15 January 2015

Associated British Foods plc
Trading update

Associated British Foods plc today issues a trading update for the 16 weeks to 3 January 2015. The Financial Conduct Authority has removed the requirement for listed companies to publish interim management statements. This trading update summarises the significant trading developments since the last market update. The timetable for further market updates for the 2015 financial year is detailed on the Investors section of the Company's website.

Group revenue
Group revenue for the 16 weeks ended 3 January 2015 was 3% ahead of the same period last year at constant currency, and was 1% ahead at actual exchange rates.

Retail
Sales at Primark were 15% ahead of last year at constant currency driven by increased retail selling space and very high sales densities in stores opened during the last year, with exceptional trading from the stores opened in France. As indicated at the Company's annual results presentation on 4 November 2014, like-for-like sales in the autumn were affected by the unseasonably warm weather but trading over the last five weeks, including Christmas, was strong. In the year to date, the UK, Ireland and Iberia have each achieved like-for-like sales growth. Total like-for-like sales growth for the group was held back by the impact on existing stores of the new store openings in the Netherlands and Germany, although total sales in northern continental Europe were well ahead of last year. As a result of the weakening of the euro against sterling, total Primark sales were 12% ahead of the same period last year at actual exchange rates. Operating profit margin in the period was in line with expectations, that is, lower than last year as a result of a higher level of mark-down.

Retail selling space increased by 0.5 million sq ft since the financial year end and at 3 January 2015, 287 stores were trading from 10.7 million sq ft of retail selling space. We opened ten new stores in the period including the relocation of the Northampton store to much larger premises. We opened four stores in the Netherlands, bringing our total there to 12, and three stores in Germany including 80,000 sq ft in Dresden. We have a very strong pipeline of new stores in Europe extending over a number of years. We continue to expect the increase in selling space for the current year to be less than 1.0 million sq ft including further stores or extensions in Germany, Belgium and the UK. The extension of our Mönchengladbach warehouse in Germany, which increased capacity by 60%, is now fully operational.

Good progress has been made in building the management team in the US in anticipation of our launch in late 2015. We have signed eight leases in the north east of the country, including seven from Sears, and a lease has been signed for warehouse space located in the Lehigh Valley area of Pennsylvania.

Sugar
EU sugar prices, as previously indicated, have been lower in the period leading to lower revenues and margins for both the UK and Spain, although we are now seeing some stabilisation. The European campaigns are progressing extremely well with record factory performances achieved. Sugar content in the beet is lower than last year but we are benefiting from good extraction rates. UK sugar production in the current year is now estimated to be 1.40 million tonnes, compared with last year's 1.32 million tonnes. The Vivergo bioethanol plant in Hull is now achieving rated output although ethanol prices remain very weak.

Illovo has performed consistently throughout the period but cane availability has been restricted in South Africa. Sugar prices in Africa have remained relatively stable with the exception of Tanzania where low-cost imports continue to hold back domestic prices.

We have made substantial progress in developing a beet sugar business in north China since our first investment in 2007, particularly in the advancement of both agricultural and factory operations. However, Heilongjiang province in the north east of the country has proven to be the most challenging in terms of achieving beet yields that are sufficient to provide our factories at Yi'an and BoCheng with an adequate supply of raw material at a competitive cost. When combined with continuing poor market prices we have now concluded that these factories will remain uneconomic for the foreseeable future and have therefore announced our intention to cease sugar operations in Heilongjiang. Action will also be taken to reduce associated overheads. The group's interim results will include a loss on closure of businesses of some £128m, reflecting the write down of assets and including one-off cash costs of £18m, all of which will be excluded from adjusted operating profit. Importantly, following this action, we expect all of our remaining sugar factories in China to be cash generative, even at the current low sugar prices.

Grocery
Twinings Ovaltine continues to make good progress and record market shares have been achieved in a number of key markets including the UK. The business is on track to deliver further good profit growth this year. Performance in the first half at George Weston Foods in Australia is being held back by higher meat prices.

Ingredients and Agriculture
The recovery in Ingredients is continuing and our Agriculture businesses have maintained the strong momentum of last year.

Currency
Sterling continues to be stronger than last year against most of our major trading currencies, especially those in emerging markets. A notable exception is the US dollar which has strengthened significantly against sterling. Our estimate of the translation impact on adjusted operating profit for the full year is a reduction of some £15m.

Trading outlook
This year we expect Primark's expansion to continue and Grocery, Ingredients and Agriculture to make further progress in operating profit on the back of their very positive performance last year. With the fall in EU sugar prices and weakness in the world sugar price, we expect a further large reduction in profit from AB Sugar, but this will put much of the effect of the structural changes in EU prices, seen over the last three years, behind us. We expect a decline in adjusted operating profit for the group but the impact on earnings will be mitigated by much lower tax and interest charges. Sterling's strength against most of our major trading currencies will also have a negative effect and we now expect a marginal decline in adjusted earnings per share for the group for the full year.

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