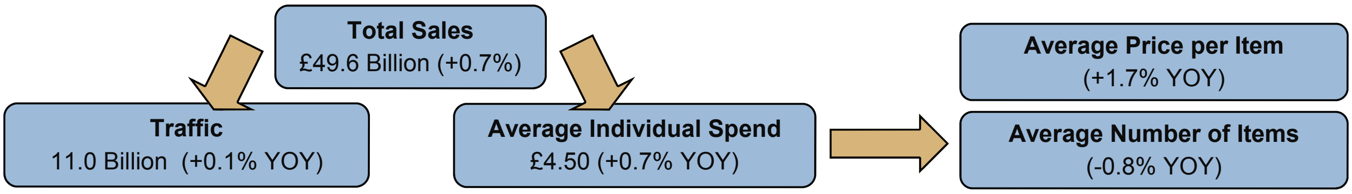
Foodservice Market Update

March 2013

Market Overview —Year ending December 2012

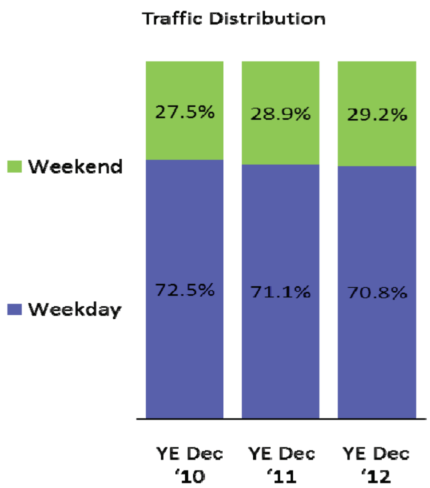
- In the year ending (YE) December 2012 the total out-of-home (OOH) market was worth £49.6 billion, up 0.7% from last year.
- OOH traffic levels saw minimal growth of 0.1% with the under 18s and 50-64 age groups driving this. The breakfast occasion continues to boost traffic growth. A lower level of deals/promotions YOY have driven an increase in average item price while the average number of items purchased has declined.

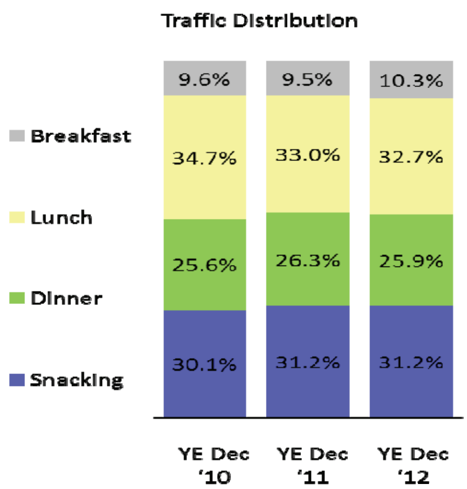


Quarterly Review — OOH Channels

- Quick Service Restaurants (QSR) continues to be the only channel to see a year-on-year increase in traffic with levels up by 0.9%. Sales through this channel increased by 2.2% YOY as average spend increased by 1.4%. In the latest quarter performance continues to be positive with traffic up by 0.6% as sales increased by 1.7%. The performance of QSR is being supported by growth from a number of demographics and occasions with the notable exception of a decline in traffic from females, the 18-34 age group and the dinner occasion.
- In the latest year the Pubs channel continue to see a decline in both traffic (-0.3%) and sales (-0.2%). However, in the latest quarter the pub channel has seen a return to growth with both traffic and sales up by 0.4% when compared to the same period in 2011. Driving this was solid growth at the weekends, along with an uplift in parties with children. The channel is benefiting from the consumer focus on family, social and sharing at the out-of-home occasion.
- Full Service Restaurants (FSR) continues to be the channel that has seen a decline at the weekend occasion. Following on from this trend is a decline in parties with children in FSR. The QSR sector and particularly the pub channel are seeing successes in these areas which are posing a real threat to FSR. Looking at performance for the latest year, FSR traffic was down by 1.5% as sales declined by 0.5%. The latest quarter is more positive in terms of traffic with growth of 0.2% while sales fell by 0.4%.
- After a strong performance in the third quarter of 2012 the last quarter saw a negative performance for the Travel and Leisure channel in terms of both sales (-0.2%) and traffic (-0.7%). Looking at the latest year overall sales were down by 0.5% and traffic was down by 0.3%. There have been year-on-year traffic declines sourcing to a number of demographics and occasions including the lunch and weekend occasions and parties with children.
- After a fairly stable performance in the last quarter, the current period sees traffic in the Workplace down by 1.9% YOY. Looking at the full year performance, traffic is down by 2.2% as sales decline by 0.8%. The decline can be sourced to consumers aged 18 and above cutting down on weekday lunch and dinner occasions.

	SHARE OF TRAFFIC YE DECEMBER 2011/12		TRAFFIC CHANGE % YOY (+/-)				
FOODSERVICE CHANNELS	2011	2012	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
QUICK SERVICE RESTAURANTS	50.5	50.9	+0.9	+1.0	+0.9	+1.2	+0.6
PUBS	11.1	11.1	-0.3	+0.2	-1.2	-0.7	+0.4
FULL SERVICE RESTAURANTS	10.7	10.5	-1.3	-1.2	-2.0	-2.8	+0.2
TRAVEL & LEISURE	10.8	10.7	-1.3	-1.1	-0.4	+0.8	-0.7
WORKPLACE	14.3	14.0	-0.1	-0.5	-5.4	-0.1	-1.9



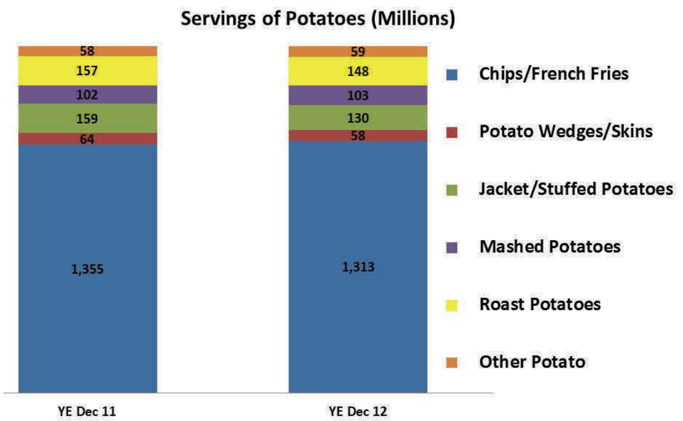


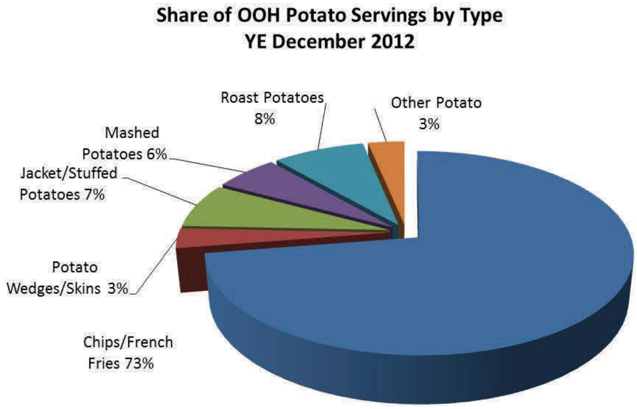
- Looking at traffic distribution by day, you can see that while weekday has the largest share, it is weekend where there is growth. In terms of specific meal occasion, snacking and lunch have the largest share of traffic, with the snacking share remaining stable year-on-year as the lunch occasion lost share. Dinner also lost out in terms of traffic, with breakfast being the only occasion to see growth.

Data Source: NPD Crest Q4 - Year ending December 2012, GB Only

Potato Consumption - Orders and Servings

This section refers to OOH servings that contain a particular product.

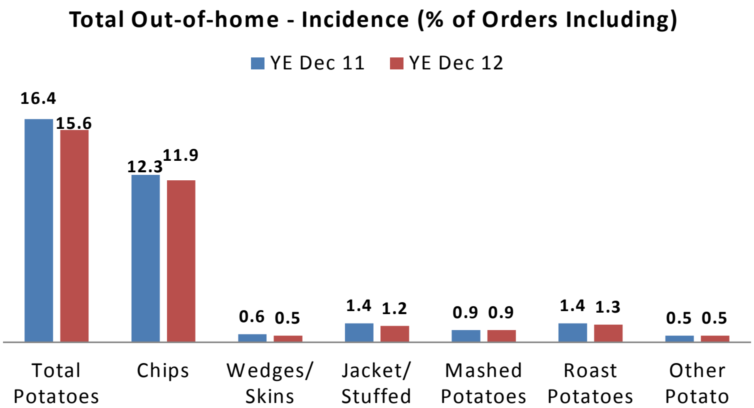




- There were 1.81 billion potato servings OOH in the year to December 2012. This was an decrease of 4.6% when compared to the previous year. Accounting for 73% of total servings were chips and this meal choice has seen a 3.1% fall in servings year-on-year, driving total potato servings decline. The largest share of all chips go through the QSR channel. Chip servings at QSRs fell 0.4% compared to last year, with pubs, travel/leisure and workplace channels posting much steeper declines.
- Mashed potatoes continue to see a positive performance in OOH with servings up by 0.7% YOY, one of the only potato types to post an increase in servings. This performance has been supported by a large increase in servings at QSRs, along with a positive performance in pubs and FSRs, which account for 46% and 17% of total mashed servings respectively.
- Roast potatoes have seen a decline YOY, with servings down 5.8%. Driving this has been fewer servings at Travel/Leisure, pubs and FSR channels in particular.
- Jacket/stuffed potatoes have also seen a notable fall in servings. 28% are served in the workplace; this outlet has seen servings down by over a quarter, driving the overall decline, alongside falls at QSRs and Pubs (which account for 23% and 18% of jackets respectively). FSRs, on the other hand, served more jacket potatoes than last year.
- Servings of wedges/skins were 10.7% below last year as FSR servings tumbled, despite strong growth at QSRs, which accounts for over half of all wedges/skins servings OOH.

Potato Consumption - Incidence Rate*

- Potatoes currently feature in just under 16% of OOH meal orders. This is a slight decrease on the previous year.
- There had been a slight decline across the board in terms of the percentage of orders that include a certain potato type. Chips continue to account for the largest proportion at 11.9%.



**Incidence rate refers to the percentage of orders that contain that specific food*

Potatoes - What other foods are served with them?

- OOH, **nearly a third** of meals that include potatoes also **include meat**
- **Over a quarter** are **served with a burger**… most likely to be a beef burger followed by chicken burgers
- **18.9%** of potato orders **include poultry** - most likely to be chicken
- In **13.4%** of cases **other vegetables** are also served
- **Fish** can be found in **11.7% of potato orders** with it most likely to be fried fish
- **7%** of potato orders OOH are served with a **traditional roast**