Premier Foods
Interim Results
Half year ended 28 June 2008

Thursday, 28 August 2008

Robert Schofield
Chief Executive

Business Highlights

- Trading on track
  - Pro forma Group sales* up 6.9% to £1,290.1m
  - Pro forma Trading profit* up 1.0% to £121.5m
  - Price rises achieved to recover cost inflation
- Integration accelerated
  - 6 factories closed, remaining 3 by end of year
- Expect good progress in H2
  - Synergy delivery continues to build
  - Hovis relaunch
  - Continued recovery of cost inflation
  - Reduction in net debt

*Continuing Operations. Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS39 and pension credits or charges in relation to the difference between the expected return on pension assets and interest costs on pension liabilities

Paul Thomas
Finance Director

Financial Overview

- Trading profit
  - Progress in line with expectations
  - Strong platform for H2 development
- Transformation programme accelerated
  - 2008 synergies being delivered ahead of schedule
  - Restructuring spend accelerated
  - Overall restructuring spend on track
- Debt impacted by inflation & economic slowdown
  - Commodity inflation driving increased working capital
  - Delayed property disposals
- Pension deficit contributions significantly reduced
- Covenants met at half year
- Interim dividend 2.2p per ordinary share

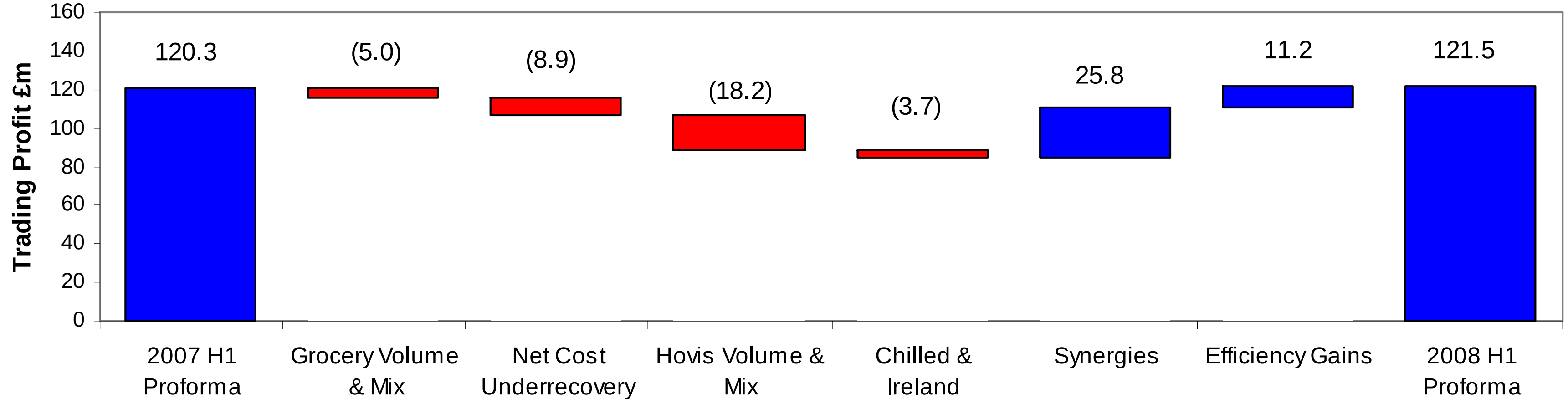
Financial Highlights

Continuing operations (£m)	2008 H1	2007 H1	YoY %
Reported sales	1,290.1	899.1	43.5%
Reported trading profit	121.5	101.5	19.7%
Pro forma sales	1,290.1	1,206.7	6.9%
Pro forma trading profit	121.5	120.3	1.0%
Operating profit before exceptional items	88.1	83.9	5.0%
Operating profit after exceptional items	47.8	43.4	10.1%
Adjusted EPS*	5.0p	5.8p	(13.8%)

* See appendix

Progress Made Despite Tough Economic Environment

Pro forma Trading Profit



- Significant pricing recovery achieved across the portfolio
- Cost overhang £8.9m from 2007 under recovery, now fully recovered
- Bread volumes down year on year, now displaying month on month growth
- Chilled retailer brand volumes down, new contracts won for H2
- Synergies from transformation programme continue to build

Synergies Delivered, Pricing Recovery Now Achieved

Synergy Delivery

Cumulative synergies (£m)	2007	2008	2009	2010
Original plan	17	63	103	113
Revised plan	17	67	103	113

- Synergies of £26m delivered in first half
- Factory rationalisation programme accelerated
  - 6 manufacturing sites already closed
  - Remaining 3 to close by end of 2008
- Higher restructuring spend and capex in H1
- Additional interest costs offset by earlier synergies

Synergy Delivery Remains In Line With Plan

Integration Capital & Restructuring Costs

Integration Capex & Restructuring Costs (£m)	2006-2007	2008	2009	Total
Original plan gross costs*	67	93	60	220
Revised gross costs*	67	132	25	224

- Factory rationalisation programme accelerated
- Net 2008 spend £55m higher than original phasing
  - £39m accelerated spend
  - £16m delayed property proceeds
- Exceptional costs charged in H1 of £40.3m
  - £30m on integration
  - £8m other efficiency projects
  - £2m property disposal and asset impairment

*see appendix for further detail

Overall Restructuring Spend Remains In Line With Plan

Interest Charges

Summary Profit & Loss (£m)	2008 H1	2007 H1
Net cash interest payable	58.1	42.1
Amortisation of debt issuance costs	3.4	1.6
Regular interest charge	**61.5**	**43.7**
Unwind of onerous lease discount	0.3	-
IAS 39 – valuation of financial instruments	(29.7)	(13.8)
Exceptional amortisation of debt issuance costs	12.1	8.4
Reported interest charge	**44.2**	**38.3**

- Net cash interest includes £3.0m for debtors securitisation interest (excluded in covenant calculations)
- Effective net cash interest rate in H2 of c.7%
- IAS 39 credit reflects material embedded value in current interest rate hedging
- Exceptional amortisation reflects write off of fees associated with February 2008 facility amendment.

Tax

Forecast tax rates	2008	2009	2010	2011
Underlying P&L charge	~28.5%	~28%	~28%	~28%
Cash tax as % of underlying PBT	c. NIL	15-20%	20-25%	22-27%

- P&L charge for 2008 H1 of £4.2m, primarily made up of :
  - £13.9m charge on profit from underlying activities
  - Credits on allowable elements of exceptional spend
- Cash tax minimal for 2008 – will rise modestly over 2009/10
- The abolition of Industrial Building Allowances, effective July 2008, reduces future tax credits to the P&L.
  - This will result in a one - off deferred tax charge of approximately £28m

Cash Flow

Cash Flow (£m)	2008 H1	2007 H1
Cash flow from operations	**150.5**	**124.4**
Interest	(52.8)	(41.6)
Taxation	2.5	12.2
Pension deficit contributions	(26.2)	(20.2)
Dividends	(36.3)	(39.7)
Pension, tax and funding	**(112.8)**	**(89.3)**
Regular capital expenditure	**(38.3)**	**(37.6)**
Cash flow pre working capital and non-recurring items	**(0.6)**	**(2.5)**

- Regular capital expenditure of £30-40m in H2 2008, returning to c3% of turnover in 2009
- Pension deficit contributions of c£30m in 2008, £32m in 2009 plus £8m of pension admin and PPF levy costs per annum

Cash Flow

Cash Flow (£m)	2008 H1	2007 H1
Cash Flow pre working capital and non-recurring items	**(0.6)**	**(2.5)**
Working capital	(90.4)	56.0
Exceptional expenditure	(60.9)	(33.7)
Integration capital expenditure	(44.7)	(8.3)
Disposal proceeds	24.3	0.1
Operating cash flow	**(172.3)**	**11.6**
Other / acquisition & exceptional financing	(14.6)	(1,123.0)
Movement in net debt	(186.9)	(1,110.9)

- Working capital outflow due to seasonality, safety stocks and cost inflation - expect £40-50m to reverse in H2 2008 returning working capital to normal levels thereafter
- Further c£40m of exceptional spend in H2 2008 and £22m in 2009
- c.£14m of integration capex expected in H2 2008 with further £3m in 2009

Peak Of Transformation Programme Expenditure Now Passed

Financial Covenants

	June 2008	December 2008	June 2009	December 2009
Net debt : EBITDA	5.25:1	4.50:1	4.25:1	4.00:1
EBITDA : Interest	2.75:1	3.00:1	3.25:1	3.50:1

- Tested at end of June and December on LTM basis
- Disclosure extended to December 2009 – modest tightening
- Covenant calculations include the following definitions
  - Net debt does not include pension deficit
  - EBITDA includes pension credit
  - Interest excludes debtors securitisation, debt amortisation and fair value adjustments
- Covenants met at June 2008

We Are Confident Of Meeting Our Financial Covenants

Debt Reduction Programme

- Business is highly cash generative
- Transformation programme reaching final stages
- Further focus on working capital management
  - Procurement initiatives on group wide basis
  - Supplier rationalisation programme
  - Harmonisation of customer terms
- Capital spending reduced following integration investment

Robert Schofield
Chief Executive

Agenda

- 2008 Priorities
- Consumer and Trading Environment
- Divisional overview
  - Grocery
  - Hovis
  - Chilled & Ireland
- Transformation update
- Trading outlook

2008 Priorities

2008 Priorities	Progress To Date
• Recover cost inflation through pricing + cost savings	Inflation incurred to date recovered
• Deliver synergies	Synergy delivery on track
• Regain momentum for Hovis	Relaunch on track, details to follow
• Implement SAP key modules	Orders to cash implemented in Grocery
• Factory rationalisation	Progressing well, 6 of 9 factories shut

Building A Modern Integrated Premier

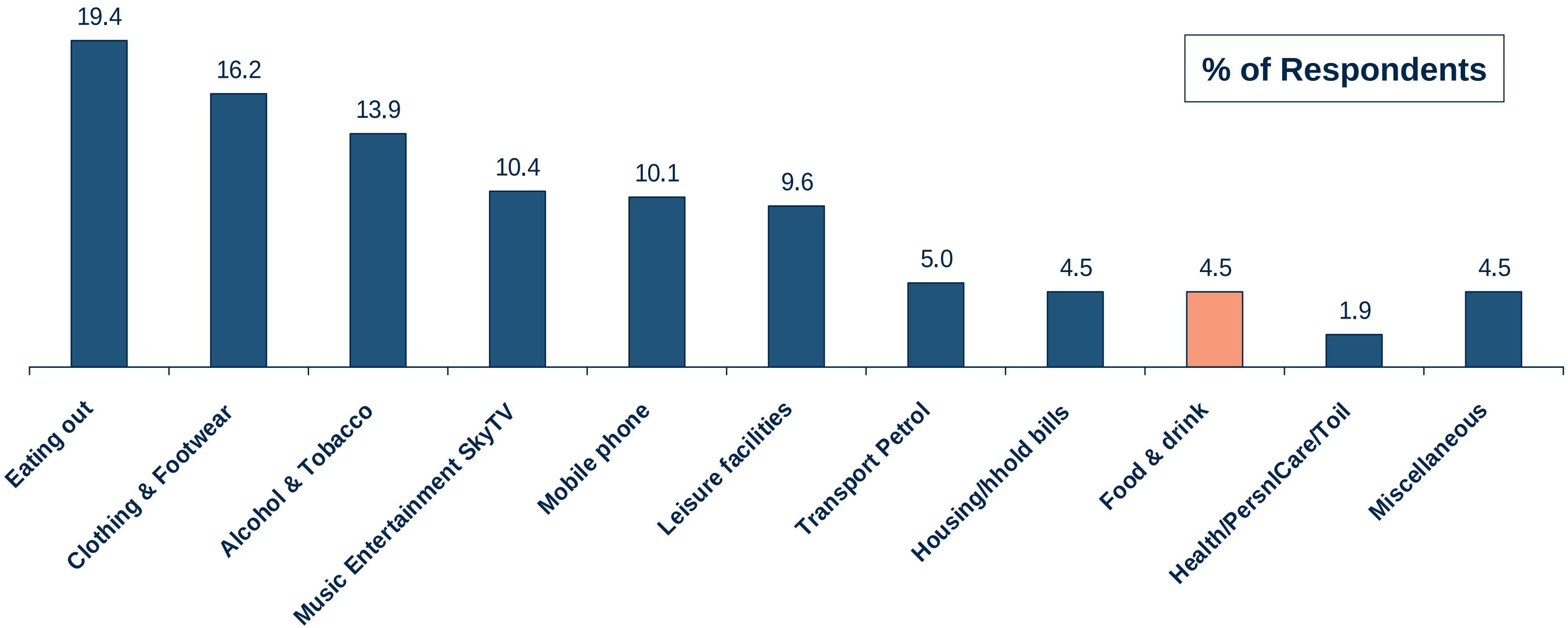
Consumer Environment

- How do consumers intend to reduce their spending?
- Will inflation reduce consumption of staple foods?
- What products will consumers buy in a tough economic environment?
- Are consumers trading down from brands to own label?

Is Premier Well Positioned To Succeed In This Environment?

How Do Consumers Intend To Reduce Their Spending?

Q : If you were now forced to, which items would you actually cut back spending on?

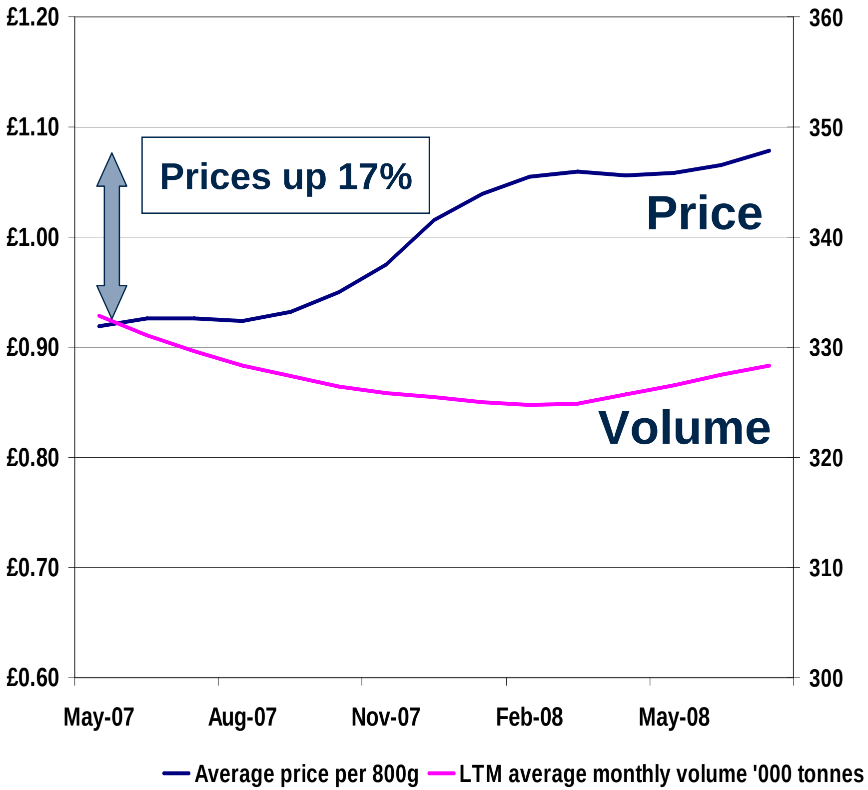


Economic Environment Impacting Consumer Spending But Limited Impact On Food And Drink

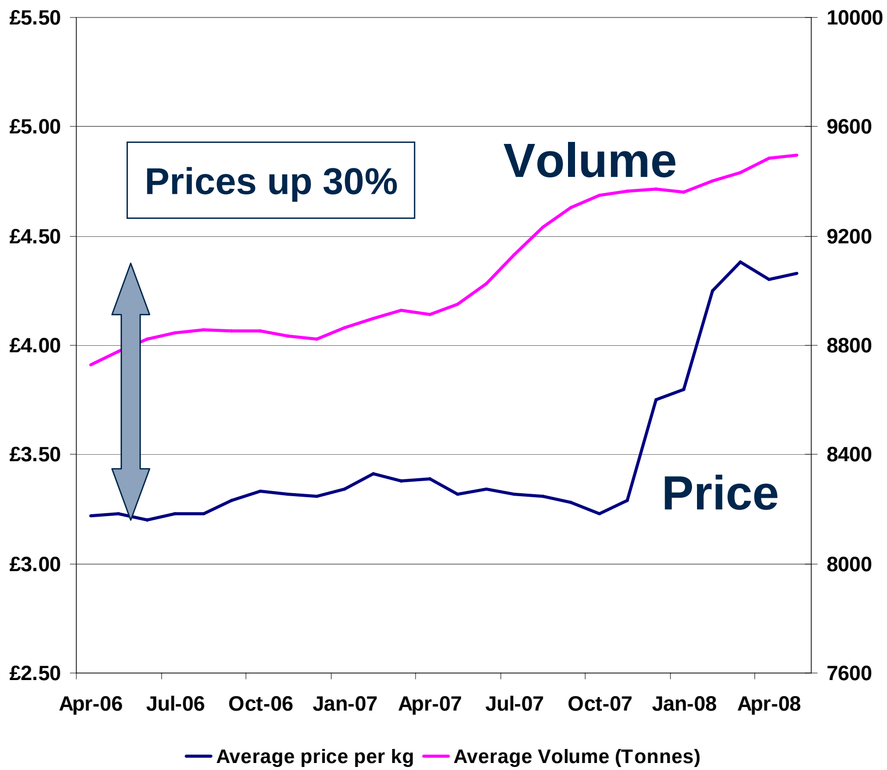
Source : TNS Worldpanel

Will Inflation Reduce Consumption Of Staple Foods?

Bread



Butter



Volumes Resilient Despite Price Rises

Grocery Ambient Market

Multiple retailers

Market

- Premier ambient categories have grown 7% in value and 3% in volume
- Within this, retailer brand is underperforming the market: 4% by value and 3% by volume

Premier

- Premier's brands have grown 7% in retail sales value and 5% in volume in the multiple retailers

Source : IRI, 6 months to 21 June 2008

Branded Staple Foods Are In Strong Growth
Retailer Brand Is Losing Market Share

Inflation And Cost Recovery

- Inflation is a continuing theme right across our business
- H1 2008 saw £132m of inflation compared to H1 2007
- Successfully achieved price increases to offset cost pressures
  - But time lag on recovering 2007 inflation of £8.9m
- We have forward visibility of cost inflation
- We expect to see inflation in 2009 in high single digits across the total business driven by strong increases in particular commodities

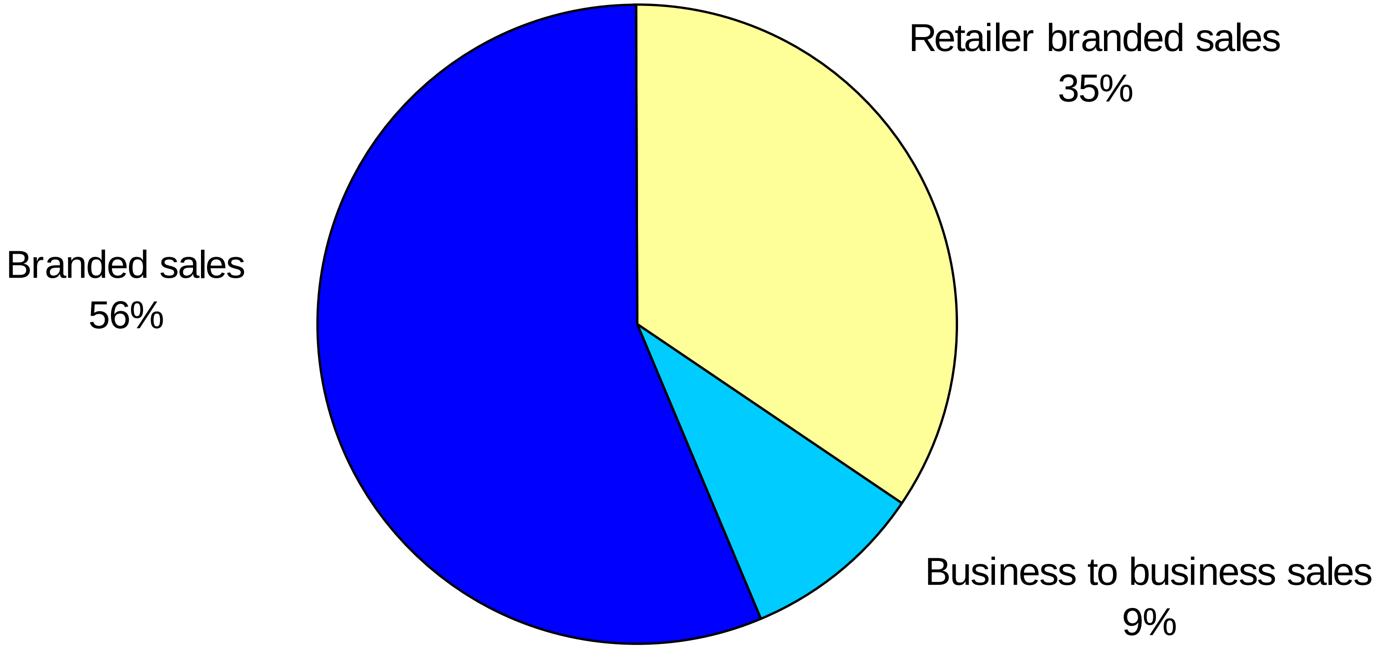
Cost Inflation Recovered To Date

Group Overview

£m	2008 H1 Pro forma	2007 H1 Pro forma	2008 vs 2007	2008 vs 2007 (%)
Sales				
Grocery	630.5	616.4	14.1	2.3%
Hovis	462.7	398.4	64.3	16.1%
Chilled & Ireland	196.9	191.9	5.0	2.6%
Total	**1,290.1**	**1,206.7**	**83.4**	**6.9%**
Trading Profit				
Grocery	89.0	84.1	4.9	5.8%
Hovis	14.6	19.0	(4.4)	(23.2)%
Chilled & Ireland	17.9	17.2	0.7	4.1%
Total	**121.5**	**120.3**	**1.2**	**1.0%**

- Pricing achieved across all divisions
- Grocery synergies in line but partly offset by 2007 inflation overhang
- Hovis trading profit reflects lower volumes than H1 2007 and brand investment

Shape Of Our Business



Grocery Highlights

Grocery (£m)	2008 H1	2007 H1	YoY %
Sales	630.5	616.4	2.3%
Trading Profit	89.0	84.1	5.8%
Branded sales	*71.9%*	*71.1%*	*0.8%*

- Sales +6.2% price, -3.3% volume
  - Price rises achieved, mitigating the impact of cost inflation in H1
  - Factory rationalisation & SAP implementation limited promotional activity behind our savoury brands
  - Core branded business delivering solid growth
- Trading Profit up £4.9m
  - Synergies partly offset by cost overhang and lower volumes
  - H2 will benefit from further synergies and price rises already achieved

Pricing Achieved, Synergies Growing

And Promotional Activity Resumes In H2

Grocery Volume

- Grocery volume down 3%, (15,000 tonnes out of 476,000)*
- Restriction of promotional activity in H1 has forced us to be selective as to how we use our capacity

	Tonnage
Multiples - branded	3,000
Multiples – retailer brand	(8,000)
Cash & Carry, Convenience & Foodservice	(10,000)
Total volume reduction in H1	(15,000)

- We have continued to grow our brands in the multiples
- We will recover volumes elsewhere as capacity comes back on stream

*Excludes Cake

Savoury Brands

- Branston
  - Relish continues to gain share, cementing number 1 position
  - Seasonal NPD planned for H2 in run up to Christmas

- Loyd Grossman
  - Back on TV, focused promotional activity maintaining profitability

- Sharwoods
  - Indian pastes launched in the first half
  - Exciting new micro noodles coming to market in Autumn
- Bisto & Oxo
  - Ready to use variants in bottle format to be launched shortly

- Batchelor's
  - Soupfull's launched in H1

Continued Investment In Innovation Despite Major Restructuring

Sweet Brands

- Mr. Kipling
  - Major TV advertising campaign for 1st time in 3 years
  - Growing ahead of a strong market
  - Cake Bites launched in June
  - New seasonal variants planned for Christmas

- Ambrosia
  - Brand is displaying strong growth in a growing market
  - Ambrosia layers have significantly contributed to strong performance
  - Second half focus on further single serve pot growth

- Hartley's
  - Delivered double digit sales growth in H1 vs prior year
  - Targeted activity behind low calorie pots

Mr. Kipling, Ambrosia And Hartley's Continue To Perform Well

Chilled & Ireland

Chilled & Ireland (£m)	2008 H1	2007 H1	YoY %
Sales	196.9	191.9	2.6%
Trading Profit	17.9	17.2	4.1%
Branded sales	*52.6%*	*49.1%*	*3.5%*

- Strong meat free growth
  - Quorn UK sales +10% vs prior year, International sales +21% year on year
  - New snacking formats launched – Picnic Eggs performing strongly
- Chilled retailer brand sales affected by trading down in H1
  - Expect significant improvement in H2 from new contracts
- Ireland
  - Businesses integrated
  - Synergies driving profit growth

Hovis

Hovis (£m)	2008 H1	2007 H1	YoY %
Sales	462.7	398.4	16.1%
Trading Profit	14.6	19.0	(23.2%)
Branded sales %	*36.6%*	*40.2%*	*(3.6%)*

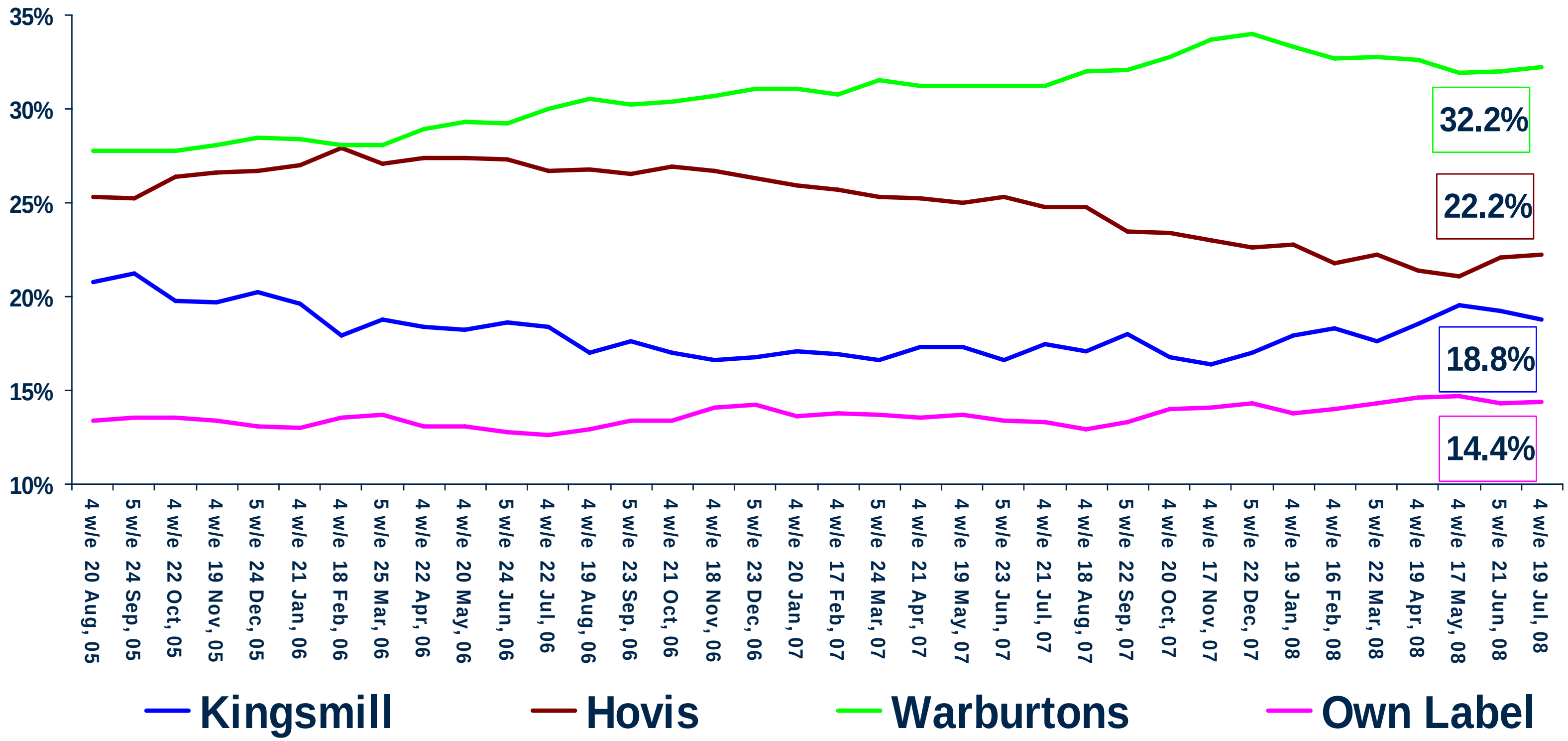
- Sales pricing up 21.5%, volume down 7.5% against same period last year but volumes stabilised against Dec 2007:

Average Weekly Sales (sacks)	(Dec 2007)	(Jan-Jun 2008)
Total Bread	56,930	57,733
Total Hovis Bread	32,332	32,606

- Cost increases on wheat and energy recovered through pricing activity
- Trading profit effect of lower volumes offset by efficiency gains
- £15m being invested in product quality – recipe, capex and production process
- Historical on-shelf price differentials now restored

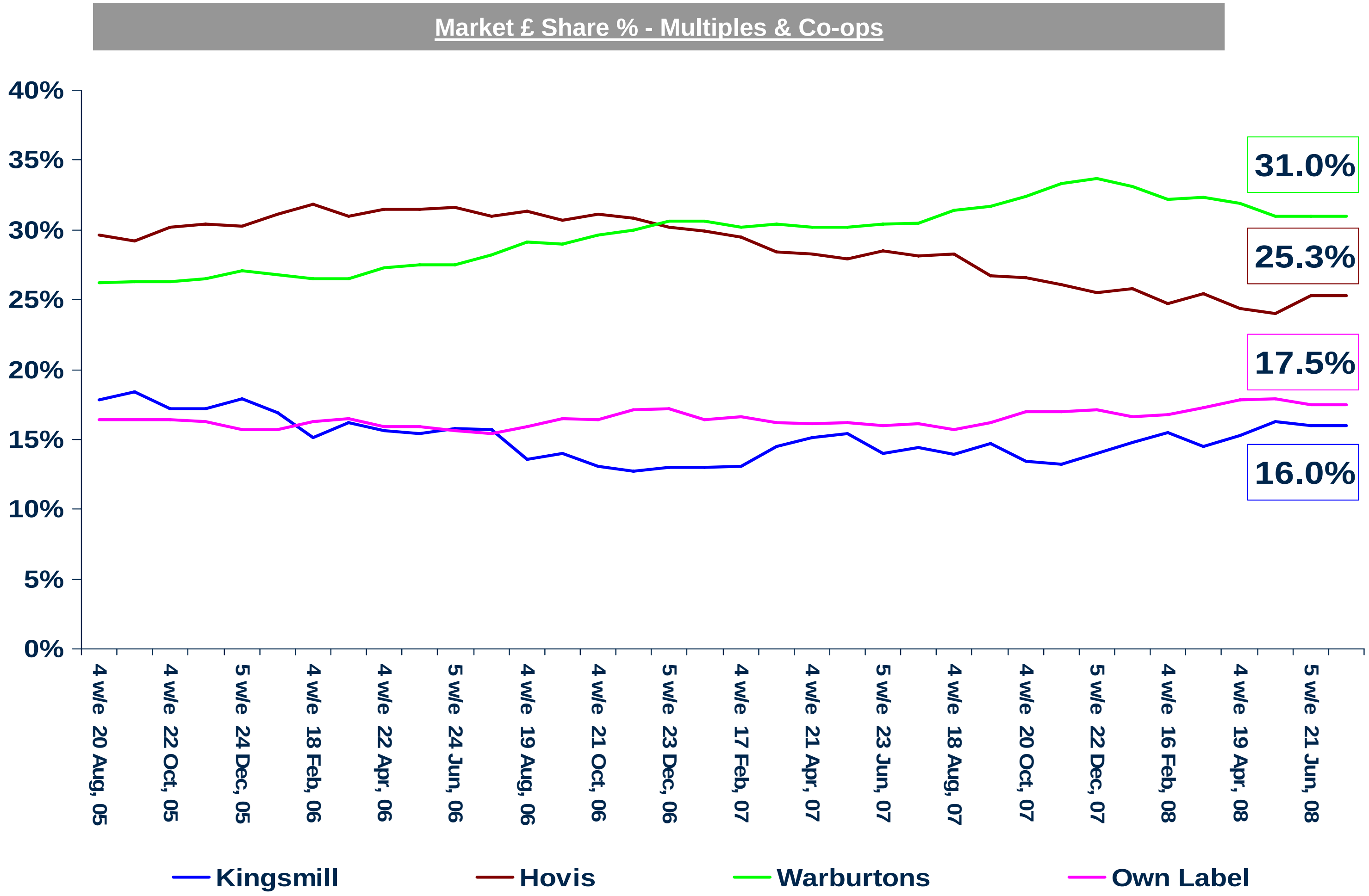
Hovis Market Share Stabilised

Market £ Share % -Total Outlets



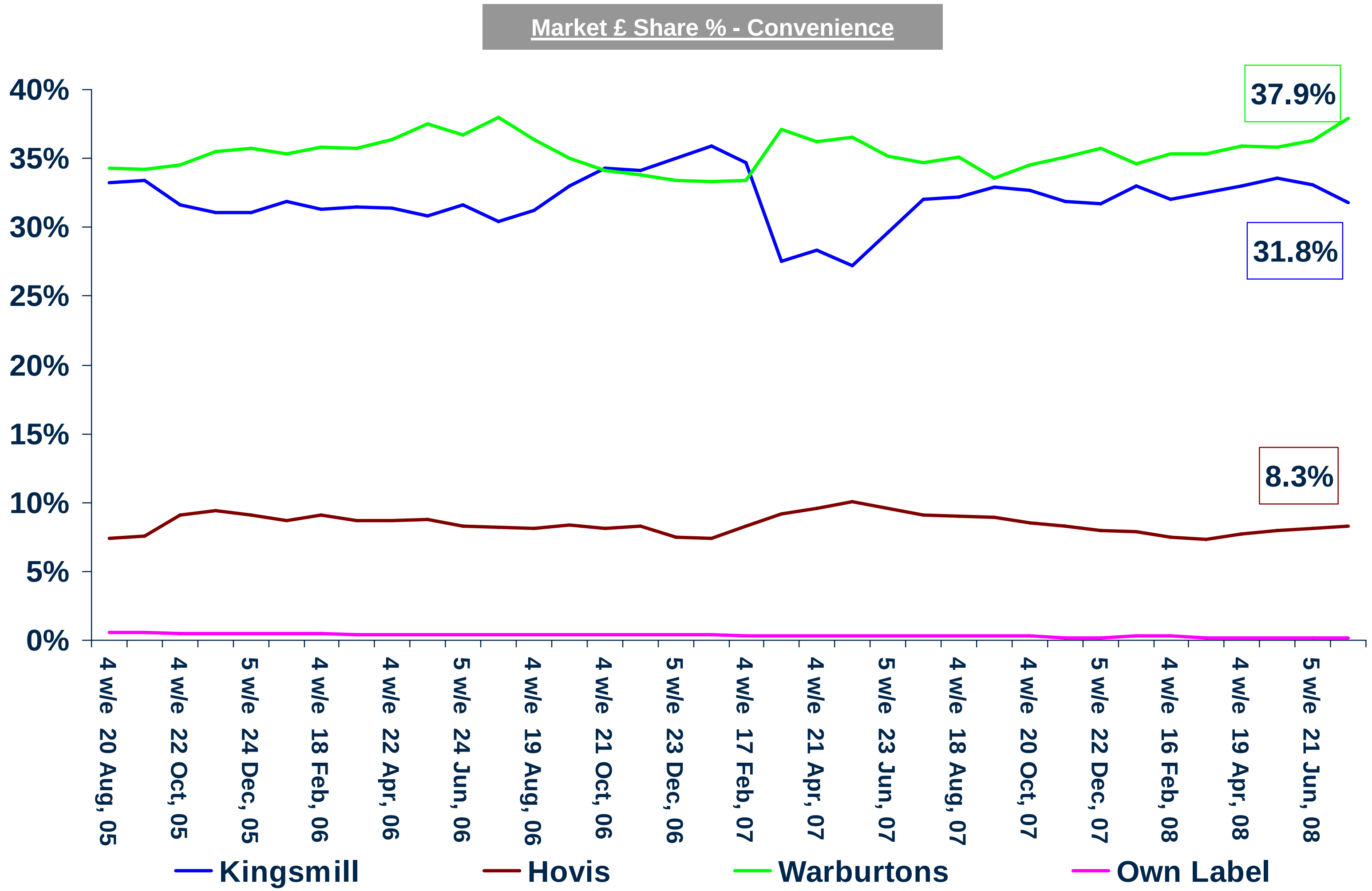
Source: IRI 4&5 w/e data

Clear Number 2 in the Multiple Retailers



Source: IRI 4&5 w/e data

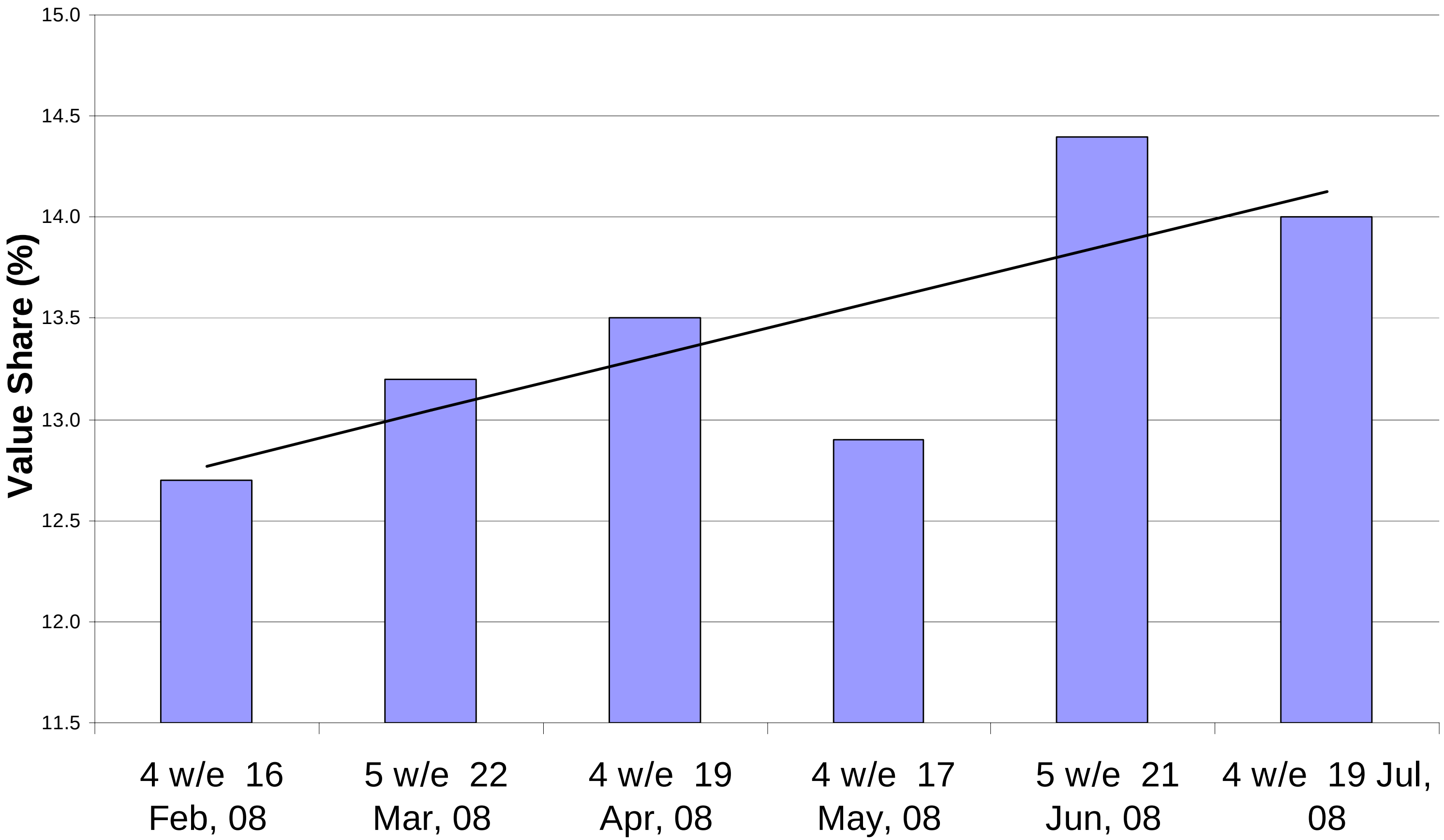
Big Opportunity In Convenience Channel



Source: IRI 4&5 w/e data

Convenience = Total Outlets exc. Multiple Grocers & Coops

Hovis' Softest Ever White Loaf



May impacted by reduced promotional activity due to price increases

Hovis White Growing Strongly Since Relaunch

Hovis Relaunch

The Foundations

- Achieve superiority on product quality
- Strengthen range with new 400g skus
- New packaging – standout shelf presence
- Strong promotional campaign – driving trial
- New advertising – rebuild emotional attachment to the brand

Hovis Relaunch Built On Superior Quality And Emotional Attachment

Back In September 2007 We Were Losing The Quality Battle….

	White	Granary	Wholemeal	Half + Half
HOVIS	3rd	3rd	3rd	2nd

….Today We Have Best In Class Recipes Across All Key Sectors

	White	Granary	Wholemeal	Half + Half
HOVIS BREAD	1st	1st	1st	1st

Source : MMR January 2008

The New Hovis Design Has Been In Store Since 11 August

New logo

Bread is the hero

Clear & differentiated product descriptors

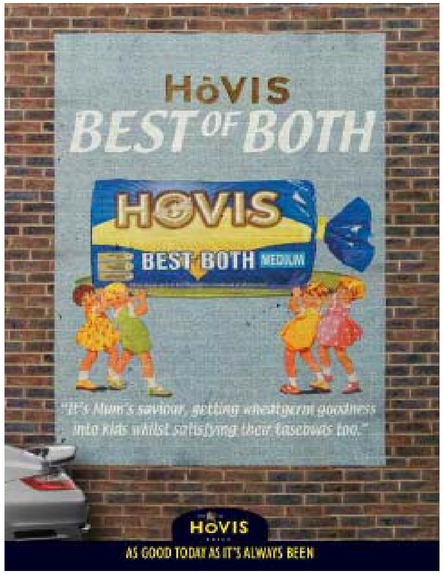
New Packaging Across The Range With Excellent Shelf Visibility

The Hovis Little Brown Loaf Will Spearhead Our New 400g Range

Mainstream

Premium

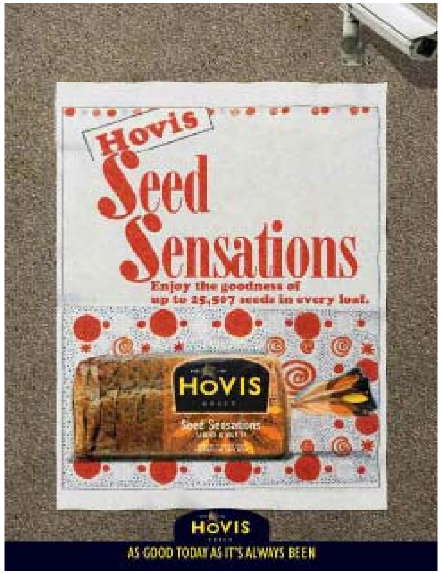
Build Emotional Attachment to the Brand Whilst Not Losing Functional Benefits



Benefit:
25% of childs RDA

Message:
New healthiest ever

Target Audience:
Mums with kids



Benefit: Packed with over 25,000 seeds

Message: Our tastiest bread ever

Target Audience:
Females 45+

Benefit: Perfect size just for you

Message: A range of tasty 400g loaves

Target Audience: 45+

Transformation Update

- Integration began Q1 2007
- 3 companies merged into a single corporate entity
  - 8 head and administration offices closed
- Largest manufacturing rationalisation in European food
  - 6 manufacturing facilities now closed, 3 more in H2
- Implementation of core SAP modules
- Created a leader in Irish food

Creating The Leading Branded Food Supplier Across The UK And Ireland

Integration Nearing Completion

- 3 out of 9 factories left to close
- Logistics integration for grocery division
- Back office integration facilitated by SAP
- Final elements of procurement synergy

- Synergy delivery accelerated versus initial estimates
- 2008 synergy delivery > £50m
- 2009 on track to deliver synergies in line with end game target of £113m

Trading Outlook

- Promotional activity in Grocery to ramp up in H2
- Further investment behind brands continues into second half
  - Mr. Kipling, Bisto/Oxo and Sharwoods
- Hovis relaunch underway
  - Aiming for share growth in H2
- Pricing achieved to recover cost inflation to date
  - Cost inflation continuing; plans in place to mitigate
- Synergies continue to flow through
  - Run rate at 28 June 2008 now £76m
- Resilient brands well placed in consumer downturn

Good Progress Expected In Second Half

Summary

- Much achieved in H1
  - Cost recovery in inflationary environment
  - Successful SAP implementation delivered smoothly
  - Manufacturing rationalisation accelerated
  - Significant integration synergies being generated

- On course for an improved H2
  - Benefit of cost recovery to date
  - Good visibility of H2 cost inflation
  - Completion of manufacturing rationalisation
  - Hovis relaunch rolled out across the range
  - Strong cash generation will reduce net debt

On Course To Deliver Full Year Expectations

Premier Foods

Preliminary Results

Half year ended 28 June 2008

Thursday, 28 August 2008

Appendices

Adjusted Earnings

Continuing Operations (£m)	2008 H1	2007 H1	%
Trading profit	121.5	101.5	19.7%
Regular interest charge	(61.5)	(43.7)	(40.7%)
Adjusted PBT	60.0	57.8	3.8%
Tax at 29%/30%	(17.4)	(17.3)	(0.6%)
Adjusted Profit after tax	**42.6**	**40.5**	**5.2%**
Average shares in issue	844.6	699.7	
Adjusted eps*	**5.0**	**5.8**	**(13.8%)**

*Pension credit excluded from adjusted eps

On Course To Deliver Full Year Expectations

Summary Income Statement

£m	2008 H1	2007 H1	%
Sales	1,290.1	899.1	43.5%
Trading profit	121.5	101.5	19.7%
Amortisation	(40.4)	(26.0)	(55.4%)
Pension Credit	8.1	7.5	8.0%
Exceptional items*	(40.3)	(40.5)	0.5%
Foreign exchange valuation adjustments	(1.1)	0.9	-
Operating profit	47.8	43.4	10.1%
Interest	(44.2)	(38.3)	(15.4%)
Profit/(Loss) before tax	3.6	5.1	(29.4%)
Tax	(4.2)	19.6	-
Net (loss)/profit – continuing operations	(0.6)	24.7	-
Discontinued operations	1.9	(14.5)	-
Net profit	1.3	10.2	(87.3%)

*The Group defines exceptional items as those items of financial significance to be disclosed separately, in order to assist in understanding the financial performance achieved and in making projections of future results.

Exceptionals And Synergies – Latest View

£m	Cash Restructuring	Capex	Cash Disposals	Net Spend	Asset Impairment
Target	**160**	**60**	**(60)**	**160**	**-**
Charge: June 06-June 08	138	46	(36)	116	50
Less: Provision	(39)	-	-	(39)	
Cash spend: June 2008	99	46	(36)	109	
H2 2008	40	14	-	54	
2009-2010	22	3	(14)	11	
Total Cash Spend	**161**	**63**	**(50)**	**174**	

- Synergies on track of £113m – accelerated benefit in 2008
- Disposals – delay on certain assets due to weaker commercial property market
- Overall gross costs remain in line with target

Exceptional Items 2008 H1

£m	Cash Restructuring	Asset Disposals, Non-cash Impairment Onerous Leases	Total
Campbell's & RHM integration	31.0	(1.4)	29.6
Disposal proceeds	(23.8)	19.2	(4.6)
Hovis and other	8.0	7.3	15.3
Total	**15.2**	**25.1**	**40.3**

- Total exceptionals cash out flow of £60.9m, reflecting level of brought forward provision
- Disposal proceeds of £23.8m on sale of 6 redundant RHM/Campbell's sites
- Hovis and other includes £7.0m impairment charge - Rotherham £3.7m

Peak Of Transformation Programme Now Passed

Pension / Post Employment Benefits

Key IAS 19 Assumptions	2008	2007
Discount rate	6.4%	5.9%
Inflation rate	3.8%	3.3%
Increase in salaries	4.0%	3.5%
Gross deficit	£154m	£123m
Net deficit	£111m	£88m

- Negotiations with RHM scheme trustees regarding actuarial review completed
  - Deficit payments agreed for 2008 (£30m), 2009 (£32m) and 2010 (£34m)
  - Represent cash savings of c£75m over 3 years compared to previous arrangements
- Movement in deficit largely due to change in market conditions
  - RHM mortality assumptions moved to medium cohort
  - Effect offset by alignment of administrative costs treatment

Significant Cash Savings Following Agreement Of Revised Terms With RHM Trustees

Banking Facilities

	Mar - Dec 2008	Jan - Dec 2009	Jan - Mar 2010	Mar – Dec 2010
Available Facilities	£2,085m	£1,940m	£1,790m	£1,690m

- Banking facilities committed until 2012
- At 28 June 2008 debt was £1,820.2m, net debt after capitalised debt issuance costs £1,805.6m

Interest Rate Hedging

- £2.1bn amortising 5 year term and revolving credit facility maturing in March 2012
  - £1,821m drawn at 30 June 2008
- Interest charged is LIBOR plus applicable margin
  - Applicable margin linked to Net Debt/EBITDA – now 125 bps.
- Significant derivative programme in place to manage interest rate risk
  - £1,057m of 3m LIBOR swapped into fixed rates – average rate of 4.6%
    - £307m at 4.6% maturing Sept 2009
    - £225m at 4.6% maturing June 2013
    - £125m at 4.6% maturing May 2010
    - £400m fixed at 4.73%, minimum maturity 2010
  - £500m of cap/collar with cap at 6.2%, maturing March 2012.

→ above 6.2% each 25bps movement equates to c£0.7m pa interest

→ below 6.2% each 25bps movement equates to c£2.0m pa interest

Major Proportion Of Interest Rate Exposure Is Fixed Or Capped