

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

**PREMIER FOODS REACHES AGREEMENT ON JOINT VENTURE TO GROW HOVIS, ENABLING
DEDICATED FOCUS ON GROCERY AND CONFIRMS 2013 RESULTS IN LINE WITH MARKET
EXPECTATIONS**

- **Bread business to become a stand-alone joint venture between The Gores Group and Premier Foods**
- **Bread business valued at enterprise value of £87.5m. Premier Foods retains a 49% stake ensuring significant participation in future value generation**
- **Transaction provides short-term cash inflow to Premier Foods of approximately £28m to be invested in Grocery business**
- **Combined £45m cash injection by the shareholders into the joint venture unlocks a £200m five year investment programme for Hovis**
- **Premier Foods Trading profit for the year ended 31 December 2013 in line with market expectations**

Premier Foods today announces it has reached a conditional agreement with The Gores Group to operate its Bread business¹ as a stand-alone joint venture which will trade under the name of Hovis Limited. The new arrangement will facilitate a significant increase in investment in the business both to improve the efficiency of its operational infrastructure and to reinvigorate the *Hovis* brand, building on its strong heritage. Premier Foods considers a joint venture to be the best way to maximise value in the Bread business through securing new investment and retaining the opportunity to share in the expected future gains from this investment as the business continues its return to profitable growth. The transaction will additionally enable the Company to strengthen its position in the ambient Grocery market through focusing its full attention and resources on continuing to grow its category leading Grocery brands.

Under the terms of the agreement, The Gores Group will pay £30m for a 51% controlling stake in the joint venture, of which £15m is deferred and contingent on future business performance. As a result, the transaction values the Bread business at an enterprise value of £87.5m, including £28.7m of working capital that will be retained by Premier Foods. Premier Foods and The Gores Group have further agreed to invest a combined £45m in the business in proportion to their respective holding in the form of loan notes, of which £32m will be provided on completion of the transaction. This investment, together with external financing and cash flow from the business, will be used to fund the joint venture's plan to invest approximately £200m in the business over the next five years to improve its operational infrastructure and reinvigorate the *Hovis* brand. It is expected that the joint venture will also be supported by a stand-alone credit facility for its ongoing working capital requirements with effect from the completion of the transaction. Under certain circumstances, Premier Foods can be called upon to provide up to £10m of this line. The third party finance will be non-recourse to the Company.

The Company therefore expects the short-term cash benefits from this transaction, excluding fees, to be approximately £28m, which it intends to invest in its core Grocery business. Specifically, it is

intended that capital expenditure in 2014 will be predominantly focused on improving capacity in the cake business including the investment of approximately £20m in a new Snack Pack cake slice line at the Company's manufacturing site in Carlton, Barnsley.

The transaction is subject to approval by Premier Foods' shareholders and obtaining relevant consent/waivers from Premier Foods' lenders and pension scheme trustees, as well as competition approval from the European Commission. The transaction is expected to complete during the second quarter of 2014.

For the year ended 31 December 2013, unaudited results of the business which will comprise the joint venture were as follows: sales of £654.6m, Divisional Contribution of £27.8m, Trading Profit of £6.3m and EBITDA of £21.9m. The gross assets of the business entering the joint venture were £240.6m as at 31 December 2013. Following the completion of the transaction, the Company will reflect the joint venture as a minority interest in its financial statements.

Commenting on the transaction, Gavin Darby, Chief Executive Officer of Premier Foods, said:

"This is exciting news for the Bread business and a great deal for Premier Foods. We can now focus our attention and resources on developing our category leading Grocery brands.

"I'm delighted that we've found a strong partner in The Gores Group who will help provide the investment necessary to develop the Bread business. This will be good for our customers, our employees and all those connected with the business. A joint venture arrangement also means we will share in the future gains from this investment as the business continues its return to profitable growth, helping us maximise value creation. Both parties are excited by the opportunities this transaction brings."

Fernando Goni, Managing Director at The Gores Group, said:

"We are excited to partner with Premier Foods to revive the *Hovis* brand and spearhead re-investment across the Bread business. We believe there is significant untapped potential in such a well-loved, household name and are confident in the abilities of the talented management team to drive value for all stakeholders. The Gores Group has a rich history of working alongside corporate partners to unlock latent value in divisions that require operational and commercial improvement and, as such, we are convinced that Hovis offers a perfect fit for our unique capabilities."

The joint venture will be led by Bob Spooner, who will become Chief Executive Officer upon completion. Bob is currently Managing Director Bread and Group Supply Chain Director for Premier Foods and was responsible for leading the first stages of the restructuring of the Bread business over the past 18 months. Bob will be a member of the Board of Directors for the joint venture which will include five additional directors: two nominated by Premier Foods, two nominated by The Gores Group and an independent Chairman to be appointed by the joint venture partners. Gavin Darby and Alastair Murray (respectively CEO and CFO of Premier Foods) will be the first Directors appointed by Premier Foods to the joint venture Board.

Transaction details

- The proposed transaction includes the transfer to the joint venture of the production, distribution, sales and marketing of *Hovis*, *Mothers Pride*, *Ormo*, *Granary* and *Nimble* brands, private label business, business-to-business sales and the flour milling business. Premier Foods will retain the *McDougall's* brand for use in retail and certain food-service sales of flour and bread mixes and will enter into a licensing arrangement with the joint venture for the use of the *Hovis* brand for similar retail and business-to-business sales of flour and bread mixes.
- With the exception of the Charnwood Foods facility in Leicester and a flour mill in Andover, the Company's entire operational bakery and milling estate, associated distribution network and assets will be transferred to the joint venture as part of the deal, including the current head office site of the Bread business in High Wycombe. All baking, milling and associated head office employees are consequently expected to transfer to the new venture following an appropriate consultation process.
- To provide a degree of certainty for the new venture, Premier Foods and The Gores Group have committed not to sell their respective shares in the joint venture for at least three years from completion of the transaction. Following this three year period, the parties have agreed customary exit provisions for a joint venture of this nature (including tag-along and drag-along provisions).
- In the unlikely event the transaction does not close due to a failure by Premier Foods to satisfy the conditions, the Company has agreed to pay The Gores Group its reasonable out of pocket costs subject to a cap in accordance with the listing rules.
- Premier Foods will enter into a long-term mutual supply agreement with the joint venture for flour.
- Premier Foods will enter into transitional services arrangements with the joint venture to provide necessary central support services for the new venture.
- Premier Foods will retain responsibility for the RHM Pension Scheme as sponsoring employer.
- Gross benefits from the transaction are subject to final working capital adjustments on completion and fees associated with the transaction.

Premier Foods intends to send a circular to shareholders during the first quarter of 2014 giving details of the proposed transaction and notice of a general meeting at which a resolution to approve the new joint venture will be proposed.

Premier Foods is being advised by Ondra Partners on this transaction.

Full Year Performance in Line with Market Expectations

Separately, the Company is pleased to confirm that Trading Profit for the year ended 31 December 2013 is expected to be in line with current market expectations, despite some challenging trading conditions during the year. Adjusted profit before tax⁴ is expected to be ahead of expectations for the year, reflecting a slightly lower net regular interest charge.

Grocery Power Brands sales increased by 2.0% in the full year, although they declined by 1.0% in the fourth quarter as a result of the tough consumer environment and high promotional activity. Together with the impact of hotter weather in July and early August, this resulted in Grocery Power Brands sales growth slowing to 0.3% in the second half of the year. Importantly, market share performances improved in Ambient Desserts, Stocks & Gravies and Cooking sauces and Accompaniments in both the final quarter and second half. Support brands sales grew by 1.0% in the fourth quarter, driven by *Angel Delight*, *Bird's*, and *McDougalls*, reflecting early benefits from the Company's category-focused growth strategy. The Bread business demonstrated improved momentum, finishing the year strongly with underlying *Hovis* sales up 5.3% in the final quarter.

Net debt is expected to be in line with expectations and represents a reduction of approximately 10% during the year. The Company is in constructive discussions with its pension trustees in relation to the 2013 actuarial valuation of the pension schemes and the associated recovery plan. As previously stated, the Board continues to review the full range of options available to the Company regarding its future capital structure.

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Conference Call

A conference call for investors and analysts will take place on 27 January 2014 at 8.15am, details of which are outlined below.

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Notes to editors:

1. The Bread business excludes the Charnwood Foods facility in Leicester and a flour mill in Andover

2. The Gores Group LLC is a global investment firm focused on acquiring controlling interests in mature and growing businesses which can benefit from the firm's operating experience and flexible capital base. The firm combines the operational expertise and detailed due diligence capabilities of a strategic buyer with the seasoned M&A team of a traditional buyer. The Gores Group, which was founded in 1987 by Alec Gores, has become a leading investor having demonstrated over time a reliable track record of creating value in its portfolio companies alongside management. Headquartered in Los Angeles, The Gores Group maintains offices in Boulder, CO, and London. For more information, please visit www.gores.com.
3. Premier Foods acquired RHM Plc in March 2007. In addition to the *Hovis* and other bread and milling businesses and brands, this acquisition included the *Mr. Kipling* and *Cadbury* cake brands, *Bisto* gravy, *Sharwood's* cooking sauces and accompaniments, *Paxo* stuffing, *Saxa* salt and *McDougall's* retail flour and cake mixes which remain part of the Company's core Grocery business.
4. Adjusted profit before tax is stated after deducting net regular interest from Trading profit
5. Divisional Contribution is Trading profit before selling, general and administrative costs.
6. Trading profit is defined as Operating profit before restructuring costs, amortisation and impairment of intangible assets, pension credits or charges in relation to the difference between expected return on pension assets and administration costs and interest costs on pension liabilities.
7. EBITDA is Trading profit excluding depreciation.
8. The business transferring to the joint venture will be accounted for as held for sale in the financial statement for the year ended 31 December 2013. The associated impairment charge will be reflected in the accounts for the year ended 31 December 2013 as an exceptional item.