PREMIER FOODS PLC

INTERIM MANAGEMENT STATEMENT

27 April 2010

Brands continue to grow volumes and gain market share in a challenging environment

- **Market share growth in challenging markets**
- **Sales performance for the three months ended 31 March 2010:**
  - **Drive brands sales up 3.4%**
  - **Total branded sales value down 0.3%**
  - **Total branded volumes up 2.2%**
  - **Non-branded sales down 12.9%**
  - **Total Group sales down 5.1%**
- **Net debt expected to fall by £100m year on year in H1**
- **Full year outlook remains unchanged**

Robert Schofield, Chief Executive, said:

"We are pleased that our brands have continued to gain volume market share with volumes of our Drive brands up 6.6%. Trading conditions, however, remain challenging with promotional activity across the market continuing at elevated levels. Non-branded sales were lower primarily due to promotional activity by brands, the effect of contract exits in 2009 and flour deflation. We expect an improving trend for non-branded sales through the year as contract exits and flour deflation drop out of the comparatives and recent contract wins come into effect.

"We are progressing well on our strategic cost reduction targets of delivering procurement savings and improving manufacturing efficiency. Our cash generation is in line with our targets and net debt should fall by £100m year on year in H1. We reiterate our guidance of earlier this year that, assuming no adverse change in the consumer and trading environment, we expect the benefits of our strategy to result in further progress in 2010."

Premier Foods plc

Introduction

Branded sales by value in the first quarter were in line with the prior year while branded volumes were up 2.2%. In line with our strategic focus, our drive brands continued to grow strongly. The categories in which we operate saw total market volume growth of 0.8% and market value growth of 0.5% in Q1 2010 compared to Q1 2009. Our brands thus continued to gain volume market share.

Non-branded sales declined by 12.9% in value and 8.7% in volume. This is in line with the trends seen in the second half of 2009, with significant switching to branded products in certain categories, the effect of contract exits in H2 2009 and a significant level of deflation in flour prices in H2 2009. Across our categories, non-branded market volumes declined by 5.2% compared to Q1 2009.

Branded sales as a proportion of total sales increased to 64.6% in the first quarter, an increase of 3.1 ppts from 61.5% in Q1 2009.

Brand Analysis

	Q1 2010 Sales	**Q1 2010 v Q1 2009**	
	£	**Value %**	**Volume %**
Drive	203	3.4	6.6
Core	92	(1.1)	(0.9)
Defend	97	(6.7)	(4.1)
Total branded	**392**	**(0.3)**	**2.2**
Non branded	214	(12.9)	(8.7)
Total sales	**606**	**(5.1)**	**(4.2)**

Divisional Analysis

	Q1 2010 Sales			**Q1 2010 v Q1 2009**		
	Branded	**Non branded**	**Total**	**Branded**	**Non branded**	**Total**
	£m	**£m**	**£m**	**%**	**%**	**%**
Grocery	265	95	360	(0.4)	(7.3)	(2.3)
Bakery	89	40	129	2.7	(22.5)	(6.7)
Milling	5	33	38	(14.9)	(18.4)	(18.0)
Hovis	94	73	167	1.6	(20.7)	(9.5)
Meat free	33	0	33	(4.7)	-	(4.7)
Brookes Avana	0	46	46	-	(9.8)	(9.8)
Chilled	33	46	79	(4.7)	(9.8)	(7.6)
Total	**392**	**214**	**606**	**(0.3)**	**(12.9)**	**(5.1)**

Grocery

Grocery Drive brands grew sales value by 5.0% with strong performances from *Hartley's* and *Sharwoods.* Grocery's Core and Defend brand sales declined by 1.1% and 5.0% respectively. Amongst the Core brands, *Oxo* and *Bisto* recorded lower sales as a result of reduced promotional activity compared to the prior year. Defend brand sales were particularly affected by lower sales to foodservice customers due to disruption caused by the snow and lower sales of retail flour. Total Branded sales value declined by 0.4% in the quarter. The level of promotional activity across the market has remained at elevated levels, similar to that seen in the latter part of last year.

Non–branded sales fell by 7.3%, similar to the decline seen in the final quarter of 2009. This reflects the full year on year impact of exiting retailer brand contracts and a decline in the market share of retailer branded products due to a high level of promotional spend by branded competitors in canned foods. We expect to see an improving trend through the rest of the year as we lap contract exits in 2009 while benefiting from recent contract gains.

The total cost of restructuring in H1 2010 in the Grocery division is expected to be around £6m, primarily due to the previously announced restructuring of our business in Ireland.

Hovis

The *Hovis* brand continues its progress with year on year sales value growth of 4.7% and volume growth of 8.5% supported by conversion of the entire *Hovis* range to 100% British Wheat. *Hovis* value market share in the quarter at 25.6% was 0.5 ppts higher than the same period last year. Total branded sales increased by 1.6% in the quarter with *Hovis* brand gains partly offset by declines in smaller Defend brands. As anticipated, we have recently seen an increase in competitor promotional activity which we expect will result in lower market share in Q2. However, we believe our marketing and promotional initiatives will return *Hovis* to share growth in H2.

We have recently launched our new 'Hearty Oats' loaf which is our first loaf to contain 50% oats and is approved by HEART UK, The Cholesterol Charity.

Non-branded sales declined 20.7% in the quarter, reflecting continued decline in the retailer brand bread category, bulk flour deflation in H2 2009 and the impact of exiting low margin contracts in 2009. We expect this decline to slow in the second half of the year as we lap the contract exits in 2009 and the reduction in wheat prices. In total, bread volumes are down 5.9%.

We expect to incur restructuring costs in Hovis in H1 2010 of £4m, primarily in relation to the closure of our Martland Mill distribution depot and a rolls line at our Wigan bakery.

Chilled

Branded sales were 4.7% lower in the first quarter following the heavyweight *Quorn* campaign during the same period last year and our reduction in promotional activity from Q4 of last year. The restructuring of the *Quorn* supply chain continues and the anticipated cost savings are being delivered to plan. We expect to incur costs of £1m on restructuring the supply chain in H1 2010.

The Brookes Avana business experienced a year on year decline in sales in the quarter of 9.8% reflecting a tough competitive environment and the exit from a number of product lines in Q2 2009. We expect sales to improve from Q2 as we lap the contract exits in 2009 and following recent contract wins which will take effect from the start of H2 2010.

Financial Position

We expect net debt at the half year will be around £1,375m, approximately £100m lower than at the end of the first half of 2009. Our financial position is broadly unchanged since 31 December 2009 aside from normal seasonal trading cash flows.

Outlook

We remain cautious about the consumer and trading environment for 2010. Assuming no adverse change in that environment, we expect the benefits of our strategy to result in further progress in 2010.

As previously announced, the current pension service cost will be approximately £10m higher in 2010 compared to 2009. We expect the full year restructuring charge will be between £10m and £15m as previously indicated, and in line with last year. Of this, we expect to incur a total of £11m on restructuring in H1 2010 compared with £7.7m in H1 2009. Additionally, we expect to invest a further £6m on consumer and in-store marketing in H1 2010 compared to H1 2009. We anticipate that the combination of these factors will more than offset underlying year on year trading profit growth in H1 2010 but that H2 will benefit from the reversal of these phasing differences.

Conference Call

A conference call for analysts and investors will be held today at 8:00am.

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1. Source: IRI Infoscan, Total Grocery Outlets, 12 weeks ending 20 March 2010
2. Trading profit is defined as operating profit before exceptional items (but after charging restructuring costs), amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.
3. All sales data for Premier Foods is for the 3 months to 31 March 2010 or 31 March 2009 as appropriate.

A restatement reflecting the revised definition of Trading profit, as communicated in the preliminary results released on 15 February 2010 for H1 and H2 2009, will be released shortly.

Please note that our next scheduled communications on trading performance will be our Results for the Half Year, which are due to be released on 4 August 2010. The Results for the Half Year will be for the 6 months to 30 June 2010 and will therefore have 3 additional days compared to the Half Year results for 2009, which were for the period from 1 January 2009 to 27 June 2009. This change is to eliminate the inconsistency in period lengths that otherwise occurs in reporting to the last Saturday in June of each year.

Notes for editors

Premier Foods is the UK's largest food producer, which manufactures, sells and distributes a wide range of branded and retailer branded foods. We supply a broad range of customers including the major multiple retailers, wholesalers, foodservice providers and other food manufacturers. Premier owns iconic British brands such as Hovis, Mr Kipling, Batchelor's, Quorn, Bisto, Ambrosia, Sharwood's, Branston, Oxo, Hartley's and many more. The business employs around 16,000 people and operates from over 60 sites across the UK and Ireland.

For high resolution images, please go to
www.premierfoods.co.uk/media/image-gallery/