



18 January 2017

Premier Foods plc (the “Company” or the “Group”)

Quarter 3 Trading Statement for 13 weeks ended 31 December 2016

- **Weak Q3 Group sales down (1.0%), despite strong December up +4.5%**
- **Trading profit expectations for the year approximately 10% lower than previously anticipated**
- **Majority of major brands grew volumes and market share in Q3**
- **New cost savings and efficiency programme to deliver £10m from FY17/18**
- **First new products from Nissin partnership to launch in Q4**

Gavin Darby, Chief Executive Officer

“Sales in our third quarter were weaker than expected despite a strong December. We now expect category performance to remain challenging during the fourth quarter and as a result sales will be below previous expectations. Additionally, recovery of significant input cost inflation in certain areas is taking longer than originally foreseen. Consequently, we now expect Trading Profit for FY16/17 to be approximately 10% below previous expectations.”

“Six out of eight of our major brands gained volume and value market share in the quarter although our categories were generally softer due to changes in retailer promotion strategies. Our International business delivered a ninth consecutive quarter of growth, up 15%.”

“Against the backdrop of these headwinds, we are today initiating a new cost saving and efficiency programme which will deliver £10 million from 2017/18 with equivalent further savings the following year. This programme will support the Company’s twin goals of delivering Trading profit and free cash flow while investing in innovation and consumer marketing.”

Group trading

Group sales in the third quarter were £251.4m, (1.0%) lower than the same period last year. Branded sales were (3.8%) lower, while Non-branded sales performed strongly, ahead +11.6%. Group volumes increased +3.4% in the quarter.

Grocery

Total sales in the Grocery business were (1.9%) lower as strong Non-branded sales +13.0% were offset by weaker branded sales, down (3.8%) in the quarter. Non-branded sales increased as a result of growth in business to business volumes, particularly in Knighton and from new contract wins in retail branded flour.

During the quarter the Group’s Grocery categories have been affected by changing retailer promotional strategies, notably a reduction in multi-buy promotions which has the effect of reducing category volumes. In the short term the Group has offset this adverse volume impact by upweighting other promotional mechanics such as reduced price deals. However, these mechanics are more costly than multi-buys and result in reduced sales revenue per unit.

While the quarter in overall terms was lower than the prior year, branded sales were strong in December as a number of brands returned to growth in the busy festive trading period. *Bisto*, *Oxo*, *Loyd Grossman*, *Ambrosia* and *Batchelors* all delivered volume and value market share gains in the quarter and sales of *Loyd Grossman* sauces increased due to continued success of the Gastro pouches range.

Market share gains in the *Batchelors* brand were particularly encouraging as new flavours in Pasta 'n' Sauce delivered growth, while distribution continues to build in the new High Veg, High Protein and Soup & Dippers ranges.

Total International sales grew by nearly 15% in the quarter following another strong performance in Australia, notably with the *Mr Kipling* and *Cadbury* cake ranges. This marks the ninth consecutive quarter of growth for the International business.

We expect the current changes in retailer promotional mechanics to continue to impact sales growth through the first half of calendar 2017. The Group is already working with customers to refine promotional strategies to mutual benefit; for example by introducing new multipack formats which will support category growth.

Sweet Treats

Sales in Sweet Treats increased by 1.0% in the quarter. Branded sales were (3.4%) lower while Non-branded sales increased by 10.3%.

Cadbury cake continued its strong momentum from the first half of the year, with sales and market share both growing. The Group continues to enjoy an excellent working relationship with Mondelez, and discussions about extending the Group's long standing licence arrangements for the *Cadbury* brand are making good progress. In the fourth quarter, the Group will be launching new *Cadbury* cake Choc Tarts in Caramel, Crunchie and Flake flavour variants.

The group sold over 216 million mince pies in 2016, up 17% on the prior year. However, some of the volume manufactured by the group switched from *Mr Kipling* to non-branded sales, which resulted in softer branded sales offset by a very strong performance across the non-branded range.

Input cost recovery

The Group is experiencing material input cost inflation, notably in commodities such as sugar, chocolate, dairy, wheat and palm oil. Input costs have also been driven up by currency devaluation. We take a blended approach to managing these cost increases, managing our own efficiencies, adjusting promotional mechanics and formats where appropriate and finally looking at limited price increases where these cannot be avoided. We are working collaboratively with customers to agree these changes and are confident that appropriate settlements will be reached, although this is taking longer than originally foreseen.

Nissin partnership update

The Group is pleased to confirm it will be distributing its first Nissin branded products in the next few weeks. The Soba noodles pot product delivers authentic noodle texture and flavours with distribution across most major retailers from February 2017.

Additionally, great progress has been made with the new *Batchelors* Super Noodles Pot product which is expected to launch earlier than expected, also from February 2017. This brand new launch demonstrates the benefits of working closely with the Nissin research & development teams and manufacturing base in Hungary to deliver the popular *Batchelors* Super Noodles in a pot format for the very first time.

Cost reduction and efficiency programmes

The Group is about to commence a substantial three year cost reduction and efficiency programme. This programme is planned to significantly improve operational efficiencies in the supply chain from FY17/18, particularly in warehousing and distribution. Additionally, the Group will continue to streamline processes in all business units and is actively exploring further opportunities to deliver significant cost savings across its SG&A cost base. This programme is expected to deliver incremental cost savings of £10m from FY17/18 with equivalent further savings the following year.

Outlook

The Group's expectations for Sales and Trading profit in FY16/17 are lower than previously anticipated, with Trading profit expected to be 10% lower. Net debt as of 1 April 2017 is expected to be around £525 million. The Group today announces an incremental cost saving and efficiency programme which it expects to deliver £10m savings from FY17/18, with equivalent further savings the following year. This programme will support the Company's twin goals of delivering Trading profit and free cash flow while continuing to invest in innovation and consumer marketing.

~ Ends ~

For further information, please contact:

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This statement includes inside information.

Conference call

A conference call for investors and analysts hosted by Gavin Darby, CEO and Alastair Murray, CFO, will take place today, 18 January 2016 at 9.00am, 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/investors/results-centre

Telephone number:	0800 376 7922 (UK toll free)
	+44 20 7192 8000 (standard international access)
	Conference ID: 44082922

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 relates to the 13 weeks to 31 December 2016 or 2 January 2016, the "quarter", as appropriate. Quarter 3 year to date sales data is for the 39 weeks to 31 December 2016 or 2 January 2016 as appropriate.

3. International sales growth is stated on a constant currency basis.
4. References to market share are sourced from IRI, 12 weeks ended 24 December 2016.
5. Trading profit is defined as profit before tax before net finance costs, profits and losses from share of associates, amortisation of intangible assets, impairment, fair value movements on foreign exchange and other derivative contracts, restructuring costs and net interest on pensions and administrative expenses.

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:

<http://www.premierfoods.co.uk/media/image-gallery>

Quarter 3 sales

£m	<u>2016/17</u>	<u>2015/16</u>	<u>Change</u>
Grocery			
Branded	149.1	155.0	(3.8%)
Non-branded	23.4	20.7	13.0%
Total	<u>172.5</u>	<u>175.7</u>	<u>(1.9%)</u>
Sweet Treats			
Branded	51.1	53.0	(3.4%)
Non-branded	27.8	25.2	10.3%
Total	<u>78.9</u>	<u>78.2</u>	<u>1.0%</u>
Group			
Branded	200.2	208.0	(3.8%)
Non-branded	51.2	45.9	11.6%
Total	<u>251.4</u>	<u>253.9</u>	<u>(1.0%)</u>

Quarter 3 sales - year to date

£m	<u>2016/17</u>	<u>2015/16</u>	<u>Change</u>
Grocery			
Branded	361.9	381.2	(5.1%)
Non-branded	60.9	55.2	10.4%
Total	<u>422.8</u>	<u>436.4</u>	<u>(3.1%)</u>
Sweet Treats			
Branded	133.7	133.4	0.3%
Non-branded	42.9	38.6	11.1%
Total	<u>176.6</u>	<u>172.0</u>	<u>2.7%</u>
Group			
Branded	495.6	514.6	(3.7%)
Non-branded	103.8	93.8	10.7%
Total	<u>599.4</u>	<u>608.4</u>	<u>(1.5%)</u>