

PREMIER FOODS PLC

INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011

7 OCTOBER 2011

Premier Foods today reports trading results for the three months ending 30 September 2011.

- Group results for Q3 significantly below our expectations
 - Group total sales of £477m down 3.6%
 - Value market share in Q3 declined by 1.9%
- Full Year trading profit expected to be below market expectations
- Constructive dialogue with banks on refinancing
- New CEO outlines initial steps to restore profitable growth

Michael Clarke, Chief Executive Officer, comments:

"I've covered a lot of ground during my first weeks with Premier Foods and am convinced that there are substantial opportunities here but there are also significant challenges that we have to overcome. We have brands that consumers like and talented, passionate people who are determined to turn the business around.

"While the current trading performance continues to be disappointing and significantly behind our expectations, we have already identified a number of steps to build a more profitable business. These include focusing on 8 'Power Brands', strengthening our sales and marketing execution and reducing our cost structure.

"Our immediate priority is to conclude discussions with the banks to revise our banking covenants and put in place refinancing facilities. This process is well underway and we are hoping to reach a successful conclusion in due course.

"I will share further details about our key priorities at our Full Year results presentation, early in 2012."

New CEO Key Priorities

We have established five key priorities for the business in the short-term:

1. Agree re-financing plan.

We are in constructive dialogue with the banks both to maintain appropriate headroom against our banking covenants and put in place refinancing facilities beyond their current maturity of December 2013.

2. Invest behind 8 'Power Brands'.

We have identified 8 'Power Brands' that we feel have the best growth prospects going forward. These are *Ambrosia, Batchelor's, Bisto, Hovis, Loyd Grossman, Mr.Kipling, Oxo and Sharwood's.* By focusing our resources behind these brands, we will drive the future growth of the Group.

3. Improve sales and marketing execution.

We will move away from concentrating too much on short-term tactical trading activities. We will work more collaboratively with our customer partners to deliver category growth through greater and more focused product innovation, improved in-store marketing, promotional planning and other brand-building initiatives.

4. Reduce the size of our portfolio.

To enable us to focus our resources on our 8 Power Brands, we will actively seek to dispose of businesses. This will also allow us to deleverage.

5. Right-size and reduce our cost base.

As a consequence of reducing the scope of our business, we will significantly exceed the £20m cost saving target by 2013 that we announced at the Half Year.

Further details about future plans will be shared in early 2012 at our Full Year results presentation.

Q3 Trading Update

Our performance in Q3 has been significantly below expectations. While market trends have improved, we have under-performed versus the market. Our volumes have yet to fully recover from the slower than expected re-building of in-store presence following a customer dispute earlier in the year. Additionally, the Q3 promotional programme has not delivered the results expected, reflecting an intensely competitive consumer environment. In the three months to 30 September 2011, Group sales were £477m, down 3.6% on the prior year. Volumes were down 8.0% in the quarter with price and mix contributing 4.4%. This represents a loss of market share of around 1.9pp in value and 2.1pp in volume. Premier Foods' non-branded sales were up 1.2%, whereas branded sales were down 6.0% reflecting a market shift towards non-branded products.

Grocery

While market volumes have improved compared to the trends seen earlier in the year, Grocery sales were down 5.0% in the quarter and, within this, branded sales were down 6.0%. The benefits of pricing earlier in the year were absorbed by higher promotional costs and adverse mix effects. Additional promotional activity failed to deliver the volume momentum anticipated and branded volumes declined by 6.6% in the quarter. Volume share also fell by 2.3pp in the period reflecting the continued loss of momentum from our first half pricing negotiations and consequent customer dispute.

Hovis

The bread market declined by 1.8% in volume terms in the period but, in value terms, the market is improving versus the steep first half decline. Bakery sales were, however, down 7.6% in the period, with Hovis down 6.2% driven by intense competition. Hovis volumes declined 13.5% and margins suffered as a result of higher promotional activity, industry-wide pricing pressure and customer mix. Sales in Milling increased 27.2% on the same period last year, largely due to inflationary effects as volumes declined 4.3% year on year.

Brookes Avana

In the quarter, Brookes Avana sales declined 13.2% compared to the prior year. As previously announced, the company lost a significant pie contract at the RF Brookes site in Leicester. Although we have seen some new business wins since this time, these gains have been smaller contracts at lower margins.

Financial Position

We remain cash generative and continue to invest in our operations. As a result of the Q3 trading performance, we now expect net debt at the year end to be higher than current market expectations. However, we need to ensure that appropriate banking covenant headroom is maintained. We are, therefore, in discussions with the banks to reset banking covenants to maintain appropriate headroom and also put in place facilities beyond their current maturity of December 2013. The discussions are constructive and we believe an appropriate agreement can be concluded.

Outlook

The continued trend in performance in Q3 shows that the consumer environment remains challenging. In Grocery, the Q3 performance will mean that we will now not meet last year's profit in the second half as previously expected. The loss of volume and margin pressure in Hovis is likely to mean that the rate of profit decline year on year will accelerate in the second half. Brookes Avana's trading is not improving as previously expected and the loss in the second half is likely to be similar to that in the first half. Q4, in which the Group traditionally makes half of its annual profit, will continue to be influential in determining the year end outturn. Nevertheless, based on Q3 trading performance, we now expect that Full Year trading profit will be below the range of market expectations* with the extent of the shortfall dependent on the Christmas trading period.

Quarter 3 Brand Analysis (On-going business)

	Q3 2011 Sales		Q3 2011 v Q3 2010		
	£	Value %	Volume %	Market Volume %	
Drive	171	(6.7)	(11.1)	(0.7)	
Core	68	(7.5)	(2.3)	0.7	
Defend	72	(2.7)	(11. 5)	1.9	
Total branded	311	(6.0)	(10.4)	(0.1)	
Non-branded	166	`1.2 [´]	(6.0)	3.9	
Total Sales	477	(3.6)	(8.0)	(0.1)	

Quarter 3 Divisional Analysis

	Q3 2011 Sales			Q3 2011 v Q3 2010			
	Branded	Non- branded	Total	Branded	Non- branded	Total	
	£m	£m	£m	%	%	%	
Grocery	216	48	264	(6.0)	0.2	(5.0)	
Bakery	88	29	117	(7.3)	(8.7)	(7.6)	
Milling	7	48	55	13.3	29.4	27.2	
Hovis	95	77	172	(6.2)	11.9	1.2	
Brookes Avana	0	41	41	0	(13.2)	(13.2)	
Total On-going	311	166	477	(6.0)	1.2	(3.6)	
Canning	6	11	17	(82.0)	(75.6)	(78.4)	
Meat-free	0	0	0	0	0	0	
Total	317	177	494	(20.2)	(15.3)	(18.5)	

YTD Brand Analysis (On-going business)

	Q3 YTD 2011 Sales £	Q3 YTD 2011 v 2010			
		Value %	Volume %	Market Volume %	
Drive	525	(2.5)	(7.1)	(3.1)	
Core	209	(7.3)	(7.1)	(1.7)	
Defend	209	(4.8)	(9.8)	(1.8)	
Total branded	943	(4.1)	(7.8)	(2.7)	
Non-branded	508	2.9	(4.4)	(1.5)	
Total Sales	1,451	(1.8)	(6.0)	(2.7)	

YTD Divisional Analysis

	Q3 YTD 2011 Sales			Q3 YTD 2011 v 2010		
	Branded	Non branded	Total	Branded	Non branded	Total
	£m	£m	£m	%	%	%
Grocery	645	139	784	(6.3)	(4.1)	(6.0)
Bakery	278	97	375	0.1	(8.9)	(2.4)
Milling	19	139	158	14.8	30.6	28. 5
Hovis	297	236	533	1.0	10.9	5.1
Brookes Avana	1	133	134	-	(2.1)	(2.1)
Total On-going	943	508	1,451	(4.1)	2.9	(1.8)
Canning	67	104	171	(36.3)	(23.9)	(29.3)
Meat-free	21	0	21	(78.2)	(77.7)	(78.2)
Total	1,031	612	1,643	(13.1)	(2.9)	(9.6)

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Conference Call

A conference call for analysts and investors will be held today at 9:00am.

Telephone number: +44 20 3003 2666 Password: Premier Foods

- 1. Source: Symphony IRI Group, Total Grocery Outlets, 12 weeks ending 3 September 2011.
- 2. All sales data for Premier Foods is for the 3 months to 30 September 2011 or 30 September 2010 as appropriate. All data excludes Meat-free and Canning unless otherwise indicated.

^{*}The current range of market expectations for 2011 Full Year trading profit on an on-going business basis, compiled by the company from 10 analysts is from £214m to £232m.

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 Foods owns iconic British brands such as Ambrosia, Batchelor's, Bisto, Hovis, Loyd Grossman, Mr.Kipling, Oxo and Sharwood's and many more. The business employs around 13,000 people and operates from over 50 sites across the UK and Ireland.

For high resolution images, please go to:

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