Premier Foods plc
06 September 2005

6 September 2005

Premier Foods plc Interim Results 2005

Strong performance from grocery business

Interim results for the six months to 2 July 2005

	Unaudited six months to 2 July 2005 £m	Unaudited six months to 3 July 2004 £m
Turnover*	409.2	425.8
Trading profit*,**	45.6	38.4
Operating profit*	42.8	39.0
Profit/(loss) before tax	18.3	0.2
Operating cash flow	61.1	58.9

* Continuing operations

**Trading profit is defined as operating profit before exceptional items, amortisation of intangibles and the effective income statement impact of changes in pension assumptions.

- Trading profit up 18.8%
- Like for -for-like operating profit up 5.4%
- Continued focus on growth of brands: Branded sales now 56% of grocery sales
- Bird's and Quorn acquisitions performing to expectation
- Cost savings programme delivering
- Interim dividend of 4.75 pence per ordinary share

Premier is also announcing the acquisition of 100% of the ordinary share capital of Monument (GB) Limited and certain assets (trading as FW Gedney) for £5.5m cash on a cash-free, debt free basis. Gedney's is a potato and fresh produce supply business and will be integrated into Premier's existing potato supply business.

Robert Schofield, Chief Executive of Premier Foods plc, said, 'This is a solid set of results with like-for-like operating profit up 5.4%. It demonstrates the strength of our branded grocery business, which saw good performances from our principal brands, and continued progress on reducing costs.

'The outlook for the remainder of the year is for our core business to remain on track with our grocery business compensating for our disappointing potatoes business. With regard to our recently acquired Quorn business we intend to invest £2 million more in the second half on marketing and innovation to support our growth plans.

'Our brands, scale and efficiency mean we are well positioned to deliver profitable growth and strong cash flow generation to support progressive dividends and further acquisitions in the future.'

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A presentation to analysts will take place on Tuesday 6th September 2005 at 9am at ABN AMRO, 250 Bishopsgate, London, EC2M 5AA.

Operating review - continuing operations

£m	2005 H1	2004 H1
Sales		
Grocery	350.9	336.9
Potatoes	58.3	88.9
Total sales	409.2	425.8
Trading profit	45.6	38.4
Amortisation of intangibles	(2.6)	(1.7)
Effective change in pension assumptions	-	3.8
Operating profit before exceptional items	43.0	40.5
Exceptional items	(0.2)	(1.5)
Operating profit	42.8	39.0

Trading profit increased by 18.8% to £45.6m. The uplift was due to an increase in trading profit for the grocery business of £6.4m and a contribution of £2.5m from Bird's and Marlow Foods ('Quorn') which were acquired in the period, partially offset by a decrease in the trading profit for the Potatoes business of £1.7m. Operating profit overall increased by 9.7% to £42.8m, with like-for-like operating profit increasing by 5.4% to £41.1m.

Group sales from continuing operations decreased by 3.9% to £409.2m largely due to lower market prices for potatoes while grocery sales increased by 4.2% to £350.9m. The comparative figures for 2004 exclude Materne, which was sold as part of the IPO. Like-for-like grocery sales (excluding the Bird's and Quorn acquisitions) fell by 0.8%.

Branded sales now represent 56% of our grocery product sales, up from 54% in 2004. This increase is primarily due to the inclusion of the new Bird's and Quorn businesses. Our principal brands performed well with Loyd Grossman, Branston and Ambrosia all growing strongly. Quorn, which was acquired in June 2005, also showed strong growth over the same period in 2004.

The results for the first half of 2005 have been shaped by a number of particular events. Although January saw sales sharply down on the same period in 2004 as a result of a stock overhang with the retailers following Christmas, sales have since shown good year-on-year progress, virtually eliminating the January deficit. We have also made two acquisitions: Bird's and Angel Delight desserts in February 2005 and Quorn in June 2005. Both are performing at levels consistent with our expectations.

We are pleased to declare dividend for the first half of 4.75p per share, consistent with our stated dividend policy, having achieved our targets for the first half of the year, to be paid to on 25th November.

Grocery

£m	2005 H1	2004 H1
Sales	350.9	336.9
Trading profit	44.5	35.6

The sales and trading results of the product groups included within the grocery segment are analysed below.

Convenience Foods, Pickles & Sauces

£m	2005 H1	2004 H1
Sales	181.1	181.1
Trading profit	13.5	9.7

Sales of Convenience Foods, Pickles & Sauces were flat on 2004 at £181.1m. There were strong performances from Loyd Grossman and Branston, with the launch of new ranges of Loyd Grossman 'creamy' sauces and Branston relishes in the first half.

Trading profit for Convenience Foods, Pickles & Sauces was £13.5m, an increase of £3.8m (39%) on 2004. This increase is primarily due to improved operating efficiencies and cost savings and although we experienced increases in raw material prices, such as tin plate, these have largely been recovered through pricing developments agreed with our customers at the start of 2005.

Tea & Beverages

£m	2005 H1	2004 H1
Sales	66.0	70.2
Trading profit	15.0	13.2

Sales of Tea & Beverages decreased by 6% to £66.0m compared to the same period in 2004 with the decline principally caused by a reduction in tea sales, which declined by 9% over the same period in 2004. This reflects a market decline for mainstream tea which is also down by 9% in the six months to June 2005, compared to same period in 2004, through a combination of both reduced volumes and price deflation. In light of the impact of the declining market for tea in the UK on Typhoo, we have decided to reclassify Typhoo as a 'core' rather than 'drive' brand.

As we announced in May of this year, we have signed a five-year agreement with Cadbury Trebor Bassett ('Cadbury') under which we will manufacture instant hot cocoa-based beverages for Cadbury from May 2006. The performance of beverages during the first half of 2005 was in line with the same period last year.

Trading profit for Tea & Beverages increased by 13.6% to £15.0m. The effect of the lower tea sales was offset by reductions in raw tea prices, reduced manufacturing costs following the closure of our Edinburgh factory in December 2004 and the shift in marketing expenditure on Typhoo into the second half for 2005 after a first half emphasis in 2004. The programme for the second half of the year includes the launch of Typhoo in a new unique 'softpack' format, which will be supported by significant in-store marketing activity.

Spreads & Desserts

£m	2005 H1	2004 H1
Sales	98.5	85.6
Trading profit	15.5	12.7

Sales of Spreads & Desserts increased by 15.1% over the same period in 2004 to £98.5m. This increase is primarily due to the inclusion of Bird's, following its acquisition in February 2005. Like-for-like sales, excluding Bird's increased by 1.8% with Ambrosia performing strongly and new own label dessert contracts offsetting by lower jelly sales.

Trading profit for Spreads and Desserts increased from £12.7m in the first half of 2004 to £15.5m in 2005, an increase of 22.0%. This was mainly due to the inclusion of Bird's, which contributed £2.0m at the trading profit level. Like-for-like trading profit increased by £0.8m with the contribution from the higher sales and logistics synergies from the Ambrosia acquisition offset by increased marketing costs.

Quorn

£m	2005 H1*	2004 H1*
Sales	5.3	5.2
Trading profit	0.5	0.3

*includes three weeks of trading only.

Sales of Quorn products were £5.3m, representing three weeks of sales since acquisition. The brand grew strongly in the first half of the year over the same period in 2004 and we intend to continue driving this growth through increased advertising support and innovation. The comparative amounts were not included in the prior half results of the Group.

Potatoes

£m	2005 H1	2004 H1
Sales	58.3	88.9
Trading profit	1.1	2.8

Sales by our potatoes business decreased by 34.4% to £58.3m, due to the lower market price of potatoes compared to last year and the loss of contract volume. We have announced today the acquisition of Monument (GB) Limited and certain assets ('Gedney's') for £5.5m on a cash-free, debt-free basis. Gedney's is a potatoes and fresh produce supply business.

Sudan 1 Product Recall

On 18 February 2005, the Food Standards Agency initiated a recall of a number of products, which had been identified as possibly being contaminated with a dye, 'Sudan 1', not authorised for use in food products. The dye was traced to a batch of chilli powder supplied to the Group that was used by the Group in the manufacture of Worcester sauce. The Group used the Worcester sauce in the manufacture of three other products and supplied Worcester sauce to a number of retail and food ingredient customers.

We have made significant progress in respect of the Sudan 1 product recall in recent months. Our insurers have appointed loss adjusters who are handling all claims, some of which have now been determined and paid. To date all settlements have been in line with or below our initial estimates. We have also conducted a comprehensive ingredient risk review as a result of which we have introduced an enhanced testing regime and have changed the sourcing of some of our key raw materials. Our trading and customer relationships have not been affected and we continue to believe that the financial exposure to the Group is not material.

Outlook

Our strategy remains focused on the development of our 'drive' brands, those brands we consider to have the greatest growth potential, whilst continuing to drive down our per unit manufacturing costs.

The outlook for the remainder of the year is for our core business to remain on track with our grocery business compensating for our disappointing potatoes business. We have a strong programme of new product development through 2005 with new products being launched under our Ambrosia, Branston, Loyd Grossman, and Hartley's brands which, combined with further manufacturing efficiency improvements, should contribute to a strong commercial performance in the second half. However, recent increases in oil and energy prices will provide significant challenges.

Quorn and Bird's are both trading in line with our expectations on acquisition. With regard to our recently acquired Quorn business we intend to invest £2m more in the second half on marketing and innovation to support our growth plans. As previously indicated, we are now replacing all of the production lines acquired with Bird's, which will take until the end of the year. This will enhance future manufacturing efficiency although we will incur additional costs in 2005 as we continue to use the Kraft production facility in Banbury.

For our potatoes business, the outlook for the second half of 2005 remains difficult and recovery is not now anticipated before the end of the year. However, we have adjusted our cost base to reflect the changed profile of our customers and the acquisition of the Gedney's business will broaden the reach and offering of the business. These changes provide the platform for the future development of the business with the benefits starting to flow in 2006.

Robert Schofield
Chief Executive

Financial review

Basis of Preparation

For the first time, the results of Premier Foods plc are prepared in accordance with International Financial Reporting Standards ('IFRS') as they are currently expected to apply to the Group - see note 1. The interim results for the current and prior periods, as reconciled to that previously reported under UK GAAP, are available on our website for comparison. The impact of conversion to IFRS has had no cash impact.

The results of Materne, our French spreads business sold in July 2004, have been disclosed within discontinued operations.

Sales

Sales for the Group's continuing operations decreased by 3.9% to £409.2m. The most significant component of this movement was a reduction in sales at MBM, our potatoes business, as a result of weaker market pricing and the loss of contract volume. Total grocery sales increased by 4.2% to £350.9m with like-for-like sales, i.e. before sales made by the recently acquired businesses of Bird's and Quorn, falling by 0.8% to £334.2m. This was the result of the soft trading in January as experienced by many food manufacturers and offset by strong trading since February.

Gross Profit

Gross profit for the first half of 2005 was £97.8m, an increase of 5.0% over 2004 with gross profit margins up by 2.0% at 23.9%. This improvement primarily reflects the benefit of significant investments in production efficiency, supplemented by a strong performance from our drive brands. This was coupled with the effect of improvements in gross margin at our potatoes business that have resulted from the loss of a number of low margin retail contracts. The inclusion of Bird's and Quorn also had a minor positive impact.

Selling and Distribution Expenses

Selling and distribution expenses were £35.7m for the first half of 2005, a decrease of £3.9m, or 9.8%, compared to the same period in 2004. The decrease is the result of cost savings achieved and the phasing of marketing initiatives. Like-for-like consumer marketing costs reduced over the first half, reflecting the phasing of our spending towards the second half of the year. Total marketing spend, including promotional activity, was flat year on year.

Administrative Expenses

During the period, administrative expenses increased to £21.2m. After adding back the impact of exceptional items and effective changes in pension accounting assumptions, the increase in administrative expenses was £2.0m or 10.5%. Included within this is an amortisation charge arising on intangible assets acquired on the acquisition of Bird's (£0.8m) and a share-based payment charge (£0.4m) related to the Group's management incentive programme. The residual amount relates to inflation and the cost of additional personnel to support our ongoing strategic activities. Results for the second half will include a full amortisation charge for intangibles acquired with the Quorn brand.

Other Operating Income

Other operating income of £1.9m comprises £1.4m of fair value movements on ongoing forward foreign exchange contracts and £0.5m of business interruption income arising as a consequence of the fire at Bury St Edmunds. Under IAS 39, changes in the fair value of unsettled forward foreign exchange contracts that are not designated as hedges are now recorded outside of cost of sales. These economic hedges are recorded as other operating income or expense with variations in commodity prices due to foreign exchange shown as part of cost of sales. The net economic impact remains the same.

Operating Profit

Operating profit before exceptional items for the continuing business was £43.0m for the first half of 2005, an increase of £2.5m, or 6.2%, compared to the same period in 2004. Operating profit after exceptional items increased by 9.7% to £42.8m.

Exceptional Items

Exceptional items for the period reflect the aggregate effect of a number of non-recurring events, resulting in a net expense of £0.2m compared to £1.5m in the prior year. The principal elements of the charge for the current period relate to the costs associated with the rationalisation of our operations at MBM, the Sudan 1 product recall and the impact of the insurance claim for the Bury St Edmunds fire.

Interest

The net interest charge for the business over the first half of £24.5m was made up of net interest payable of £15.8m, a write-off of debt issuance costs of £6.3m and the impact of movements in the fair value of interest rate swaps of £2.4m.

The net interest cost of £15.8m represents a significant saving on the prior year cost of £38.8m as a result of the new financing structure put in place at the IPO in July 2004. At the time of the acquisition of Quorn in June 2005, the Group carried out a further re-financing exercise to fund the acquisition, its future investment programmes and its ongoing working capital requirements. This resulted in the write-off of £6.3m of un-amortised facility costs relating to the previous structure. Facility costs relating to the new credit facilities totalled £5.4m and these will be amortised over the term of the new facilities.

Taxation

The tax charge and effective rate of tax for continuing operations were £5.2m and 28.4% respectively, broadly in line with our anticipated rate for the full year.

Earnings Per Share

Basic earnings per share from continuing operations were 5.4p (3 July 2004: loss per share of 0.1p).

Dividend

Consistent with our stated dividend policy, on 6th September we declared an interim dividend of 4.75p per ordinary share (3 July 2004: Nil) resulting in a total dividend of £11.6m, payable on 25th November 2005. Under IFRS dividends are recorded in the financial statements in the period in which they are declared.

Cashflow and Borrowings

Over the first half of the year, the Group's net borrowings increased by £255.5m to £625.8m. The main items making up this movement were cash from operations of £30.5m, acquisition cash flow of £240.8m and the payment made in respect of the final dividend for 2004 of £22.0m. The balance comprised a number of items including capital expenditure and other minor cash and non-cash movements.

Net cash generated by operating activities was £30.5m in the first half of 2005, compared to £21.2m in the same period in 2004. The details behind this movement are set out in full in note 9.

The acquisition cash flow of £240.8m, referred to above, consists of the consideration and associated transaction costs of £71.5m and £169.3m for the purchase of Bird's and Quorn respectively. The total consideration for Marlow Foods was £175.9m, inclusive of £3.0m of acquisition related costs, and comprised the payment of a cash sum of £116.5m (net of cash acquired), assumed borrowings of £52.8m and loan notes and other working capital movements of £6.6m.

Impact of IFRS

As indicated in note 1, the consolidated financial statements of the Group are presented in accordance with IFRS. The Group has made excellent progress in achieving its conversion to IFRS. The impact on earnings has been limited to the accounting for the Group's foreign exchange and interest rate swaps, the amortisation of intangibles, pension accounting, accruals for employee incentive awards and deferred tax. There have also been a number of presentational changes to the income statement and balance sheet, but there has been no cash impact arising from any of these adjustments. We have embedded IFRS within the business and IFRS will form the basis for all of our financial communications in the future.

Paul Thomas
Finance Director

Consolidated income statement (unaudited)

	Note	Half year ended 2 July 2005 £m	Half year ended 3 July *2004 £m
Continuing operations			
Turnover	2	409.2	425.8
Cost of sales		(311.4)	(332.7)
Gross profit		97.8	93.1
Selling and distribution costs		(35.7)	(39.6)
Administrative costs		(21.2)	(14.5)
Other operating income	4	1.9	-
Operating profit		42.8	39.0
Before exceptional items	3	43.0	40.5
Exceptional items	3	(0.2)	(1.5)
Interest payable and other financial charges	4	(28.7)	(40.0)
Interest receivable	4	4.2	1.2
Profit before taxation for continuing operations		18.3	0.2
Taxation	5	(5.2)	(0.3)

Profit/(loss) after taxation for continuing operations		13.1	(0.1)
Discontinued operations	2	-	1.9
Profit for the period		13.1	1.8
Earnings/(loss) per share (pence)			
Basic	6	5.4	2.0
Diluted		5.3	2.0
Basic - continuing	6	5.4	(0.1)
Diluted		5.3	(0.1)
Basic - discontinued	6	-	2.1
Diluted		-	2.1
Dividends**			
Dividend declared (£m)		-	-
Declared interim dividend (£m)		11.63	-
Declared interim dividend per share (pence)		4.75	-

* Results are re-stated for the impact of transition to International

Financial Reporting Standards ('IFRS'). See Note 1.

** Under IFRS dividends are recorded in the financial statements in the period in which they are declared.

Consolidated balance sheet (unaudited)

	Note	As at 2 July 2005 £m	As at 3 July 2004* £m
ASSETS:			
Non-current assets			
Property, plant and equipment		186.7	155.3
Intangible assets	7	380.8	188.0
Retirement benefit assets & other receivables		0.8	0.8
Deferred tax assets		1.5	4.8
Current assets			
Inventories		99.8	99.3
Trade and other receivables		129.6	124.0
Financial assets			
- derivative financial instruments		0.7	-
Cash and bank deposits	4	93.3	16.2
Total assets		893.2	588.4

LIABILITIES:

	Note		
Current liabilities			
Trade and other payables		(149.2)	(168.8)
Financial liabilities			
- short term borrowings	4	(119.4)	(54.9)
- derivative financial instruments	4	(2.4)	-
Interest payable		(2.9)	(9.2)
Provisions		(3.3)	-
Current tax liabilities		(15.2)	(13.9)
Non-current liabilities			
Financial liabilities			
- long term borrowings	4	(594.6)	(666.9)
- loan notes	7	(5.1)	-
Retirement benefit obligations		(58.7)	(26.4)
Provisions		-	(5.2)
Other liabilities		-	(0.2)
Total liabilities		(950.8)	(945.5)
Net liabilities		(57.6)	(357.1)
EQUITY			
Capital and reserves			
Share capital		2.4	-
Share premium		320.9	10.0
Merger reserve		(136.8)	(136.8)
Other reserves		(1.8)	(2.3)
Profit and loss reserve		(242.3)	(228.0)
Total shareholders' deficit		(57.6)	(357.1)

* Results are re-stated for the impact of transition to International Financial Reporting Standards ('IFRS'). See Note 1.

Consolidated cash flow statement (unaudited)

	Note	Half year ended 2 July 2005 £m	3 July 2004 £m
Cash inflow from operating activities	9	30.5	21.2
Acquisition of Bird's	7	(71.5)	-
Acquisition of Marlow	7	(116.5)	-
Sale of subsidiaries		-	-
Other investing cash flows		(10.9)	(19.1)
Cash (outflow)/inflow from investing activities		(198.9)	(19.1)
Repayment of borrowings	4	(380.0)	(19.7)
Proceeds from new borrowings	4	685.8	-
Proceeds from share issue		-	-
Share issue costs		-	-
Financing costs	4	(5.4)	-
Repayment of debt acquired with Marlow		(52.8)	-
Dividends paid		(22.0)	-
Cash inflow/(outflow) from financing activities		225.6	(19.7)
Net inflow/(outflow) of cash and cash equivalents		57.2	(17.6)
Cash and cash equivalents at beginning of period		2.6	17.3
Cash and cash equivalents at end of period		59.8	(0.3)

Reconciliation of cash and cash equivalents to net borrowings

Net inflow/(outflow) of cash and cash equivalents	9	57.2	(17.6)
Debt acquired with Marlow	7	(53.4)	-
(Increase)/decrease in borrowings		(247.0)	19.7
Exchange movement on gross debt net of cash		-	(0.8)
Other non-cash changes	9	(12.3)	(13.1)
(Increase)/decrease in borrowings net of cash		(255.5)	(11.8)
Total borrowings net of cash at beginning of period	9	(370.3)	(693.9)
Total borrowings net of cash at end of period	9	(625.8)	(705.7)

Statement of recognised income and expense (unaudited)

	Half year ending	
	2 July 2005	3 July 2004
	£m	£m
Profit for the period	13.1	1.8
Foreign exchange losses on foreign currency net investments (net of tax)	(0.9)	(2.3)
Actuarial gains and losses (net of tax)	3.3	(8.3)
Deferred tax on share options	1.2	-

Total recognised income/(expense) for the period	16.7	(8.8)

Notes to the financial information

1. Basis of preparation

Interim financial information

Premier Foods plc is required to present its financial statements in accordance with International Financial Reporting Standards ('IFRS') for the year ending 31 December 2005. For the first time, the interim financial information presented is also based on the accounting policies expected to form the basis of the financial statements for the year ending 31 December 2005, which can be accessed from the companies website at www.premierfoods.co.uk/about/investor. The interim financial information does not comprise a complete set of financial statements as defined under IFRS.

To allow comparability of financial information, the Group published financial information on its web-site on 11 July 2005 explaining the re-statement of its financial results for the year ended 31 December 2004 from those previously prepared in accordance with accounting principles generally accepted in the United Kingdom ('UK GAAP'). The 'comparative financial information' can be accessed at:

www.premierfoods.co.uk/about/investor
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The comparative financial information is unaudited and will form part of the financial statements for the current financial year, from which the comparative interim financial information for the half-year ended 3 July 2004 has been extracted. It includes an explanation of the principal changes in accounting policies. For clarity, in note 11 the re-stated financial information for the half-year ended 3 July 2004 is reconciled to that previously presented under UK GAAP.

The revised accounting policies of the Group reflect the impact of compliance with the International Financial Reporting Standards ('IFRS') and the requirements of the International Financial Reporting Interpretations Committee ('IFRIC') as issued currently by the International Accounting Standards Board (' IASB'). Although we have applied the accounting policies that are expected to form the basis of preparation in the financial statements for the year ending 31 December 2005, IFRS remain subject to change, new interpretations may be issued and therefore applicable IFRS cannot be determined with certainty.

Based on these IFRS, the Group has made assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ending 31 December 2005, in particular the adoption by the EU of the amendment to IAS 19, Employee Benefits, regarding the option to recognise all actuarial gains and losses in retained earnings and to present them in the statement of recognised income and expense.

The comparative financial information for the year ended 31 December 2004 has been extracted from the annual financial statements of Premier Foods plc and is re-stated in accordance with the adopted IFRS. The consolidated interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. These interim results are unaudited but have been reviewed by our auditors. The statutory accounts for the year ended 31 December 2004 , which are prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain the statements under section 237(2) or (3) of the Companies Act 1985.

Use of estimates

The financial information necessarily includes amounts based on judgements and estimates made by management. Actual results could materially differ from these estimates. Estimates are used when accounting for potential bad debts, inventory obsolescence and spoilage, trade and promotion allowances, coupon redemptions, depreciation and amortisation, deferred income taxes and tax valuation allowances, pension and post-retirement benefits, restructuring charges and contingencies among other items.

2. Segmental analysis - Primary

Turnover	Half year ended 2 July 2005 £m	Half year Ended 3 July 2004* £m	3
Grocery products	350.9	336.9	
Potatoes	58.3	88.9	
Continuing operations	409.2	425.8	
Discontinued operations	-	49.7	
Total	409.2	475.5	

Segmental analysis of Trading profit** and Operating profit

	Half year ended 2 July 2005 Trading profit**	Changes In pension assumptions	Amortisation	Exceptionals	Oper pr
	£m	£m	£m	£m	
Grocery products	44.5	-	(2.6)	1.1	
Potatoes	1.1	-	-	(1.3)	
Total continuing operations	45.6	-	(2.6)	(0.2)	

	Half year ended 3 July 2004* Trading profit**	Changes in pension assumptions	Amortisation	Exceptionals	Ope p
	£m	£m	£m	£m	
Grocery products	35.6	3.8	(1.7)	(0.9)	
Potatoes	2.8	-	-	(0.6)	
Continuing operations	38.4	3.8	(1.7)	(1.5)	
Discontinued operations	2.1	-	(0.2)	-	

Total	40.5	3.8	(1.9)	(1.5)

	Full year ended 31 December 2004*				
	Trading profit**	Changes in pensions assumptions	Amortisation	Exceptionals	Oper pr
	£m	£m	£m	£m	
Grocery products	99.5	6.1	(2.7)	(14.1)	
Potatoes	5.7	-	-	(6.5)	
Continuing operations	105.2	6.1	(2.7)	(20.6)	
Discontinued operations	12.3	-	(0.3)	-	
Total	117.5	6.1	(3.0)	(20.6)	

* Results are re-stated for the impact of transition to International Financial Reporting Standards ('IFRS'). See Note 1.

** Trading profit is defined as operating profit before exceptional items, amortisation of intangibles and the effective income statement impact of changes in pension assumptions.

2. Segmental analysis - Secondary

Geographical analysis of Turnover

	By origin			By destination	
	Half year ended 2 July 2005 £m	Half year ended 3 July 2004* £m	Full year ended 31 December 2004* £m	Half year ended 2 July 2005 £m	Half year ended 3 July 2004* £m
Continuing operations					
United Kingdom	395.3	412.3	814.9	382.1	399.4
Mainland Europe	13.8	13.5	27.3	22.9	22.0
Other countries	0.1	-	-	4.2	4.4
Total	409.2	425.8	842.2	409.2	425.8
Discontinued operations					
Mainland Europe	-	49.7	54.6	-	49.7
Total	409.2	475.5	896.8	409.2	475.5

* Results are re-stated for the impact of transition to International Financial Reporting Standards ('IFRS'). See Note 1.

3. Exceptional items

Exceptional items are defined by the Group as those items of financial significance that are disclosed separately in order to assist in understanding the financial performance achieved and in making projections of future results.

In the current period, exceptional items comprised, primarily, the rationalisation of the operations at MBM, the Sudan I product recall and the impact of the insurance claim for the Bury St Edmunds fire.

4. Interest Payable and Financial Instruments

On 1 January 2005, the Group adopted the provisions of IAS 32 and IAS 39, Financial Instruments. The primary effect of this change in accounting policy relates to the accounting, presentation and disclosure of the Groups' interests in forward exchange contracts and interest rate swaps and the effect of these changes was to increase the Group's net liabilities at 31 December 2004 by £1.8m to £53.7m as at 1 January 2005.

In future, the operating profit impact of commodity contracts and foreign currency transactions will be included in gross profit and the related movements in economic hedges will be recorded as other operating income or expense. As noted below the net economic impact of the interest rate swaps will form a component of net interest payable.

Total interest payable includes interest arising on bank loans, senior notes and overdrafts related to facilities in place at 31 December 2003 and that were replaced by a new borrowing facilities on 20 July 2004. On 2 July 2005, the Group further renewed its borrowings with term facilities of £325.0m repayable over the period to 2010 and credit facilities of £455.0m, of which £360.8m was drawn down. As a result of these changes, debt issuance costs of £6.3m relating to the old facilities were written off to interest payable.

Cash and bank deposits and short-term borrowings included in the balance sheet reflect the anticipated level at which the Group will offset cash and overdrafts in accordance with IAS 32.

4. Interest Payable and Financial Instruments

Interest payable	Note	Half year ended 2 July 2005 £m	Half year ended 3 July 2004 £m
Interest payable on bank loans, senior notes and overdrafts		16.3	28.0
Interest payable on unsecured unguaranteed loan notes		-	10.1
Interest payable on new term facility	8	1.3	-
Interest payable on new revolver facility	8	1.4	-
Amortisation of debt issuance costs		1.0	1.9
Fair valuation of interest rate swaps		2.4	-
		22.4	40.0
Senior notes early redemption penalty		-	-
Exceptional amortisation of debt issuance costs	8	6.3	-

	6.3	-
Total interest payable	28.7	40.0
Interest receivable	(4.2)	(1.2)
Net interest payable	24.5	38.8

5. Taxation

The tax charge for the first half of 2005 of £5.2m (2004: £0.3m) represents an effective tax rate for the year of 28% applied to profits before tax. This effective tax rate is determined after taking account of available overseas tax losses and disallowable items and arises primarily in the UK. We anticipate the tax charge recognised in the first half will be broadly consistent with the rate of tax applicable for the whole of 2005 and will relate solely to the UK operations.

6. Earnings/(loss) per share

	Period ended 2 July 2005			Period ended 3 July 2004			Yea
	Basic EPS	Effect of dilutive securities	Diluted EPS	Basic EPS	Effect of dilutive securities	Diluted EPS	Basic EPS
Continuing Business							
Earnings/(loss) (£m)				(0.1)		(0.1)	3.

	13.1	-	13.1		-		
Weighted number of shares (million)	244.5	3.5	248.0	89.3	-	89.3	159.
Per share amount (pence)	5.4	(0.1)	5.3	(0.1)	-	(0.1)	2.
Discontinued Business							
Earnings (£m)	-	-	-	1.9	-	1.9	12.
Weighted number of shares (million)	-	-	-	89.3	-	89.3	159.
Per share amount (pence)	-	-	-	2.1	-	2.1	7.
Total business							
Earnings (£m)	13.1	-	13.1	1.8	-	1.8	15.
Weighted number of shares (million)	244.5	3.5	248.0	89.3	-	89.3	159.
Per share amount (pence)	5.4	(0.1)	5.3	2.0	-	2.0	9.

7. Acquisitions of Bird's and Marlow Foods Holdings Limited

On 14 February 2005, the Group completed the acquisition of the Bird's Custard, Angel Delight and associated brands from Kraft Foods Inc. (collectively ' Bird's') for £71.5m. On 6 June 2005, the Group completed the acquisition of Marlow Foods Holdings Limited, a business involved in the manufacture and distribution of chilled and frozen food products and owner of the Quorn brand for £172.9m, including repayment of assumed debt.

Net assets of businesses acquired at fair value:	Marlow Foods £m	Bird's £m
Goodwill and intangibles	133.4	68.0
Tangible fixed assets	38.9	-
Other net (liabilities)/ assets	(41.5)	3.5
Satisfied by:		
Issue of loan notes	(5.1)	-
Cash consideration	(125.7)	(71.5)
Total consideration for acquisitions	(130.8)	(71.5)
Analysis of cash outflow in respect of acquisitions:		
Cash consideration	(125.7)	(71.5)
Accrued acquisition costs	0.9	-
Cash acquired	8.3	-
Total cash outflow	(116.5)	(71.5)

7. Acquisitions of Bird's and Marlow Foods Holdings Limited (continued)

Provisional fair values have been allocated to the acquired net assets of

Bird's. An initial allocation of fair value to the acquired assets and liabilities of Marlow Foods has also been performed, although adjustments of a classification nature, including those related to deferred taxes, are outstanding. A provisional analysis of the consideration and the assets and liabilities acquired is as noted in the table above. In the period immediately subsequent to acquisition, Bird's contributed to turnover and operating profits by £11.4m and £1.2m respectively and these amounts are included in the income statement. Marlow Foods contributed turnover and operating profits of £5.3m and £0.5m respectively. As part of the Marlow Foods acquisition the Group issued £5.1m of loan notes that are repayable in 2008 and attract interest at LIBOR.

8. Other balance sheet information

During the period the Group made investments of £16.6m in capital renewal and expansion programmes, of which £5.7m related to the re-build of the Bury St Edmunds factory which were financed from the Group's insurance arrangements.

9. Notes to the consolidated statement of cash flow

Reconciliation of operating profit to cash flows from operating activities

	Half year ending	
	2 July 2005	3 July 2004*
	£m	£m

Operating Profit - continuing operations	42.8	39.0
Depreciation of property plant and equipment	7.8	9.4
Amortisation of intangible assets	2.6	1.7
(Gain)/Loss on disposal of fixed assets	(3.7)	0.7
Revaluation gains/losses on financial instruments	(1.4)	-
Share based payments	0.4	-
Net cash inflow from operating activities before interest and tax (paid)/received and movements in working capital	48.5	50.8
Decrease in inventories	4.0	15.4
Increase in trade and other receivables	(4.0)	(0.8)
Increase/(decrease) in trade and other payables & provisions	0.4	(11.0)
Movement in net retirement benefit obligations	(2.3)	(8.8)
Exchange movement in working capital	(0.6)	(0.6)
Cash generated from continuing operations	46.0	45.0
Discontinued operations	-	1.6
Cash generated from operations	46.0	46.6
Interest paid	(18.5)	(26.6)
Interest received	4.0	1.2
Taxation paid	(1.0)	-
Cash inflow from operations	30.5	21.2
Exceptional items cash flow	(1.3)	(14.5)
Net cash flow before exceptional items	31.8	35.7

9. Notes to the consolidated statement of cash flow (continued)

Analysis of movement in net borrowings

	At 31 December 2004	Effect of IAS 32*	Re-stated at 1 January 2005	Cashflow	Ot non- cha
	£m	£m	£m	£m	£
Short term overdrafts	(9.9)	(23.0)	(32.9)	(0.6)	-
Cash and bank deposits	12.5	23.0	35.5	57.8	-
Cash and cash equivalents net of overdrafts	2.6	-	2.6	57.2	-
Borrowings - term	(380.0)	-	(380.0)	55.0	-
Borrowings -revolver	-	-	-	(360.8)	
Loan notes	-	-	-		(
Finance leases	(0.1)	-	(0.1)	-	-
Gross borrowings net of cash	(377.5)	-	(377.5)	(248.6)	-
Debt issuance costs	7.2	-	7.2	5.4	(
Total net borrowings	(370.3)	-	(370.3)	(243.2)	(

* This adjustment reflects a presentation requirement of IAS 32, Financial Instruments.

10. Subsequent Event

On 6th September 2005, the Group completed its acquisition of Monument (GB)

Limited and certain other assets (trading as 'Gedney's') for £5.5m on a cash-free, debt-free basis.

11. Re-stated comparative financial information

The interim financial statements form part of the financial information included within the first annual financial statements to be prepared in accordance with IFRS. In preparing its opening IFRS balance sheet as at 1 January 2004 and comparative financial information for the interim period ended 3 July 2004, adjustments have been made to re-state balances reported previously in accordance with UK GAAP. The major components of the transition from UK GAAP to IFRS is set out below. This comparative financial information has been compiled in accordance with the Group's accounting policies that are expected to form the basis for the financial statements for the year ending 31 December 2005 and can be accessed from the Company website at
www.premierfoods.co.uk/about/investor
.
An explanation of each of the primary accounting differences noted below is also included within this information.

Reconciliation of results for the half year ended 3 July 2004 and statement of shareholders deficit as at 3 July 2004

	Operating profit for continuing	Net (loss)/ profit after tax	Sh de

	operations £m	£m
Amounts previously reported under UK GAAP in IFRS format	30.4	(4.7)
Pension adjustment	7.5	5.3
Goodwill amortisation adjustment	3.7	2.7
Other adjustments, net	(2.6)	(1.5)
Reported under IFRS	39.0	1.8

Independent review report to Premier Foods plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 2 July 2005 which comprises the consolidated interim balance sheet as at 2 July 2005 and the related consolidated interim statements of income, cash flows and total recognised income and expense for the six months then ended. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. The IFRS financial information previously published on 11 July 2005, as referred to in note 1, and the IFRS financial information set out in note 11 do not form part of our review.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1 the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however a possibility that the directors may determine that some changes are necessary when preparing the full financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005, are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 2 July 2005.

PricewaterhouseCoopers LLP

Chartered Accountants
London
6 September 2005

Note:

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 interim report since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Company Directory

Directors	David Kappler	Non-executive Chairman
	Robert Schofield	Chief Executive
	Paul Thomas	Finance Director
	David Felwick CBE	Non-executive Director(1,2)
	Sharon Hintze	Non-executive Director(1)
	Ian McHoul	Non-executive Director(1)
	Ian Ramsay	Non-executive Director(1)

(1) Independent Director
(2) Senior Independent Director

Company Secretary	Andrew Astin
Registered Office	Premier House Centrium Business Park Griffiths Way St Albans Hertfordshire AL1 2RE
Corporate Brokers	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ
	Hoare Govett Limited 250 Bishopsgate London EC2M 4AA

Principal Bankers	BNP Paribas J. P. Morgan PLC Lloyds TSB Bank PLC The Royal Bank of Scotland PLC
Registrars and transfer office	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA