23 January 2015

Premier Foods plc (the "Company")

Quarter 4 Management Statement

Improving sales trend through key trading period

Premier Foods today presents a management statement for the quarter to 31 December 2014 and summary results for the twelve months to 31 December 2014. As previously advised, the Company is changing its year-end to early April, so the next audited financial statements will be prepared to the fifteen months ended 4 April 2015. All disclosures in this statement are unaudited and the term 'year' refers to the twelve months to 31 December 2014.

- **Power Brands sales down (3.5%) in quarter 4, with improving trend in December**
- **Highest quarterly market share for three years; highest December market share for four years**
- **Positive results from areas where we are investing**
- **Mr. Kipling delivered increased sales and share gains, with accelerating December trend**
- **Trading profit for the year of £131.0m, in line with expectations**
- **Adjusted PBT for the year of £77.1m and adjusted earnings per share of 8.6p**
- **Net debt at 31 December 2014 of £567.6m, in line with expectations**

Gavin Darby, Chief Executive Officer of Premier Foods said:

"I am pleased with the improved branded sales trends in the fourth Quarter, and particularly our key December trading period, in what continue to be challenging market conditions. The trend in branded sales improved for the second consecutive quarter, our market share in December was the highest it's been for the last four years and we are encouraged by positive results from areas of the business in which we invested. Mr. Kipling delivered a particularly strong performance following its re-launch in the second half of 2014.

Over the year as a whole, we achieved a great deal to set the Company up for future growth. This included a major capital restructuring to diversify and secure our sources of funding, a new organisation structure to improve our focus and agility and a further reduction in cost and complexity to help fund our investment in marketing, new products and organisational capabilities. We also delivered trading profit and net debt for the year in line with current market expectations.

While the grocery market continues to evolve, we enter 2015 in a stronger position. We will continue to invest behind our innovation, marketing and category based strategies and work closely with our customers to deliver category growth. We are very encouraged by the quality and depth of these relationships. At the same time the business will retain a tight focus on costs, trading profit and organic de-leveraging, with Net debt expected to reduce significantly in 2015. We believe this balanced approach is central to the creation of future value."

Quarter 4 Sales

£m	2014 Q4	2013 Q4	Change
Power Brands	**158.6**	164.4	(3.5%)
Support brands	**61.0**	63.0	(3.2%)
Total branded	**219.6**	227.4	(3.4%)
Non-branded	**35.6**	40.1	(11.5%)
Total sales[2]	**255.2**	267.5	(4.6%)

Quarter 4 Year to Date Sales

£m	2014 Q4 YTD	2013 Q4 YTD	Change
Power Brands	**519.0**	543.5	(4.5%)
Support brands	**184.0**	194.9	(5.6%)
Total branded	**703.0**	738.4	(4.8%)
Non-branded	**85.5**	94.0	(9.0%)
Total sales[2]	**788.5**	832.4	(5.3%)

Category review

The Company's underlying sales declined by (4.6%) in the fourth quarter of the year, with Power Brand sales down (3.5%) and Branded sales (3.4%) lower. Non-branded sales declined (11.5%).

The sales performances for both Power Brand and the total branded portfolio in the Company's important fourth quarter displayed an improving trend when compared to the second and third quarters of the year, notwithstanding the impact of milder weather in October and November. The trend for Power Brands improved further still in December, with sales down (2.3%) in the month. Additionally the Company's market share in its categories was the highest recorded for four years in the month of December, while the proportion of the Company's sales from its brands increased from 88.7% in 2013 to 89.2% for the twelve months ended 31 December 2014.

Mr. Kipling was the stand-out performer in the fourth quarter, growing share, sales and volumes reflecting the benefits of its major re-launch in the second half of year in addition to a strong performance from its seasonal range and improved in-store execution. This, the Company's largest brand, reached its highest share position for over a year, delivered a retail sales increase year on year of 28% in December and sold more cakes in the run up to Christmas than at any other time in the previous two years[4]. *Mr. Kipling* will also benefit from further television advertising in the coming quarter while the new Snack Pack line, which will more than double current capacity and significantly increase the number of formats, is well on track.

The Company's second largest brand, *Bisto*, delivered encouraging share gains throughout 2014, supported by launches of new products *Bisto Simply Casserole* and *Bisto Gravy Pastes* and associated advertising campaigns. In cooking sauces, sales of *Loyd Grossman* increased in the year due to improvements in its promotional strategy and supported by new products such as lasagne pouch sauces. While *Sharwood's* has experienced a difficult year, we have exciting new products which will shortly be launched into market and will have a new television advertising campaign to support Chinese New Year. Sales of *Batchelors* were slower in the quarter with the brand being adversely affected by October and November's milder weather.

In support brands, *Homepride* cooking sauces delivered increased volumes and held share in the fourth quarter, arresting a long period of decline and demonstrating the benefits of its new contemporary product range and television advertising in the second half of the year. *Cadbury* cake increased sales by nearly 5%

and grew share in the quarter following a good performance at Halloween. Non-branded sales were (9.0%) lower in the year as a result of the exit of lower margin cake and desserts contracts.

Overall, we are encouraged that in areas where we have targeted brand investment, we are seeing a return through a positive impact on sales, volumes and/or market share.

In International, good performances were recorded in Ireland and USA although these were offset by adverse currency movements. The Company will be doubling its investment in its International business unit over the next twelve months to help drive growth in particular geographies.

Market trends

In the wider UK food market, food price deflation materialised in the fourth quarter for the first time in over ten years. This reflects increased price competition across the grocery landscape and a benign input cost environment. We continue to adapt our business to reflect the impact of changes in shopper behaviour and the impact on the UK retail environment. These trends include increased sales in the discounter channel, increasing online volumes, and a trend towards shopping in smaller convenience outlets. The Company's strategy is to invest in long-term customer partnerships where it seeks to both understand and support individual customers' business strategies. In many cases, such as a focus on category management and the drive to reduce SKUs (product codes), a strong degree of alignment already exists. During the year we have increased our UK customer facing resource by 14% and we are encouraged by the quality and depth of our customer relationships; an assessment which is supported both by external data and the good progress being made on joint business plans with major customers.

In the discounter channel, the Company will pursue appropriate opportunities while continuing to take a disciplined approach to this area and return on investment will be assessed rigorously when deploying resources such as product development and capital. To capture opportunities online, the Company is developing customised joint business plans, identifying the right cross-selling opportunities and recruiting additional resources to deliver on the opportunities this channel presents. In Convenience, the Company considers that its category leadership positions, together with its portfolio offerings for the 'On the Go' and 'Meal for Tonight' consumer trends mean it is well positioned to participate in this growth area.

Trading profit and Adjusted earnings per share

£m	**31 Dec 2014**	31 Dec 2013	Change
Underlying Trading profit[5]	**131.0**	139.5	(6.1%)
Net regular interest[7]	**(53.9)**	(58.4)	7.7%
Adjusted profit before tax[7]	**77.1**	81.1	(4.9%)
Less: notional tax (21.5%/23.25%)	**(16.6)**	(18.9)	12.2%
Adjusted profit after tax	**60.5**	62.2	(2.7%)
Average shares in issue	**707.1**	366.1	-
Adjusted earnings per share[7] **(pence)**	**8.6p**	17.0p	-

Gross margins were solid in the year, reflecting the beneficial branded mix effect and benign input costs. We have continued to manage promotional spend carefully to ensure that appropriate returns are delivered. Of particular benefit during the year was the improvement in capacity utilisation across the supply chain following the completion of the Knighton Foods joint venture in June 2014. Additionally, the Company continues to reduce complexity to optimise its cost base following previous disposals and has invested in systems and equipment to drive manufacturing efficiency. Over the last two years, we have reduced the number of SKUs (product codes) by 43% and more than halved the number of suppliers. Our supplier programme has, in particular, enabled us to develop more strategic, and mutually beneficial, partnerships focused on growth, including with many small and medium sized businesses. We plan to continue strengthening our supplier relationships based on mutual respect.

Following the re-organisation structure announced in September 2014, in addition to its upweighted investment in the International business, the Company will also be significantly increasing its marketing and innovation resources across the Grocery and Sweet Treats businesses. In the fourth quarter of the year consumer marketing spend increased by over 80% compared to the prior year, and the Company is encouraged by the positive results of this investment to date. We remain committed to investment in all these areas despite the challenging business environment.

Trading profit[5] for the twelve months to 31 December 2014 was in line with current expectations at £131.0m and EBITDA[6] was £145.5m. In the first half of the calendar year trading profit was split broadly equally between the first and second quarters. Adjusted profit before tax declined by £4.0m in the year to £77.1m as the Trading profit performance was partly offset by a reduced net regular interest charge of £53.9m. This reduced financing charge reflects lower average Net debt in the year following the repayment of the previous bank facility agreement associated with the capital restructuring earlier in the year. The Company expects net regular interest for the financial year ending 2 April 2016 to be approximately £10m lower than for the 12 months to 31 December 2014. A notional tax charge of 21.5% (2013: 23.25%) is used and reflects the substantially UK nature of the Company's business.

The Company is pleased by the progress being made by Hovis, in which it holds a minority interest, with the Hovis brand continuing to grow market share.

The Company's adjusted earnings per share for the twelve months ended 31 December 2014 was 8.6 pence per share. The average weighted number of shares in the period was 707.1 million which reflects the issue of new shares during the year for the placing and rights issue transactions and the launch of the all employee share incentive plan. The 2013 comparative earnings per share information in the table above has been restated for the bonus element of the rights issue transaction in March 2014.

Financial position and Pension valuation

£m	**31 Dec 2014**	31 Dec 2013	Change
Net debt	**567.6**	830.8	263.2
IAS 19 Pension deficit - Gross	**323.1**	603.3	280.2
IAS 19 Pension deficit - Net	**253.6**	463.0	209.4

The Company's Net debt at 31 December 2014 was £567.6m and the Company retains its medium-term leverage target of 2.5x Net debt/EBITDA. Net debt was in line with expectations, with slightly lower capital expenditure which was offset by working capital movements. The Company's expectation of cash flows for the year ending 2 April 2016 are unchanged and reflect normal quarterly working capital movements and interest coupon payments.

The Company's capital expenditure is likely to be £20-£25m in the coming year, reflecting opportunities presented by good value cost reduction payback projects with attractive payback benefits. The Company has now completed the implementation of SAP across its supply chain network, and as a result, the proportion of IT related capital expenditure is expected to be lower over the medium term.

The valuation of the Company's pensions schemes under the IAS 19 accounting methodology at 31 December 2014 was a deficit of £323.1m (31 December 2013: £603.3m; 30 June 2014: £536.2m) which equates to a deficit of £253.6m net of deferred tax (31 December 2013: £463.0m; 30 June 2014: £420.9m). The main factors behind this decrease in the deficit are: a widening of credit spreads between government gilts and corporate bonds; the impact on assets of the schemes hedging strategy, a reduction in inflation rate assumptions and improved investment performance. It should be noted that while this reduction in the pension deficit is a positive movement for the Company, it is a measurement at a particular point in time and does not impact on the previously agreed pension deficit contribution payment schedule, which is fixed until 2019.

Financial year end

As previously announced, the Company is changing its year end and will prepare financial statements for the 15 months ended 4 April 2015 which will be released on Tuesday 19 May 2015. These statements will include pro forma results for the twelve months to 4 April 2015.

Outlook

While near-term market conditions are expected to remain challenging, the Company's commitment to brand investment continues, with consumer marketing expenditure expected to double in the first calendar quarter of 2015. This investment will be funded by existing cost reduction programmes. At the same time the Company will retain a tight focus on costs, Trading profit and organic de-leveraging, the latter of which will benefit in 2015 from lower pension, interest and capital expenditure costs. The Company believes this balanced approach is central to the creation of future value.

~ Ends ~

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Analyst Webinar

A webinar for investors and analysts hosted by Gavin Darby, CEO and Alastair Murray, CFO, will take place on 23 January 2015 at 9.00am, details of which are outlined below. A replay of the webinar will be available on the Company's website later in the day. www.premierfoods.co.uk/investor-relations/results-centre/

Webinar	www.premierfoods.co.uk/investor-relations/
Telephone number:	0800 376 7922 (UK toll free) +44 20 7192 8000 (standard international access) Password: Premier Foods

Notes to editors:

1. All financial data detailed above is unaudited and has not been subject to review by the Company's auditors.

2. All sales data for Premier Foods is for the three months to 31 December 2014 or 31 December 2013 as appropriate. Quarter 4 year to date sales data is for the twelve months to 31 December 2014 or 31 December 2013 as appropriate.
3. Sales for the three months to 31 December 2014 (31 December 2013) and for the twelve months to 31 December 2014 (31 December 2013) are stated following completion of the Knighton Foods joint venture.
4. Unit sales as measured by IRI, 8 December 2012 – 20 December 2014.
5. Trading profit is defined as operating profit before re-financing costs, restructuring costs, profits and losses associated with divestment activity, amortisation and impairment of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39, profits and losses from associate companies and pension administration costs and net interest on the net defined benefit liability.
6. EBITDA is Trading profit before depreciation.
7. Adjusted profit before tax is defined as Trading profit less net regular interest. Adjusted earnings per share is defined as Adjusted profit before tax less a notional tax charge of 21.50% (2013: 23.25%) divided by the weighted average of the number of shares of 707.1 million (2013: 366.1 million). Net regular interest is defined as total net interest excluding non-cash items such as write-off of financing costs, fair value adjustments on interest rate financial instruments and other interest.

Certain statements in this 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/