year results.

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/](http://www.premierfoods.co.uk/media/image-gallery/)

*As Britain's largest food producer, Premier Foods is committed to being 'The Best in British Food' - delivering the taste the British love, with food that's made in Britain by people who understand British consumers. We supply a range of retail, wholesale, foodservice and other customers with some of Britain's best loved brands, including Ambrosia, Batchelors, Bisto, Hovis, Loyd Grossman, Mr. Kipling, Oxo and Sharwood's . The company employs around 10,000 people operating from over 40 sites from Plymouth to Glasgow.*