12 January 2017

Associated British Foods plc
Trading update

Associated British Foods plc today issues a trading update for the 16 weeks to 7 January 2017 summarising the significant trading developments since the last market update.

Group revenue

Group revenue from continuing operations for the 16 weeks ended 7 January 2017 was 10% ahead of the same period last year at constant currency, with good growth delivered by all of our businesses. As a result of the weakening of sterling in late summer last year, sales from continuing operations at actual exchange rates were strongly ahead with a 22% increase.

Retail

Sales at Primark were 11% ahead of those reported last year at constant currency driven by increased retail selling space. Sales were 22% ahead of last year at actual exchange rates.

Last year was a 53-week year for Primark and as a result, this 16 week period started one week later than last year. On a comparable week basis, total retail sales at constant currency were 12% ahead and 23% ahead at actual exchange rates. The increase in average retail selling space in this 16 week period, compared with the same period last year, was 12%.

The UK performed well. Like-for-like sales for the period were good and market share increased reflecting the strength of our consumer offering. Like-for-like sales for the group were held back by declines, albeit smaller than last year, in Germany and the Netherlands, the latter particularly affected by the rapid increase in selling space. New stores opened in the period traded strongly and our business in the US continued to develop.

Stock was well managed again this period. As forecast, the operating profit margin will decline as the year progresses reflecting the strength of the US dollar on input costs. Foreign exchange contracts are now in place for most of the remaining purchases for this financial year.

We have started the year with a very strong programme of new store openings. Retail selling space increased by 0.8 million sq ft since the financial year end and, at 7 January 2017, 328 stores were trading from 13.1 million sq ft. 15 new stores were opened in the period comprising relocations in Reading and Sheffield to larger, more central locations; new UK stores in Carlisle, Stafford, Truro and York; Liffey Valley in Ireland; Mallorca in Spain; Mannheim and Hamburg in Germany; Lille and Paris, Evry in France; our second store in Italy in Brescia; an 89,000 sq ft store in the centre of Amsterdam; and our sixth store in the US in Burlington, Massachusetts.

Our store at the Tottenham Court Road end of Oxford Street in London was extended by almost 40%, increasing square footage to 114,000 sq ft, making it one of our largest stores after Manchester and Newcastle in the UK and Madrid, Gran Via in Spain.

We still expect to open 1.3 million sq ft in this financial year.

Sugar

AB Sugar revenue from continuing operations was 22% ahead of last year on a comparable basis at constant exchange rates. At actual exchange rates revenue was 38% ahead. Higher sugar prices, increased production in Africa, and further benefit from the performance improvement programme delivered a substantial increase in profit.

With 2016/17 forecast to be a second year of global sugar deficit, world prices are much higher than last year. A tightening of EU stock levels has strengthened domestic prices across the region and in Africa, higher world prices and the strength of the US dollar have resulted in higher domestic and regional prices.

In the UK, production is projected to be just under 900,000 tonnes as a result of a smaller beet crop and yields marginally lower than last year. Sales are now largely contracted for this year and with higher prices, lower beet costs and a weaker sterling/euro exchange rate, British Sugar's full year operating result will improve substantially.

Azucarera in Spain is expected to produce some 390,000 tonnes of sugar from beet. In response to strengthening customer demand and partly to compensate for a lower volume of beet sugar, the Guadalete refinery will be substantially utilised this year. The operating result will also benefit from higher sugar prices.

In China, we completed the sale of our five cane sugar factories to a consortium led by Nanning Sugar on 22 December 2016 for total proceeds, including debt assumed, of Rmb2.6bn (£297m). Tax arising on the transaction is not expected to be material. Our two beet factories in north China at Zhangbei and Qianqi, are operating well and will process a record beet crop. Combined with higher prices, this business is expected to deliver a much improved profit this year.

Illovo has made good progress following last year's weather related crop shortfalls and production this financial year is expected to improve to 1.7 million tonnes compared with 1.4 million tonnes for the same period last year. Revenue increased substantially driven by higher volumes and prices, and benefiting from the introduction of new consumer pack sizes. Cost reduction from performance improvement initiatives in Zambia and Malawi substantially mitigated local inflation.

Grocery
Grocery made further margin progress. Twinings continued to achieve strong sales growth with particularly good performances in the UK, North America and Australia, and Ovaltine performed well in Asia. Continuing the momentum of last year, margins at George Weston Foods in Australia were much improved. Allied Bakeries volumes remained strong but pricing and margins remain challenging.

On 21 November 2016 we completed the sale of the US herbs and spices business for a gross cash consideration of $367m and the assumption by the purchaser of net pension liabilities which at the last year end amounted to $17m. Tax of some $100m will be payable on the transaction in the current year.

Agriculture and Ingredients
Revenue at AB Agri was higher than last year with progress made in all of its businesses. AB Mauri and ABF Ingredients both achieved good revenue growth and margin will again show substantial improvement.

Trading outlook
Our outlook is unchanged with progress expected in adjusted operating profit and adjusted earnings for the group for the full year.

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