Premier Foods
Preliminary Results
Year ended 31 December 2007

Tuesday, 4 March 2008

PREMIER FOODS

David Kappler
Chairman

Introduction

- Our Priorities
  - Recovering commodity cost increases
  - Delivering synergies
  - Investing in brands
  - Completing investment and restructuring programme

- Our Actions
  - Revised banking covenants
  - Additional committed facilities
  - Focus on reducing leverage
  - Cut dividend

Creating financial resilience

PREMIER FOODS

Robert Schofield
Chief Executive

A recap - What did we buy?

We had a Grocery business with sales of £720m

- We bought Campbell's with sales of £245m
- 8 months later we bought RHM with sales of £1,595m

Cakes – sales of £260m

- Doing well, No 1 and growing
- *Kipling* and *Cadbury*

Customer Partnerships - sales of £270m

- Own label – mainly M&S and Ireland
- Doing well

A recap – what did we buy?

Campbell's – sales of £245m

- Sales declining at 4% pa
- Struggling brands – *Batchelors, Oxo, Homepride*

Culinary Brands – sales of £270m

- Struggling brands: *Bisto, Sharwoods, Robertson's*
- Dropped £6m profit in H1 2007

Bread Bakeries – sales of £800m

- Struggling and losing share
- But had the *Hovis* brand

Businesses needing rejuvenation

Where are we now?

- Campbell's returned to growth
- Culinary Brands decline halted
- Manor Bakeries continues to grow
- Chilled business in good shape
- We have integrated very rapidly
  - Closed 4 offices
  - Closed 2 factories
  - Integrated systems
  - Exited RHM Frozen Foods
  - Operating in our new structure
- Synergy delivery – on track….. and on cost
- We are now introducing SAP and are closing 7 factories in 2008/2009

Integration is on plan: Rejuvenation has started

We love the brands we have acquired

- *Hovis* – great brand – new strategy and investment commenced
- *Kipling* – more innovation on the way
- *Batchelors* – launched *Soupfulls*
- *Sharwoods* – revamping products and relaunching
- *Bisto* – back on the telly
- *Oxo* – launch into liquid stock
- *Cadbury* – strong brand – licence extended

- Even the smaller brands are responding to treatment

So what happened to the numbers?

Commodity Inflation

Wheat
£150m*

Other
£75m*

On raw materials and packaging of £1.2bn

- By the end of 2007 we had price increases in place to recover £190m of the £225m
  - We had not recovered all the costs in the Grocery business
- We intend to have them recovered by the end of Q1

* Annualised Costs

Bread business

- Significant competitor activity throughout 2007
- By the end of October 2007 we had achieved price increases covering 2007 wheat inflation
- We lost volume as competitors were slower to achieve increases
- Wheat inflation has continued into 2008
- Further price rises inevitable
- This business is not yet fixed

But

- We have a new strategy
- We have a new team
- We have the *Hovis* brand

It will not be a quick fix but we will recover our share

Summary

- A tempestuous 9 months
- Unprecedented commodity inflation
- We have remained focused on
  - Integration
  - Synergies
  - Renovating our new brands
  - Recovering our costs

- Our Grocery business is resilient and we intend to recover our costs
- Our Bread business will make progress this year – we are investing behind the brand now
- Our Cakes and Chilled businesses are in good growth

PREMIER FOODS

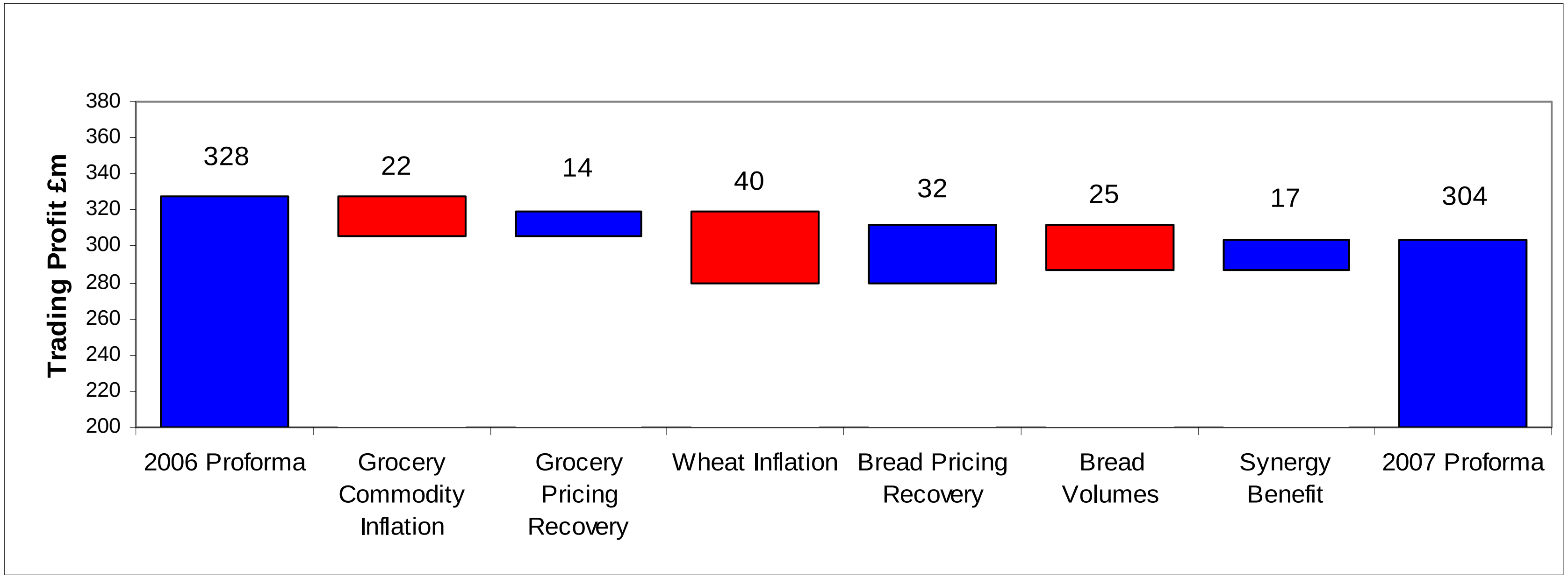
Paul Thomas
Finance Director

Financial Highlights

Continuing operations (£m)	2007	2006	YoY %
Reported sales	2,247.6	840.7	167.3%
Reported Trading Profit	280.2	129.4	116.5%
Pro forma sales	2,555.2	2,520.4	1.4%
Pro forma Trading Profit	303.7	327.5	(7.3%)
Operating Profit before exceptional items	234.8	119.9	95.8%
Operating Profit	76.1	100.5	(24.3%)
Adjusted EPS	15.5	16.0	(3.1%)
Adjusted EPS excl. 2006 Cadbury	15.5	15.1	2.6%
Dividend per share	6.5	12.0	(45.8%)

Continuing Operations. Trading profit is defined as operating profit before amortisation, exceptional items and changes in pension assumptions

Pro forma Trading Profit



- Time lag on recovering wheat and other cost inflation cost £16m in 2007
- Bread volume decline cost £25m
- Synergy benefits of £17m in line with plan
- No organic profit growth in year

Exceptional Items

£m	Restructuring 2007 Cash Outflow	Restructuring 2007 Provision	Asset Impairment Onerous Leases Pensions	Total
RHM integration	47.7	32.7	24.3	104.7
Campbell's integration	4.2	4.9	3.3	12.4
Methwold commissioning	13.9	0.7	0.8	15.4
Other	20.1	5.2	0.9	26.2
Total	**85.9**	**43.5**	**29.3**	**158.7**

- Onerous leases provide for closing leasehold sites.
- Additional £19.6m of exceptional cash flows provided in 2006.
- Balance of spend c£50m to be provided in 2008.

Campbell's and RHM integration costs in line with plans

Interest Charges

Summary Profit & Loss (£m)	2007	2006
Net cash interest payable	105.2	43.2
Amortisation of debt issuance costs	4.2	1.4
Regular interest charge	**109.4**	**44.6**
Unwind of onerous lease discount	0.8	-
IAS 39 – valuation of derivatives	31.0	(7.1)
Exceptional amortisation of debt issuance costs	8.4	4.0
Total interest charge	**149.6**	**41.5**

- IAS 39 debit due to lower future interest rate expectations – non cash
- Hedging: part of capped debt transferred to fixed interest (see appendix)

→ above 6.2% LIBOR each 25bps movement costs c£0.6m pa interest

→ below 6.2% LIBOR each 25bps movement saves c£1.9m pa interest

Tax

- P&L credit of £37.7m, made up of following amounts :
  – £24.9m charge on profit from underlying activities – effective rate 29.2%
  – Credit of £38.1m on allowable elements of exceptional costs
  – Credit of £15.3m as a result of restating deferred tax balances at 28%
  – One off credits of £9.2m – provision releases due to HMRC settlement

Forecast tax rates	2008	2009	2010
P&L charge	~30%	~30%	~30%
Underlying tax rate	28.5%	28.0%	28.0%
Cash tax as % of underlying PBT	7-12%	15-20%	20-25%

Adjusted Earnings

Continuing Operations (£m)	2007	2006	%
Trading profit	280.2	129.4	115.8%
Regular interest charge	(109.4)	(44.6)	145.5%
Adjusted PBT	170.8	84.8	100.1%
Tax at 30%	(51.2)	(25.4)	101.6%
Adjusted Profit after tax	**119.6**	**59.4**	**101.3%**
Post tax pension credit	11.3	3.3	251.5%
Adjusted profit incl. post tax pension credit	130.9	62.7	109.6%
Adjusted eps	**15.5**	**16.0**	**(3.1%)**
Adjusted eps excl Cadbury's	**15.5**	**15.1**	**2.6%**
Average shares in issue	772.6	370.8	108.3%

2.6% Adjusted eps Growth

Cash Flow

Cash Flow (£m)	2007	2006
Trading Profit	280.2	129.4
Depreciation & other non cash charges	69.2	21.5
Interest	(98.0)	(39.5)
Taxation	8.7	(12.3)
Additional pension contributions	(49.6)	(10.1)
Net capital expenditure	(75.7)	(52.5)
Net operating cash generation	134.8	36.5
Dividends	(61.1)	(23.5)
Underlying cash flow	73.7	13.0

Underlying business is cash generative

Non-recurring Cash Flow

Cash Flow (£m)	2007	2006
Underlying cash flow	73.7	13.0
Exceptional expenditure	(105.5)	(9.2)
Debtors securitisation	67.6	-
Other working capital movements	128.8	(26.0)
Discontinued operations	(14.9)	(9.4)
Acquisitions & associated costs	(1,116.0)	(31.7)
Other non-cash movements	(10.8)	(6.0)
Net cash outflow	(977.1)	(69.3)
Opening debt	(641.4)	(572.1)
Closing debt	(1,618.5)	(641.4)

2007 reflects acquisition related cash flows

Debt

- Premier is in the middle of a major investment programme
- 2007 saw an unprecedented level of commodity inflation which has continued into 2008
- Consequently, we consider it prudent to have additional headroom to ensure the investment programme can continue uninterrupted
- We have therefore:
  - Re-negotiated banking covenants
  - Negotiated additional working capital facilities
  - Re-phased non-integration capital expenditure
  - Cut the final dividend

Financial Covenants

	June 2008	December 2008
Net debt : EBITDA	5.25:1	4.50:1
EBITDA : Interest	2.75:1	3.00:1

- Tested at end of June and December on LTM basis
- Covenants met at 31 December 2007
- Original schedule has been reset to provide additional headroom

- Covenant calculations include the following definitions
  - Net debt does not include pension deficit
  - EBITDA includes pension credit
  - Interest excludes debt amortisation and fair value adjustments

We have secured additional covenant headroom

Debt 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 31 December 2007 Net Debt was £1,618m
- Revised interest costs
  - Margins increased by c15bps
  - Estimated cash interest charge for 2008 of around £115m
  - Total debt issuance costs amortisation of £8m pa

We have also secured additional liquidity headroom

Pension / Post Employment Benefits

Key IAS 19 Assumptions	2007	2006
Discount rate	5.9%	5.2%
Inflation rate	3.3%	3.0%
Increase in salaries	3.5%	4.0%
Gross deficit	£123m	£85m
Net deficit	£88m	£60m

Current payment schedule (£m)	2008	2009
Regular cost	18	19
Additional payment	55	58
Total	73	77

- Negotiations with RHM scheme trustees underway on latest actuarial review.
  - Actuarial deficits have decreased since previous deficit reduction plan agreed
  - Anticipate revised schedule to be agreed by September 2008

Robert Schofield
Chief Executive

Group Overview

£m	2007 Pro forma	2006 Pro forma	2007 vs 2006	2007 vs 2006 (%)
Grocery	1,237.8	1,255.5	(17.8)	(1.4%)
Bread Bakeries	820.0	799.3	20.7	2.6%
Cakes & Customer Partnerships	497.4	465.6	31.8	6.8%
Total sales	**2,555.2**	**2,520.4**	**34.7**	**1.4%**
Grocery	211.5	209.4	2.1	1.0%
Bread Bakeries	35.1	68.0	(32.9)	(48.4%)
Cakes & Customer Partnerships	57.1	50.1	7.0	14.0%
Total Trading profit	**303.7**	**327.5**	**(23.8)**	**(7.3%)**

Total Trading profit down £24m

- Bread Bakeries down £33m
- Remainder up £9m or 3.4%

Bread Bakeries - 2007

- Trading profit down £33m to £35m
  - Business in decline at time of acquisition
  - £40m impact from wheat costs
  - Time lag in recovering increased costs – recovered £32m

- Total market volume decline of 3.8%, white category down 5.5%
  - Significant competitor activity
  - Retail price disparity Sept – Dec
  - Hovis white under-performing - retail sales value down 16.6% (33% of Hovis sales)
  - All other Hovis varieties - retail sales value up 6.6% (67% of Hovis sales)
  - Volume impact H1 (£10m), H2 (£15m)

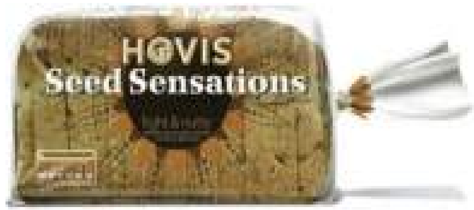
Wheat Dynamics

- £150m annualised cost of 2007 cost increases
  - 2007 cost increases covered by price rises by December 2007

- Cost pressure assumed to remain for foreseeable future
  - Significant increase in US/Canadian wheat prices – Premier uses limited quantities
  - UK wheat prices are also on the rise
  - We are moving actively to recover our costs
  - Forward cover increased – can see inflation before it hits us

Bread Strategy 2008

- New management team in place
- We entered 2008 with retail price differentials restored
- Hovis white loaf relaunch
  - New recipe developed
  - £6m capital investment in new processing equipment
- Increase marketing spend
- Reduce the cost base
  - Closed Plymouth bakery and Telford depot; rationalised Bradford bakery
- Innovation
  - Seed Sensations successfully launched with annualised retail sales of £20m
- Work in progress
  - Access the convenience channel
  - Reduce complexity



Not a quick fix but the work has started

Grocery

- Sales down 1.4%
  - Branded up 0.3%,
  - Own label down 5.8%
  - H2 branded growth of 1.9% against (1.5%) in H1
  - H2 retailer brands down 5.4% after 6.3% decline in H1
  - We have reversed the decline in Campbell's
  - We have reversed the decline in Culinary Brands
- Trading profit up £2.1m
  - Trading profit up £5.7m in H2 after £3.7m decline in H1
  - Synergies of £13m, £11m in H2
  - Net impact of cost inflation of £8m
  - Culinary Brands pro forma H1 2007 decline of £5.7m

Improved second half performance driven by branded sales

Convenience, Pickles, Sauces & Meat-free

Convenience, Pickles, Sauces & Meat-free (£m)	2007	2006	YoY %
Sales	442.3	454.5	(2.7%)
Trading Profit	43.0	45.7	(5.9%)
Branded sales	55.3%	54.4%	

- Own label sales down 4.6% due to exiting low margin contracts, expected to continue
- Relish maintains double digit sales increase with TV advertising
- Lower sales of branded baked beans against promotional launch in 2006
- Meat-free full year sales growth of 5.5% - H2 growth of 8.4% after slower growth in H1 due to Methwold commissioning
- Quorn gruyere cheese escalopes won The Grocer "Branded Excellence Award 2008" for a chilled food product (beating all the meaty opposition!)

Campbell's

Campbell's (£m)	2007	2006	YoY %
Sales	250.2	243.8	2.6%
Trading Profit	50.8	41.4*	22.7%
Branded sales	96.0%	95.5%	

* An estimated £8.7m pre-acquisition trading distortions have been removed from the Campbell's 2006 trading profit

- 4% sales decline at time of acquisition halted and business returned to growth
- Synergies delivered in full to plan
- Business fully integrated into Premier by April
- Oxo dry stock grew 5% year on year
- Oxo liquid stock has 34% share of rapidly growing liquid stock category
- Full scale Soupfull's launch for Q1 '08, supported by TV advertising and sampling, following promising initial launch
- Fray Bentos in good growth due to category focus

Spreads, Desserts & Beverages

Spreads, Desserts & Beverages (£m)	2007	2006	YoY %
Sales	251.0	263.5*	(4.7%)
Trading Profit	60.5	62.5*	(3.2%)
Branded sales	64.2%	63.7%	

* 2006 Sales and Trading Profit have been adjusted for the impact of the end of the Cadbury hot beverages licence

- Sales decline due to exit from own label contracts in Spreads and Beverages
- Hartley's, Sunpat and Angel Delight in good growth
- Hartley's squeezy jam to be launched in first half of 2008
- Ambrosia performance flat due to capacity constraints on pots

Culinary Brands

Culinary Brands (£m)	2007	2006	YoY %
Pro forma Sales	271.3	270.1	0.4%
Pro forma Trading Profit	58.2	59.4	(2.0%)
Branded sales	90.5%	90.9%	

- Business was in decline at acquisition due to lack of investment
  - H1 sales declined by 3.1%, Trading profit declined by 23.6%
  - H2 sales up 3.4%, Trading profit up 6%
- Business fully integrated into Premier by October
- Revised promotional strategy now delivering
- New Sharwoods Thai range has been well received and grown from 20.5% market share to 33.2% in H2

Grocery

- Commodity cost inflation outlook for 2008
  - 2007 annualised commodity cost inflation of £75m
  - By 1 January we had recovered an annualised equivalent of £40m
  - Additional price increases put through in January and February
  - We are moving actively to recover the remainder
  - Time lag on recovering 2007 cost inflation estimated at £10m in H1 2008

Grocery is recovering cost inflation

Cakes & Customer Partnerships

- Sales up 7%
- Trading profit up 14%

- Strong performance from Manor Bakeries
  - 6% growth in branded retail sales value, market share up 0.6ppt to 26.3%

- Good performance from RF Brookes
  - Improved listings with M&S

- All Irish operations integrated
  - Delivering synergies

- Exit from Frozen Foods

Good progress

Cakes & Customer Partnerships

Cakes & CP (£m)	2007	2006	YoY %
Pro forma Sales	497.4	465.6	6.8%
Pro forma Trading Profit	57.1	50.1	14.0%
Branded sales	42.3%	43.6%	

- Continuing good performance from Mr. Kipling on TV in 2008
- Launch of Delightfuls – voted 'Product of The Year 2008' in the Healthy Eating category
- Successful exit from van sales operation
- H1 growth momentum maintained through H2
- Ireland sales growth of Bisto driven by TV, sponsorship and instore display
- Ambrosia single serve pots well received in Ireland.

Integration Progress Report

- Substantial progress on the integration of Campbell's and RHM
- Manufacturing rationalisation programme well advanced
  - SAP/Rationalisation will limit our ability to promote during H1
- Synergy delivery in 2007 = £17m
- Run rate at December 2007 = £47m
  - More than 70% of 2008 cumulative synergy already delivered
- Premier now operating in its three new divisions
  - Grocery
  - Bread & Milling
  - Chilled & Ireland

Trading Outlook

- H1 2008
  - SAP implementation and factory rationalisation will limit promotional activity
  - Time lag on recovering 2007 Grocery cost inflation estimated at £10m
  - New strategy and investment in Hovis commences
  - 2007 wheat costs recovered; 2008 price increases to cover further inflation
  - Synergies flow from 2007 actions
- H2 2008
  - Synergies build from manufacturing rationalisation
  - Costs recovery and flow through in H2

We expect 2008 progress to be H2 weighted

Transformed Through Integration

- Building a stronger business, competitively advantaged
- Deeper, broader, consumer and customer insight
- Bigger, better invested factories
- Lower cost, more flexible distribution capabilities
- Lean admin functions supported by common IT platform

Transforming Premier's competitive position

Summary

- Increased financial headroom to complete transformation
- Unprecedented cost inflation continues but being offset by pricing action
- Revised bread strategy being implemented
- Transformation continues on track

PREMIER FOODS

Premier Foods
Preliminary Results
Year ended 31 December 2007

Tuesday, 4 March 2008

Appendices

Summary Income Statement

£m	2007	2006	%
Sales	2,247.6	840.7	167.3%
Trading profit	280.2	129.4	116.5%
Amortisation	(66.2)	(10.9)	507.3%
Pension Credit	16.1	4.7	242.6%
Exceptional items*	(158.7)	(19.4)	718.0%
Foreign exchange valuation adjustments	4.7	(3.3)	-
Operating profit	76.1	100.5	(24.3%)
Interest	(149.6)	(41.5)	260.5%
Profit/(Loss) before tax	(73.5)	59.0	-
Tax	37.7	(11.1)	-
Net income/(deficit) – continuing operations	(35.8)	47.9	-
Discontinued operations	(27.5)	(1.6)	-
Net income	(63.3)	46.3	-

*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.

Sales Analysis

Sales (£m)	2007 Reported	2007 Pro forma	2006 Pro forma	Pro forma Change (%)
Convenience Foods, Pickles, Sauces & Meat free	442.3	442.3	454.5	(2.7%)
Spreads, Desserts & Beverages*	251.0	251.0	263.8	(4.8%)
Chivers Ireland	22.0	23.1	23.3	(0.9%)
Campbell's	250.2	250.2	243.8	2.6%
Core Premier	**965.5**	**966.6**	**985.4**	**(1.9%)**
Bread Bakeries	657.3	820.0	799.3	2.6%
Culinary Brands	218.9	271.2	270.1	0.4%
Cakes	229.3	277.5	257.6	7.7%
Customer Partnerships	176.6	219.9	208.0	5.7%
RHM divisions	**1,282.1**	**1,588.6**	**1,535.0**	**3.5%**
Total Premier	**2,247.6**	**2,555.2**	**2,520.4**	**1.4%**

* 2006 Sales have been adjusted by £14.2m for the estimated impact of the end of the Cadbury hot beverages licence.

Trading Profit Analysis

Trading Profit (£m)	2007 Reported	2007 Pro forma	2006 Pro forma	Pro forma Change (%)
Convenience Foods, Pickles, Sauces & Meat free	43.0	43.0	45.7	(5.9%)
Spreads, Desserts & Beverages **	60.6	60.6	62.1	(2.4%)
Chivers Ireland	1.0	1.0	0.8	25.0%
Campbell's *	51.1	51.1	41.4	23.3%
Core Premier	**155.7**	**155.7**	**150.0**	**3.8%**
Bread Bakeries	25.7	35.1	68.0	(48.4%)
Culinary Brands	48.5	55.8	59.4	(6.1%)
Cakes	25.8	27.5	22.8	20.6%
Customer Partnerships	24.5	29.6	27.3	8.3%
RHM divisions	**124.5**	**148.0**	**177.5**	**(16.6%)**
Total Premier	**280.2**	**303.7**	**327.5**	**(7.3%)**

*An estimated £8.7m pre-acquisition trading distortions have been removed from the Campbell's 2006 trading profit.

** 2006 Trading Profit have been adjusted by £5m for the estimated impact of the end of the Cadbury hot beverages licence.

Grocery

Sales (£m)	2007 Pro forma	2006 Pro forma	Pro forma Change (%)
Convenience Foods, Pickles & Sauces & Meat free	442.3	454.5	(2.7%)
Campbell's	250.2	243.8	2.6%
Spreads, Desserts & Beverages **	251.0	263.8	(4.8%)
Culinary Brands	271.2	270.1	0.4%
Chivers Ireland	23.1	23.3	(0.9%)
Grocery sales	**1,237.8**	**1,255.5**	**(1.4%)**
Convenience Foods, Pickles & Sauces & Meat free	43.0	45.7	(5.9%)
Campbell's *	51.1	41.4	23.3%
Spreads, Desserts & Beverages **	60.6	62.1	(2.4%)
Culinary Brands	55.8	59.4	(6.1%)
Chivers Ireland	1.0	0.8	25.0%
Grocery Trading profit	**211.5**	**209.4**	**1.0%**
Branded mix	**73.8%**	**72.6%**	**1.2ppt**

*An estimated £8.7m pre-acquisition trading distortions have been removed from the Campbell's 2006 trading profit.
** 2006 Sales and Trading Profit have been adjusted for the estimated impact of the end of the Cadbury hot beverages licence.

Reporting on the new Premier

For 2008 Interim results onwards, we will report three divisions only, (as previously announced at our Investor Seminar) :

- Grocery:
  - Convenience Foods, Pickles & Sauces
  - Spreads, Desserts & Beverages
  - Campbell's
  - Culinary Brands
  - Manor Cakes
- Bread & Milling
  - Wrapped bread & morning goods
  - Rank Hovis
  - Frozen part-baked bread
- Chilled & Ireland
  - Meat free
  - RF Brookes
  - Avana
  - Charnwood
  - Ireland

2007 segmental results in new format will be released shortly

Interest Rate Hedging

- £2.1bn amortising 5 year term and revolving credit facility maturing in March 2012,
  - £1,618.5m drawn at 31 December 2007
- 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
  - £1,067m of 3m LIBOR swapped into fixed rates – average rate of 4.6%
    - £235m at 4.9% maturing May 2008
    - £77m at 4.6% maturing Dec 2008
    - £230m at 4.6% maturing Sep 2009
    - £125m at 4.6% maturing May 2010
    - £400m fixed at 4.55%, minimum maturity 2010
  - £500m of cap/collar with cap at 6.2%, maturing March 2012.

→ above 6.2% each 25bps movement equates to c£0.6m pa interest

→ below 6.2% each 25bps movement equates to c£1.9m pa interest

Major proportion of interest rate exposure is fixed or capped