



20 July 2017

Premier Foods plc (the “Company” or the “Group”)

Trading update for the 13 weeks ended 1 July 2017

- Q1 Sales down (3.1%), in line with Group’s expectations for the quarter
- Delivering market share gains in Grocery and Sweet Treats in competitive environment
- Continued outperformance compared to industry peers
- International sales up +20% in Q1; eleventh successive quarter of growth
- First new products from Nissin strategic relationship now delivered over £3m retail sales
- Expectations for progress in full year remain unchanged

Gavin Darby, Chief Executive Officer

“Our first quarter sales were lower than last year, as we expected, primarily due to lower sales volumes in the grocery categories, notably desserts. At the retail level we have continued to outperform our markets and industry peers, our international business grew 20% in the quarter, and our cost savings programmes are on track. We expect to report positive sales growth in the second quarter, broadly flat sales in the first half and our expectations to deliver progress in the full year are unchanged.”

Q1 Sales % change	Grocery	Sweet Treats	Group
Branded	(7.9%)	1.4%	(5.4%)
Non-branded	8.9%	17.8%	11.3%
Total	(5.6%)	3.8%	(3.1%)

Trading update

Sales in the first quarter were (3.1%) lower than the prior year with a good performance in Sweet Treats held back by lower sales in branded grocery. This was in line with the Group’s expectations.

The Grocery business saw encouraging market share gains in major retailers and some pricing benefit in the quarter. However, the reported sales quarter on quarter were adversely impacted by lower market volumes partly reflecting a warmer June, lower promotional effectiveness particularly in the Desserts category and a move to more normalised levels of trade investment in non-retail channels. Across the quarter, trading in April and May was encouraging while June was slower in categories such as Flavourings & Seasonings, Desserts and Cooking Sauces & Accompaniments.

At a retail sales level, the Group’s performance was more encouraging. According to research by Kantar Worldpanel, branded sales rose +2.3% in the 12 weeks to 18th June, well ahead of the majority of our competitors. While the overall outlook in the grocery market remains competitive and challenging, the Group has driven market share gains in *Bisto*, *Batchelors*, *Loyd Grossman*, *Mr Kipling* and *Cadbury* cake in the first quarter, which underpins confidence for the remainder of the year.

Accordingly, the Group anticipates stronger trends in the second quarter and is beginning to see the reversal of the reduction in multi-buy promotions which impacted its Grocery volumes in the second half of last year.

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The Group remains confident of delivering positive sales growth in quarter two and broadly flat sales for the first half, assuming normal UK temperature trends.

Batchelors delivered good progress in the quarter; after declining for three years at an average of 6%, *Batchelors* grew sales for the second consecutive quarter and regained its position as market leader in its category. This growth was due to the launch of the new convenient Super Noodles pot product in partnership with Nissin and new flavours of its Pasta n Sauce range such as Smokey Cheese and Pancetta. Additionally, and building on the early success of the Super Noodles pot, the Group has just launched a new range of *Batchelors* Pasta n Sauce in a convenient pot format encompassing four flavour variants.

In Desserts, *Angel Delight*, one of the Group's smaller and historically less invested in brands, recorded sales growth in the first quarter of the year as a result of the launch of new ready to eat *Angel Delight* pots. *Ambrosia* sales were noticeably lower as changing promotional mechanics resulted in lower than expected volumes in the quarter.

Sweet Treats continued to benefit from strong *Cadbury* cake performances, as the core range increased volumes, sales and market share. *Mr Kipling* returned to volume growth in the quarter, in part due to the introduction of a new Gluten free range and *Mr Kipling* indulgent tarts. The Group is expanding the reach of its Cake on the go range through additional outlets and the introduction of *Mr Kipling* Flapjacks.

The International business continued to make excellent progress with sales up +20% in the quarter. The business unit has now delivered growth for eleven successive quarters. *Cadbury* cake in Australia continues to grow sales, volumes and market share and was a major contributor to the International performance in the period.

Non-branded sales in the Grocery business increased 8.9% benefitting in particular from increased sales at Knighton Foods. Sweet Treats Non-branded sales grew by 17.8% reflecting new contract wins across both multiple and discount retail customers.

Nissin partnership

In addition to the initial benefits from the launch of the *Batchelors* Super Noodles pot outlined above, the Group also significantly expanded the distribution of Nissin's Soba Noodles in the quarter. This authentic noodle pot range is now listed in three major retailers and its distribution has increased exponentially following the support of the Group's commercial and category management teams.

Cost reduction & efficiency programmes

The Group's cost reduction and efficiency programmes are progressing well, and as planned. The SG&A re-sizing programme is now complete and cost reductions, which are expected to deliver savings of £10million this financial year, are flowing through. The consolidation of the Group's warehousing and distribution operations into one central location in Tamworth, Warwickshire, is progressing in line with expectations. The Tamworth site is now operational and on track to manage one third of the Group's volumes by the end of July 2017. The transition from legacy facilities to Tamworth is expected to complete by the middle of 2018.

Financial position

As previously announced, the Group concluded the issuance of £210m senior secured floating rate notes on 5 June 2017. Financing fees associated with the issuance of the floating rate notes and the extension of the Group's revolving credit facility with its bank syndicate are expected to be approximately £7m in the current financial year.

Outlook

This financial year has started in line with the Board's expectations. The Group remains confident of delivering growth in quarter two, through continued market share gains and pricing benefits and therefore expects sales to be broadly flat in the first half of the year, assuming normal UK temperature trends. The Group continues to work towards its strategic objectives and expectations for FY17/18 sales and Net debt remain unchanged with progress weighted to the second half of the year.

~ Ends ~

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Conference Call

A conference call for investors and analysts will take place on 20 July 2017 at 9.15am, details of which are outlined below. A replay of the conference call will be available on the Company's website later in the day.

<http://www.premierfoods.co.uk/investors/results-centre>

Telephone number: +44 20 7192 8000
Telephone number (UK Toll free) 0800 376 7922
Conference ID: 48550710

Notes to editors:

1. An analysis of the Group's performance in the UK ambient grocery market over the last 12 weeks can be found at <http://www.premierfoods.co.uk/investors/results-centre>
2. Sales data is for the thirteen weeks to 1 July 2017 or 2 July 2016 as appropriate.

Q1 Sales (£m)	FY17/18 Q1	FY16/17 Q1	% Change
Grocery			
Branded	102.3	111.1	(7.9%)
Non-branded	19.1	17.5	8.9%
Total	121.4	128.6	(5.6%)
Sweet Treats			
Branded	40.8	40.2	1.4%
Non-branded	7.9	6.7	17.8%
Total	48.7	46.9	3.8%
Group			
Branded	143.1	151.2	(5.4%)
Non-branded	27.0	24.3	11.3%
Total	170.1	175.5	(3.1%)

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Certain statements in this Trading Update 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:

<http://www.premierfoods.co.uk/media/image-gallery>