



SIGNS OF LIFE IN THE RESTAURANT SECTOR

The latest data kindly supplied by Horizons show that the restaurant sector is now worth some £1.15 billion for the frozen food market. The value has grown by 2.2% year over year and arrests the declines that we've seen over the last two years.

The number of outlets has shown a very marginal growth whilst the number of meals has halted the three-year decline that we had previously seen and is now flat. Sales had improved year on year by some 5% whilst purchases had grown by 2.2%.

When we look at the comparison between 2008 to 2011 it shows that the number of outlets in quick service restaurants has grown by 2.2% whilst the number of full service restaurants has grown by 3.9%. It also shows how far the market declined over the last three years with the number of meals being served in quick service restaurants declining by 2.2% and in full service restaurants by 3.1%. It also shows that cost inflation for restaurants and quick service restaurants has resulted in price increases growing sales by 2.2% in quick service restaurants and for full service restaurants by 7.8% but undoubtedly, even with those increases over the three year period, margins have still been squeezed significantly.

One can only hope that this is the first ray of good news, in that, we have reached the bottom of the trough although, it must be said, the gloomy economic picture offers little encouragement. The Olympics and Diamond Jubilee effect are yet to be felt and there are many contrasting views as to whether nationally we will set a significant increase or not. The jury is out but as always the foodservice sector will be battling hard to stimulate growth.

British Frozen Food Federation

Registered Office: Warwick House, Unit 7, Long Bennington Business Park, Main Road, Long Bennington, Newark, Nottinghamshire NG23 5JR
Tel: 01400 283090 Fax: 01400 283098 Websites: www.bfff.co.uk www.thenewiceage.com
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FULL SERVICE & QUICK SERVICE RESTAURANTS

FOOD PURCHASES

| Food Categories | QUICK SERVICE RESTAURANTS (QSR) | FULL SERVICE RESTAURANTS | TOTAL |
|----------------------|---------------------------------|--------------------------|--------------------|
| | 2011 £ millions | 2011 £ millions | 2011 £ millions |
| Frozen | 994 | 160 | 1,154 |
| Chilled - Long Life | 200 | 258 | 458 |
| Chilled - Short Life | 574 | 956 | 1,530 |
| Ambient | 663 | 416 | 1,079 |
| Total | 2,431 | 1,790 | 4,221 |



GENERAL INFORMATION

| Information Categories | QUICK SERVICE RESTAURANTS (QSR) | | | FULL SERVICE RESTAURANTS | | | TOTAL | | |
|---------------------------------------|---------------------------------|--------|----------------------|--------------------------|--------|----------------------|--------|--------|----------------------|
| | 2008 | 2011 | Percentage Gain/Loss | 2008 | 2011 | Percentage Gain/Loss | 2008 | 2011 | Percentage Gain/Loss |
| No. of Outlets | 30,716 | 31,390 | 2.2 | 27,153 | 28,210 | 3.9 | 57,869 | 59,600 | 3.0 |
| No. of Meals Served - Millions | 2,040 | 1,996 | -2.2 | 736 | 713 | -3.1 | 2,776 | 2,709 | -2.4 |
| Total Food & Drink Sales - £ millions | 10,704 | 10,936 | 2.2 | 9,184 | 9,900 | 7.8 | 19,888 | 20,836 | 4.8 |



Source: Horizons - for further information, contact Peter Backman, Horizons
Tel: 020 8349 0162 Web Site: www.hrzn.com

Please note that the information in this report is based on initial estimates which require final confirmation.

Foodservice Sector 2008 to 2011

The information which follows summarises information that was shown during 2011

Outlets

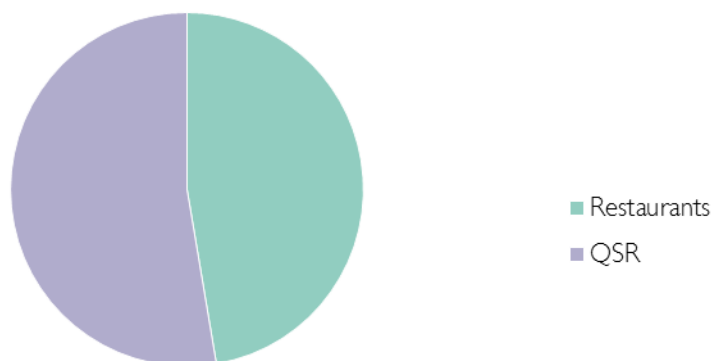
| | 2008 | 2011 |
|-------------|--------|--------|
| Restaurants | 27,153 | 28,210 |
| QSR | 30,716 | 31,390 |
| TOTAL | 57,869 | 59,601 |

Source: Horizons

Notes:

- “Restaurants” include full service and quick service/fast food restaurants
- There was a net growth of 1,732 outlets in these two sectors 2008 and 2011
- Restaurants – full service plus quick service – account for 23% of all outlets
- A considerable part of this increase has come from the quick service sector especially sandwich and coffee shops

Number of Outlets 2011



Foodservice Sector 2008 to 2011

Meals

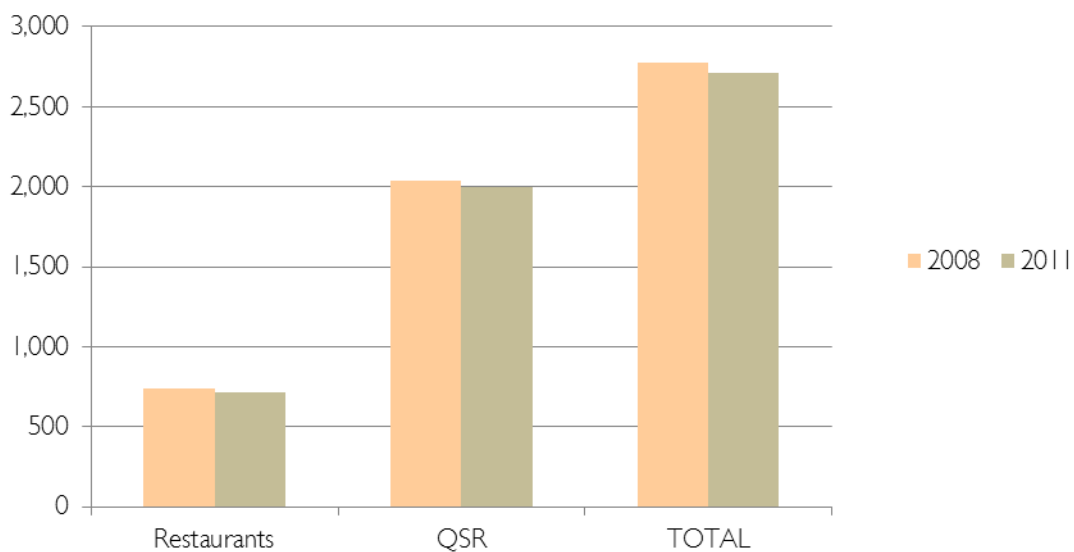
Millions

| | 2008 | 2011 |
|-------------|-------|-------|
| Restaurants | 736 | 713 |
| QSR | 2,040 | 1,996 |
| TOTAL | 2,776 | 2,709 |

Source: Horizons

- Consumers ate almost 70 million fewer meals out of home in restaurants in 2011 compared with 2008
- Quick service outlets, where meals fell by -2.1% in the three year period, did not suffer as much as full service restaurants where the fall was -3.1%
- Despite the overall reduction, some sectors did noticeably – casual dining and fast food burgers, delivered pizza and coffee shops where increases were driven by major players

Meals (Millions): 2008-2011



Foodservice Sector 2008 to 2011

| Food Purchases | 2008 | 2011 | | | | |
|----------------|-------------------|-------|---------|---------------------|----------------------|--------|
| | at current prices | Total | Ambient | Chilled - long life | Chilled - short life | Frozen |
| Restaurants | 1,805 | 1,791 | 416 | 258 | 956 | 160 |
| QSR | 2,482 | 2,430 | 663 | 200 | 574 | 994 |
| TOTAL | 4,287 | 4,222 | 1,079 | 458 | 1,531 | 1,154 |

Source: Horizons

- Food purchases fell for the third year in a row; the fall in the 3 years to 2010 was -1.5% in nominal terms (ie not adjusting for inflation)
- Frozen food accounted for 9% of all food purchased by restaurants in 2011
- The percentage was 41% in quick service outlets where frozen products, such as fries and burgers, are mainstream volume purchases
- Chilled-long life foods accounted for 11% of purchases in this sector and fresh foods (chilled-short life) were 36% of the total

Foodservice Sector 2008 to 2011

Food & Drink Sales

| £ Millions | at current prices | |
|-------------|-------------------------|--------|
| | 2008 | 2011 |
| Restaurants | 9,184 | 9,900 |
| QSR | 10,704 | 10,936 |
| TOTAL | 19,888 | 20,836 |

Source: Horizons

- Restaurant sales rose considerably in nominal terms over the three years to 2011
- Full service restaurants rose by 7.8% over the period which highlights the resilience of this sector during the recent long downturn in the economy
- Quick service grew by 2.2% over the period

For full definitions of these sectors go to Horizons website www.hrzn.com and click on “Detailed definitions”