Prepared by AHDB Market Intelligence

Foodservice Market Update - October 2010

(Quarter 2 (Apr-Jun) 2010)

Market Overview—Year ending June 2010

TOTAL SALES
£44.58 Billion
(-2.4% YOY)

TRAFFIC
11.8 Billion
(-3.2% YOY)

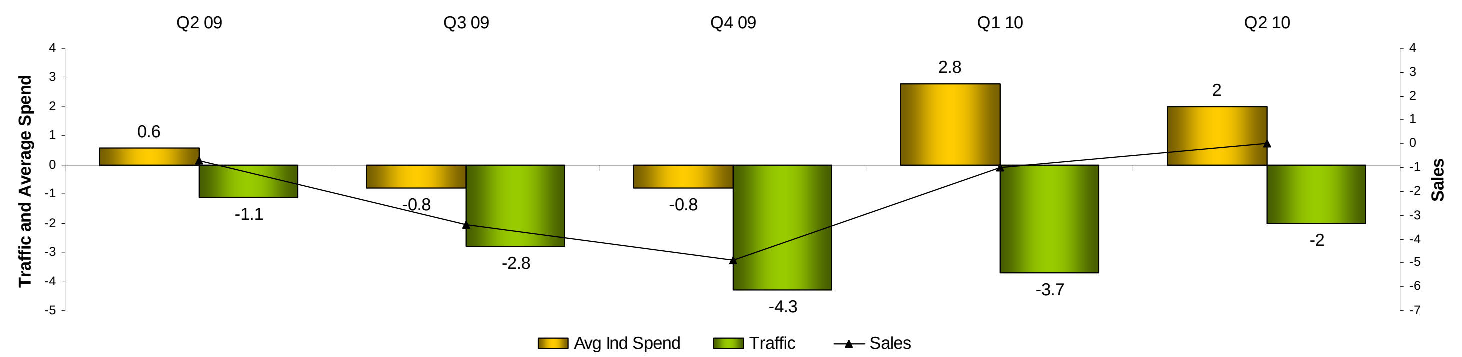
AVERAGE INDIVIDUAL SPEND
£3.77
(+0.8% YOY)

AVERAGE NUMBER OF ITEMS
(-1.4 YOY)

AVERAGE PRICE PER ITEM
(+2.2% YOY)

- The total out of home market (OOH) was worth just under £44.6bn in the year ending June 2010.
- Total sales were down vs. the previous year due to a strong decline in customer traffic.
- Positive news was seen for spend per person as this increased YOY driven by item price.

Quarterly Review

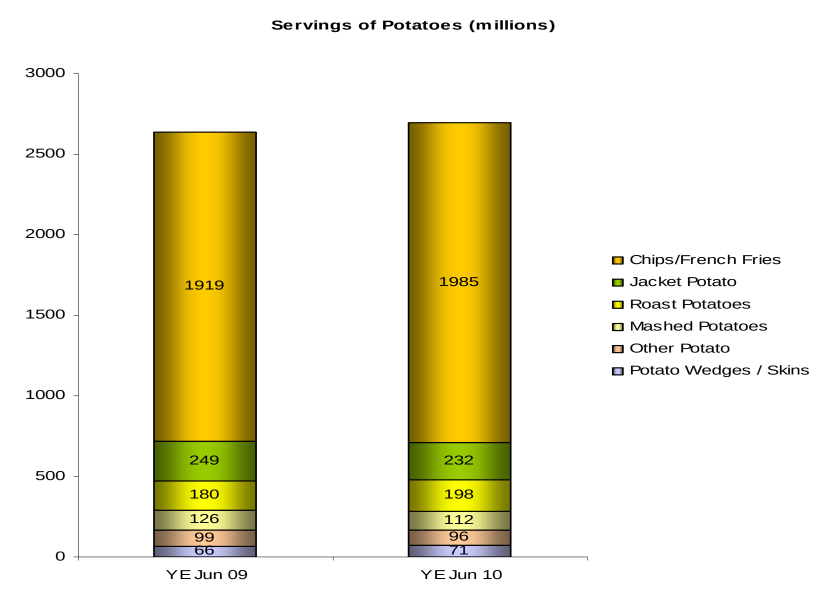


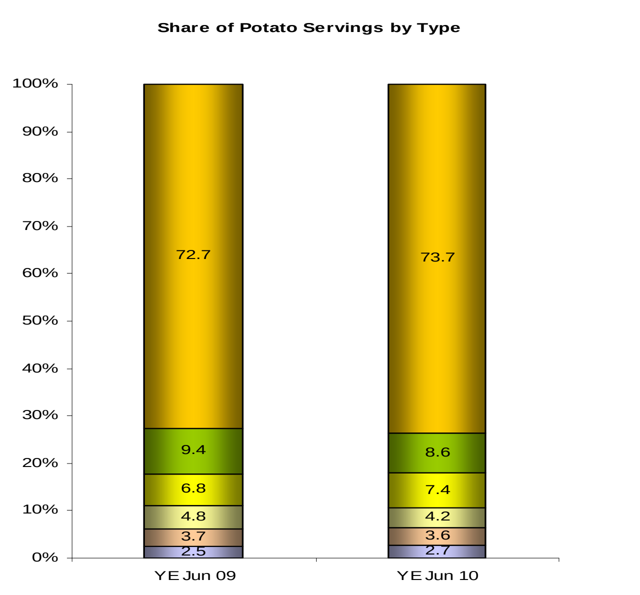
- Over the second quarter of 2010, sales in the OOH market have remained flat for the first time in a number of quarters. In the latest quarter, the trend is similar to that of Q1 2010 as we see average individual spend increase YOY while traffic declines. Looking at Q2 in 2009, the trend is also reflective of the current quarter.
- Looking at the various channels within the sector we can see that the largest channel in terms of share of traffic, Quick Service Restaurants, continue to see a positive uplift in terms of customer visits. Quick Service restaurant types that are driving this performance are Burger, Pizza/Italian and Chicken establishments which reflects the strong performance of McDonald's, Domino's and KFC. The top food item in quick service is chips.
- Pubs continued to see a decline in traffic in the latest quarter, although the figure is slightly better than the previous quarter. This decline in traffic has driven a decline in overall sales for this channel. Some of the larger pub chains are seeing a positive performance whereas the independents are suffering in the current economic climate. The breakfast meal occasion in pubs has gained customer traffic share which reflects the breakfast activity from the likes of Wetherspoons.
- Full Service Restaurants continue to see a decline in customer traffic, however, like many other foodservice channels, this decline has slowed in the latest quarter. The sector did see its strongest performance in terms of sales since Q2 in 2009 as sales were down by just 1% YOY.
- Despite reasonably pleasant weather in Q2 2010, the Travel & Leisure channel suffered a decline in traffic which resulted in a sales decline of 2.6% - this could also have been due in part to the disruption caused by the ash cloud.

	SHARE OF TRAFFIC		TRAFFIC CHANGE YOY (+/-)				
	2009	2010	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
QUICK SERVICE RESTAURANTS	43.4	45.1	+1.7	+0.7	+0.3	+0.2	+1.1
WORKPLACE	21.8	21.0	-4.5	-4.8	-7.3	-7.4	-6.6
TRAVEL & LEISURE	13.9	13.3	-1.5	-7.5	-10.6	-8.2	-3.7
PUBS	6.1	6.0	-0.3	-4.6	-6.4	-5.2	-3.1
COLLEGE / UNIVERSITY	6.0	5.9	-5.1	-4.3	-7.0	-6.2	-2.4
FULL SERVICE RESTAURANTS	5.8	5.6	-3.7	-5.7	-8.5	-5.3	-2.0

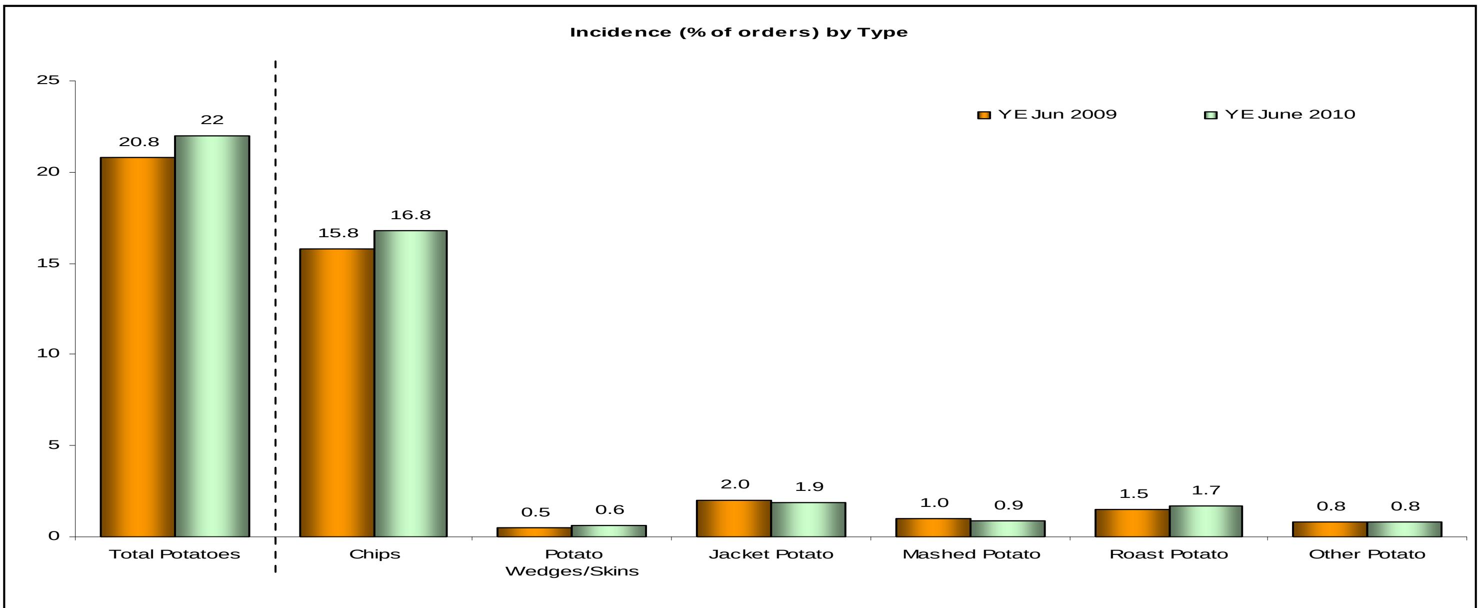
Data Source: NPD Crest Q2 (Apr to Jun) 2010, GB Only

Potato Consumption - Orders and Servings





- The percentage of OOH orders that include potatoes has increased from 20.8% in the year ending June to 2009 to 22% of orders currently including potatoes.
- Servings of potatoes have also increased YOY up by 2.1% driven by an increase in chip servings (+3.4%). There are currently 2.7 billion servings of potatoes ordered out of home.
- Chips currently account for 74% of all potato servings out of home. The strong performance of the Quick Service Restaurant channel is being supported in part by this. Jacket and Mash have both seen their share of servings decline YOY.



- Chips are driving the increase in the incidence (% of orders) of potatoes. Currently 16.8% of all orders include chips. Roast and Potato Wedges/Skins have also seen an increase in incidence albeit on a lower scale. Jackets and Mashed have both seen a slight decline in incidence.
- All of the top main dishes served with potatoes (Chicken, Burgers, Pizza, Fried Fish) increased in terms of their total servings and incidence in the year ending June 2010 vs. the previous year.