PREMIER FOODS PLC

INTERIM RESULTS FOR THE HALF YEAR ENDED 26 JUNE 2010

4 August 2010

Highlights

- **Brands are trading well in tough conditions with sales up 0.5% in value and up 3.5% in volume on a pro forma basis[1] for the six months to 30 June 2010**
- **Volume market share gains in Drive categories[2]**
- **Total sales down 4.5% on a pro forma basis[1] for the six months to 30 June 2010 owing to own label sales which are down 12.7%. This reflects:**
    - **non-branded market volumes down 5.9%;**
    - **wheat deflation of 2.3%; and**
    - **4.5% mainly owing to contracts, primarily in bakery, which were terminated in 2009.**
- **Gross profit margin up 60bp reflecting product mix, procurement gains and manufacturing efficiencies**
- **Operating expenses down 1.6% despite higher pension, marketing and restructuring costs**
- **Trading profit[3] down £7m to £110m reflecting, as previously indicated, £11m of additional pension, marketing and restructuring costs**
- **Operating profit up £40m to £67m following the completion of exceptional integration expenditure in 2009**
- **Loss after tax up £17m to £40m reflecting higher mark to market losses on swap contracts**
- **Net debt at 26 June 2010 £1,365m, down £110m year on year**

Commenting on the results, Chief Executive Officer, Robert Schofield said:

"*These results reflect the actions we are taking in line with our trading strategy. Our principal brands are growing in both volume and market share and our gross margins have risen as we have improved product mix and delivered procurement gains and manufacturing efficiencies. We are controlling costs tightly and have made good progress in strengthening our cash flow and reducing debt. Today we are setting out further details of our programme to diversify and strengthen our financial structure. With the foundations of the strategy in place and delivery on track, we are looking forward to the rest of the year with enthusiasm.*"

For further information:

Premier Foods plc +44 (0) 1727 815 850
Jim Smart, Chief Financial Officer
Gwyn Tyley, Director of Investor Relations and M&A

Maitland +44 (0) 20 7379 5151
Neil Bennett
Brian Hudspith
Emma Burdett

A presentation to analysts and investors will take place on Wednesday, 4 August 2010 at 9.00am at RBS, 250 Bishopsgate, London, EC2M 4AA. The presentation will also be webcast at www.premierfoods.co.uk.

1. The accounting period is from 1 January 2010 to 26 June 2010. The comparative is based on 1 January 2009 to 27 June 2009. The 2010 period thus contains one fewer trading day. In order to present consistent information, we also present pro forma sales information for the 6 months to 30 June.
2. Source: IRI Infoscan, Total Grocery Outlets, 24 weeks ended to 12 June 2010.
3. Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between expected return on pension assets, administration costs and interest costs on pension liabilities.

Notes for editors

Premier Foods is the UK's largest food producer, which manufactures, sells and distributes a wide range of branded and retailer branded foods. We supply a broad range of customers including the major multiple retailers, wholesalers, foodservice providers and other food manufacturers. Premier owns iconic British brands such as Hovis, Mr Kipling, Batchelor's, Quorn, Bisto, Ambrosia, Sharwood's, Branston, Oxo, Hartley's and many more. The business employs around 16,000 people and operates from over 60 sites across the UK and Ireland.

For high resolution images, please go to
www.premierfoods.co.uk/media/image-gallery/

OPERATING AND FINANCIAL REVIEW

Introduction

At the time of the Preliminary results in February, we set out our trading strategy and committed to presenting a consistent reporting format to help in assessing how successful we are in delivering it. Accordingly, those same schedules are set out below.

In these results we are also setting out our financial strategy which aims to implement a sustainable and efficient capital structure over the medium term.

The accounting period being reported is for 1 January 2010 to 26 June 2010 versus 1 January 2009 to 27 June 2009. Hence the 2010 consolidated interim financial information contains one fewer trading day. In the interest of consistency, pro forma information on sales is also included on a 1 January to 30 June basis. Full details are shown in the appendices. Profit and loss analyses are on a statutory basis. Sales analyses use the pro forma basis.

Summary

	2010 H1	2009 H1	10 v 09 %
Branded sales (£m)	771	774	(0.4)
Total sales (£m)	1,183	1,248	(5.2)
Pro forma branded sales (£m)	790	786	0.5
Pro forma total sales (£m)	1,211	1,268	(4.5)
Branded market share – volume (%)	21.9%	21.4%	0.5pp
Branded market share – value (%)	24.0%	24.3%	(0.3pp)
Trading profit (£m)	110	117	(6.0)
Adjusted profit before tax (£m)	33	39	(15.4)
Pro forma adjusted EPS (pence)	1.0	1.2	(16.7)
Cash flow before non-recurring items (£m)	2	(83)	-
EBITDA (rolling 12 months)	354	346	2.3
Net debt (£m)	1,365	1,475	(7.5)
Average debt (rolling 12 months v Dec 09)	1,607	1,651	(2.7)

At the time of our preliminary results we set out our strategy for the next three years and identified a number of key indicators by which to assess its progress. This is our first full report against these indicators.

- Branded sales were up 0.5%. Branded sales volumes were up 3.5% against a market growth of 1.1% which is in line with our target of exceeding category market growth. As a consequence our branded volume market share was up 0.5pp.

- Non-branded sales were down £61m or 12.7%. In this period, markets declined 5.9%, which is a steeper decline than in recent years. Our sales volumes were down 9.6% reflecting this market decline and contract losses in H2 2009. £42m of the decline was in Hovis due to a fall in the retailer branded bread market, wheat price deflation and contracts which were not renewed to free up capacity for branded bread growth. The contract exits in Grocery were in order to preserve profitability. No further material contracts have been lost in H1 2010 and we have gained some contracts which will take effect in H2.

- In our strategy, we set out an aim to enhance gross margin by improving product mix, procuring more effectively and by delivering manufacturing efficiencies in Grocery. In the period, gross margin increased by 60 basis points.

- We aim to reduce operating costs over the three years such that we can offset inflation and increase marketing costs. In the half year, operating expenses were down £4m and, within this, consumer and in-store marketing increased by £4m.

- As indicated previously, in the period we have absorbed £5m of additional pension costs as the IAS 19 service cost has reverted to more normal levels and £2m more restructuring costs. The restructuring costs for the full year will be lower than last year but phased more toward the first half in 2010. Other than these items, trading profit is level with last year having absorbed £4m more consumer and in-store marketing costs.

- We set a target to generate a net £100m of cash per annum to pay down debt. We are in line with this target: net debt was £110m lower than in June 2009 and average debt on a 12 month rolling basis, our preferred indicator, is £44m less than at December 2009. As part of cash management we said we would seek to have a cash inflow from working capital in the year as a whole by reducing stock. At the half year, stock is £50m lower year on year and this has been achieved without impacting service levels.

Sales (Pro Forma Basis)

	2010 H1 £m	**2009 H1 £m**	**10 v 09 %**
Branded	790	786	0.5
Non-branded	421	482	(12.7)
Total sales	**1,211**	**1,268**	**(4.5)**
Total branded sales (%)	65.2%	62.0%	3.2pp

Total sales in the first half declined by 4.5% of which volumes were down 4.0% with price and mix contributing 0.5%. Branded sales in the half year were up 0.5% at £790m and now represent 65.2% of total sales, up from 62.0% on 2009 H1.

In total, our promotional spend in H1 was down 1.2% on that spent in H1 of 2009. An increase in Grocery and Chilled was more than offset by lower spend in Hovis. During this period, the amount of promotional spend in the market as a whole has increased by around 14%.

	Q1 Growth %	**Q2 Growth %**	**H1 Growth %**
Branded	(0.3)	1.3	0.5
Non-branded	(12.9)	(12.4)	(12.7)
Total sales	**(5.1)**	**(3.8)**	**(4.5)**

As indicated at the time of the Q1 IMS, sales trends have improved in Q2. Total sales were down 3.8% in Q2 compared with down 5.1% in Q1. Within this, Grocery sales were up 0.7% in Q2 versus down 2.3% in Q1. Total branded sales were up 1.3% in Q2 versus down 0.3% in Q1.

Branded Sales – Pro Forma	2010 H1 £m	2009 H1 £m	10 v 09 Sales %	10 v 09 Volume %
Hovis	174	170	2.4	
Mr Kipling	62	60	3.3	
Quorn	60	61	(1.6)	
Ambrosia	39	37	5.4	
Sharwood's	32	30	6.7	
Hartley's	29	25	16.0	
Loyd Grossman	21	21	0.0	
Sub total – Drive brands	**417**	**404**	**3.2**	**5.2**
Batchelor's	63	63	0.0	
Bisto	38	37	2.7	
Branston – pickles and relishes	19	18	5.6	
Branston – beans	16	15	6.7	
Cadbury Cakes	27	28	(3.6)	
Oxo	18	17	5.9	
Sub total – Core brands	**181**	**178**	**1.7**	**4.0**
Defend brands	**192**	**204**	**(5.9)**	**0.1**
Total branded	**790**	**786**	**0.5**	**3.5**

Drive Brands

The Group saw an increase in Drive brand sales of 3.2%, up to £417m in H1. In volume, sales of Drive brands were up 5.2%. Within this, *Hovis* volumes were up 5.1% and other brands were up 5.2%. In this period, market volumes in the categories were down 1.7%.

Hovis and *Mr Kipling* both took volume share in declining markets helped by the new products launched in 2009.

Quorn sales were down 1.6%. As indicated in the 2009 preliminary results we pulled back on promotional and marketing spend in the early part of the year preserving margins at the expense of sales revenue growth. We have reduced costs by outsourcing some production and changing the supply chain. We are focusing on returning the brand to growth in the second half and are encouraged by the fact that the brand resumed sales revenue growth in Q2.

Ambrosia, *Sharwoods* and *Hartley's* demonstrated sales growth in a competitive market. *Loyd Grossman* sales were flat as it lapped a strong marketing and promotional campaign in H1 2009, which was used to increase customer trial. We are pleased that customer penetration on *Loyd Grossman* remains significantly higher than prior to this promotional push.

Core Brands

Core brands grew by 1.7%. Volumes were up 4.0% driven by 11.2% growth in *Branston* beans and 2.1% growth in other brands. Market volumes fell 1.0% in these categories. Sales growth in *Branston* beans was 6.7% utilising capacity freed up by the loss of an own label beans contract in the second half of 2009. Sales of *Cadbury* cakes were down 3.6% owing to lower promotions.

Defend Brands

Defend brand sales declined by 5.9%. Sales volumes were up 0.1% against market growth of 0.2%. Volumes were helped by a 36.3% growth in *Crosse & Blackwell* beans which offset a 2.2% decline in other brands. Wheat deflation reduced sales value in *Mother's Pride* bread, *Elephant Atta* flour and *McDougalls* flour. *McDougalls* sales were also affected by lower sales to catering

customers. The Irish market was sluggish leading to a decline in *Erin*. *Mother's Pride* and *Robertson's* declined as we prioritised *Hovis* and *Hartley's* respectively. We have prioritised our marketing and promotional spend behind the Drive and Core brands. We are therefore competing more selectively in Defend categories.

Non-branded

Non-branded Sales – Pro Forma	**2010 H1 £m**	**2009 H1 £m**	**10 v 09 %**
Grocery	188	200	(6.0)
Hovis	144	186	(22.6)
Chilled	89	96	(7.3)
Total	**421**	**482**	**(12.7)**

Non-branded sales comprise retailer brand and business to business products including milling. In total, sales revenue was down by 12.7%. This sales revenue loss comes from three main sources. Firstly, non-branded category sales in the markets in which our non-branded goods compete declined by 5.9% in volume terms as the retail price of branded goods in the market dropped to a level where customers are trading up into branded goods. Secondly, wheat input cost declines in 2009 have lowered prices to customers leading to deflation in sales revenue which does not affect profitability. This is equivalent to around 2.3% of the decline and should fall out of the comparatives in H2 of 2010. The remaining 4.5% of the decline largely reflects contract losses in 2009, the largest of which also falls out of the comparatives in H2 of 2010. We have seen no further material contract losses in 2010.

The Grocery division saw a reduction in non-branded sales of 6.0% due to market decline and contract losses of beans and spreads which took place in the second half of 2009. We have lost no further material contracts and have secured some new contract wins which should come on stream in H2. Promotional activity in branded canned goods means that the market for non-branded goods in these categories is down around 3%. We are seeing no let up in this feature of the canned market.

In Hovis, the decrease in non-branded sales revenue was 22.6%. Within this, volumes are down 10.4% and 5.8% of the decline relates to wheat price deflation which has limited effect on profitability. The remaining 6.4% decline relates to pricing and mix of business as bread volumes were down 26.2% but milling volumes were down only 5.2%. The volume decline relates predominantly to market factors although around 3% relates to own label bread contracts which were exited in 2009 to free up capacity for the *Hovis* brand expansion. No material contracts have been lost in 2010.

In the Chilled division, non-branded sales decreased by 7.3% as a result of competitive conditions in the ready meals market. We continue to compete well and gained some new contracts during Q2 in which sales were down 4.4%.

Trading Profit

	2010 H1 £m	**2009 H1 £m**	**10 v 09 %**
Sales	1,183	1,248	(5.2%)
Cost of sales	(830)	(884)	6.1%
Gross profit	353	364	(3.0%)
Gross margin %	29.8%	29.2%	+0.6pp
Operating expenses	(243)	(247)	1.6%
Trading profit	**110**	**117**	**(6.0%)**

Trading profit declined by 6.0% to £110m. Gross profit was £11m lower on lower sales revenue partly offset by increased gross margin. Operating expenses were £4m lower with savings in distribution and other costs offset as previously indicated by increases in pension costs, marketing costs and by the phasing of restructuring costs.

Gross Profit

	2010 H1 £m	2009 H1 £m	10 v 09 %
Gross profit	353	364	(3.0%)
Gross margin %	*29.8%*	*29.2%*	*+0.6pp*
Gross margin movement (bp):			
Branded product mix, manufacturing efficiency and procurement	210		
Commodity costs, pricing and promotions	(150)		
Total change (bp)	60		

Gross margin increased by 60bp in H1 to 29.8% reflecting progress in reducing manufacturing controllable costs, procurement efficiency delivery and an improved branded sales mix which added 210bp to gross margin. Increased pricing was more than offset by higher input costs and the combination of these factors reduced margin by 150bp.

Lower sales revenue outweighed the higher gross margin leaving gross profit down £11m at £353m.

Operating Expenses

	2010 H1 £m	2009 H1 £m	10 v 09 %
Consumer and in-store marketing	51	47	(8.5)
Distribution	106	113	6.2
Support functions and corporate costs	86	87	1.1
Operating expenses	**243**	**247**	**1.6**

Operating expenses were down 1.6% to £243m. As previously announced, pension costs were up £5m as the IAS 19 service cost returned to a more normal level. Restructuring costs in the half year were £8m which is up £2m on last year. As previously indicated, we expect the charge for the year as a whole to be lower than the £14m spent last year. The costs in the first half are in support of restructuring the supply chain in Grocery for Ireland and in Meat-free. As a consequence of these changes we expect supply chain costs to be £4m lower in 2011 in these areas.

In line with our strategy, consumer and in-store marketing costs have been increased by £4m in support of our brands, particularly *Hovis* for Hearty Oat Loaves, *Mr Kipling* for Oatibakes and Great Little Ideas which covers a range of Drive, Core and Defend brands.

Distribution costs reduced by 6.2% in H1 to £106m due in part to lower volumes and utility cost savings in addition to efficiency savings from both the Grocery and Hovis divisions.

Support functions and corporate costs decreased by £1m.

DIVISIONAL ANALYSIS

Grocery

	2010 H1 £m	2009 H1 £m	10 v 09 %
Branded sales	531	525	1.1
Non-branded sales	188	200	(6.0)
Total sales (pro forma basis)	**719**	**725**	**(0.8)**
Trading profit	**92**	**100**	**(8.0)**
Volume market share %	**19.3%**	**18.7%**	**0.6pp**
Value market share %	**22.0%**	**22.2%**	**(0.2)pp**

Introduction

The Grocery market has remained competitive with a high level of promotional activity. Brands have continued to benefit at the expense of retailer branded products. Cost inflation was subdued in the first half but is showing signs of increasing as we enter the second half. Profitability for the division was affected, as previously indicated, by an additional £15m of pension, marketing and restructuring costs. After taking these additional costs into consideration, trading profit is up £7m on last year as a result of procurement savings and manufacturing efficiency improvements.

Grocery Sales

Branded sales increased by 1.1% to £531m. Volume market share increased by 0.6pp to 19.3% as a result of innovation and promotional activity. Value market share was broadly flat at 22.0%, with the relationship between volume and value share growth reflecting the continued elevated levels of promotional activity in the market.

	Q1 Growth %	Q2 Growth %	H1 Growth %
Branded	(0.4)	2.7	1.1
Non-branded	(7.3)	(4.6)	(6.0)
Total sales	**(2.3)**	**0.7**	**(0.8)**

Sales trends improved during the half year with sales up 0.7% in Q2 compared with down 2.3% in Q1. Within this, branded sales were up 2.7% in Q2 compared with down 0.4% in Q1.

We have continued to invest in our brands in order to support branded growth. In the half year we have added £6m to our consumer and in-store marketing spend. We are also focusing on product innovation but it will take a while for the product innovations to feed through. In the half year, sales from new product developments introduced over the last two years was only 5% of branded sales. We aim to grow this percentage over the next three years and, as we do so, this should support a more stable volume growth.

Drive brand sales were ahead 5.7% in the period with strong performances from *Ambrosia*, *Sharwoods* and *Hartley's*. *Ambrosia* has delivered particularly strong growth in the Individual desserts category, gaining market share in a market that has delivered 9.3% volume growth in 2010. *Sharwoods* has held market share in the highly competitive cooking sauces category, while *Loyd Grossman* has experienced a slower start to 2010 following the heavy promotional activity last year. But, importantly, household penetration of *Loyd Grossman* products continues to show the benefit of this push.

Core brand sales were up 1.7%. *Branston* sales were up 6.1% including a 6.7% growth in beans utilising some of the capacity freed up by the loss of a retailer brand beans contract.

Defend brand sales were down 4.1%. In the Spreads and Homebaking markets, brands have experienced strong competition from very low retail pricing of non-branded products and as a consequence our brands have lost market share in these categories.

Non-branded sales were 6.0% lower than the prior year. Markets declined by around 3% due to increased levels of promotional activity by branded competitors in certain categories. In addition, some retailer brand contracts were lost in 2009, particularly in canning. This accounted for most of the remaining decline. The anniversary of these losses will largely be seen in the third quarter. Non-branded sales continue to play an important role in our strategy, supporting customer relationships, contributing to supply chain efficiencies and delivering category insight. However, this objective is subject to commercial criteria including profitability. We have lost no further material contracts and have secured some new contracts which should come on stream in H2.

Grocery Trading Profit

	£m
Trading profit – 2009	**100**
Volume / mix	(3)
Procurement gains	11
Input costs / pricing / promotions	(10)
Manufacturing efficiencies	5
Consumer and in-store marketing	(6)
Restructuring costs	(5)
Pension costs	(4)
Other costs	4
Trading profit – 2010	**92**

Trading profit was down 8% to £92m owing to higher pension costs, an increase in consumer marketing and restructuring costs in the Ireland supply chain.

The effect on profit of the 1.9% reduction in total volume was mitigated by an improvement in mix as the non-branded sales are less profitable than the branded sales. In total, volume and mix reduced trading profit by only £3m.

Procurement gains added £11m from a combination of reducing the number of active suppliers and from working with suppliers to achieve recipe and packaging efficiencies.

Input costs are starting to show inflation year on year, especially in some key category areas such as wheat, dairy, cocoa, paper and plastic based packaging. Pricing offset some of these costs. Promotional costs are up year on year but by less than promotional activity in the market. Our promotions have been directed more toward Drive brands. The combination of these factors reduced profit by £10m.

Our strategy is to enhance gross margin by improving the efficiency of the manufacturing operations by 4% per annum. In the half year manufacturing controllable costs have reduced by 4% which contributed £5m to profit by improving labour efficiencies and reducing waste levels.

In line with our strategy of increasing consumer and in-store marketing support to our brands, an additional £6m was spent in the half year predominantly supporting Drive Brands as well as the Great Little Ideas campaign. We are very pleased by the consumer response to all of our marketing campaigns and the consumer interaction with the Great Little Ideas website has been particularly encouraging.

Other operating expenses were up £5m. Pension costs were £4m higher as IAS19 service costs returned to more normal levels. Restructuring costs were up £5m to £6m predominantly as a result of restructuring the supply chain for Ireland in response to retailers' moving to source products

direct from the UK. The costs of closing depots and redundancies have been accrued. The remaining costs were down £4m reflecting savings in distribution.

Hovis

	2010 H1 £m	**2009 H1 £m**	**10 v 09 %**
Branded bakery sales	183	181	1.1
Retailer brand bakery sales	74	100	(26.0)
Total bakery sales	**257**	**281**	**(8.5)**
Milling sales	80	98	(18.4)
Total sales (pro forma basis)	**337**	**379**	**(11.1)**
Trading profit	**15**	**10**	**50.0**
Hovis branded bread volume market share %	**24.5%**	**23.4%**	**1.1pp**
Hovis branded bread value market share %	**24.8%**	**24.8%**	**0.0pp**

Introduction

Competition in the bread market, as previously indicated, has increased during the first half of the year with branded bread gaining share from retailer brand as the price differential has decreased. Sales values for both bakery and milling have been reduced, year on year, by deflation in the cost of wheat. *Hovis* has maintained its market share through successful marketing and product innovation. Profitability for the division has improved as manufacturing and distribution cost savings and lower restructuring spend have more than offset the effect of lower non-branded volumes.

Hovis Sales

Sales in the Hovis division declined by 11.1% in the period of which 4.0% was driven by flour deflation.

Branded bakery sales were 1.1% higher than last year at £183m. Volumes were up 3.3% with price deflation largely related to wheat input cost declines reducing sales revenue by 2.2%. Volume market share also progressed, increasing 1.1pp to 24.5%, while value share was flat at 24.8% consolidating its position following strong gains over the previous 18 months. This IRI data suggests that the bread market has declined by 3% although there has been growth in the discount retailers which is omitted by IRI. The market, as measured by Kantar, includes this channel and indicates that the market is broadly flat. On either definition, *Hovis* brand growth is above the market level.

The *Hovis* brand continued to make progress with volumes up 5.1% thanks to the improved range and product quality introduced over the past two years. Activity supporting the *Hovis* brand continued in the first half of 2010, with the introduction of 100% British wheat across the entire *Hovis* range. Hovis also launched Hearty Oats, a new loaf made with 50% Oats and approved by HEART UK, the Cholesterol Charity. As anticipated, competitor response has resulted in some distribution loss in Q2. However, agreements to extend distribution have been secured which should continue the brand growth in the second half of the year.

The year on year decline in non-branded bakery sales continued with sales down 26.0%. Within this, volumes are down 26.2%, following the decline in the market, as brands offer better quality and innovation at more competitive prices and around 1.4% of the decline relates to wheat price deflation. This was partially offset by a 1.6% improvement in pricing and mix of contracts. Around 10pp of the volume decline relates to retailer brand bread contracts which were exited in 2009 to free up capacity for *Hovis* branded bread volume growth. No material contracts have been lost in 2010.

Milling sales declined by 18.4% to £80m. The majority of the decline was due to bulk flour deflation which was has a minimal impact on profit. Volumes were down 5.3%. The wheat deflation will fall out of the comparatives during the second half.

	Q1 Growth %	Q2 Growth %	H1 Growth %
Branded	1.6	(1.5)	0.0
Non-branded	(20.7)	(24.5)	(22.6)
Total sales	**(9.5)**	**(12.5)**	**(11.1)**

Branded sales declined slightly in Q2 owing to increased competition. The non-branded sales decline accelerated slightly in Q2 reflecting market trends.

Hovis Trading Profit

	£m
Trading profit – 2009	**10**
Volume / mix	(14)
Input costs / manufacturing / pricing / promotions	8
Distribution and other costs	11
Trading profit – 2010	**15**

The effect of the volume losses in bakery and milling was partially offset by an improved mix of sales with *Hovis* branded bread now being 75% of bread volumes up from 67% last year. In total, the net effect reduced trading profit by £14m.

Lower wheat prices and lower promotional activity were partially offset by reduced pricing. This, together with improved manufacturing efficiency, increased profit by £8m.

Improved efficiency in distribution and overheads, and lower investment in infrastructure added £11m to trading profit.

With the competitive marketplace and rising wheat costs, which have in recent weeks begun to escalate, it is unlikely that the division's second half profit will match its 2009 profit level as this period last year particularly benefited from wheat price deflation.

Chilled

	2010 H1 £m	2009 H1 £m	10 v 09 %
Meat-free	66	68	(2.9)
Brookes Avana	89	96	(7.3)
Total sales (pro forma basis)	**155**	**164**	**(5.5)**
Trading profit	**3**	**7**	**(57.1)**

	Q1 Growth %	Q2 Growth %	H1 Growth %
Branded	(4.7)	(1.1)	(2.9)
Non-branded	(9.8)	(4.4)	(7.3)
Total sales	**(7.6)**	**(3.1)**	**(5.5)**

Chilled sales declined 5.5% in the period.

In Meat-free, sales were down 2.9% owing to a lower level of promotional and marketing spend in the early part of the half year. We expect a return to growth in the second half through increased consumer marketing supported by improved products, and international growth.

The restructuring of the Meat-free manufacturing operations is largely complete. The outsourcing of a proportion of production cost £1m in H1 and this should result in lower costs in H2.

Sales in Brookes Avana were down 7.3%. A loss of contracts in 2009 reduced volumes by 13.7% but mix of contracts added 6.4%. Contract wins have improved the sales trend in Q2 and should continue to benefit sales in H2 when the business traditionally makes most of its profit.

Trading profit for the division was £3m, down £4m on the prior year predominantly reflecting the reduction in volumes in Brookes Avana.

OUTLOOK

During the half year, the Group appointed Ronnie Bell as Chairman. Ronnie brings a wealth of industry experience to assist the Group in delivering its strategy. He will take up his position in October.

At the time of our preliminary results in February 2010, we gave the following guidance: 'We remain cautious about the consumer and trading environment for 2010. But, assuming no further adverse change in that environment, we expect the benefits of the strategy to result in further progress in 2010'. In the half year we have seen a continuation of tough consumer and competitive environment and an uptick in input costs. Despite these developments, we reiterate this guidance.

FINANCIAL STRATEGY

Having set out the trading strategy for the next three years, it is now appropriate to describe the Group's financial strategy.

The business currently generates over £350m of cash and EBITDA from operations each year. This cash and EBITDA generation is stable and reliable. The business can therefore support an amount of debt. Nevertheless we aim to reduce its current indebtedness level. The best measure is the ratio of Average debt / EBITDA which is currently 4.54.

Our financial strategy is:

- to reduce Average debt / EBITDA to below 3.25 over the medium term;
- to reduce the financial risks from swaps and pensions; and
- to diversify the sources and maturities of financing.

Taking these three points in turn:

Reduce Average Debt / EBITDA To Below 3.25

The key objective is to manage down the financial indebtedness as measured by the Average debt to EBITDA ratio.

	Jun 2010 £m
Average bank borrowings – 12 month rolling	1,517
Securitisation	90
Average debt	1,607
EBITDA – 12 month rolling	354
Average debt / EBITDA	**4.54x**

The objective is to reduce the Average debt / EBITDA ratio from the current 4.54 to below 3.25 over the medium term. We will do this:

- by growing EBITDA based on the trading strategy outlined earlier; and
- by managing the business cash resources to generate at least £100m of cash per annum after servicing financial obligations to pay down bank debt.

As the bank debt is reduced, interest will fall and, as the additional interest being paid on the non-hedging swap portfolio reduces or the contracts expire, the cash available to pay down debt will grow. The business can therefore achieve this objective organically over the medium term.

However, we are open minded about disposals of assets if by doing so we can achieve our financial objective more quickly. In considering potential disposals, the Board will thus have regard to the proceeds available and their ability to reduce our total financial obligations and the Average debt / EBITDA ratio.

Reducing Financial Risk – Swap Portfolio

The Group has arranged a number of swap contracts to fix the interest rate on its bank debt. Most of the swap portfolio achieves this objective but a portion does not provide this economic hedging and leaves the Group open to additional interest charges in current circumstances when interest rates are low. In 2010, this additional interest is increasing the Group's interest charge by around £22m p.a. and hence diverting cash which could otherwise be devoted to paying down debt.

The current mark to market valuation of the element of the swap portfolio which does not provide an economic hedge is £151m which reflects future additional interest payable based on the current

market expectation for rising interest rates over the next few years. If rates remain low then this mark to market valuation will rise which will lead to the Group's interest charge increasing in the future compared with the current forecast. Conversely, if rate expectations rise, the mark to market and the consequent interest charge will fall. This element of the portfolio consists of long dated swaps, digital swaps and a financial instrument held at fair value.

The long dated swaps mature in 2023 and 2037. However, most have call features in 2012 or 2013, though they may run for longer. The Group is therefore exposed to the risk of having to settle the mark to market value of these swaps in 2012 or 2013 which will reduce the Group's liquidity headroom. The mark to market valuation is volatile and dependent on future interest rate expectations. The current mark to market valuation that would have to be settled if the call options are exercised is £61m but this could rise or fall if future interest rate expectations fall or rise.

The interest on the digital swaps is reset quarterly based on the then 3 month LIBOR rate. If this rate is lower than 3.5%, additional interest is charged over and above the economic hedge rate. Currently, this additional interest amounts to £22m per annum. The current mark to market of £50m is the aggregate of the additional interest which will be due if interest rates follow the yield curve expectations. If rates remain low this additional interest could be higher than this forecast. Conversely, if rates rise above the expectations, the additional interest will fall.

The Other Financial Instrument is an obligation which will be settled in 2012. The amount to be paid will be determined by the future interest yield curve at that time. The current mark to market expectation of the amount due is £40m. If interest rate expectations fall the amount payable will rise. Conversely, if rates rise, the amount payable will fall.

The additional interest on this non-economic hedge element of the swap portfolio is manageable given the Group's strong cash generation characteristics. We will, however, be seeking ways to make the aggregate cost and the settlement profile more stable and certain. The additional interest means that the Group's underlying financial position is not apparent in the headline financials. Once these contracts mature or are removed, the Group's interest costs will reduce significantly and the journey to getting the debt down to the target level will be much quicker.

Reducing Financial Risk – Pensions

The Group's pension funds have a combined deficit of £431m on an IAS19 basis. This is equivalent to £312m net of deferred tax. We aim to reduce this deficit. To assist in this, the Group is planning a number of initiatives to limit pension liability growth. It also continues to work with the pension fund Trustees to develop the investment and liability management strategy with the objective of making the deficit less volatile and to maintain a long term deficit repayment schedule which balances the need to fund the deficit in a timely fashion with the need to do so in a way which is affordable.

The Group intends to amend its pension benefits to limit risk and to align with market practice. The intention is to commence consultations with employees and their representatives and the pension fund Trustees with a view to making these changes from April 2011. The intention is to close the schemes to new starters and offer them a defined contribution pension and to offer existing pension fund members pensions based on a career average basis. The precise details of the accrual and contribution rates will be established through the consultation process. The objectives are to end up with a pension package which is competitive in the market and an annual IAS19 service cost which is comparable with the cost of the current arrangements. Importantly, the result will be substantially to reduce the rate at which pension liabilities increase. This is important in planning the financial future of the Group.

A key part of the Group's and the Trustees' investment and liability management strategy is to reduce risk and hence volatility wherever possible. Our joint intention is to reduce the risk and volatility in the funds and to hedge interest and inflation risks where economic. The Group and the Trustees continue to discuss the development of future investment strategy consistent with this

objective. The objective of this de-risking will be to make the deficit less volatile and hence make deficit contributions more stable in the future.

As part of its refinancing programme announced in March 2009, the Group agreed with the pension fund Trustees schedules of payments to eliminate the deficit. The schedules agreed seek to achieve this by combined payments averaging £40m per annum until 2014 and thereafter by further payments over the period to 2022. The Group and the Trustees recognise that this agreement is subject to the affordability of these contributions by Premier at the time, and that the schedule of payments can be adjusted to reflect Premier's affordability to a shorter or longer period with agreement from both the Group and the Trustees, as appropriate. The Group believes that this agreement is an important foundation for its financial planning for the medium term.

Diversify Sources and Maturities of Financing

The Group will also be taking steps to be in a position to diversify the sources and maturity profile of its funding. This will reduce the Group's refinancing risk by reducing the amount that needs to be raised at any given time and diversifying the risk that any one source might be unavailable at any particular time. This will entail considering the relative merits of bank finance and other sources of finance and considering the appropriate hedging strategy. These matters are interrelated and the Group will take steps at the appropriate time and as opportunities present themselves to move to the new financial structure between now and 2013.

Conclusion

In conclusion, the strength of the Group's cash generation is sufficient to service its financial obligations and to pay them down to reach the target level in the medium term. The additional swap interest disguises the inherent financial strength of the business and we will be seeking ways to remove some of the volatility it presents. The de-risking of the pension fund investments and benefit structure will remove material amounts of risk from the balance sheet. The Group's bank facilities are arranged until 2013 and the funding of the pension deficit is secured for the foreseeable future. This gives the Group ample time to move to a new financial structure as opportunities present themselves.

OTHER FINANCIAL INFORMATION

This section gives details of the Group's cash flow and its main financial obligations.

Cash Flow

	2010 H1 £m	2009 H1 £m
Trading profit	**110**	**117**
Depreciation	25	26
Interest	(49)	(72)
Tax	(1)	1
Pension	(28)	(34)
Regular capital expenditure	(35)	(54)
Working capital	(23)	(69)
Other non-cash items	3	2
Cash flow before non-recurring items	**2**	**(83)**

The Group's cash flow from operations before non-recurring items was an inflow of £2m compared with an outflow of £83m in H1 2009. Interest paid was lower than last year, reflecting the refinancing arranged during the first half of 2009 and a move from monthly to quarterly payments. The key improvement year on year is in working capital. The seasonal nature of the business means that there is normally an outflow of cash for working capital in the first half of each year. The outflow this year was £23m compared with £69m in H1 2009. This reflects a reduction in

stock levels in the business from £267m in June 2009 to £217m in June 2010. The Group remains on track to generate £100m of cash flow in 2010.

	2010 H1 £m	2009 H1 £m
Cash flow before non-recurring items	**2**	**(83)**
Exceptional items (excluding financing fees)	(4)	(20)
Integration capital expenditure	-	(2)
Operating cash flow	**(2)**	**(105)**
Disposal proceeds	4	54
Net equity proceeds	-	380
Financing fees, discontinued operations and other non-cash items	(2)	(37)
Movement in net debt	**-**	**292**

Non-recurring items include settling redundancy and property costs which were provided as exceptional items in prior years. In 2010, these amounted to £4m.

Financing

	Jun 2010 £m	Dec 2009 £m	Jun 2009 £m
Gross debt	1,380	1,383	1,495
Deferred refinancing fees	(15)	(18)	(20)
Net debt – half year	**1,365**	**1,365**	**1,475**
EBITDA – 12 month rolling	**354**	**361**	**346**
Net debt / EBITDA	**3.86x**	**3.78x**	**4.26x**

The Group's net debt was £1,365m at the end of H1 2010 which is £110m lower than in H1 2009. This is an important milestone in the Group's aim to reduce debt by £100m in 2010.

	Jun 2010 £m	Dec 2009 £m
Average bank debt – 12 month rolling	1,517	1,561
Securitisation	90	90
Average debt	**1,607**	**1,651**
EBITDA – 12 month rolling	**354**	**361**
Average debt / EBITDA	**4.54x**	**4.57x**

The key indicator in managing the Group's finances is the average debt, its being the driver of the Group's regular interest charge. Average debt for the year to June 2010 was £1,607m compared with £1,651m for the year to December 2009 adjusted for the equity raised in the first half of 2009. This is a reduction of £44m on a rolling 12 month basis in the half year. As a consequence, Average debt / EBITDA was reduced from 4.57 to 4.54.

Financial Instruments

Financial instruments	Jun 2010 £m	Dec 2009 £m	10 v 09 %
Nominal value of derivative interest rate related financial instruments	1,225	1,350	(9.3)
Mark to market on interest rate derivative financial instruments	(242)	(199)	(21.6)

The mark to market of the interest rate derivatives portfolio has worsened by £43m in the half year as a result of a reduction in the interest rate yield curve.

Mark to market of financial instruments	Nominal £m	Jun 2010 £m	Dec 2009 £m
Economic hedging element			
Conventional swaps	400	(35)	(36)
Long dated swaps	400	(33)	(27)
Digital swaps	275	(23)	(17)
Sub total - future economic hedging interest	**1,075**	**(91)**	**(80)**
Non-economic hedging element			
Long dated swaps		(61)	(44)
Digital swaps		(50)	(38)
Other financial instrument	150	(40)	(37)
Sub total - future additional interest	**150**	**(151)**	**(119)**
Total	**1,225**	**(242)**	**(199)**

Of the bank debt, £1,075m is hedged by the swap portfolio at an average rate of 5.1%. However, a proportion of the portfolio does not act as a hedge and, based on the current yield curve, would result in £151m of future additional interest costs.

Interest

Interest cost	2010 H1 £m	2009 H1 £m
Bank debt interest	31	48
Securitisation interest	1	1
Swap contract interest - conventional	27	20
Amortisation and deferred fees	7	5
Normal interest	**66**	**74**
Swap contract – additional interest	11	4
Net regular interest cost	**77**	**78**

Net regular interest cost was in line with last year at £77m. Interest on bank debt was lower reflecting a lower debt level since the equity raising in 2009 and lower interest rates. Swap contract interest for hedging purposes has increased £7m year on year and matches an equivalent reduction in the bank interest. The non-hedging portion of the swap portfolio resulted in an additional interest of £7m from the digital swaps as a result of interest rates declining. Based on the interest yield curve at June 2010, the additional interest would be £22m in 2010 and £18m in 2011.

The interest cost is manageable with annualised interest costs covered 2.3x times by EBITDA.

Earnings Per Share

Earnings/(loss) per share	2010 H1 Pence	2009 H1 Pence	10 v 09 %
Basic – continuing operations	(1.7)	(1.3)	(30.8)
Adjusted – continuing operations	1.0	1.6	(37.5)
Adjusted – pro forma	1.0	1.2	(16.7)

Adjusted earnings per share on a continuing basis were 1.0 pence in the half compared to 1.6 pence in H1 2009. Adjusted earnings per share on a pro forma basis in H1 2009 was 1.2 pence. This uses the 2010 definition of trading profit and assumes that the refinancing and issue of shares were completed on 31 December 2008.

Pensions

Total cash paid to the pension funds including deficit funding in 2010 will be approximately £71m. This comprises service costs of £25m, costs including pension fund levy of £6m and deficit funding of £40m. In the half year, the total cash contributions were £38m compared with £39m in 2009. Service costs charged to profit and loss were £10m, up from £5m in 2009 as a result of bond yields used in the IAS19 calculations reverting to more normal levels. At 26 June 2010, the deficit was calculated to be £431m on an IAS19 basis, equivalent to £312m net of deferred tax.

Pensions	Jun 2010 £m	Dec 2009 £m	Jun 2009 £m
Liabilities	**(3,075)**	**(2,959)**	**(2,614)**
Discount rate	5.5%	5.8%	6.4%
Inflation rate	3.3%	3.5%	3.4%
Assets			
Equities	624	599	523
Bonds	412	395	330
Property	167	166	174
Absolute return	552	522	442
Cash & other	838	861	894
Swaps	51	(13)	(50)
Total assets	**2,644**	**2,530**	**2,313**
Gross deficit (IAS 19)	**(431)**	**(429)**	**(301)**
Deferred tax	119	119	82
Net deficit (IAS 19)	**(312)**	**(310)**	**(219)**

Debt Covenants and Financing

The Group's current financing arrangements are in place until 2013. During this time there is no need to refinance although, as outlined above, the Group will take opportunities to diversify its financing. The Group's underlying trading and cash generation characteristics mean that headroom against the covenants should be ample. This natural headroom is reduced in the short term by additional interest which was not envisaged when the covenant limits were set. Nevertheless, the Group believes that it will continue to have adequate headroom against the covenants agreed with its lenders.

The position against the banking covenants is as follows:

Covenant headroom	**H1 2010 £m**
Covenant indebtedness	1,366
Covenant EBITDA	364
Covenant interest	138
Covenant tests:	
Leverage test	3.75x
Maximum limit	4.50x
Headroom	17%
Interest cover test	2.64x
Minimum limit	2.25x
Headroom	17%

Covenant interest cost on a rolling 12 month basis was £138m. Covenant EBITDA was £364m, covering interest cost 2.64 times. Leverage is 3.75 times. There was adequate headroom against both the financial limits at half year. We expect to continue to have adequate headroom. The maximum leverage ratio for year end 2010 is 4.50 and the minimum interest cover limit is 2.40.

APPENDICES

1. Reported Sales Analysis (to 26 June 2010)

Sales Analysis 2010 H1	**Branded £m**	**Non-branded £m**	**Total £m**
Grocery	**518**	**184**	**702**
Hovis			
Bakery	179	73	252
Milling	10	68	78
Total Hovis	**189**	**141**	**330**
Other			
Meat-free	64	-	64
Brookes Avana	-	87	87
Total Other	**64**	**87**	**151**
Total	**771**	**412**	**1,183**

Sales Analysis 2009 H1	**Branded £m**	**Non-branded £m**	**Total £m**
Grocery	**517**	**197**	**714**
Hovis			
Bakery	178	98	276
Milling	12	84	96
Total Hovis	**190**	**182**	**372**
Other			
Meat-free	67	-	67
Brookes Avana	-	95	95
Total Other	**67**	**95**	**162**
Total	**774**	**474**	**1,248**

2. Pro Forma Sales Analysis (to 30 June)

Pro Forma Sales Analysis 2010 H1	Branded £m	Non-branded £m	Total £m
Grocery	**531**	**188**	**719**
Hovis			
Bakery	183	74	257
Milling	10	70	80
Total Hovis	**193**	**144**	**337**
Other			
Meat-free	66	-	66
Brookes Avana	-	89	89
Total Other	**66**	**89**	**155**
Total	**790**	**421**	**1,211**

Pro Forma Sales Analysis 2009 H1	Branded £m	Non-branded £m	Total £m
Grocery	**525**	**200**	**725**
Hovis			
Bakery	181	100	281
Milling	12	86	98
Total Hovis	**193**	**186**	**379**
Other			
Meat-free	68	-	68
Brookes Avana	-	96	96
Total Other	**68**	**96**	**164**
Total	**786**	**482**	**1,268**

Pro Forma Quarterly Sales Analysis (to 31 March / 30 June 2010)

Pro Forma Sales Analysis 2010 Q1	Branded £m	Non-branded £m	Total £m
Grocery	**265**	**95**	**360**
Hovis			
Bakery	89	40	129
Milling	5	33	38
Total Hovis	**94**	**73**	**167**
Other			
Meat-free	33	-	33
Brookes Avana	-	46	46
Total Other	**33**	**46**	**79**
Total	**392**	**214**	**606**

Pro Forma Sales Analysis 2009 Q1	Branded £m	Non-branded £m	Total £m
Grocery	**266**	**102**	**368**
Hovis			
Bakery	87	52	139
Milling	6	41	47
Total Hovis	**93**	**93**	**186**
Other			
Meat-free	34	-	34
Brookes Avana	-	51	51
Total Other	**34**	**51**	**85**
Total	**393**	**246**	**639**

Pro Forma Sales Analysis 2010 Q2	Branded £m	Non-branded £m	Total £m
Grocery	**266**	**93**	**359**
Hovis			
Bakery	94	34	128
Milling	5	37	42
Total Hovis	**99**	**71**	**170**
Other			
Meat-free	33	-	33
Brookes Avana	-	43	43
Total Other	**33**	**43**	**76**
Total	**398**	**207**	**605**

Pro Forma Sales Analysis 2009 Q2	Branded £m	Non-branded £m	Total £m
Grocery	**259**	**98**	**357**
Hovis			
Bakery	94	48	142
Milling	6	45	51
Total Hovis	**100**	**93**	**193**
Other			
Meat-free	34	-	34
Brookes Avana	-	45	45
Total Other	**34**	**45**	**79**
Total	**393**	**236**	**629**

3. Group P&L

2010 H1	Trading profit (2010 definition) £m	Exceptional items – integration, impairment of intangibles, refinancing £m	Other including amortisation, revaluation, pension financing, etc £m	Statutory profit £m
Sales	1,183	-	-	1,183
Cost of sales	(830)	-	-	(830)
Gross margin	**353**	**-**	**-**	**353**
Gross margin %	29.8	-	-	29.8
Operating expenses	(243)	-	(43)	(286)
Operating profit	**110**	**-**	**(43)**	**67**
Interest & financing costs	(77)	-	(44)	(121)
Profit/(loss) before tax	**33**	**-**	**(87)**	**(54)**
Tax	(9)	-	23	14
Profit/(loss) after tax – continuing operations	**24**	**-**	**(64)**	**(40)**
Discontinued operations	-	-	-	-
Profit/(loss) after tax	**24**	**-**	**(64)**	**(40)**
EPS - continuing				(1.7)
Adjusted EPS	1.0			

Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between the expected return on pension assets, administration costs and interest costs on pension liabilities.

From 2010, costs relating to restructuring and investments have be included within Trading profit (previously these were excluded from Trading profit as Exceptional items). The tables above show Trading profit under the 2010 definition reconciled to statutory profit. 2009 Trading Profit has been restated to reflect this change.

Adjusted EPS is defined as: Trading profit less net regular interest payable, less a notional tax charge at 28% (2009: 28%), divided by weighted average number of ordinary shares of the company. Net regular interest payable is defined as net interest after excluding non-cash items, namely exceptional write-off of financing costs, accelerated amortisation of debt issuance costs, fair value adjustments on interest rate swaps and the unwind of the discount on provisions.

Pro forma EPS shows what the Adjusted EPS would have been if the issue of shares and associated refinancing had been in place for the whole of the first half of 2009. We believe this will be useful for comparative purposes against 2010. Adjusted profit has been amended for interest which would have been due under the refinancing and is divided by the closing number of ordinary shares of the company.

2009 H1	Trading profit (2010 definition) £m	Exceptional items – integration, impairment of intangibles, refinancing £m	Other including amortisation, revaluation, pension financing, etc £m	Statutory profit £m
Sales	1,248	-	-	1,248
Cost of sales	(884)	(5)	-	(889)
Gross margin	**364**	**(5)**	**-**	**359**
Gross margin %	29.2	-	-	28.8
Operating expenses	(247)	(31)	(54)	(332)
Operating profit/(loss)	**117**	**(36)**	**(54)**	**27**
Interest & financing costs	(78)	-	21	(57)
Profit/(loss) before tax	**39**	**(36)**	**(33)**	**(30)**
Tax	(11)	10	8	7
Profit/(loss) after tax – continuing operations	**28**	**(26)**	**(25)**	**(23)**
Discontinued operations	-	-	(13)	(13)
Profit/(loss) after tax	**28**	**(26)**	**(38)**	**(36)**
EPS - continuing				(1.3)
Adjusted EPS	1.6			
Pro forma EPS	1.2			

The Directors confirm to the best of their knowledge that this condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7(R) and DTR 4.2.8(R) namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of Premier Foods plc are listed in the Premier Foods plc annual report and accounts for the year ended 31 December 2009. Since that date Mrs Christine Cross retired as a non-executive director on 21 January 2010. In addition the Company has announced that Mr Ronnie Bell has been appointed as Chairman and as a non-executive director with effect from 1 October 2010 at which time Mr David Kappler will retire from the Board. Charles Miller Smith has been appointed Deputy Chairman, also with effect from 1 October 2010.

By order of the Board
3 August 2010

Robert Schofield	**Jim Smart**
Chief Executive Officer	**Chief Financial Officer**

Independent review report to Premier Foods plc

Introduction

We have been engaged by the Company to review the condensed set of financial information in the half-yearly financial report for the six months ended 26 June 2010, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of cash flows, Consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial information in the half-yearly financial report for the six months ended 26 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
London
Chartered Accountants **3 August 2010**

Notes

(a) The maintenance and integrity of the Premier Foods plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement (unaudited)

	Note	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Continuing operations				
Turnover	4	1,183.3	1,248.2	2,661.0
Cost of sales		(830.0)	(888.6)	(1,863.0)
Gross profit		353.3	359.6	798.0
Selling, marketing and distribution costs		(170.6)	(177.5)	(356.0)
Administrative costs		(111.0)	(137.8)	(253.2)
Net other operating expenses	5	(5.2)	(17.5)	(12.3)
Operating profit	4	66.5	26.8	176.5
Before exceptional items		66.5	62.3	222.3
Exceptional items	6	-	(35.5)	(45.8)
Interest payable and other financial charges	7	(83.3)	(93.6)	(179.8)
Interest receivable and other financial income	7	5.2	3.0	11.3
Net movement on fair valuation of interest rate financial instruments	7	(42.8)	33.8	38.7
(Loss)/profit before taxation for continuing operations		(54.4)	(30.0)	46.7
Taxation credit/(charge)	8	14.1	6.8	(6.8)
(Loss)/profit after taxation for continuing operations		(40.3)	(23.2)	39.9
Loss from discontinued operations		-	(12.7)	(14.7)
(Loss)/profit for the period attributable to equity shareholders		(40.3)	(35.9)	25.2
Basic and diluted (loss)/earnings per share (pence)		(1.7)	(2.0)	1.2
Basic and diluted (loss)/earnings per share (pence) - continuing		(1.7)	(1.3)	1.9
Basic and diluted loss per share (pence) - discontinued		-	(0.7)	(0.7)
Adjusted earnings per share (pence) - continuing[1]		1.0	1.6	5.3

[1] The comparative adjusted earnings per share has been restated to reflect the change in classification of certain exceptional items as business restructuring & investment costs which have now been included within trading profit.

The notes on pages 32 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of comprehensive income (unaudited)

	Note	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
(Loss)/profit for the period		(40.3)	(35.9)	25.2
Other comprehensive income				
Actuarial losses on pensions	9	(32.6)	(323.0)	(468.8)
Deferred tax credit on actuarial losses on pensions		9.1	90.4	132.1
Exchange differences on translation		(0.2)	1.2	(4.4)
Fair value movement on net investment hedge		1.4	(1.0)	5.7
Translation reserves relating to disposals		-	(4.7)	(6.1)
Net investment hedge relating to disposals		-	7.2	7.2
Total other comprehensive income for the period		(22.3)	(229.9)	(334.3)
Total comprehensive income attributable to owners of the Company		(62.6)	(265.8)	(309.1)

The notes on pages 32 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated balance sheet (unaudited)

	Note	As at 26 Jun 2010 £m	As at 27 Jun 2009 £m	As at 31 Dec 2009 £m
ASSETS:				
Non-current assets				
Property, plant and equipment		620.8	634.7	635.2
Goodwill		1,371.3	1,371.3	1,371.3
Other intangible assets		1,078.5	1,136.1	1,108.4
Total non-current assets		3,070.6	3,142.1	3,114.9
Current assets				
Assets held for sale		-	2.8	1.8
Inventories		216.6	267.3	214.0
Trade and other receivables		320.1	306.9	347.0
Financial assets – derivative financial instruments		7.2	3.3	2.5
Cash and cash equivalents		20.7	25.0	19.4
Total current assets		564.6	605.3	584.7
Total assets		3,635.2	3,747.4	3,699.6
LIABILITIES:				
Current liabilities				
Trade and other payables		(425.4)	(452.0)	(485.0)
Financial liabilities				
– short term borrowings		(173.0)	(91.0)	(152.5)
– derivative financial instruments		(210.4)	(175.2)	(162.4)
– other financial liabilities at fair value through profit or loss		(40.5)	(37.6)	(36.8)
Accrued interest payable		(35.8)	(23.0)	(13.7)
Provisions		(16.0)	(25.8)	(15.9)
Current income tax liabilities		(1.3)	(3.9)	(2.5)
Total current liabilities		(902.4)	(808.5)	(868.8)
Non-current liabilities				
Financial liabilities				
– long term borrowings		(1,213.1)	(1,409.3)	(1,232.0)
Retirement benefit obligations	9	(430.6)	(300.6)	(428.5)
Provisions		(29.2)	(28.9)	(31.0)
Other liabilities		(13.6)	(5.1)	(9.7)
Deferred tax liabilities		(41.3)	(87.9)	(64.7)
Total non-current liabilities		(1,727.8)	(1,831.8)	(1,765.9)
Total liabilities		(2,630.2)	(2,640.3)	(2,634.7)
Net assets		1,005.0	1,107.1	1,064.9
EQUITY:				
Capital and reserves				
Share capital		24.0	24.0	24.0
Share premium		1,124.7	1,124.7	1,124.7
Merger reserve		890.7	890.7	890.7
Other reserves		(8.7)	(16.8)	(10.1)
Profit and loss reserve		(1,025.8)	(915.6)	(964.5)
Capital and reserves attributable to the Company's equity shareholders		1,004.9	1,107.0	1,064.8
Minority interest		0.1	0.1	0.1
Total shareholders' funds		1,005.0	1,107.1	1,064.9

The notes on pages 32 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of cash flows (unaudited)

	Note	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Cash generated/(outflow) from operating activities	10	82.9	(4.5)	219.4
Interest paid		(53.4)	(75.3)	(162.5)
Interest received		3.9	3.3	10.8
Taxation (paid)/received		(1.3)	0.7	0.6
Cash inflow/(outflow) from operating activities		32.1	(75.8)	68.3
Sale of subsidiaries		-	45.2	45.2
Purchase of property, plant and equipment		(19.1)	(41.3)	(57.3)
Purchase of intangible assets		(15.4)	(14.8)	(27.6)
Sale of property, plant and equipment		4.2	9.0	9.4
Cash outflow from investing activities		(30.3)	(1.9)	(30.3)
Repayment of borrowings		-	(313.7)	(438.8)
Proceeds from borrowings		3.6	-	-
Financing costs		-	(23.1)	(26.1)
Proceeds from share issue		-	403.9	403.9
Share issue costs		-	(24.3)	(24.3)
Cash inflow/(outflow) from financing activities		3.6	42.8	(85.3)
Net inflow/(outflow) of cash and cash equivalents	10	5.4	(34.9)	(47.3)
Cash and cash equivalents at beginning of period		(15.1)	33.7	33.7
Effect of movement in foreign exchange		(0.7)	-	(1.5)
Cash and cash equivalents at end of period		(10.4)	(1.2)	(15.1)

The notes on pages 32 to 46 form an integral part of the condensed consolidated interim financial information.

Consolidated statement of changes in equity (unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Profit and loss reserve £m	Minority interest £m	Total £m
At 1 January 2010	24.0	1,124.7	890.7	(10.1)	(964.5)	0.1	1,064.9
Loss for the period	-	-	-	-	(40.3)	-	(40.3)
Other comprehensive income	-	-	-	1.4	(23.7)	-	(22.3)
Share based payments	-	-	-	-	2.7	-	2.7
At 26 June 2010	24.0	1,124.7	890.7	(8.7)	(1,025.8)	0.1	1,005.0
At 1 January 2009	8.5	760.6	890.7	(23.0)	(645.1)	0.1	991.8
Loss for the period	-	-	-	-	(35.9)	-	(35.9)
Other comprehensive income	-	-	-	6.2	(236.1)	-	(229.9)
Shares issued	15.5	388.4	-	-	-	-	403.9
Cost of shares issued	-	(24.3)	-	-	-	-	(24.3)
Share based payments	-	-	-	-	1.6	-	1.6
Tax on share based payments	-	-	-	-	(0.1)	-	(0.1)
At 27 June 2009	24.0	1,124.7	890.7	(16.8)	(915.6)	0.1	1,107.1
At 1 January 2009	8.5	760.6	890.7	(23.0)	(645.1)	0.1	991.8
Profit for the year	-	-	-	-	25.2	-	25.2
Other comprehensive income	-	-	-	12.9	(347.2)	-	(334.3)
Shares issued	15.5	388.4	-	-	-	-	403.9
Cost of shares issued	-	(24.3)	-	-	-	-	(24.3)
Share based payments	-	-	-	-	2.6	-	2.6
At 31 December 2009	24.0	1,124.7	890.7	(10.1)	(964.5)	0.1	1,064.9

1. General information

Premier Foods plc (the “Company”) is a public limited company listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office and principal place of business is Premier House, Centrium Business Park, Griffiths Way, St Albans, Hertfordshire AL1 2RE. The principal activity of the Company and its subsidiaries (the “Group”) is the supply of branded and own label food and beverage products as described in note 18 of the Group’s annual financial statements for the year ended 31 December 2009.

2. Significant accounting policies

Basis of preparation

This condensed consolidated interim financial information comprises the balance sheet as at 26 June 2010 and related income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and supporting notes (hereinafter referred to as "financial information").

The financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information has been reviewed, not audited. The Group’s financial statements for the year ended 31 December 2009, which were approved by the Board of Directors on 9 March 2010, have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial statements for the year ended 31 December 2009 did not contain statements under section 498 (2) or (3) of the Companies Act 2006. These sections address whether or not proper accounting records have been kept, whether the Company’s financial statements are in agreement with those records and whether the auditors have obtained all the information and explanations necessary for the purposes of their audit.

The financial information for the period ended 26 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, “Interim Financial Reporting” as adopted by the European Union. The financial information for the period ended 26 June 2010 should be read in conjunction with the Group’s financial statements for the year ended 31 December 2009 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

Comparatives relating to exceptional items have been restated to reflect the change in classification of certain exceptional items as business restructuring & investment costs which are now recognised within the Group’s trading profit. This change in classification has not impacted the Group’s operating profit or results after taxation in those periods.

The results of operations for the half year periods are not necessarily indicative of the results to be expected for the full year.

This financial information was approved for issue on 3 August 2010.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be expected to be applicable to total annual earnings in each tax jurisdiction.

The following accounting standards and interpretations became effective for the current reporting period:

IFRS 1 (Revised) – "First time adoption of IFRS"
IFRS 3 (Revised) – "Business Combinations"
IAS 27 (Revised) – "Consolidated and Separate Financial Statements"
IFRS1/IAS 27 (Amendment) – "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
IAS 39 (Amendment) – "Financial Instruments: Recognition and Measurement on Eligible Hedged Items"
IFRIC 15 – "Agreement for the Construction of Real Estate"
IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation"
IFRIC 17 – "Distributions of Non-Cash Assets to Owners"
IFRIC 18 – "Transfers of Assets From Customers"
IFRS 2 (Amendment) – "Share Based Payments – Group Cash-Settled Share Based Payment Transactions"

The application of these standards and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

Basis of consolidation

The consolidated interim financial information includes the results of Premier Foods plc and entities controlled by the Company (its subsidiaries) for the period ended 26 June 2010. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recorded as goodwill.

The results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial results of subsidiaries to bring the accounting policies used into line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 38 to 41 of the Group's annual financial statements for 31 December 2009. The Directors have considered the principal risks and uncertainties and believe that these have not changed in the interim period. These include, amongst others: responding to changes in consumer preference; brand protection; the Group's ability to pass on raw material price increases; the impact of new legislation and regulation on the food industry; the cost of servicing current debt levels and foreign currency rate fluctuations.

3. Critical accounting estimates and judgements

The following are areas of particular significance to the Group's interim financial information and include the application of judgement, which is fundamental to the completion of a set of condensed consolidated interim financial information.

Pensions

The present value of the Group's pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the expected long-term rate of return on invested funds, the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members.

At each reporting date, and on a continuous basis, the Group reviews the macro-economic, Company and scheme specific factors influencing each of these assumptions, using professional advice, in order to record the Group's ongoing commitment and obligation to defined benefit schemes in accordance with IFRS. One such assumption is mortality rates and how these are expected to change in the future. If the Group’s assumption on the mortality of its members was amended to assume an increase of a further one year improvement in mortality, total liabilities would increase by approximately 3.6%. Each 0.1% decrease or increase in bond yields would increase or decrease the deficit by a further £54m. Each 0.1% increase or decrease in the assumed inflation rate would increase or decrease the deficit by a further £26m. Each of the underlying assumptions is set out in more detail in note 9.

Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates than an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. The recoverable amounts of cash-generating units (“CGU’s”) are determined based on the higher of realisable value and value-in-use calculations. These calculations require the use of estimates.

Acquired trademarks, brands, customer relationships, recipes and similar assets are considered to have finite lives that range from 7 to 40 years. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement.

Advertising and promotion costs

Trade spend and promotional activity is dependent on market conditions and negotiations with customers. Trade spend is charged to the income statement according to the substance of the agreements with customers and the terms of any contractual relationship. Promotional support is generally charged to the income statement at the time of the relevant promotion. These costs are accrued on best estimates. The actual costs may not be known until subsequent years when negotiations with customers are concluded. Such adjustments are recognised in the year when final agreement is reached.

Expenditure on advertising is charged to the income statement when incurred, except in the case of airtime costs when a particular campaign is used more than once. In this case they are charged in line with the airtime profile.

Exceptional items

Exceptional items are not explicitly defined under IFRS. Accordingly, the Group has defined exceptional items as those items of sufficient financial significance to be disclosed separately in order to assist in understanding the financial performance achieved and in making projections of future results. Each of these items relate to events or circumstances that are non-recurring in nature, such as integration of an acquisition, disposal of a business or asset, material impairments or refinancing related transactions. See note 6 for further details.

Securitisation

The Group has sold the rights and obligations relating to certain of its trade receivable balances under a receivables purchasing agreement in order to achieve an overall lower cost of funding and permanently accelerate the generation of cash from working capital. Accounting for a sale of this nature is judgemental and dependent on evidence of the substantive transfer of risk and reward from the Group to a third party. In this instance, transference of the two primary risks, those of late payment and credit default was achieved at the balance sheet date. The Group anticipates that the receivables purchasing agreement will remain in place over the medium term and that de-recognition of the receivables subject to it will continue to be achieved, dependent upon ongoing review of the assessment of risk and reward transfer.

Financial instruments

The Group uses a variety of derivative financial instruments to manage the risks arising from adverse movements in interest rates, commodity prices and foreign currency.

The Group has a policy of not applying hedge accounting to these derivatives (other than in the case of a net investment hedge against Euro denominated assets) and taking any gain or loss on the movement of the fair values of derivatives to the income statement.

4. Segmental analysis

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM uses trading profit, as reviewed at monthly business review meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Trading profit is a consistent measure within the Group and the reporting of this measure at the monthly business review meetings, which are organised according to product types, has been used to identify and determine the Group's operating segments. Trading profit is defined as operating profit before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS 39 and pension credits or charges in relation to the difference between the expected return on pension assets, administration costs and interest costs on pension liabilities.

The Group's operating segments are "Grocery", "Hovis", "Retailer Branded Chilled" and "Meat-free". Certain of these operating segments have been aggregated and the Group reports on three continuing segments within the business: "Grocery", "Hovis" and "Other".

The Other reporting segment comprises the Retailer Branded Chilled and Meat-free operating segments. These businesses have been included in the Other reporting segment as they do not meet the relevant quantitative thresholds and do not have similar economic characteristics and therefore can not be aggregated into their own separate reporting segment under IFRS 8.

The Grocery segment sells ambient food products. The Hovis segment sells bread, morning goods, flour products and frozen pizza bases and the Other segment includes businesses which sells chilled ready meals and cakes and Meat-free products.

The segment results for the half years ended 26 June 2010 and 27 June 2009 and for the year ended 31 December 2009 and the reconciliation of the segment measures to the respective statutory items included in the interim financial information are as follows:

	Half year ended 26 Jun 2010			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	701.9	329.9	151.5	1,183.3
Inter-segment	1.8	11.0	1.4	14.2
Result				
Trading profit	91.9	15.1	2.8	109.8
Amortisation of intangible assets				(41.1)
Fair value movements on foreign exchange and other derivative contracts				(4.2)
Pension financing credit				2.0
Operating profit				66.5
Interest payable and other financial charges				(83.3)
Interest receivable and other financial income				5.2
Net movement on fair valuation of interest rate financial instruments				(42.8)
Loss before taxation for continuing operations				(54.4)
Balance sheet				
Segment assets	2,372.8	677.7	555.7	3,606.2
Unallocated assets				29.0
Consolidated total assets				3,635.2

	Half year ended 27 Jun 2009 (Restated)[1]			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	713.5	372.4	162.3	1,248.2
Inter-segment	1.7	13.3	2.3	17.3
Result				
Trading profit	100.5	9.8	6.7	117.0
Amortisation of intangible assets				(38.2)
Fair value movements on foreign exchange and other derivative contracts				(14.4)
Pension financing charge				(2.1)
Operating profit before exceptional items				62.3
Exceptional items				(35.5)
Operating profit				26.8
Interest payable and other financial charges				(93.6)
Interest receivable and other financial income				3.0
Net movement on fair valuation of interest rate financial instruments				33.8
Loss before taxation for continuing operations				(30.0)

[1] Comparatives have been restated to reflect the change in classification of certain exceptional items as business restructuring & investment costs which have now been included within trading profit.

Balance sheet				
Segment assets	2,420.1	713.1	577.3	3,710.5
Unallocated assets				36.9
Consolidated total assets				3,747.4

	Year ended 31 Dec 2009 (Restated)[1]			
	Grocery	**Hovis**	**Other**	**Total for Group**
	£m	**£m**	**£m**	**£m**
Turnover from continuing operations				
External	1,574.5	741.6	344.9	2,661.0
Inter-segment	4.0	27.0	4.4	35.4
Result				
Trading profit	255.4	30.8	22.9	309.1
Amortisation of intangible assets				(78.7)
Fair value movements on foreign exchange and other derivative contracts				(6.3)
Pension financing charge				(1.8)
Operating profit before exceptional items				222.3
Exceptional items				(45.8)
Operating profit				176.5
Interest payable and other financial charges				(179.8)
Interest receivable and other financial income				11.3
Net movement on fair valuation of interest rate financial				38.7
Profit before taxation for continuing operations				46.7

[1] Comparatives have been restated to reflect the change in classification of certain exceptional items as business restructuring & investment costs which have now been included within trading profit.

Balance sheet				
Segment assets	2,414.2	694.0	564.0	3,672.2
Unallocated assets				27.4
Consolidated total assets				3,699.6

Inter-segment transfers or transactions are entered into under the same terms and conditions that would be available to unrelated third parties. As a consequence of extensive integration of the business, certain operating costs have been incurred centrally. These costs are allocated to reporting segments on an appropriate basis depending on the various cost drivers and therefore the total segment result is equal to the Group's total trading profit.

Segment assets comprise property, plant and equipment, goodwill and intangible assets, inventories, receivables and retirement benefit assets and exclude cash and cash equivalents, derivative assets and certain Corporate assets that are not able to be allocated to the Group's reporting segments.

The Group primarily supplies the United Kingdom market, although it also supplies certain products to other European countries and a number of other countries. The following table provides an analysis of the Group's turnover, which is allocated on the basis of geographical market destination.

Continuing operations - turnover	**Half year ended 26 Jun 2010**	**Half year ended 27 Jun 2009**	**Year ended 31 Dec 2009**
	£m	**£m**	**£m**
United Kingdom	1,109.2	1,167.8	2,498.3
Other Europe	59.1	67.5	134.9
Rest of world	15.0	12.9	27.8
Total for Group	1,183.3	1,248.2	2,661.0

Seasonality of results

Consumer demand for convenience products tends to be higher in colder months of the year. Sales of certain products may therefore be affected by unseasonable weather conditions. Also certain products experience increased sales during the pre-Christmas period and this has an impact on working capital as production is higher and stock levels build in the run up to this period. Consequently, the results of operations for the half year periods are not necessarily indicative of the results to be expected for the full year.

5. Net other operating expenses

	Half Year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Loss on mark to market valuation of foreign exchange contracts and other derivatives	4.2	14.4	6.3
Loss on disposal of fixed assets	0.4	0.7	1.2
Net other operating expenses	0.6	2.4	4.8
Total net other operating expenses	5.2	17.5	12.3

6. Exceptional items

Up to 2009, the Group was incurring a large amount of spend for restructuring and investment in the business. These items were treated as exceptional items and excluded from trading profit. The level of restructuring is now likely to run at a normal level from 2010, and as a result, the Group has included the costs of restructuring and investment within trading profit. The comparatives for the period ended 27 June 2009 and the year ended 31 December 2009 have been restated to reflect the change in this classification.

The Group has completed its major integration and manufacturing rationalisation programmes following the acquisitions of RHM and Campbell's. As a result, the Group has not incurred any exceptional expenditure during the period.

		Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 (Restated)[1] £m	Year ended 31 Dec 2009 (Restated)[1] £m
Exceptional items – continuing operations				
Integration of RHM UK operations	(a)	-	16.9	25.2
Integration of Campbell's UK operations	(b)	-	1.7	1.5
Integration of Irish operations	(c)	-	0.1	2.3
Total operating exceptional items		-	18.7	29.0
Refinancing costs	(d)	-	16.8	16.8
Total exceptional items		-	35.5	45.8

[1] Comparatives have been restated to reflect the change in classification of certain exceptional items as business restructuring & investment costs which have now been included within trading profit.

(a) *Integration of RHM UK operations*

On 16 March 2007, the Group acquired RHM plc. During 2009, the Group completed its factory closure programme, but residual costs were incurred in the previous period from the commissioning of equipment and production transferred to remaining Group manufacturing sites. Redundancy and restructuring costs were also incurred in the previous period relating to the move of administrative functions to a Group-wide share service centre in Manchester and the integration of certain warehousing facilities to other Group warehouses. The adverse market conditions during 2009 also resulted in a charge to increase onerous property leases provisions.

(b) *Integration of Campbell's UK operations*

The charge in the previous period primarily related to an increase in an onerous property lease provision to reflect the adverse market conditions.

(c) *Integration of Irish operations*

The recession in Ireland has resulted in significant strategic changes by the Group's Irish customer base, with moves to sourcing products directly from the UK and a shift from primarily store-based trading to central purchasing and distribution. In the previous period a charge was recognised as the Group announced its decision to rationalise part of its Irish operations.

(d) *Refinancing costs*

Advisory fees were incurred during the previous period relating to the placing and open offer and firm placing, amended lending agreements, renegotiation of interest rate swaps and new pensions framework.

7. Interest

	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Interest payable on bank loans and overdrafts	12.0	6.2	16.7
Interest payable on term facility	22.5	37.5	61.7
Interest payable on revolving facility	2.7	8.0	12.6
Interest payable on interest rate derivatives	37.4	23.3	60.7
Interest payable on interest rate financial liabilities designated as other liabilities at fair value through profit or loss	1.0	0.5	1.7
Unwind of discount on provisions	0.8	0.4	1.0
Amortisation of debt issuance costs and deferred fees	6.9	5.2	12.6
	83.3	81.1	167.0
Exceptional write-off of financing costs	-	2.7	3.0
Accelerated amortisation of debt issuance costs	-	9.8	9.8
Total interest payable and other financial charges	83.3	93.6	179.8
Interest receivable on bank deposits	(5.2)	(2.3)	(10.6)
Interest receivable on interest rate derivatives	-	(0.7)	(0.7)
Total interest receivable and other financial income	(5.2)	(3.0)	(11.3)
Movement on fair valuation of interest rate derivatives	39.1	(71.4)	(75.5)
Movement on fair valuation of interest rate financial liabilities designated as other financial liabilities at fair value through profit or loss	3.7	37.6	36.8
Net movement on fair valuation of interest rate financial instruments	42.8	(33.8)	(38.7)
Net interest payable	120.9	56.8	129.8

8. Tax on loss on ordinary activities

The taxation credit for the first half of 2010 is £14.1m (27 June 2009 £6.8m credit). The tax credit is made up of a current tax charge of £0.3m, relating to profits earned in overseas subsidiaries and a deferred tax credit of £14.7m on the loss on UK operations together with a prior year charge of £0.3m. The overall credit is at a rate of 25.9% and is lower than the standard UK rate of corporation tax of 28% as a result taking account of items which are disallowable for tax purposes and the lower rate of tax applied to overseas profits. It is not anticipated that any UK taxation will be payable on the 2010 results due to the availability of taxation losses and other timing differences.

The Emergency Budget on 22 June 2010 proposed a number of changes to the UK Corporation tax system. The principal changes that will affect the Group are a phased reduction in the rate of UK corporation tax from 28% to 24%, spread over 4 years from April 2011, and a reduction in the rates of tax amortisation of the cost of expenditure on plant and machinery. As these changes were not substantively enacted at the balance sheet date they are not reflected in this financial information.

Once enacted, the first adjustment to reflect the 1% reduction proposed for the 2011 financial year will be reflected in the financial statements for the year ending 31 December 2010. Had this been enacted at 26 June 2010, the effect of a 1% change to the corporate tax rate would be to reduce the deferred tax liability at the balance sheet date by a total of £1.5m. A credit of £5.1m will be made through the income statement which will be off-set by a charge to equity of £3.6m to reflect where the charges/credits were originally made.

9. Retirement benefit schemes

The Group operates a number of defined benefit schemes under which employees are entitled to retirement benefits which are based on final salary on retirement. These are as follows:

a) Premier schemes

The Premier Foods Pension Scheme (“PFPS”) was the principal funded defined benefit scheme within the old Premier Group which also operated a smaller funded defined benefit scheme, the Premier Ambient Products Pension Scheme (“PAPPS”) for employees acquired with the Ambrosia business in 2001. As a result of the acquisition of Campbell’s in 2006, the Group inherited the Premier Grocery Products Pension Scheme (“PGPPS”) covering the employees of the Campbell’s UK business, and the Premier Grocery Products Ireland Pension Scheme (“PGPIPS”) covering the employees of Campbell’s Ireland. The Group also acquired two further schemes with the acquisition of Chivers Ireland in January 2007, the Chivers 1987 Pension Scheme, and the Chivers 1987 Supplementary Pension Scheme. These schemes are presented together below as the Premier schemes.

b) RHM schemes

As a result of the acquisition of RHM plc, the Group also acquired the RHM Pension Scheme, the Premier Foods Ireland Employee Benefits Scheme (1994), the Premier Foods Ireland Van Sales Scheme and the French Termination Indemnity Arrangements. These schemes are presented together below as the RHM schemes, with the exception of the French Termination Indemnity Arrangements which was disposed of with the speciality bakery businesses during the previous period.

The exchange rates used to translate the overseas Euro based schemes are £1.00 = 1.1452 Euros for the average rate during the period, and £1.00 = 1.2104 Euros for the closing position at 26 June 2010.

Under all the schemes detailed above, the employees are entitled to retirement benefits which vary as a percentage of final salary on retirement. The assets of all schemes are held by the trustees of the respective schemes and are independent of the Group's finances.

The schemes invest through investment managers appointed by the trustees in UK and European equities and in investment products made up of a broader range of assets. The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

At the balance sheet date, the combined principal actuarial assumptions used for all the schemes are as follows:

	As at 26 Jun 2010	As at 27 Jun 2009	As at 31 Dec 2009
Premier			
Discount rate	5.5%	6.4%	5.8%
Inflation	3.3%	3.4%	3.5%
Expected salary increases	4.3%	4.4%	4.5%
Future pension increases	2.2%	2.2%	2.2%
RHM			
Discount rate	5.5%	6.4%	5.8%
Inflation	3.3%	3.4%	3.5%
Expected salary increases	4.3%	3.4%	3.5%
Future pension increases	3.3%	2.2%	2.2%

The amounts recognised in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes are as follows:

	As at 26 Jun 2010 £m	As at 27 Jun 2009 £m	As at 31 Dec 2009 £m
Premier			
Present value of funded obligations	(705.0)	(606.5)	(685.5)
Fair value of plan assets	479.9	417.0	477.1
Deficit in scheme	(225.1)	(189.5)	(208.4)
RHM			
Present value of funded obligations	(2,369.8)	(2,007.5)	(2,273.0)
Fair value of plan assets	2,164.3	1,896.4	2,052.9
Deficit in scheme	(205.5)	(111.1)	(220.1)
TOTAL			
Present value of funded obligations	(3,074.8)	(2,614.0)	(2,958.5)
Fair value of plan assets	2,644.2	2,313.4	2,530.0
Deficit in scheme	(430.6)	(300.6)	(428.5)

Based upon the assumptions regarded as appropriate as at 26 June 2010, the aggregate deficit on the Group's pension schemes was £430.6m (31 December 2009: £428.5m).

The increase in the aggregate deficit since the year end is the result of two factors. There has been an increase in plan asset values as a result of changes in financial market conditions during the interim period. There has also been an increase in the scheme liabilities due to decrease in yields on AA corporate bond partly offset by decrease in the long term outlook for inflation.

Changes in the fair value of plan liabilities were as follows:

	As at 26 Jun 2010 £m	As at 27 Jun 2009 £m	As at 31 Dec 2009 £m
Premier			
Opening defined benefit obligation	(685.5)	(587.7)	(587.7)
Current service cost	(6.6)	(3.7)	(8.0)
Interest cost	(19.8)	(18.0)	(36.1)
Actuarial losses	(8.3)	(14.9)	(81.2)
Exchange differences	3.2	5.4	3.6
Curtailments	-	-	0.1
Contributions by plan participants	(2.5)	(2.4)	(4.7)
Benefits paid	14.5	14.8	28.5
Closing defined benefit obligation	(705.0)	(606.5)	(685.5)
RHM			
Opening defined benefit obligation	(2,273.0)	(1,952.1)	(1,952.1)
Current service cost	(3.8)	(1.7)	(3.6)
Past service cost	-	(0.3)	(1.2)
Interest cost	(62.3)	(58.2)	(119.9)
Actuarial losses	(79.8)	(44.4)	(295.1)
Exchange differences	1.3	2.1	1.4
Curtailments	(0.1)	0.9	0.9
Contributions by plan participants	(5.7)	(7.0)	(11.5)
Benefits paid	53.6	53.2	108.1
Closing defined benefit obligation	(2,369.8)	(2,007.5)	(2,273.0)
TOTAL			
Opening defined benefit obligation	(2,958.5)	(2,539.8)	(2,539.8)
Current service cost	(10.4)	(5.4)	(11.6)
Past service cost	-	(0.3)	(1.2)
Interest cost	(82.1)	(76.2)	(156.0)
Actuarial losses	(88.1)	(59.3)	(376.3)
Exchange differences	4.5	7.5	5.0
Curtailments	(0.1)	0.9	1.0
Contributions by plan participants	(8.2)	(9.4)	(16.2)
Benefits paid	68.1	68.0	136.6
Closing defined benefit obligation	(3,074.8)	(2,614.0)	(2,958.5)

Changes in the fair value of plan assets were as follows:

	As at 26 Jun 2010 £m	As at 27 Jun 2009 £m	As at 31 Dec 2009 £m
Premier			
Opening fair value of plan assets	477.1	415.4	415.4
Expected return	19.0	15.0	30.2
Administrative and life insurance costs	(1.1)	(1.3)	(2.2)
Actuarial (losses)/gains	(11.6)	(4.1)	42.5
Contributions by employer	11.2	8.2	17.7
Contributions by plan participants	2.5	2.4	4.7
Exchange differences	(2.7)	(3.8)	(2.7)
Benefits paid	(14.5)	(14.8)	(28.5)
Closing fair value of plan assets	479.9	417.0	477.1
RHM			
Opening fair value of plan assets	2,052.9	2,112.9	2,112.9
Expected return	67.9	63.4	131.6
Administrative and life insurance costs	(1.7)	(3.0)	(5.4)
Actuarial gains/(losses)	67.1	(259.6)	(135.0)
Contributions by employer	27.0	30.8	46.8
Contributions by plan participants	5.7	7.0	11.5
Exchange differences	(1.0)	(1.9)	(1.4)
Benefits paid	(53.6)	(53.2)	(108.1)
Closing fair value of plan assets	2,164.3	1,896.4	2,052.9
TOTAL			
Opening fair value of plan assets	2,530.0	2,528.3	2,528.3
Expected return	86.9	78.4	161.8
Administrative and life insurance costs	(2.8)	(4.3)	(7.6)
Actuarial gains/(losses)	55.5	(263.7)	(92.5)
Contributions by employer	38.2	39.0	64.5
Contributions by plan participants	8.2	9.4	16.2
Exchange differences	(3.7)	(5.7)	(4.1)
Benefits paid	(68.1)	(68.0)	(136.6)
Closing fair value of plan assets	2,644.2	2,313.4	2,530.0

The amounts recognised in the income statement were as follows:

	Half Year ended 26 Jun 2010 £m	Half Year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Premier			
Current service cost	6.6	3.7	8.0
Administrative and life insurance costs	1.1	1.3	2.2
Interest cost	19.8	18.0	36.1
Expected return on plan assets	(19.0)	(15.0)	(30.2)
Gains on curtailment	-	-	(0.1)
Total expense	8.5	8.0	16.0
RHM			
Current service cost	3.8	1.7	3.6
Past service cost	-	0.3	1.2
Administrative and life insurance costs	1.7	3.0	5.4
Interest cost	62.3	58.2	119.9
Expected return on plan assets	(67.9)	(63.4)	(131.6)
Losses/(gains) on curtailment	0.1	(0.9)	(0.9)
Total income	-	(1.1)	(2.4)
Total			
Current service cost	10.4	5.4	11.6
Past service cost	-	0.3	1.2
Administrative and life insurance costs	2.8	4.3	7.6
Interest cost	82.1	76.2	156.0
Expected return on plan assets	(86.9)	(78.4)	(161.8)
Losses/(gains) on curtailment	0.1	(0.9)	(1.0)
Total expense	8.5	6.9	13.6

Defined contribution schemes

A number of companies in the Group operate defined contribution schemes which are predominantly stakeholder arrangements. In addition a number of schemes are operated providing only life assurance benefits. The total expense recognised in the income statement of £0.6m (27 June 2009: £0.6m) represents contributions payable to the plans by the Group at rates specified in the rules of the schemes.

10. Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operating activities

	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Continuing operations			
Operating profit	66.5	26.8	176.5
Depreciation of property, plant and equipment	25.4	26.0	52.3
Amortisation of software	5.2	2.2	4.7
Amortisation of other intangible assets	35.9	36.0	74.0
Impairment and (gain) on disposal of property, plant and equipment	0.3	(2.6)	(1.9)
Revaluation losses on financial instruments	4.2	14.4	6.3
Share based payments	2.8	1.8	2.7
Net cash inflow from operating activities before interest and tax and movements in working capital	140.3	104.6	314.6
(Increase)/decrease in inventories	(2.8)	(28.5)	24.4
Decrease/(increase) in trade and other receivables	27.4	33.1	(8.9)
Decrease in trade and other payables and provisions	(52.0)	(74.8)	(53.2)
Movement in net retirement benefit obligations	(29.7)	(32.1)	(50.9)
Cash generated from continuing operations	83.2	2.3	226.0
Discontinued operations	(0.3)	(6.8)	(6.6)
Cash generated/(outflow) from operating activities	82.9	(4.5)	219.4
Exceptional items cash flow	(3.8)	(51.0)	(71.3)
Cash generated from operations before exceptional items	86.7	46.5	290.7

Additional analysis of cash flows

	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Interest paid	(53.4)	(75.3)	(162.5)
Interest received	3.9	3.3	10.8
Financing costs	-	(23.1)	(26.1)
Return on financing	(49.5)	(95.1)	(177.8)
Sale of subsidiaries / businesses	-	45.2	45.2

Reconciliation of cash and cash equivalents to net borrowings

	Half year ended 26 Jun 2010 £m	Half year ended 27 Jun 2009 £m	Year ended 31 Dec 2009 £m
Net inflow/(outflow) of cash and cash equivalents	5.4	(34.9)	(47.3)
Decrease in finance leases	0.3	0.1	0.3
(Increase)/decrease in borrowings	(4.0)	339.8	464.0
Other non-cash changes	(2.0)	(13.5)	(15.3)
(Increase)/decrease in borrowings net of cash	(0.3)	291.5	401.7
Total net borrowings at beginning of the period	(1,365.1)	(1,766.8)	(1,766.8)
Total net borrowings at end of the period	(1,365.4)	(1,475.3)	(1,365.1)

Analysis of movement in borrowings

	As at 1 Jan 2010 £m	Cash flow £m	Other non-cash changes £m	As at 26 Jun 2010 £m
Bank overdrafts	(34.5)	3.4	-	(31.1)
Cash and bank deposits	19.4	2.0	(0.7)	20.7
Net cash and cash equivalents	(15.1)	5.4	(0.7)	(10.4)
Borrowings - term facilities	(1,279.9)	-	-	(1,279.9)
Borrowings - revolving credit facilities	(67.9)	5.9	1.4	(60.6)
Finance leases	(1.4)	0.4	(0.1)	(1.1)
Other	(18.5)	(9.9)	-	(28.4)
Gross borrowings net of cash[1]	(1,382.8)	1.8	0.6	(1,380.4)
Debt issuance costs	17.7	-	(2.7)	15.0
Total net borrowings[1]	(1,365.1)	1.8	(2.1)	(1,365.4)

[1] Borrowings excludes derivative financial instruments and other financial liabilities fair valued through profit or loss.

The amendments to the Group's Term and Revolving Credit Facilities included a rephasing of the facilities to provide additional liquidity and covenant headroom and an extension of the maturity date to December 2013. The total facility as at 26 June 2010 was £1,780m and will be amortised by £50m on 30 June 2010, a further £50m in December 2010 and then by £50m in both June and December of each year until December 2013.

11. Related parties

WP X Investments I Limited ("Warburg Pincus") is considered to be a related party of the Group by virtue of its 15.8% equity shareholding in Premier Foods plc and its power to appoint a member to the Board of Directors under the relationship agreement between Warburg Pincus and the Company. Pursuant to the relationship agreement Mr Charles Miller Smith was appointed as a non-executive director on 16 June 2009. Mr Charles Miller Smith has been appointed Deputy Chairman, with effect from 1 October 2010. In May 2010, Warburg Pincus increased their shareholding in the Company following the purchase of 3,085,839 shares. There have been no other transactions during the period.

There have been no related party transactions during the period or changes in the make up of the Group's related parties as described in the last annual report, other than as described above, that could have a material effect on the financial position or performance of the Group during the period.

12. Contingencies

In April 2008, the UK Office of Fair Trading notified the Group of an inquiry into potential co-ordination of retail prices in sectors of the Grocery market. The Group is co-operating with the inquiry which is currently at the information gathering stage.

The Group has been in discussion with one of the Group pension schemes relating to the possibility that it may have to recognise some additional liability. The legal position and the potential methods of calculation of the liability are, as yet, uncertain. In the event that it materialises, the impact on net assets is not expected to be significant and the cash impact would be spread over several years in line with the agreed pension deficit recovery period for the scheme agreed by the Group and Trustees.

There were no other material contingent liabilities at 26 June 2010.