Premier Foods Plc ("the Group")

Premier Foods announces update on growth plan, increased cost reduction target and 2011 trading

17 January 2012

Premier Foods today announces further progress on delivering its plan to restore profitable growth in line with the five priorities that it set out on 7 October last year:

- Investing behind eight Power Brands
- Divesting selected businesses to sharpen focus
- Strengthening capabilities, especially sales and marketing
- Right-sizing and reducing the company's cost base
- Agreeing a re-financing package with the banks

The company continues to gain momentum against each of these priorities.

Under the direction of the new leadership team, detailed plans have been put in place to focus investment behind growing the eight Power Brands of *Hovis, Ambrosia, Mr. Kipling, Sharwood's, Loyd Grossman, Bisto, Oxo* and *Batchelors*. The Group is planning to double marketing spend behind these brands in 2012 and six of the Power Brands will be back on TV with advertising in the first quarter, spearheading a full programme of new product innovation, promotions and marketing throughout the year.

To support the new focus on Power Brands, the Group has accelerated the divestiture of non-core businesses, completing the sale of its Brookes Avana chilled food business and announcing the agreement to sell its four Irish grocery brands in recent weeks. Further selected businesses are expected to be divested in 2012 increasing the company's focus on its Power Brands and additionally helping deleverage the business.

As the size of the portfolio is reduced, the cost base of the company will be adjusted to reduce complexity and reflect the smaller size of the business. In October, the Group stated that it would significantly exceed the £20 million cost savings by 2013 that it announced at the 2011 Half Year. The Group now expects to more than double the original £20 million cost reduction target to over £40 million by 2013 by creating a stronger and more efficient business that will help release funds to invest behind driving its recovery and growth plans. To achieve this target, every aspect of the company's costs is being reviewed and it is expected that a series of cost saving programmes will be initiated throughout the year that will result in reductions in the workforce, mainly from overhead functions. These reductions, which will be subject to appropriate consultations, are expected to amount to approximately 5% of the company's current workforce of around 12,000 employees.

The Group also confirms that the key Christmas trading period has been in line with its expectations and that, accordingly, management expects the overall Group financial results for 2011, both reported and underlying, to be at the lower end of current market expectations.

Discussions with the company's banks over a re-financing package continue to make progress and it is anticipated that an appropriate agreement will be reached soon.

Commenting on progress, Michael Clarke, Chief Executive Officer, said:

"We continue to deliver on our plans to stabilise the business and invest in our recovery and future growth.

While decisions to reduce the workforce are always difficult, I'm convinced we are taking the right steps in the long term interests of the business, employees and our stakeholders."

A full presentation of the 2011 Full Year results and the company's Business Plan, including information on cost saving programmes, is planned to be provided to the market prior to the end of March.

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