Premier Foods

Results for the Half Year to 26 June 2010

Wednesday 4 August 2010

Certain statements in this presentation are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Robert Schofield

Chief Executive Officer

Agenda

- Robert Schofield
  - Highlights
- Jim Smart
  - Financial performance
- Robert Schofield
  - Trading review
  - Outlook

2010 H1 Highlights

- Brands are trading well in tough conditions
  - Sales[1] up 0.5% in value and 3.5% in volume
  - Drive brand sales[1] up 3.2% in value and 5.2% in volume

- Q2 improved branded performance
  - Q2 branded sales growth of 1.3% v Q1 decline of 0.3%

- Gaining branded market share[2] - up 0.5% to 21.9%

- Total sales[1] down 4.5% due to non-branded sales down 12.7%
  - Non-branded sales down £61m
  - Market decline for non-branded – 5.9%
  - £42m of non-branded decline in bakery and milling
  - Contract exits, primarily in Hovis to free up capacity for branded growth
  - Wheat deflation

1. Pro forma sales to 30 June 2010 compared to pro forma sales to 30 June 2009
2. Source IRI Grocery outlets Volume sales 24 w/e 12 June 2010

2010 H1 Highlights

- Gross profit margin up 60bp reflecting delivery of strategy:
  - Improved product mix
  - Procurement savings
  - Manufacturing efficiencies
- Trading profit[1] down £7m to £110m
  - Additional £5m pension costs
  - £2m more restructuring costs than H1 2009
  - Additional £4m consumer marketing
- Cash generation in last 12 months of £110m
  - Net debt at Jun 2010 of £1,365m
- Setting out programme to diversify and strengthen our financial structure
- Appointment of Ronnie Bell as new Chairman from October

1. See appendices for definitions

Jim Smart

Chief Financial Officer

Summary Group Profit and Loss

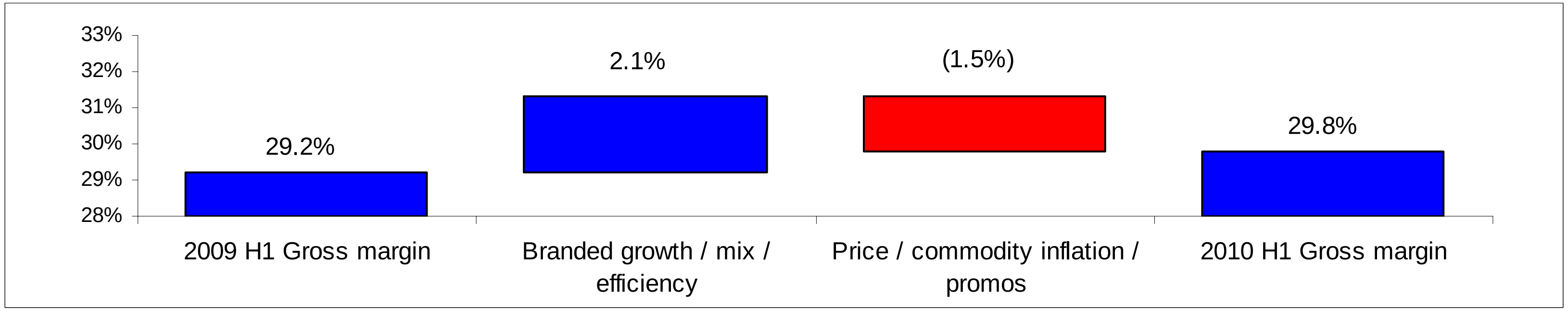
£m	2010 H1	2009 H1	%
Branded sales	790	786	0.5
Non-branded sales	421	482	(12.7)
Total pro forma sales for 6 months to 30 June	**1,211**	**1,268**	**(4.5)**
Reported sales (1 Jan to 26 June 2010/27 June 2009)	1,183	1,248	(5.2)
Gross profit	353	364	(3.0)
Gross margin %	*29.8%*	*29.2%*	*+60bp*
Operating expenses	(243)	(247)	1.6
Trading profit	**110**	**117**	**(6.0)**
Trading profit margin %	*9.3%*	*9.4%*	*(10)bp*
Exceptional items	-	(36)	
Amortisation of intangible assets	(41)	(38)	
Pension financing credit/(charge)	2	(2)	
Fair value movements on forex and other derivatives	(4)	(14)	
Operating profit	**67**	**27**	

Summary Group Profit and Loss

£m	2010 H1	2009 H1
Operating profit	**67**	**27**
Net regular interest	(77)	(78)
Other interest	(44)	21
Loss before tax	**(54)**	**(30)**
Tax credit	14	7
Loss after tax	**(40)**	**(23)**
Basic loss per share from continuing operations (pence)	**(1.7)**	**(1.3)**
Adjusted profit before tax (£m)	**33**	**39**
Adjusted earnings per share (pence)	**1.0**	**1.6**
Pro forma adjusted earnings per share[1] (pence)	**1.0**	**1.2**

1. Assumes refinancing had taken effect on 31 December 2008 with appropriate adjustments to interest charges and average number of shares in issue and using the 2010 definition of Trading profit

Group Gross Margin



- **Branded growth / mix / efficiency**: Improved product mix and increased efficiency in procurement and manufacturing.
- **Pricing / commodity / promotions**: Lower promotional costs and pricing offset by higher commodity costs.

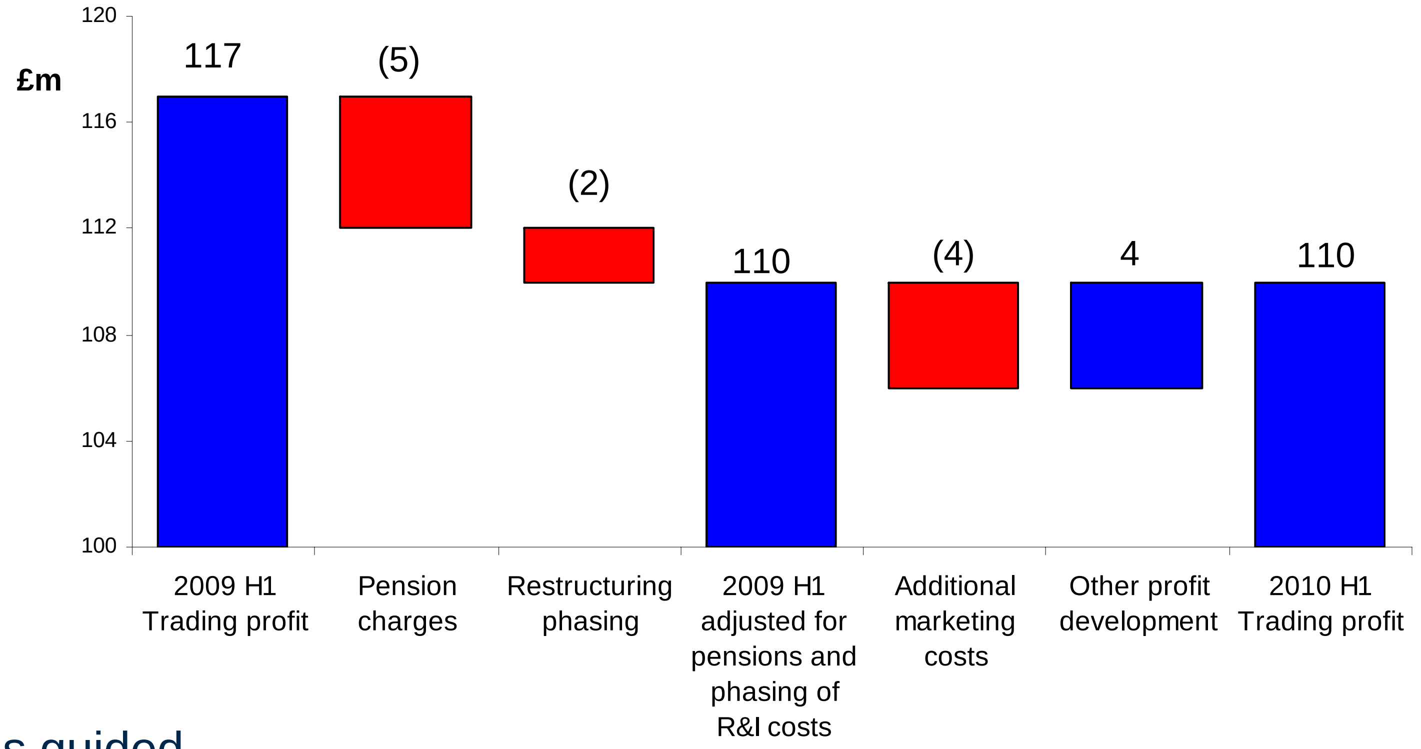
Margin Growth In Line With Business Model Helped Offset Effects Of Market And Consumer Environment

Operating Expenses

- Increased in-store marketing spend has supported market share gains
- Distribution costs down 6.2%
- Admin costs reductions have offset additional pension and restructuring costs

Efficiency Savings Funding Increased Marketing Spend

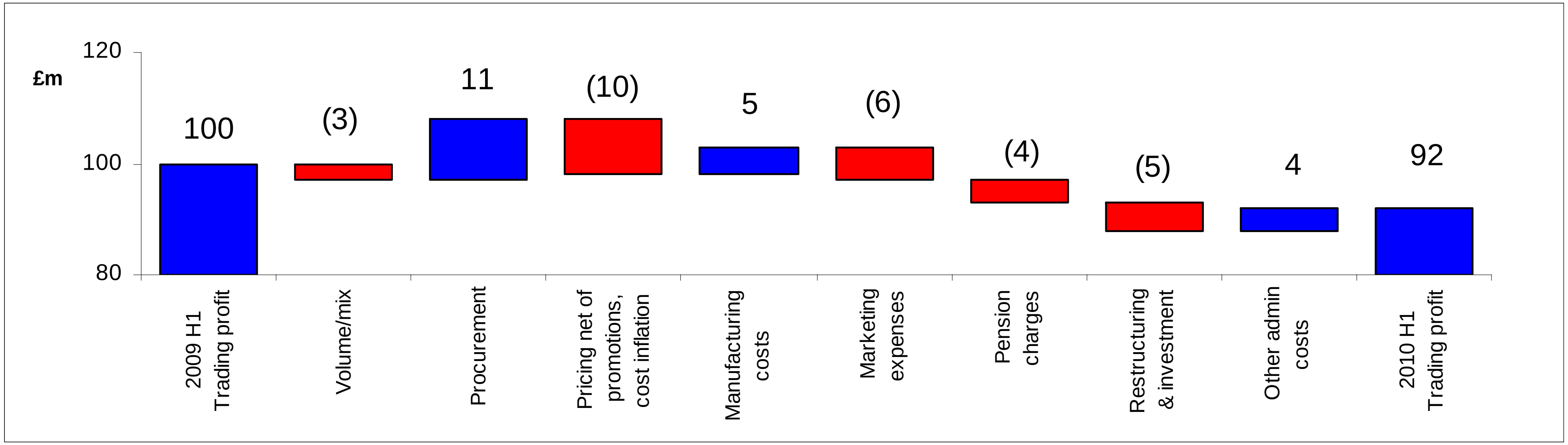
Group Trading Profit



- As guided
  - 2009 benefited from lower pension cost
  - Restructuring is phased more toward H1
  - Consumer marketing increase funded by cost savings

Cost Savings Funding Additional Marketing

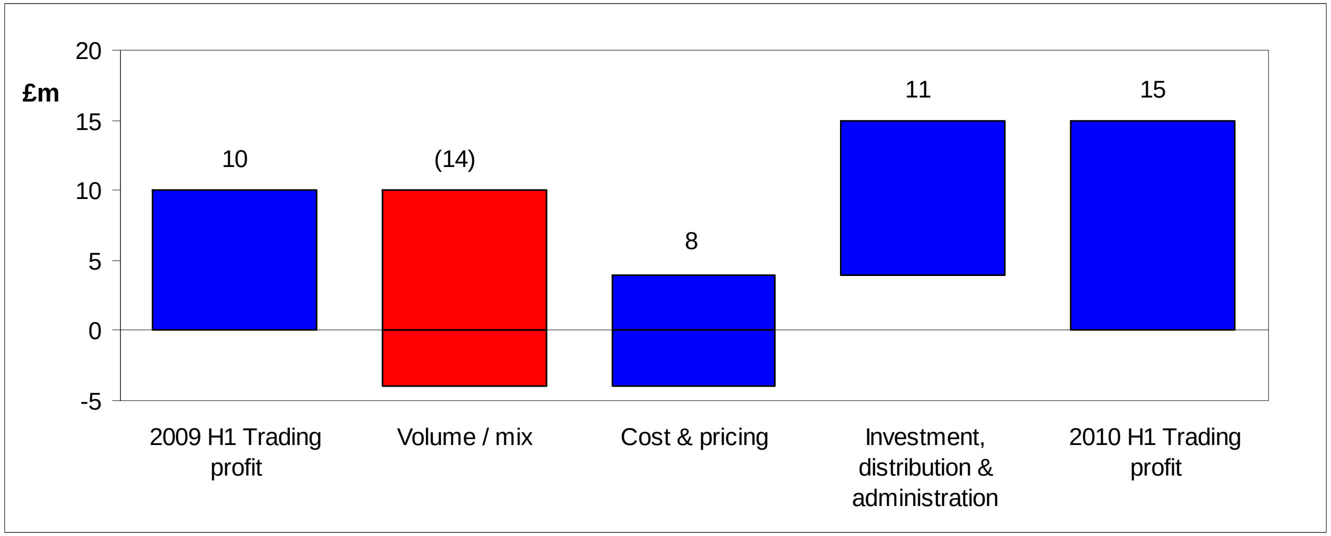
Grocery Trading Profit



- Volume/mix – lower retailer brand volumes largely offset by benefit of mix
- Procurement – benefits of scale and value improvement programmes
- Pricing net of promotions and cost inflation reflects competitive market environment
- Manufacturing efficiencies now being delivered
- Increase in marketing expenses to drive branded growth

Reduction In Trading Profit Due To Pension And Restructuring Costs: Efficiency Savings In Line With Strategy

Hovis Trading Profit



- Reduced non-branded bakery and milling volumes, partly offset by mix benefits, reduced gross profit by £14m
- Lower input costs and manufacturing efficiencies were partly offset by lower prices giving a net benefit of £8m
- Lower investment, distribution and admin costs increased trading profit by £11m

Balance Of Branded Growth, Manufacturing And Distribution Efficiencies Driving Profit Growth

Cash Flow

£m	2010 H1	2009 H1	Last 12 Months
Trading profit	**110**	**117**	**302**
Depreciation	25	26	51
Other non-cash recurring items	3	2	4
Interest	(49)	(72)	(129)
Taxation	(1)	1	(1)
Additional pension cash flows	(28)	(34)	(46)
Regular capital expenditure	(35)	(54)	(64)
Working capital	(23)	(69)	11
Recurring cash flow	**2**	**(83)**	**128**
Non-recurring cash flows	(2)	375	(18)
Cash flow	**-**	**292**	**110**
Net debt	**1,365**	**1,475**	

- Significant improvement in recurring cash flow in H1 2010 driven by lower stock levels
- Delivered £110m of debt reduction year on year

On Target To Deliver £100m Of Recurring Cash Flow In 2010

Financial Obligations

£m	2010 H1	2009 H1
Gross borrowings	1,380	1,495
Deferred issuance costs	(15)	(20)
Net debt	**1,365**	**1,475**
12 month rolling EBITDA	354	
Net debt / EBITDA	**3.86x**	
Average bank borrowings	1,517	
Debtors securitisation	90	
Average debt	1,607	
Average debt / EBITDA	**4.54x**	

	2010 H1	Dec 2009
Pension deficit (gross)	431	429
Swap mark to market (gross)		
Hedging interest	91	80
Additional interest	151	119
Total swap mark to market	242	199

Refinancing Provided Stability

- Equity issue reduced absolute debt level
- Amendments to bank facility gave significant covenant headroom and extended duration to 2013
- Pension deficit contributions agreed until 2014
- Although debt is still high, we can service our financial obligations
- ... but swap and pension risks remain

Next Stage - Financial Strategy

- Cut indebtedness
- Reduce financial risks – swaps & pensions
- Diversify sources and maturity of funding

Financial Strategy
Cut Indebtedness

- Reduce Average debt / EBITDA from current 4.54 times

- Target Average debt / EBITDA less than 3.25 times in medium term

- Achieved by
  - Growing EBITDA
  - Paying down debt by at least £100m p.a.

- Open minded to disposals if they deliver value and accelerate leverage reduction

Financial Strategy
Reduce Financial Risks - Swaps

- Total mark to market £242m (gross)
- Non-economic hedge element £151m
- Consists of:
  - Long dated swaps
  - Digital swaps
  - Other financial instrument
- Current additional interest £22m p.a.
- Risk of interest rate movements
- Reduce risk to make cost and settlement profile more certain
- Reduce interest cost & speed up deleveraging

Financial Strategy
Reduce Financial Risks - Pensions

- Proposal to close to new starters and move to career average for current employees
  - Competitive employment package
  - Similar P&L cost
  - Significantly reduce the rate at which pension liability grows

- Reduce risk and volatility to deficit through investment strategy and matching

- Deficit reduction contributions fixed to 2014

- Current agreement is to remove remaining deficit over 8 years to 2022

- But agreement subject to affordability, so repayment period can be varied

Financial Strategy
Diversify Sources & Maturity of Funding

- Financing agreed to 2013
- Diversify sources – risk of non-availability reduced
- Diversify maturity dates – avoids need to have all financing replaced at same time
- Underlying strength of cash flows makes this aim achievable

Conclusion

- Comprehensive disclosure of financial position
- Cash flow is strong and can service financial obligations
- Financial position is secure
- Addressing swap and pension risks
- Achievable medium term target debt level
- Disposals will be considered to accelerate achievement

Prospect of more stable and diversified financial structure combined with a successful trading strategy offers considerable value to shareholders

Robert Schofield

Chief Executive Officer

2010 H1 Performance

PREMIER FOODS

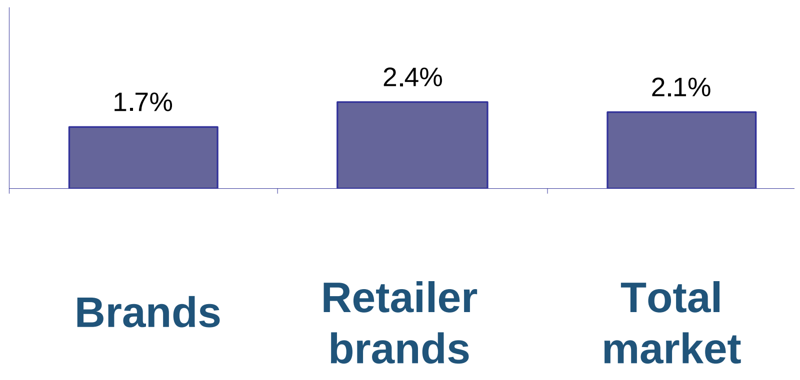
2010
What Is Happening In Our Markets?

Total Grocery Market

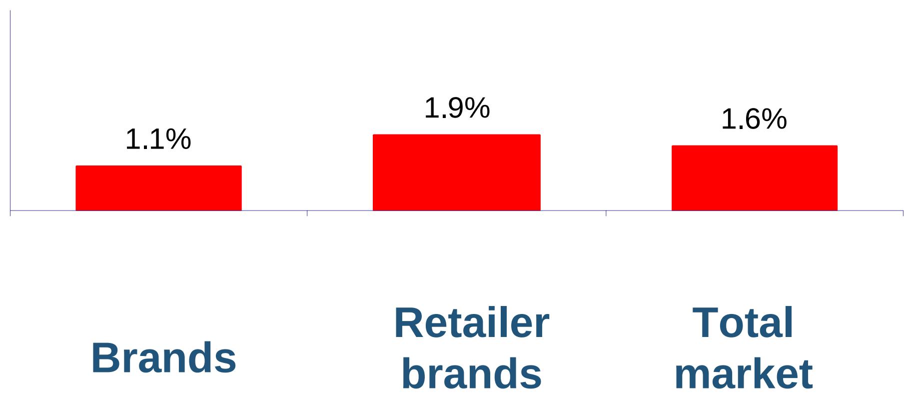
Grocery Market Movement – 2010 H1 vs 2009 H1

Total annual value of market £66.4bn

Value Growth



Volume Growth



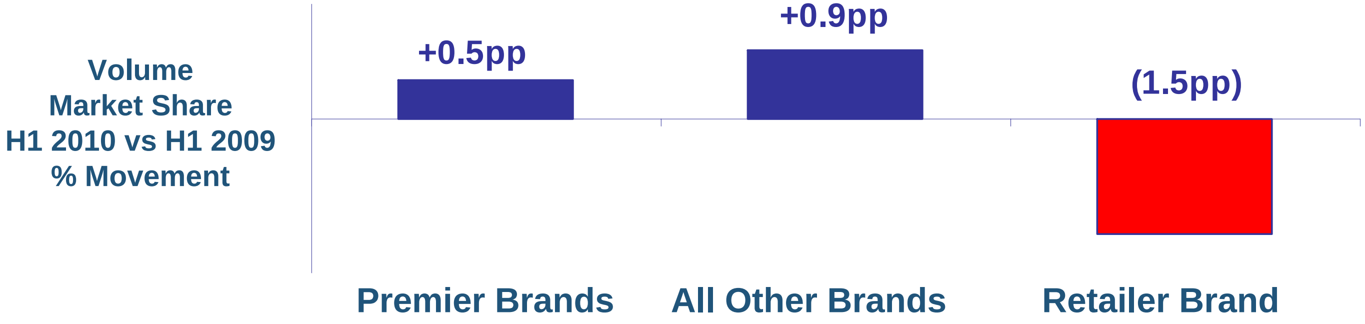
Total Grocery Market In Broad Low Level Growth

Source: TNS Worldpanel, Total Grocery, 24 weeks to 12 Jun 2010

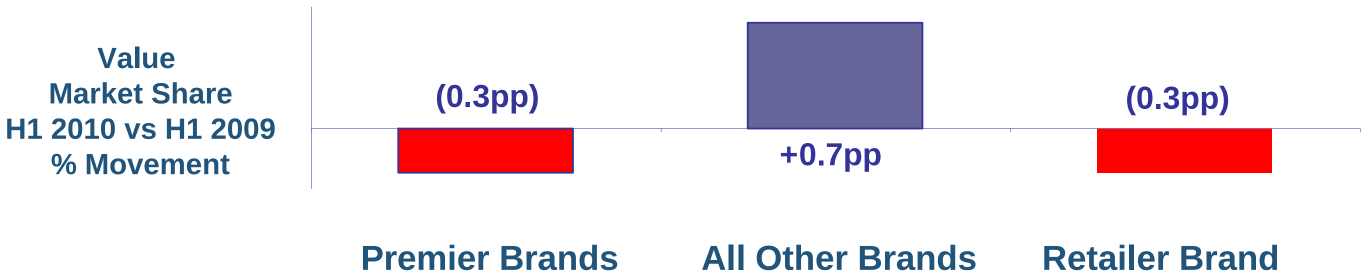
Performance In Our Categories

Total annual value of our categories £7.6bn

Market Volume (1.0%)



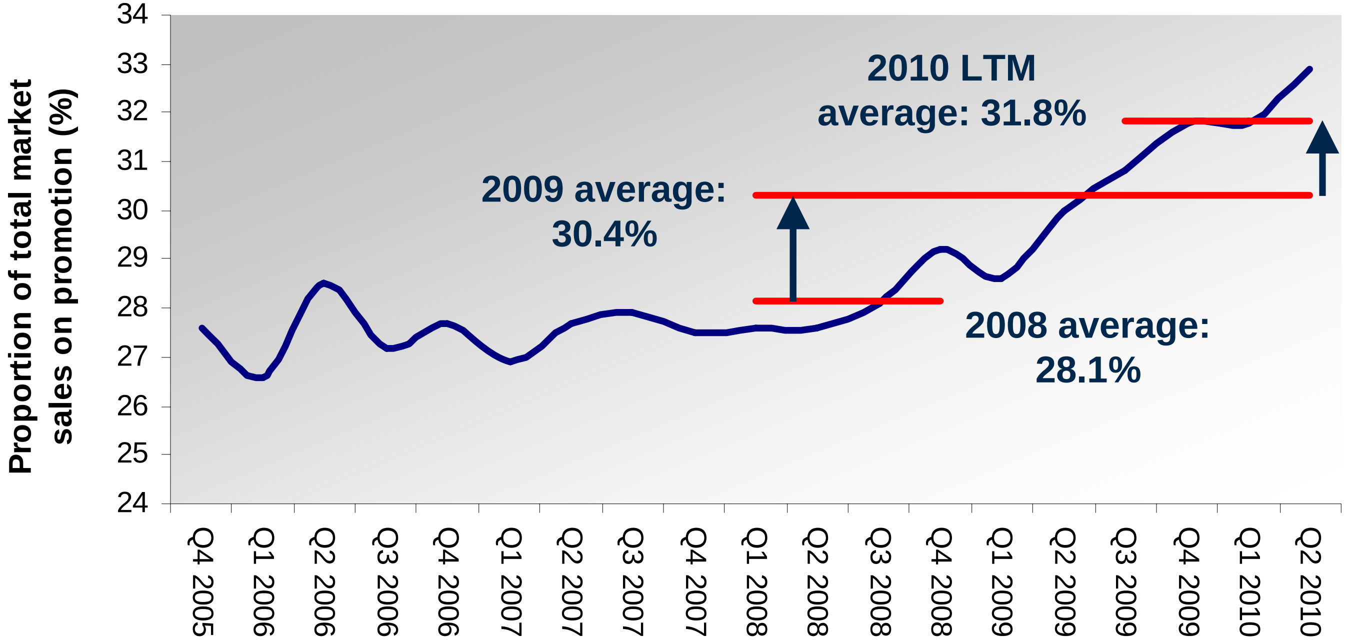
Market Value (0.9%)



But In Our Categories, Retailer Brand Decline Continues As Brands Continue To Promote And Innovate

Source: IRI Infoscan Total Grocery, 24 weeks to 12 Jun 2010

Promotional Activity Across The Market Has Increased During The Recession…



- Proportion of volume on deal continues to increase
- And depth of deal also increasing

Our Markets Continue To Be Very Competitive

Source: TNS Worldpanel, Total RST

Branded Pro Forma Sales Performance

	Q1 2010 £m	v Q1 2009 %	Q2 2010 £m	v Q2 2009 %	H1 £m	v H1 2009 %
Grocery	265	(0.4)	266	2.7	531	1.1
Hovis	94	1.6	99	(1.5)	193	0.0
Chilled	33	(4.7)	33	(1.1)	66	(2.9)
Total Branded	392	(0.3)	398	1.3	790	0.5

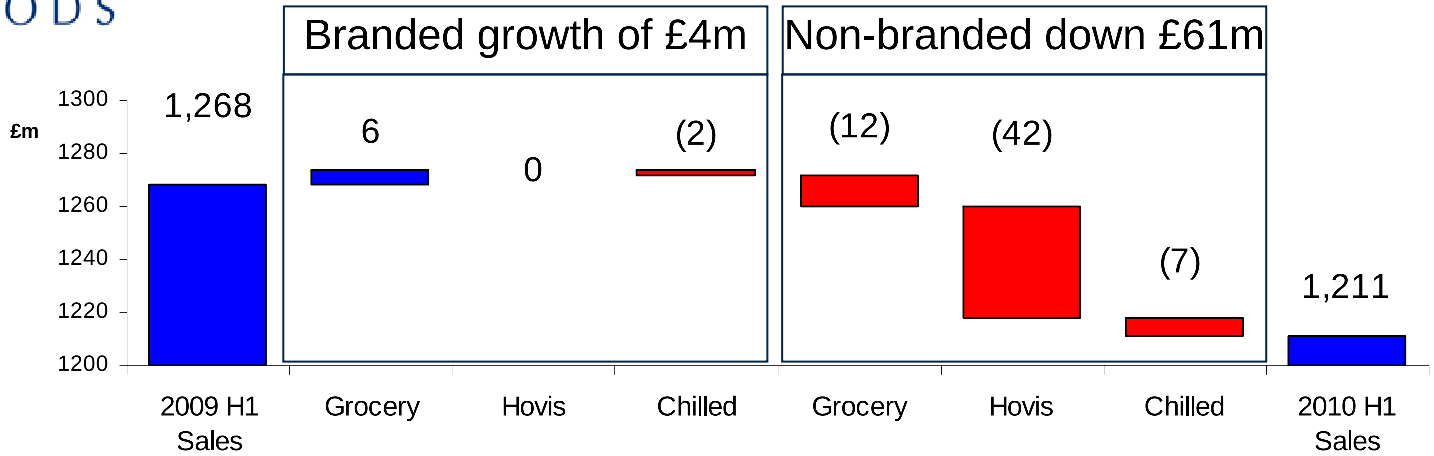
- Sales growth improving in Grocery and Meat-free
- Branded bread volumes up 3.3% in H1 but offset by wheat deflation of £4m

Non-branded Pro Forma Sales Performance

	Q1 £m	v Q1 2009 %	Q2 £m	v Q2 2009 %	H1 £m	v H1 2009 %
Grocery	95	(7.3)	93	(4.6)	188	(6.0)
Hovis	73	(20.7)	71	(24.5)	144	(22.6)
Chilled	46	(9.8)	43	(4.4)	89	(7.3)
Total non-branded	214	(12.9)	207	(12.4)	421	(12.7)

- Sales decline improving in Grocery and Chilled: New contracts should benefit H2
- Hovis non-branded still affected by market decline, wheat deflation and contract exits to free up capacity for branded growth

Pro Forma Group Sales



- Group sales decline of 4.5% due to non-branded down 12.7%
  - Grocery non-branded – Total £12m
    - Market down 3% - £6m
    - Contract exits in Q3 2009
  - Hovis non-branded – Total £42m
    - Flour deflation - £11m, limited profit impact
    - Retailer brand bread market decline of 13% - £13m
    - Contract exits in Q3 2009 to provide capacity for branded growth - £13m
    - Lower flour volumes - £5m
  - Chilled - Brookes Avana operating in very competitive market – volume and price declines

We Continue To Manage The Non-branded Portfolio For Profit

Branded Sales Growth

- Drive brands grew 3.2% in value and 5.2% in volume, compared to market volume decline of 1.7%
- Core brands grew 1.7% in value and 4.0% in volume compared to market volume decline of 1.0%
- Defend brand sales declined as we prioritised marketing and promotional spend behind Drive and Core brands
- Total volume decline reflects volatility of non-branded volumes – market declines and contract exits

Brand	Sales £m	H1 Growth y-o-y % Value	H1 Growth y-o-y % Volume
Loyd Grossman	21	0.0	
Sharwood's	32	6.7	
Mr. Kipling	62	3.3	
Ambrosia	39	5.4	
Hartley's	29	16.0	
Hovis	174	2.4	
Quorn	60	(1.6)	
Drive brands	**417**	**3.2**	**5.2**
Batchelor's	63	0.0	
Oxo	18	5.9	
Bisto	38	2.7	
Branston – Food Enhancers	19	5.6	
Branston – Beans	16	6.7	
Cadbury cakes	27	(3.6)	
Core brands	**181**	**1.7**	**4.0**
Defend brands	**192**	**(5.9)**	**0.1**
Total branded	**790**	**0.5**	3.5
Non-branded	421	(12.7)	(9.6)
Total	**1,211**	**(4.5)**	**(4.0)**

Drive And Core Brands Continue To Grow

Strategic Development

- Targets set out at prelim results in February

	H1 2010		
	Premier	Market	
Drive brands growing volumes 1-2% ahead of market	5.2%	(1.7%)	✓
Core brands growing volumes in line with market	4.0%	(1.0%)	✓
Defend brands growing volumes in line with market	0.1%	0.2%	✓
Retailer brand growing volumes in line with market	(9.6%)	(5.9%)	X
Total volume growth 0-2% ahead of market	(4.0%)	(1.1%)	X
Procurement savings in Grocery	£11m		✓
Manufacturing controllable costs in Grocery to be reduced by 4% pa	£5m		✓
Grocery administration cost savings	£4m		✓
Increased marketing	£4m		✓

Delivering On Most Of Our Strategic Targets

Grocery

£m			2010 H1	2009 H1	YoY %
Pro forma sales	Branded	UK	481	470	2.3
		Ireland	50	55	(9.1)
	Non-branded		188	200	(6.0)
	Total		719	725	(0.8)
Trading profit			92	100	(8.0)
Branded sales %			*74%*	*72%*	

- Sales
  - Good branded growth in UK: Drive brands up 5.7% and Core brands up 1.7%
  - Sales growth of 0.7% in Q2 ahead of (2.3%) in Q1
  - Gaining volume market share – up 60bps to 19.3%
  - Ireland down 9% in £, 6% in €: market remains difficult
  - Retailer brand volume reduction – market decline and contract exits in H2 2009
- Working capital focus delivered £50m reduction in stocks
- Trading profit decrease due to additional pension (£4m) and restructuring costs (£5m)

Branded Activity Driving Increased Market Share

Brand Developments

Branston – Sales up 6.1%

- New Chakalaka Relish
- New Pesto and Peri Peri Mayo

Sharwoods – Sales up 6.7%

- New Udon noodles
- New Chow Mein Sauce

Ambrosia – Sales up 5.4%

- New flavour Crumble Puds
- New flavour Jelly Puds

New Loyd For One sauces

Mr Kipling – Sales up 3.3%

- New Ice Cream Range
- Mr Kipling Oatibakes launched

Hartley's – Sales up 16.0%

- New single Frujies range
- New Cherries in Jelly

Great Little Ideas

- What are Great Little Ideas?
  - A series of hints and tips for our favourite brands in a range of simple recipes to help consumers break out of standard meal repertoire boredom
  - Communicated on TV, on-pack, in-store and through a GLI website
  - New brand and logo, cutting across all media and retailer comms in 2010

- 8 weeks IRI sales show base volume growth on brands with GLI
- www.greatlittleideas.com is a primary vehicle for communication
  - Over 350,000 UK consumers visited with dwell time almost 4 minutes and average 5 pages per view
  - Phase 2 is now live !
    - Create an on-line account
    - share GLIs on Facebook and Twitter
    - rewards for sending GLIs, sharing, general chattering !
- Wave 2 TV is on air through July

Driving Consumption Across Our Broad Portfolio

Hovis

£m		2010 H1	2009 H1	YoY %
Pro forma sales	Branded bakery	183	181	1.1
	Non-branded bakery	74	100	(26.0)
	Milling	80	98	(18.4)
		337	379	(11.1)
Trading profit		15	10	50.0
Branded sales %		*57%*	*51%*	

- Hovis brand market share solid at 24.8%[1]
- Hovis branded bread volumes up 5.1% on H1 2009
- Non-branded bakery and milling decline
- Competitive market place likely to impact H2
- Wheat prices rising significantly: bread and flour price rises inevitable

Profit Progress Continues in H1 2010
Sales Decline Due To Wheat Deflation And Non-branded Volumes

1 Source: IRI, Total Grocery Outlets, Value share 24 weeks to 12 Jun 2010

The Hovis Story – Improving the Branded Mix In Bread

Hovis Branded
60%

- Q1 2008
- Total volume 58k sacks per week
- Hovis branded 35k
- Own label 19k
- Other brands 4k

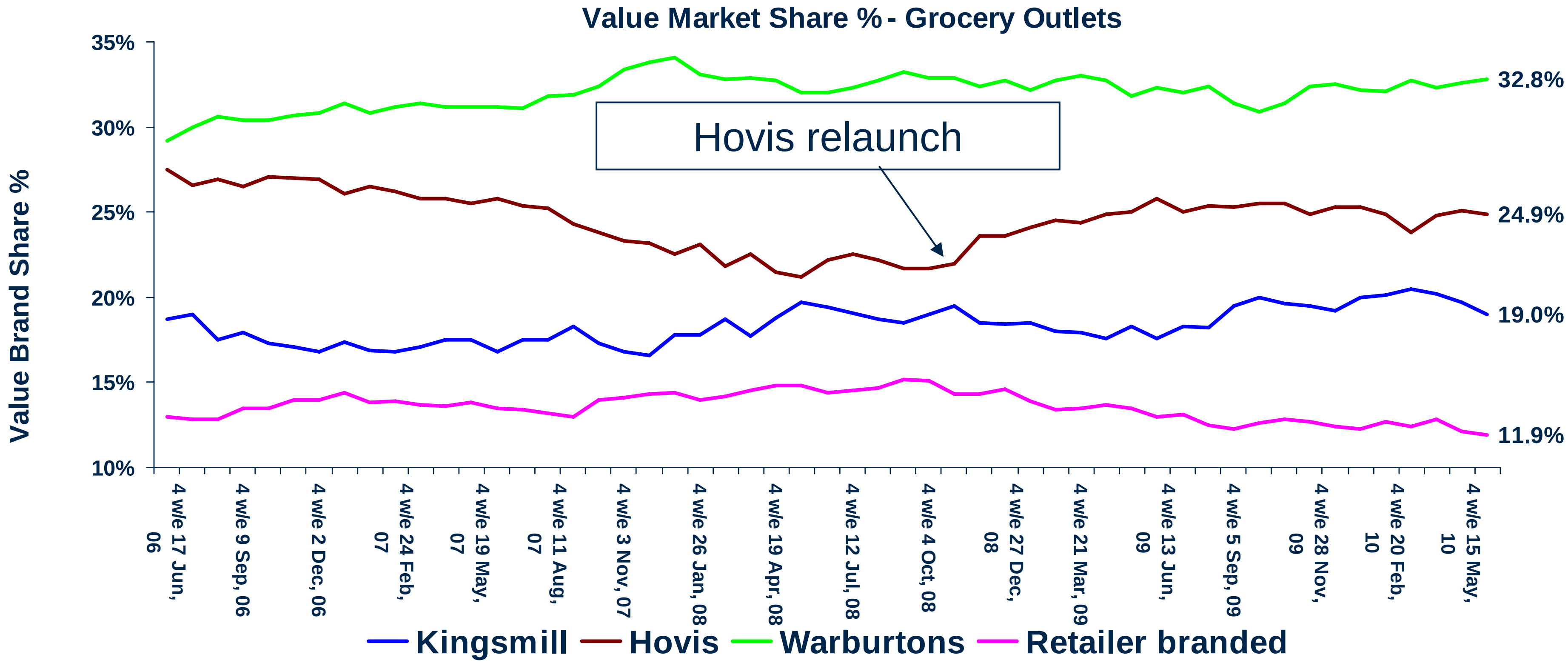
Hovis Branded
75%

- H1 2010
- Total volume 59k sacks per week
- Hovis branded 44k
- Own label 12k
- Other brands 3k

- We have moved mix of production towards branded bread
- Priority continues to be branded production

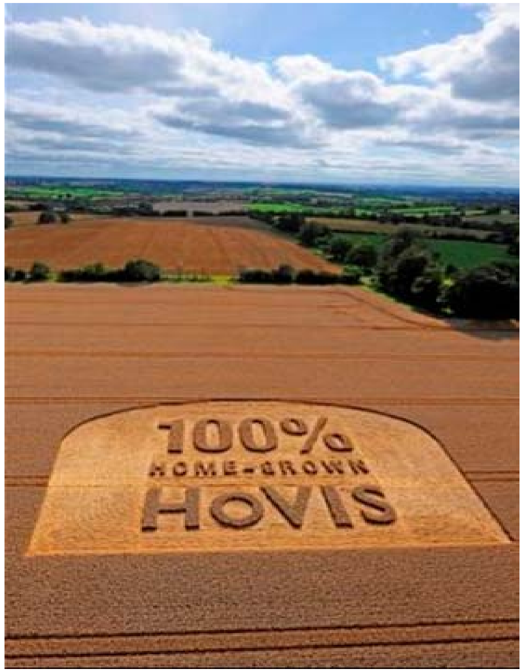
We Are Selling 100 Million More Loaves Per Annum Of Hovis Bread Than Before The Relaunch

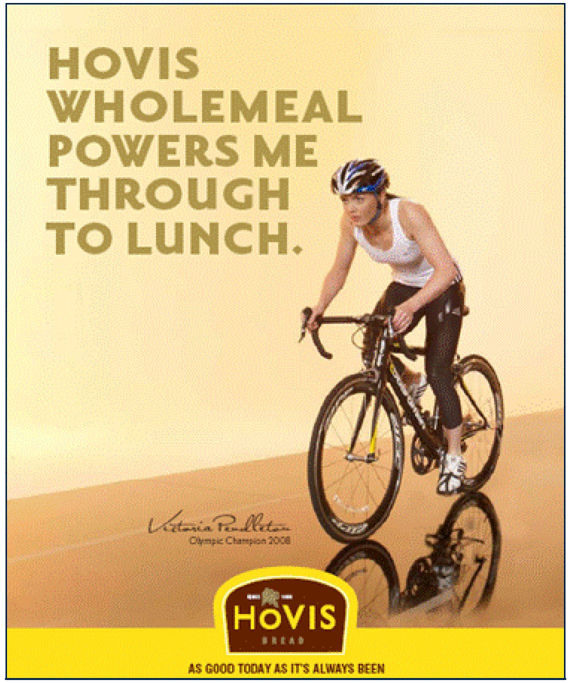
Value Share Of Pre-packaged Bread, Total Grocery Outlets



- Hovis holding share in increasingly competitive market
- Change in definition of wrapped bread market by data supplier: now excludes certain impulse outlets
- Retailer branded bread market volume down 13% on H1 2009 and 25% since H1 2008

Hovis 2010 – Continuing to Build Brand Equity





- 100% British Wheat
  - £5m marketing campaign
  - Our biggest ever TV burst from 12th February
  - Poster campaign from 1st March
- 3 year partnership with Olympic Gold Medallist Victoria Pendleton
  - Wholemeal Challenge
  - Promoting the health benefits of bread
- Hearty Oats Loaf
  - 50% Oats
  - Can help maintain cholesterol levels
  - Approved by HEART UK

Chilled

£m		2010 H1	2009 H1	YoY %
Sales	Brookes Avana	89	96	(7.3)
	Meat-free	66	68	(2.9)
	Total	155	164	(5.5)
Trading profit		3	7	
Branded sales %		*43%*	*41%*	

- Brookes Avana:
  - Lower sales due to reduced promotional activity
  - Market remains very competitive
- Meat-free:
  - Lower sales due to reduced consumer and promotional activity vs Q1 2009
  - Meat-free manufacturing restructure completed in H1 2010 and delivering savings
  - Quorn returned to growth in Q2: Meat-free expected to return to growth in H2

2010 Outlook

- Continuation of tough consumer and competitive environment
- Input cost inflation rising again
- Despite these developments, and absent any further adverse change, we continue to expect to make further progress

Summary

- Branded development continues
- Total sales decrease due to decline of low value non-branded sales
- Cost and efficiency savings in line with strategic objectives
- Cash generation and debt reduction on target
- Financial strategy:
  - Reduce financial risks from swaps and pensions
  - Diversify sources and maturity of funding
  - Target set for Average debt / EBITDA: reduce from 4.54x to <3.25x over medium term

As We Deliver Our Financial Strategy, The Full Benefit Of EBITDA And Cash Delivery Should Flow Through

PREMIER FOODS

The Best in British Food with Brands You Really Love

Hovis
Hartley's
Loyd Grossman
Sharwood's
Quorn
Mr Kipling
Ambrosia
Batchelors
OXO
Cadbury
Aah! Bisto
Branston
Sarson's
YR
Crosse & Blackwell
Haywards
Cauldron
Paxo
Elephant Atta
Sun-Pat
Golden Crest
Fray Bentos
Dufrais
Homepride
Be-Ro
Lyons
Gale's
Chivers
SAXA
Smash
Rowats
Rose's
McDougalls
Mother's Pride
Marvel
Gateaux
Erin
Angel Delight
Robertson's
Bird's
Atora
Ormo Belfast Bred
Frank Cooper's "Oxford"
McDonnells

Appendices

Definitions

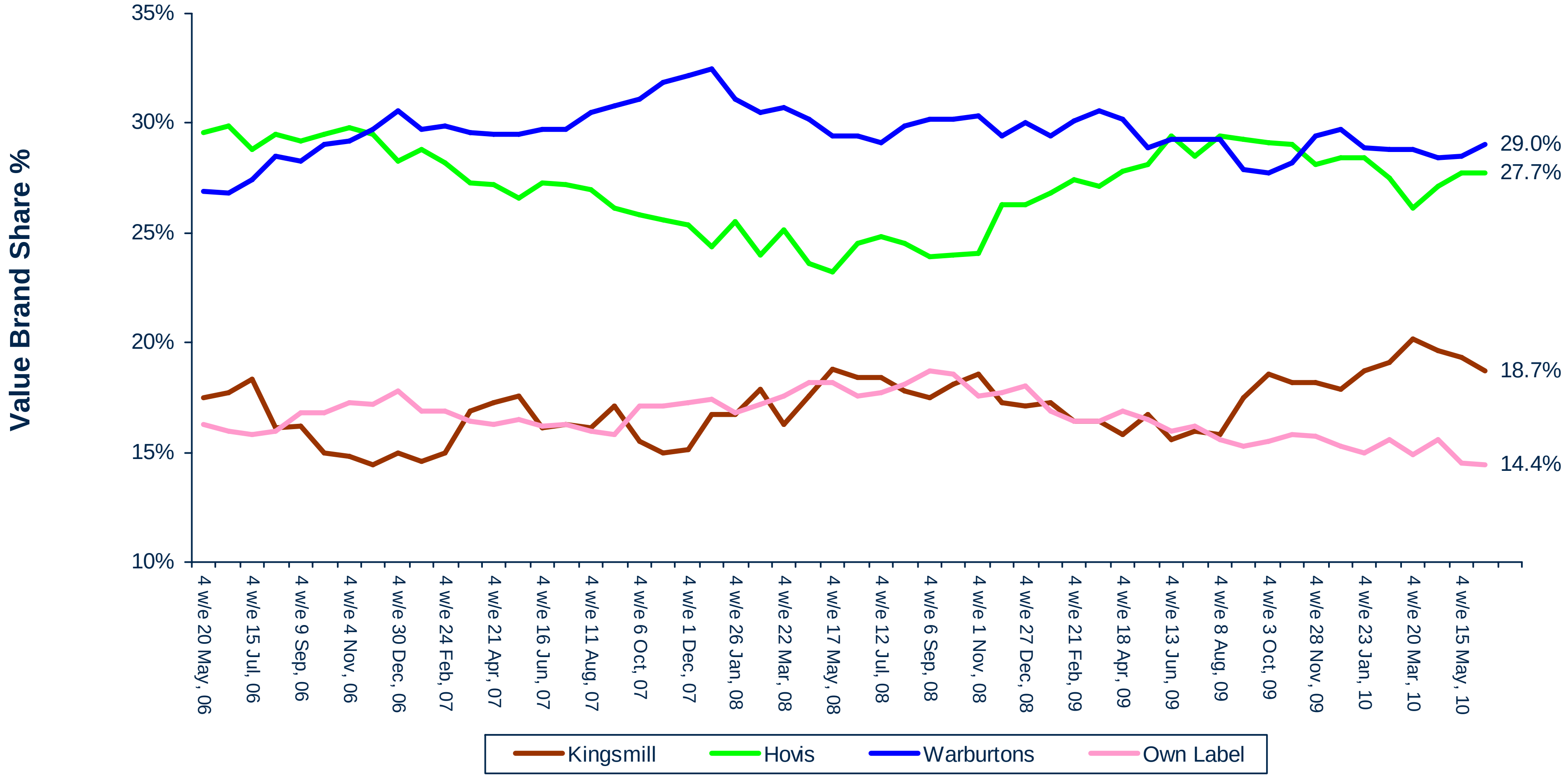
Trading profit is defined as operating profit from continuing operations before exceptional items, amortisation of intangible assets, the revaluation of foreign exchange and other derivative contracts under IAS39 and pension credits or charges in relation to the difference between the expected return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

Adjusted profit before tax is defined as Trading profit less net regular cash interest costs and regular amortisation of debt issuance costs.

Adjusted earnings per share is defined as Adjusted profit before tax less tax at a notional tax rate for the Group divided by the average number of shares in issue during the period.

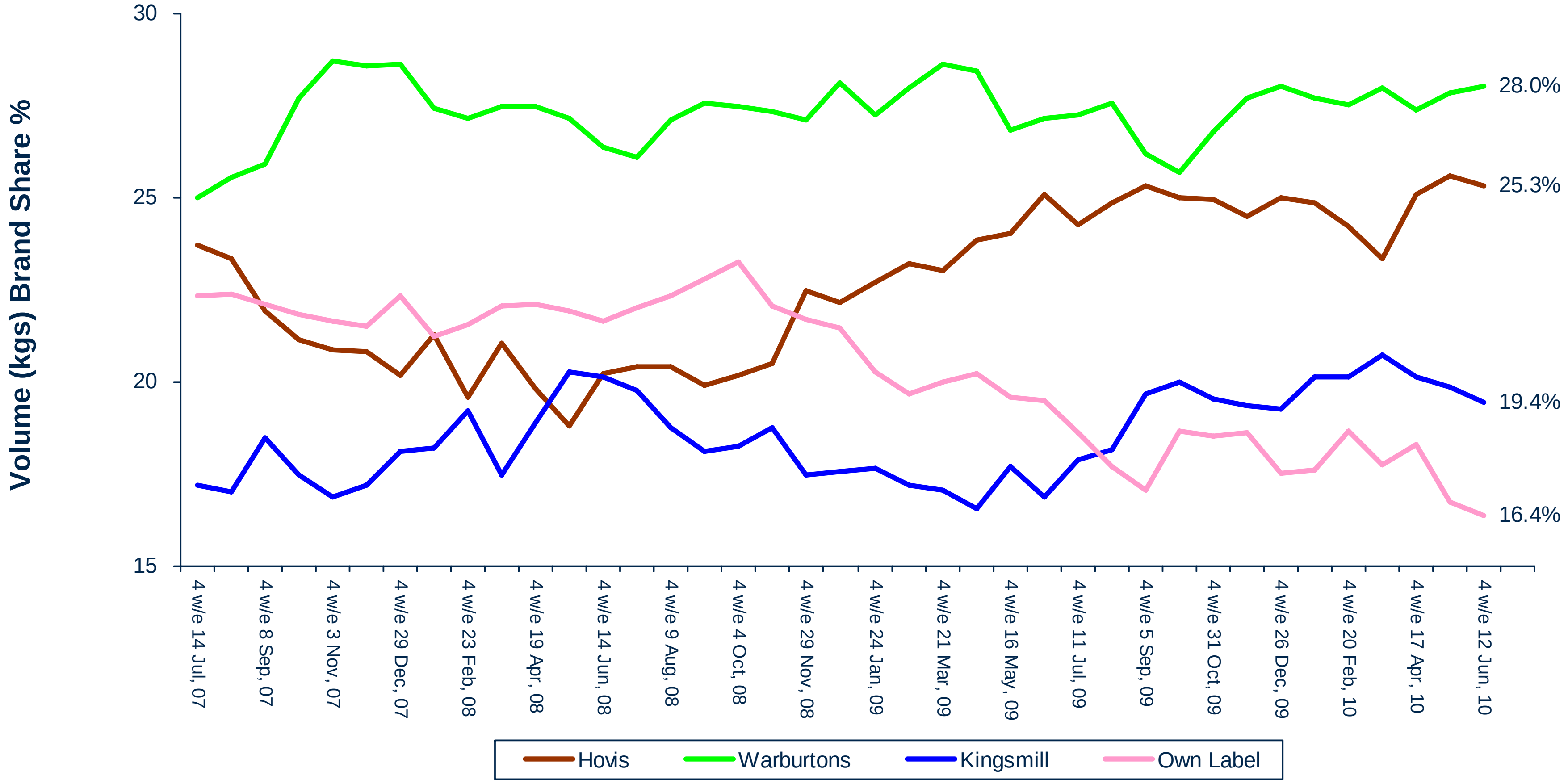
None of trading profit, adjusted profit before tax or adjusted earnings per share are measures of profitability defined under IFRS and may not be comparable from one company to another.

Value Share Of Pre-packaged Bread, Major Multiples Outlets



Source: IRI Major Multiples, 4 week value Share of pre-packaged bread in major multiple retailers

Volume Share of Pre-packaged Bread, Total Grocery Outlets



Total Hovis = Hovis + Nimble

Source: IRI Total Grocery Outlets, 4 week volume share of pre-packaged bread in Total Grocery Outlets

Interest Charges

£m	2010 H1	2009 H1
Net debt interest	31	48
Securitisation interest	1	1
Swap contract interest – matching	27	20
Amortisation and deferred fees	7	5
Normal interest charge	**66**	**74**
Swap contract – additional interest	11	4
Regular net interest charge	**77**	**78**
Unwind of provision discount	1	-
IAS 39 – fair valuation of financial instruments	43	(34)
Exceptional write off of financing costs	-	3
Accelerated amortisation of debt issuance costs	-	10
Reported net interest charge	**121**	**57**

Taxation

- P&L credit for half year of £14.1m on loss on continuing activities; a rate of 25.9% impacted by:
  - Adjustments for share based payments that are not allowable for tax
  - Differing rates of taxation applied to overseas results.
- Cash tax rates expected to be minimal:
  - Reduced by:
    - Capital allowances in excess of depreciation charges
    - Pension contributions in excess of the profit and loss charge
  - But increased by:
    - Amortisation of intangible assets that are not eligible for tax relief
    - Fluctuations in the market value of derivative contracts that do not give rise to current tax relief
- Due to the above we expect to pay cash tax in 2010 of £2m on UK and overseas liabilities
- The proposed reductions in UK corporate tax rates will reduce cash taxes going forwards although the benefit will be offset by the reductions in capital allowance rates
- Based on the balances in the interim financial statements the proposed reductions would reduce deferred tax provisions by £1.5m per annum for the next four years

Earnings Per Share

£m	2010 H1	2009 H1	%
Trading profit	**110**	**117**	**(6.0)**
Regular interest	(77)	(78)	1.3
Adjusted profit before tax	**33**	**39**	**(15.4)**
Tax at 28%	(9)	(11)	(18.2)
Adjusted profit after tax	**24**	**28**	**(14.3)**
Adjusted eps	**1.0**	**1.6**	**(37.5)**
Average shares in issue (millions)	**2,398.0**	**1,743.9**	
Pro forma adjusted profit after tax	**24**	**30**	
Pro forma eps	**1.0**	**1.2**	
Closing shares in issue (millions)	**2,398.0**	**2,398.0**	

- Pro forma uses 2010 definition of Trading profit, closing number of shares and interest calculated assuming that the refinancing was completed on 31 December 2008

Pension Valuation And Assumptions

Pension Deficit (£m)	Jun 2010	Dec 2009
Assets	2,644	2,530
Liabilities	(3,075)	(2,959)
Gross deficit	(431)	(429)
Deferred tax	119	119
Net deficit	(312)	(310)

Assumptions	Jun 2010	Dec 2009
Discount rate	**5.5%**	**5.8%**
Inflation (derived)	**3.3%**	**3.5%**
Expected salary increases (RHM/Premier)	**4.3% / 4.3%**	**3.5% / 4.5%**
Future pension increases (RHM/Premier)	**3.3% / 2.2%**	**2.2% / 2.2%**
Mortality assumptions	**Medium Cohort**	**Medium Cohort**

Swap Instruments

Instrument Type	Nominal Value £m	Interest H1 2010 £m		Maturity	MTM £m		
		Matching	Additional		Matching	Additional	Total
Conventional swap	50	3	-	May 2013	(3)	-	(3)
Cap & collar swaps	350	9	-	Jun 2012	(32)	-	(32)
Long dated swaps	150	3	-	2023	(13)	(20)	(33)
Long dated swaps	250	6	-	2037	(20)	(41)	(61)
Digital swap	100	2	1	Jun 2013	(8)	(7)	(15)
Digital swap	175	3	10	Jun 2013	(15)	(43)	(58)
Financial instrument held at fair value through P&L account	150	1	-	Aug 2012 / Jun 2013	-	(40)	(40)
	1,225	**27**	**11**		**(91)**	**(151)**	**(242)**

- The Conventional swap has a fixed coupon of 4.6%.
- The collar structures have a cap set at 6.21% and a floor at 4.45%, however, if LIBOR falls below the floor Premier pays 5.75% for the following quarter.
- Several of the long dated swaps have early termination provisions which become active from 2012. The swaps have an average fixed coupon of 4.87%.
- Digital swaps have a fixed coupon of 4.58% (£175m) and 4.40% (£100m). If LIBOR is below 3.25% and 3.50%, additional interest charges are due. On the £175m swap, the additional interest is 4.4x the difference between 3.25% and LIBOR. On the £100m swap the additional interest is the difference between 3.50% and LIBOR.
- The financial instrument held at fair value through profit & loss a/c delays the settlement of the mark to market until 2012 (optional break) or 2013 (mandatory break).

Covenants

£m	2010 H1
Covenant Net debt	1,366
Covenant EBITDA	364
Covenant Interest	138
Net debt / EBITDA actual	3.75
Net debt / EBITDA maximum	4.50
Net debt / EBITDA headroom %	17%
EBITDA / Interest actual	2.64
EBITDA / Interest minimum	2.25
EBITDA / Interest headroom %	17%

Balance Sheet

£m	Jun 2010	Dec 2009
Fixed assets		
Property, plant & equipment	621	635
Intangibles / goodwill	2,450	2,480
Total fixed assets	3,071	3,115
Working capital		
Stock	217	214
Debtors	320	347
Creditors	(425)	(485)
Total working capital	112	76
Net debt		
Gross borrowings	(1,380)	(1,383)
Debt issuance costs	15	18
Total net debt	(1,365)	(1,365)
Other net liabilities	(813)	(761)
	1,005	1,065
Share capital & premium	1,149	1,149
Reserves	(144)	(84)
	1,005	1,065

Cash Flow

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