



23 October 2014

Premier Foods plc (the "Company")

## Interim Management Statement for the three months ended 30 September 2014

Premier Foods today reports the Company's Interim Management Statement for the three months ended 30 September 2014.

- **Increasingly demanding market conditions result in branded sales reduction of 4.1% in Q3**
- **New organisational structure in place to improve agility, focus and accountability**
- **Trading profit expectations for 12 months to December 2014 towards lower end of market expectations**
- **Mr. Kipling relaunch delivering encouraging share gains**
- **Exciting range of new product launches now in market**

Gavin Darby, Chief Executive Officer of Premier Foods said:

*"Market conditions in the third quarter have proved to be increasingly demanding with unprecedented structural changes across the industry gathering pace. In response to this changing environment, we have put in place a new business unit structure with new leaders to reinforce our category based strategy and improve our agility, focus and accountability. We expect Trading profit for 2014 to be towards the lower end of market expectations.*

*"The initial response to the relaunch of our biggest brand, Mr. Kipling, has been encouraging and we are implementing a strong programme of new product introductions and consumer marketing in the fourth quarter of the year to coincide with the important Christmas trading period. We continue to invest in our brands and strengthen our customer partnerships, while retaining a tight focus on managing costs, the delivery of Trading profit and organic deleveraging. I believe this balanced approach is central to creating value."*

### Quarter 3 Sales

<b>£m</b>	<b><u>2014 Q3</u></b>	<b><u>2013 Q3</u></b>	<b><u>Change</u></b>
Power Brands	<b>119.5</b>	125.9	(5.1%)
Support brands	<b>40.4</b>	40.8	(0.9%)
<b>Total branded</b>	<b>159.9</b>	166.7	(4.1%)
Non-branded	<b>17.1</b>	19.0	(10.3%)
<b>Total sales<sup>1</sup></b>	<b>177.0</b>	185.7	(4.7%)

**Quarter 3 Year to Date Sales**

<b>£m</b>	<b><u>2014 Q3 YTD</u></b>	<b><u>2013 Q3 YTD</u></b>	<b><u>Change</u></b>
Power Brands	<b>360.3</b>	379.1	(5.0%)
Support brands	<b>123.0</b>	131.9	(6.7%)
<b>Total branded</b>	<b>483.3</b>	511.0	(5.4%)
Non-branded	<b>50.0</b>	53.8	(7.1%)
<b>Total sales<sup>1</sup></b>	<b>533.3</b>	564.8	(5.6%)

**Commercial review**

The Company's underlying sales declined by 4.7% in the third quarter of the year, with branded sales 4.1% lower. Power Brands sales decreased by 5.1% although they displayed an improving trend towards the end of the quarter. Support brands included good performances from *Homepride* and *Cadbury* cake.

The Company's branded sales mix increased by 60bps to 90.4% in the quarter, while gross margins remain solid; reflecting this beneficial branded mix effect and benign input costs. In line with trends seen in the first half of the year, the Company continues to move away from certain loss-making promotions. Average realised pricing remained stable and return on investment from promotional activity remained higher than the prior year.

The grocery market in the UK continues to experience unprecedented structural change driven by shifts in shopper behaviour from traditional large retail supermarkets to other channels such as value discounter stores, online and convenience. As a consequence, the larger supermarkets have lost share to these other formats over recent months, which has adversely affected the Company's volume and sales performance. Additionally, price inflation across the wider grocery market has fallen for the eleventh successive month and is expected to soften further. The Company has launched product offerings tailored to these high growth channels to capture some of the growth opportunities.

During the quarter, *Mr. Kipling* benefited from a major brand relaunch, including an extensive advertising campaign, new packaging re-design, instore shopper marketing initiatives and targeted social media activities. As a result, sales of *Mr. Kipling* grew in the quarter and were accompanied by market share gains following the relaunch. *Ambrosia* continued to build steadily on its strong market position in the UK, gaining share in the quarter.

The cooking sauces and accompaniments category continues to be highly competitive, holding back sales of *Sharwood's* and *Loyd Grossman*. *Homepride* has enjoyed good sales uplifts following its first television advertising campaign for ten years, featuring the iconic 'Fred' character which supported the launch of its new cooking sauces range. Lower margin non-branded sales were down 10.3% in the quarter due to the exit of some low margin contracts in cake and desserts.

As part of the Company's focus on capturing growth opportunities in strategic markets, *Ambrosia* mini pots were launched instore in Shanghai, China during the period. The newly formed International strategic business unit will receive additional investment over the medium-term to target certain geographies where the Company considers there to be business development opportunities.

In line with the Company's plans, key new product developments including *Bisto* Simply Casserole pastes, *Bisto* gravy pastes, *Oxo* Herbs & More, new *Homepride* cooking sauces and *Batchelors* Deli-Box Cous Cous were all launched towards the end of the quarter. *Bisto* Simply Casserole pastes and *Oxo* Herbs & More will benefit from television advertising campaigns in the fourth quarter, reflecting the Company's category based strategy of investing behind its brands and accelerating its rate of innovation. As previously announced, the Company's consumer marketing investment in 2014 will be more weighted to the second

half of the calendar year. In the fourth quarter, the Company will nearly double its consumer marketing investment compared to the same period last year, with *Bisto*, *Oxo*, *Homepride* and *Mr. Kipling* all benefiting from TV advertising.

### **Organisational structure and cost base**

During the quarter the Company announced a change to its organisational structure, creating three new distinct strategic business units (SBUs); Grocery, Sweet Treats and International. Each SBU will focus on specific growth opportunities and on improving the Company's agility, accountability and rate of innovation. They are headed up by experienced leaders who bring a wealth of relevant sector knowledge and strong track records.

Reducing business complexity over the last 18 months has proved to be a successful programme and the number of suppliers the Company now works with is 52% lower than the start of 2013 at just 1,350. The Company's SAP implementation programme is drawing to a close, with the final manufacturing site due to go live in the fourth quarter of the year. As previously disclosed the Company continues to work on a number of capital projects at its manufacturing sites which are expected to deliver some attractive paybacks and in turn support future consumer marketing investment. The new snack pack cake slices line at the Company's site in Barnsley, which is expected to provide significantly increased capacity and more diverse packaging formats to extend distribution into convenience and impulse channels, is progressing in line with plan.

### **Financial position**

The Company's financial position and expectations for Net debt are unchanged since the announcement of the 2014 Half Year results on 22 July 2014, aside from the update provided on Trading profit expectations for the 12 months to 31 December 2014. The Company retains its medium-term leverage target of 2.5x Net debt/EBITDA.

### **Financial year end**

As previously announced, the financial statements for the current financial year will be prepared for the 15 months ended 4 April 2015. The Company will issue a Quarter 4 Interim Management Statement in early 2015 which will include certain headline financial results for the 12 months to 31 December 2014, however it should be noted this will not include full audited financial statements.

### **Outlook**

The Company is implementing a new organisational structure, which will improve our agility, focus and accountability against the backdrop of unprecedented structural changes in the industry which have proved to be increasingly demanding during the quarter. As we approach the important Christmas trading period, we expect to benefit from new product developments supported by major advertising campaigns.

Given the current market conditions, the Company now expects Trading profit for the twelve months to 31 December 2014 to be towards the lower end of market expectations. The Company remains committed to its category based strategy of delivering sales growth in the medium term as market conditions stabilise. It expects to achieve this through product innovation and brand marketing, while retaining a tight focus on managing costs, the delivery of Trading profit and organic deleveraging. The Company believes this balanced approach is central to creating future value.

~ Ends ~

Premier Foods plc

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**Conference Call**

A conference call for investors and analysts will take place on 23 October 2014 at 9.30am, details of which are outlined below. A replay of the conference call will be available on the Company's website later in the day. [www.premierfoods.co.uk/investor-relations/results-centre/](http://www.premierfoods.co.uk/investor-relations/results-centre/)

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**Notes to editors:**

1. All sales data for Premier Foods is for the three months to 30 September 2014 or 30 September 2013 as appropriate. Quarter 3 year to date sales data is for the nine months to 30 September 2014 or 30 September 2013 as appropriate.
2. Sales for the three months to 30 September 2014 (30 September 2013) and for the nine months to 30 September 2014 (30 September 2013) are stated following completion of the Knighton Foods joint venture.

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