For release 21 April 2020

Associated British Foods plc

Interim Results Announcement

24 weeks ended 29 February 2020

A PERSONAL MESSAGE FROM THE CHIEF EXECUTIVE

Today, Associated British Foods is announcing its financial results for the first half. However, before we turn to the details of those results, I'd like to set out some personal reflections on how our group is responding to this unprecedented pandemic.

Two of our employees, Mario Marioli who worked for forty years in our Italian yeast plant, and Claudio Maini who worked at Acetum for twenty years, have lost their lives to COVID-19 in the last three weeks, and we have another employee currently in intensive care in the USA. One of our ABF head office colleagues lost her partner to the disease last week. Many of us have vulnerable relatives and friends we must protect and I am sure we all know people working under huge stress in the NHS and in health and care services around the world.

Much as I would love to be allowed to reopen Primark stores across the UK, Continental Europe and the USA soon, because lockdown has so harmed our business and our supply chains, I know that we must not do so until we have suppressed this disease. And when we are allowed to reopen we must make our Primark stores safe for our staff and our customers, even if that means ensuring there are fewer people shopping at any one time and so accepting lower sales at least until the remaining risk is minimal. In time we can rebuild the profits. We can't replace the people we lose.

ABF has been squarely in the path of this pandemic. At Primark we have 68,000 of our people receiving furlough payments from governments across Europe, without which we would have been forced to make most redundant. From making sales of £650m each month, since the last of our stores closed on 22 March, we have sold nothing. One of the world's great clothing retailers is entirely shut. We have paid for in full, and taken delivery of, very large amounts of completed stock which we can't sell for now and we have established a fund that will ensure everyone in a vulnerable country who worked on a Primark garment, whether completed or not, is paid for that work. And we are supporting suppliers with commitments to buy garments that are as yet unfinished. But not until shops reopen and we can place new orders, will the economic hardship that COVID-19 has caused to all those in our supply chain begin to reduce.

I am in awe of the Primark teams for their care, good judgement and immense hard work as they have managed this crisis.

Our food businesses, and in particular our food factories and depots and drivers, have equally been put under intense pressure since this pandemic began, but in very different ways. ABF businesses produce more food in the UK than any other organisation and we are significant producers of food in other countries too. It has been essential that they all keep fully running. Indeed, during the weeks of panic buying, they had to produce more than ever before. They have had to do so whilst reconfiguring factory layouts to ensure safe working for our staff, whilst suffering inevitably from higher than normal absence and whilst often being isolated from outside sources of technical support. The willingness of thousands of our people to come to work whilst so many of the rest of us sit this disease out safely at home has been humbling; and the ingenuity, hard work and leadership of dozens and dozens of frontline managers has been amazing. Our factories are full of people who know how vital their work is and who are skilled and committed. Our success in keeping the nation fed is testament to the robustness of the modern food chain; it is also testament to the reality that you don't need to tell most people how to behave well, you just need to allow them to do so; and it is the finest thing I have seen in a career in business.

George Weston
Chief Executive

For release 21 April 2020

ASSOCIATED BRITISH FOODS PLC RESULTS FOR THE 24 WEEKS ENDED 29 FEBRUARY 2020

Encouraging first half results

Resourced to respond to the challenges of COVID-19

Financial headlines

		2019 IFRS 16 pro forma Actual currency	2019 IFRS 16 pro forma Constant currency	2019 as reported Actual currency
• Group revenue	£7,646m	+2%	+3%	+2%
• Adjusted operating profit	£682m	+2%	+3%	+7%
• Adjusted profit before tax	£636m	+3%		+1%
• Adjusted earnings per share	61.8p	+3%		+1%
• Dividend per share	nil			
• Gross investment	£363m			
• Net cash (before lease liabilities)	£801m			
• Net debt (including lease liabilities)	£2,751m			
• Statutory operating profit	£349m	-38%		-35%
• Statutory profit before tax	£298m	-41%		-42%
• Basic earnings per share	27.5p	-43%		-44%

Statutory operating profit is stated after exceptional charges of £309m. We have carefully reviewed the inventory on hand at Primark and, to reflect an expected lower net realisable value on some inventory when our stores reopen, this charge includes a £284m provision.

George Weston, Chief Executive of Associated British Foods, said:

"The group delivered an encouraging trading performance in the first half. The rapid spread of COVID-19 has impacted all of our lives and the human tragedy that continues to unfold has shocked and saddened us all. We are a strong, diversified and resilient group. Our people are working hard to maintain supply from our food businesses. Primark is managing through an extraordinarily challenging period after all of its stores closed in March and our management response to mitigate the cash outflows was swift and proportionate. Although uncertainty remains, we have the people and the cash resources to meet the challenges ahead."

Adjusted operating profit is stated before the amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items. These items, together with profits less losses on the sale and closure of businesses, are excluded from adjusted profit before tax and adjusted earnings per share. References to operating profit in the Operating Review are based on this adjusted operating profit measure.

The 2019 results have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

Constant currency figures are derived by translating the 2019 results on an IFRS 16 pro forma basis at 2020 average exchange rates, except for Argentina and Venezuela where consumer price inflation has escalated to extreme levels, in which case actual exchange rates are used.

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INTERIM RESULTS ANNOUNCEMENT

For the 24 weeks ended 29 February 2020

CHAIRMAN'S STATEMENT

The rapid spread of COVID-19 has impacted all of our lives in ways we could not have imagined just a few weeks ago. The human tragedy that continues to unfold has shocked and saddened us all. It has affected every facet of life. The restrictions on the movement of people and trading activity applied by most governments to contain the spread of the virus have had an immediate and severe effect on economic activity.

The most significant challenges we are facing are maintaining the production of essential food and food ingredients and the cash flow impact arising from the closure of all Primark stores in March until further notice. The operational challenges faced by our food businesses, and our responses to these, and the management actions taken to mitigate the consequential and significant profit and cash flow impacts arising from the loss of Primark sales are set out in the Operating Review. There was very little effect of COVID-19 on our underlying first half results but trading in our second half will be radically different.

Turning then to the first half results, this is the first period in which we report following our adoption of IFRS 16 *Leases* using the modified retrospective approach. This does not permit us to restate comparatives but, to provide a better understanding of the underlying performance of the businesses, comparatives in the Operating Review are on a pro forma, lease-adjusted basis.

Revenue for the group of £7.6bn was 2% ahead of last year at actual exchange rates and 3% ahead at constant currency. Adjusted profit before tax of £636m was 1% ahead of last year at actual exchange rates. Adjusted operating profit of £682m was 7% ahead of last year at actual exchange rates and benefited by £28m as a result of the adoption of IFRS 16. Net finance expense increased by £32m and included lease interest for the first time which more than offset the decrease in interest on reduced debt. Adjusted earnings per share increased by 1%.

The statutory operating profit for the period reduced by 35% to £349m as a result of exceptional items of £309m charged in this half year compared to £79m in the same period last year. Following the closure of its stores the level of inventory at Primark increased significantly as sales ceased immediately and the inbound supply chain continued for several weeks with goods in transit. An assessment of the carrying value of this inventory has resulted in an exceptional charge of £284m. Our Speedibake Wakefield factory was destroyed by fire on 1 February. Following an evaluation of replacement options we have regretfully announced that this factory will be closed and this has led to an exceptional charge of £25m. As a consequence statutory profit before tax decreased by 42% to £298m and basic earnings per share decreased by 44% to 27.5 pence.

We were pleased with much better underlying trading at Primark. Performance in the Eurozone was particularly encouraging, with increased like-for-like sales in France and Italy and an improved like-for-like sales trend in Northern Europe. We increased our market share, measured by value, in a weak UK market. The operating profit margin decline was much less than originally expected given the adverse effect of the stronger US dollar on purchases this half year compared to last year. This was achieved with lower cost of materials, another strong performance from our buying teams, improved sourcing and tight stock management.

AB Sugar saw the initial benefits from increased EU sugar prices and delivery of further cost reduction. Our European sugar prices are contracted for the remainder of this financial year which underpin our expected material improvement in Sugar profit for the full year. The progress of our Grocery businesses continued, with an increase of 13% in reported adjusted operating profit and much higher margins.

Net cash flow improved compared to the corresponding period last year driven by the higher adjusted operating profit and lower capital expenditure in our food businesses following the completion of a number of major projects last year. The usual, seasonal working capital outflow in the first half was consistent with last year. The net cash balance for the group, before lease liabilities, was £801m. This compared to net cash of £386m at this time last year and net cash of £936m at the end of the last financial year. Including lease liabilities of £3,552m, net debt at the half year was £2,751m.

Over the years, prudent financial management has been a cornerstone for the group and is demonstrated by the strong balance sheet at the half year. This has positioned us well as we have developed our response to the cash flow challenges resulting from the effects of COVID-19.

COVID-19

The board recognises that a group of our scale and significance has responsibilities to many stakeholders. We intend to meet those responsibilities as fully as we can in the months ahead.

Our food businesses have continued to operate fully, providing safe, nutritious, affordable food to customers, and have in recent weeks seen a significant increase in demand.

The rapid closure of Primark stores has presented a major challenge to the group to manage and mitigate the profit and cash flow impacts arising from the loss of sales. The Operating Review sets out the detailed actions taken by management and, at the same time, we have taken steps to confirm the availability of existing, and to agree new, borrowing facilities.

There is substantial financial headroom between our cash flow forecast and the cash available to the group over the next year. At the half year, the group had net cash of £801m and had an undrawn, committed revolving credit facility (RCF) of £1,088m. As a precaution to avoid any possible illiquidity in the banking market, funds were drawn down in full on the RCF on 18 March 2020. We saw no need to seek a waiver for the covenant test for September 2020 but it was considered prudent to seek a waiver for February 2021, which was confirmed on 8 April 2020. The group's headroom was increased further following the confirmation by the Bank of England of our eligibility to access funding under its Covid Corporate Financing Facility on 15 April 2020. As at the date of these interim results, the group has available central cash on hand of £1.5bn.

Our assessment of going concern shows that, even though this is a time of unprecedented uncertainty, the group has ample cash liquidity to deal with the likely challenges in the year ahead.

I'd like to pay tribute on behalf of the board to every one of our employees for their hard work and determination in these exceptionally difficult times. So many have gone beyond the ordinary call of duty. I am proud of the many examples of the contribution of our employees to support local communities at a time of such need.

The board is acutely aware that many of our employees will see their livelihoods affected by COVID-19. With this in mind, the board has accepted the proposal by the executive directors to reduce their base pay temporarily by 50% and that no bonuses relating to the current financial year will be paid to them. In addition, the non-executive directors of the board, including myself as chairman, have decided that their fees should be reduced temporarily by 25%. These steps are appropriate given our expectation that full year earnings for the group will now be much lower than we anticipated at the start of the financial year.

Dividends

The board has decided not to declare an interim dividend. The directors consider that this is prudent given the focus on managing the group's cash outflow in the second half of this financial year.

We will consider the declaration of a dividend at the year end in the light of trading for the full financial year and the financial circumstances at that time.

Outlook

Our expectation for the aggregate operating result for our Sugar, Grocery, Ingredients and Agriculture businesses in the second half is unchanged.

We have good visibility that we will be able to mitigate half of the operating costs of the Primark business while the stores remain closed. The timing of the reopening of the stores however remains uncertain; moreover, the process of reopening, once it begins, is likely to be complex. As a result, it is too early to provide earnings guidance for the remainder of the current financial year.

I am confident that, with our strong management team and the financial resources at our disposal, your company will emerge from the difficulties of this period well positioned to return to growth.

Michael McLintock
Chairman

OPERATING REVIEW

COVID-19

Our management focus since the half year has been to tackle the immediate operational challenges which have resulted from the spread of COVID-19.

Our top priority has been to protect the health and safety of our employees by implementing social distancing, providing personal protective equipment and sharing experiences. To support seamless home-working, we have modified our IT infrastructure, increased bandwidth with our telecommunications partners, and made extensive use of collaboration software.

Our food businesses have continued production at all facilities, maintaining their essential output to support the food, animal feed and pharmaceutical supply chains. This has been and remains a key priority for us.

Our group's ethos is to take its responsibilities to its local communities very seriously, and our employees have in many ways made tangible differences on the ground. Primark is donating to staff at London's Nightingale Hospital and other hospitals across Europe so they have fresh clothing available at the end of long shifts. AB Sugar in Africa is preparing and equipping each of its medical facilities on our sugar estates. In Asia we have established a fund in more vulnerable countries to support textile workers who have been affected by the cancellation of Primark orders. We are also working with other clothing retailers to seek help for our suppliers from their governments.

Over a very short period in March, all of the Primark stores closed. We took immediate action across the group to stop non-essential capital and discretionary operating expenditure. At Primark, payment was agreed for the £0.6bn of stock in transit. As a result, in the period up to the date of this announcement, inventory has now reached £1.5bn. With no sales in its stores and with this level of inventory, it was essential to prevent further cash outflows. We have committed to take all product that was both in production and finished, and planned for handover by 17 April. Future orders were cancelled until further notice. We have carefully reviewed stock on hand and, to reflect an expected lower net realisable value on some of this inventory when our stores reopen, we have made a £284m provision.

In each European country where Primark operates it intends to access each government programme for funds designed to provide income for those employees no longer working and to preserve their continued employment. We are also seeking discussions with other counterparties in Primark, in particular landlords, to seek help with our lease payments. We welcome the relief from business rates for the coming year announced by the UK government. As a result of all these cost mitigation measures, we currently estimate being able to recover some 50% of Primark's total operating costs, leaving us with a monthly cash outflow of some £100m, while the stores remain closed.

We have taken steps to confirm the availability of existing, and to agree new, borrowing facilities and we are confident that we have the financial resources to meet the challenges ahead.

Review of the first half

We are encouraged by our performance in the first half. Group revenue of £7.6bn was 3% ahead of the same period last year at constant currency. Adjusted operating profit of £682m was 3% ahead on an IFRS 16 pro forma basis at constant currency. Grocery achieved excellent profit and margin growth, Sugar is on track to deliver a material improvement in profit for the full year and Primark profit was ahead of our expectations. The average exchange rate for sterling against our major trading currencies, other than the US dollar, was stronger in the first half than in the comparable period last financial year leading to a loss on translation in these results of £6m.

Primark performed well. We achieved further market share growth, measured by value, in the UK, with a good contribution from the selling space added over the last year. Underlying performance improved in the Eurozone, including in Germany where it was pleasing to see the initial benefits of the actions taken by our new management team there. Our buying teams delivered an outstanding performance and, combined with lower raw material prices, substantially mitigated the adverse effect of currency on our buying margin.

In AB Sugar, our European businesses benefited from the substantial increase in EU sugar prices, all businesses continued to reduce their cost base and our business in China benefited from an improvement in sugar yield. This was another period of excellent profit and margin growth in Grocery. ACH in the US performed strongly. Twinings Ovaltine launched a wide range of new products in many of its markets and benefited from last year's investment in supply chain simplification. Further significant cost reductions were implemented in Allied Bakeries following its loss of own label volume. Profit at AB Agri improved with strong sales of feed enzymes in international markets. In Ingredients, AB Mauri traded well in the first half driven by its performance in North America and China, although profit was held back in ABF Ingredients by increased competition.

Sales and profit growth commentary in this Operating Review are based on 2019 comparatives on an IFRS 16 pro forma basis and are stated at constant currency. Constant currency figures are derived by translating the 2019 results at 2020 average exchange rates, except for Argentina and Venezuela where consumer price inflation has escalated to extreme levels, in which case actual exchange rates are used.

Note 1 shows the results by segment on a reported basis. The table below shows comparative adjusted operating profit on an IFRS 16 pro forma basis. Revenue is not affected by the implementation of IFRS 16.

	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IFRS 16 pro forma basis) £m	24 weeks ended 2 March 2019 (IAS 17) £m
Operating segments			
Grocery	189	168	167
Sugar	12	3	1
Agriculture	16	15	15
Ingredients	62	64	64
Retail	441	451	426
Central	(37)	(34)	(34)
	683	667	639
Businesses disposed:			
Grocery	(1)	–	–
	682	667	639

Grocery

Ongoing businesses	2020	2019	Actual fx	Constant fx
Revenue £m	1,689	1,707	-1%	In line
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	189	168	+13%	+12%
Adjusted operating profit (reported comparatives) £m	189	167	+13%	

Revenue in the first half was in line with last year at constant currency. Higher sales at George Weston Foods in Australia, AB World Foods and Silver Spoon offset the expected sales decline at Allied Bakeries and a slow start in Thailand for Twinings Ovaltine.

Operating profit was 12% ahead at constant currency driven by further margin improvement. Margins improved in ACH, Twinings Ovaltine which included a £12m one-time cost for the closure of the tea factory in China last year, and operating losses were reduced at Allied Bakeries.

Twinings revenues were ahead of last year, driven by growth in black teas, excellent sales of herbal teas and new ranges of infusions in the US, UK and France. Ovaltine revenues were held back by a slow start in Thailand, partially offset by foodservice distribution gains in China and new products in Brazil and Switzerland.

AB World Foods achieved good sales growth driven by strong sales for Blue Dragon in the UK and increased Patak’s sales in Europe and North America. The business also acquired Al’Fez, a fast-growing Middle Eastern food brand with sales in the UK and Europe. Silver Spoon increased revenues with improved sugar pricing and the launch of a range of flavoured inclusions for home bread making under the Allinson’s brand.

Further significant cost reductions were implemented by Allied Bakeries in the first half to mitigate the contribution shortfall from lower own label bread volumes. In February, our Speedibake Wakefield factory was destroyed by fire and, following a review of options, we have announced that the factory will permanently close and some products will transfer to the Bradford site. This resulted in an exceptional charge of £25m in the first half. We have comprehensive insurance and have made significant progress with our insurers regarding receipt of compensation for the entire effects of the fire.

Acetum performed well in the period, with increased sales in Italy, the UK and France and margins ahead of last year. ACH delivered further market share gains through higher US sales of Mazola corn oil. We benefited from the first contribution from Anthony’s Goods, the California-based online speciality baking ingredients business acquired in September 2019, which continued to deliver strong sales growth.

Revenue continued to increase at George Weston Foods in Australia. Tip Top achieved sales growth in packaged bread and broadened its Thins range with new burger and sourdough products. The Don meat business benefited from a successful back-to-school advertising campaign, while Yumi’s continued to grow strongly with particularly good trading over Christmas.

Sugar

	2020	2019	Actual fx	Constant fx
Revenue £m	803	769	+4%	+8%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	12	3	n/a	n/a
Adjusted operating profit (reported comparatives) £m	12	1	n/a	

AB Sugar revenue was 8% ahead of last year in the first half due to higher EU sugar prices and increased export sales at Illovo more than offsetting a decline in sales volumes in Spain. The increase in adjusted operating profit in the first half was a result of these higher EU prices, a much-improved crop in China and reductions in the costs of sugar production. This was partially offset by Illovo, following a reduction in high margin domestic sales in South Africa and later profit phasing with weather curtailing the end of the processing season. Most of the improvement in Sugar profit this year will be delivered in the second half as a result of this phasing of Illovo profit and a larger proportion of our contracts reflecting the higher EU sugar prices.

The world market sugar price has fallen in recent months. This, however, only reverses price increases over the last six months and the world sugar price is now at a similar level to that which prevailed when this year's European sugar contracts were struck. Our UK and Spanish businesses have completed contracting sales for this financial year. Looking ahead, more importantly we expect European demand to be in excess of production in the next campaign.

UK sugar production of 1.18 million tonnes compared to 1.15 million tonnes last year, with a recovery in sugar yield more than offsetting the reduction in crop area. Adverse winter weather delayed beet harvesting, but strong collaboration between growers, contractors and our own operations teams enabled us to successfully process all of the crop. Our forecast for the next year is that we expect sugar production to be in line with this year, as we expect an increase in crop area to be offset by lower beet yields.

In Spain, the operating loss was significantly reduced due to the lower beet prices contracted with growers last year, coupled with higher sugar prices. Beet sugar production will be lower than last year at 220,000 tonnes. Through the excellent cooperation and flexibility of our people, all our factories have continued operating as planned in spite of the challenges presented by COVID-19. We expect crop area in the north to partially recover for the 2020/21 campaign.

Our China sugar business benefited from a much better quality crop which, combined with the linking of some grower payments to the sugar content of their beet, resulted in a significantly reduced operating loss in the first half. The effect on sales of lower production this year at 125,000 tonnes was partially offset by higher domestic sugar prices. Next financial year we expect to benefit from an increased crop area and the linking of the majority of grower payments to the sugar content of their beet.

At Illovo, revenues were ahead of last year, however this was driven mainly by export sales which had a much lower margin. Our higher-margin domestic sales in South Africa fell in the first quarter due to increased imports and a decline in consumption in that developed market, which was primarily driven by product reformulations by our customers. Sugar production and operating costs in the first half were impacted by heavy rains in a number of countries. We expect some recovery in production in the second half which will result in a later phasing of profit this financial year.

Germains increased sales to the growing US horticulture market which largely offset a reduction in sales in a more competitive UK beet seed treatment market.

Agriculture

	2020	2019	Actual fx	Constant fx
Revenue £m	692	665	+4%	+5%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	16	15	+7%	+7%
Adjusted operating profit (reported comparatives) £m	16	15	+7%	

AB Agri revenue increased by 5% in the first half but was marginally lower on an underlying basis, as last year was a shorter accounting period for our UK feed businesses. Operating profit improved due to higher sales of feed enzymes, partially offset by lower margins in UK feed.

In the UK, increased sales volumes to the pig sector partially offset reduced demand and pricing for ruminant feed due to higher than usual levels of forage stocks. Frontier Agriculture experienced lower grain trading and reduced crop input sales during unusually wet weather in the UK which delayed the planting of autumn crops.

Speciality Nutrition, our premix and starter feed business, gained new business in Spain, however sales in Eastern Europe and to the pet sector declined.

Sales and profit at AB Vista increased significantly in the first half. Feed enzymes sales were exceptionally strong in the Americas where sales of Signis, our new and innovative animal digestion aid, continue to exceed expectations.

Ingredients

Ongoing businesses	2020	2019	Actual fx	Constant fx
Revenue £m	742	744	In line	+2%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	62	64	-3%	-2%
Adjusted operating profit (reported comparatives) £m	62	64	-3%	

Ingredients revenues in the first half were 2% ahead of last year. There was a small reduction in adjusted operating profit due to lower sales at ABF Ingredients.

AB Mauri delivered sales and operating profit growth. The US business performed well, with strong sales growth in yeast and operational efficiencies. Italmill, the specialist bakery ingredients business acquired in May last year, was successfully integrated. Sales of our high-quality bakery toppings from our new facility in Brazil were ahead of expectation. Following regulatory clearance, we expect the completion of the Chinese yeast and bakery ingredients joint venture with Wilmar International in the second half of the financial year.

At ABF Ingredients, Abitec and SPI Pharma experienced lower sales volumes as a result of increased competition. This was partially offset by continuing sales growth in the enzymes business to the feed, food and technical markets. We continued to invest in capacity and capability with new production capacity at SPI Pharma's facility in Grand Haven, Michigan and progressing the construction of a new state-of-the-art pilot plant for enzymes and formulations in Rajamaki, Finland.

Retail

	2020	2019	Actual fx	Constant fx
Revenue £m	**3,710**	3,630	+2%	+4%
Adjusted operating profit (IFRS 16 pro forma comparatives) £m	**441**	451	-2%	-1%
Adjusted operating profit (reported comparatives) £m	**441**	426	+4%	

Sales at Primark were 3.9% ahead of last year at constant currency and 2.2% ahead at actual exchange rates, driven by increased retail selling space partially offset by a 0.5% decline in like-for-like sales. With the smaller than expected decline in margin, operating profit was only marginally down on last year on an IFRS 16 pro forma basis at constant currency.

In the UK, we delivered a further increase in our share, measured by value, of the total clothing, footwear and accessories market. Sales were 2.7% ahead of last year, driven by a good contribution from new selling space added over the last year partially offset by a 1.7% decline in like-for-like sales. Although trading was particularly good over November and December, like-for-like sales weakened in January and especially February against very strong comparatives in the prior year.

Sales in the Eurozone were 5.0% ahead of last year at constant currency with particularly strong sales growth in France, Belgium and Italy. Our new store in Milan traded ahead of expectation and our store in Ljubljana, Slovenia continued to trade strongly. There was a marked upturn in like-for-like sales performance for the Eurozone which was 0.2% ahead in the period, continuing the improvement reported in the final quarter of last financial year. This was driven by excellent like-for-like sales in France and Italy and, at this early stage, a notable improvement in Germany which was delivered through a series of operational changes made by the new management team.

Our business in the US continued to perform strongly, delivering like-for-like sales growth, with particularly strong trading at the store in Brooklyn, and recording a break-even operating result in the period.

Over the half year, our following across all our social media channels increased from 20 million to 22 million. This was driven by a combination of innovative social media campaigns featuring collaborations with celebrity influencers and our exciting product collections.

Operating margin in the first half was 11.9% which was down on the same period last year when margin, on an IFRS 16 pro forma basis, was 12.4%. Purchases in the first half were contracted at a much stronger US dollar exchange rate than for purchases in the comparable period last year, but the effect was substantially mitigated by both reduced markdowns and reductions in the costs of goods, primarily lower materials prices.

Retail selling space increased by 0.2 million sq ft since the financial year end and, at 29 February 2020, 375 stores were trading from 15.8 million sq ft compared to 15.1 million sq ft a year ago. Three new stores were opened in the period: Seville Lagoh in Spain; Kiel in Germany; and Milan Fiordaliso in Italy. In addition, we relocated to larger premises in the Norte shopping centre in Porto, Portugal and the Norwich store in the UK was extended. Selling space was reduced in two stores in Germany and a small store in Rathfarnham, Ireland was closed.

The store opening programme planned for the third quarter was strong with 0.5 million sq ft of retail selling space planned to be added. However, these openings have been delayed pending the reopening of existing stores. These planned openings comprised: Trafford Centre, Manchester in the UK; American Dream in New Jersey, US; Lens, Strasbourg, Paris Plaisir and Paris Belle Epine in France; Maximo in Rome, Italy; Mons in Belgium; Barcelona Plaza de Cataluña in Spain; Gropius Passagen in Berlin, Germany; and Warsaw, Poland.

George Weston
Chief Executive

PRINCIPAL RISKS AND UNCERTAINTIES

The delivery of our strategic objectives is dependent on effective risk management. There are a number of potential risks and uncertainties which could have a material impact on the group's performance and could cause actual results to differ materially from expected and historical results. Details of the principal risks facing the group's businesses at an operational level were included on pages 62 to 66 of the group's statutory financial statements for the 52 weeks ended 14 September 2019, as part of the Strategic report.

The COVID-19 pandemic has become a worldwide crisis and at the date of this report the situation was still evolving. We have considered the impact of this on our businesses and reassessed our principal risks and uncertainties. The closure of Primark stores presented an immediate cash flow challenge to the group. Our response is detailed in the Operating Review and the work done to ensure adequate cash liquidity for the group for the next year is included in the note below in the assessment of going concern. Looking forward, the greatest uncertainty is the timing, phasing and nature of the reopening of Primark stores. We are confident that we have the necessary resources to meet even the most pessimistic of our forecasts.

In the financial markets, there has been increased exchange rate volatility and sterling has weakened against the US dollar and euro since the end of February. Primark covers its currency exposures on the purchase of merchandise denominated in foreign currencies at the time of placing orders and this is the most material currency transaction risk in the group. Following the cancellation of future orders by Primark, there is no need for further foreign currency hedges until orders resume. As a result, the currency transaction risk to movement of exchange rates for the group has reduced significantly, leaving currency translation risk for the group, which is not hedged.

The world market sugar price has fallen in recent months. This, however, only reverses price increases over the last six months and the world sugar price is now at a similar level to that which prevailed when this year's European sugar contracts were struck. Our UK and Spanish businesses have completed contracting sales for this financial year.

The significant increase in employees working at home has had an impact on the delivery of IT services and increased our IT and information security risks. To support seamless home-working we have modified our IT infrastructure, increased bandwidth with our telecommunications partners and deployed collaboration tools.

The extent of remote working has increased the risk of users falling victim to phishing attacks because users rely primarily on email communication. We have an ongoing phishing testing regime and there is regular communication with all users to remind them of the risks. We have raised the level of monitoring for phishing attempts and other security threats. In addition, we have issued security awareness advice on secure home-working best practices.

We have also increased disciplines to ensure that user devices are regularly patched and upgraded to reflect changing IT security threats. Revised guidance for laptop and desktop patching has been issued to all businesses to ensure that systems are up to date and secure.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

The directors have taken into consideration that, since the balance sheet date, restrictions on trading activity and the movement of people applied by most governments to contain the spread of COVID-19 have had a severe effect on economic activity. The closure of Primark stores in Italy on 12 March was followed rapidly by closures in other countries. The whole estate was closed once UK stores shut on 22 March. Measures, both immediate and planned, were taken across the whole of the group to mitigate the consequential and significant profit and cash flow impacts arising from the loss of Primark sales. The directors have reviewed a detailed cash flow forecast to the end of the 2021 financial year which takes into account these mitigating actions. The Primark supply chain has many weeks of stock which is in transit and, after agreement to pay for that stock, all future orders were cancelled until further notice. We are in the process of accessing the emergency funds made available by European governments, and the UK government in particular, to safeguard employment. The forecast also includes conservative judgements where there is continued uncertainty. Having reviewed this forecast for the coming year, and having applied reverse stress tests, we consider it a remote possibility that the financial headroom could be exhausted.

At the half year, the group had net cash of £801m and had an undrawn, committed revolving credit facility (RCF) of £1,088m for the coming year. As a precaution to avoid any possible illiquidity in the banking market, funds were drawn down in full on the RCF on 18 March 2020. Our cash flow and EBITDA forecasts were used to assess the possibility of the RCF covenant being breached in both September 2020 and February 2021. Our forecasts did not indicate breach on either date. We saw no need to seek a waiver for the covenant test for September 2020 but it was considered prudent to seek a waiver for February 2021. The agent acting for the participating banks in the RCF confirmed on 8 April 2020 that the waiver had been granted. The group's headroom was increased further following the confirmation by the Bank of England of our eligibility to access funding under its Covid Corporate Financing Facility (CCFF) on 15 April 2020. The directors have satisfied themselves that the RCF is available for at least the next 12 months and the CCFF for 12 months from the date of drawing, having assessed the group's projected compliance with the remaining terms and covenants of these facilities. As at the date of approval of these interim results, the group has available central cash on hand of £1.5bn.

In reviewing the cash flow forecast for the coming year, the directors reviewed the trading of the non-Primark businesses and the cash outflows for Primark while the stores remain closed. The directors have a thorough understanding of the risks, sensitivities and judgements included in these elements of the cash flow forecasts and have a high degree of confidence in these cash flows. The main uncertainties in the year ahead were considered to be the length of time for which the Primark stores will remain closed and the strength of their trading as they reopen. In this regard, the forecast has taken the conservative view that the stores will remain closed until the end of this financial year and their sales will then take some time to re-establish the levels achieved before their closure.

There is substantial financial headroom between this forecast and the cash on hand and facilities available to the group over the next year. A number of extreme, adverse assumptions were considered and the likelihood of the headroom being exhausted was considered remote:

- We have some 60 different food businesses with a diversity of markets, sectors, customers, geographies and products. The importance of basic food production has been highlighted by recent events and our employees have successfully worked to ensure the resilience of the food supply chain. It would require a large number of adverse events within our food businesses for there to be a collective material impact on headroom, and sales for the whole of the next 12 months would need to decline substantially, in every business, and with no cost mitigation.
- Separately, for Primark we considered the stores remaining closed until May 2021, and also the possibility of the stores opening and then closing again during the next 12 months. The cash flow consequences did not exhaust the financial headroom.

Brexit

Our businesses have completed all practical preparations for Brexit and contingency plans continue to be in place should our businesses experience some disruption at the end of the transition period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 24 weeks ended 29 February 2020

Continuing operations	Note	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m
Revenue	1	**7,646**	7,532	15,824
Operating costs before exceptional items		**(7,024)**	(6,945)	(14,524)
Exceptional items	2	**(309)**	(79)	(79)
		313	508	1,221
Share of profit after tax from joint ventures and associates		**27**	24	57
Profits less losses on disposal of non-current assets		**9**	2	4
Operating profit		**349**	534	1,282
Adjusted operating profit	1	**682**	639	1,421
Profits less losses on disposal of non-current assets		**9**	2	4
Amortisation of non-operating intangibles		**(24)**	(20)	(47)
Acquired inventory fair value adjustments		**(8)**	(7)	(15)
Transaction costs		**(1)**	(1)	(2)
Exceptional items		**(309)**	(79)	(79)
Profits less losses on sale and closure of businesses	6	**(5)**	(7)	(94)
Profit before interest		**344**	527	1,188
Finance income		**7**	8	15
Finance expense		**(54)**	(23)	(42)
Other financial income		**1**	3	12
Profit before taxation		**298**	515	1,173
Adjusted profit before taxation		**636**	627	1,406
Profits less losses on disposal of non-current assets		**9**	2	4
Amortisation of non-operating intangibles		**(24)**	(20)	(47)
Acquired inventory fair value adjustments		**(8)**	(7)	(15)
Transaction costs		**(1)**	(1)	(2)
Exceptional items		**(309)**	(79)	(79)
Profits less losses on sale and closure of businesses		**(5)**	(7)	(94)
Taxation – UK (excluding tax on exceptional items)		**(34)**	(39)	(75)
– UK (on exceptional items)		**25**	12	12
– Overseas (excluding tax on exceptional items)		**(103)**	(91)	(214)
– Overseas (on exceptional items)		**35**	–	–
	3	**(77)**	(118)	(277)
Profit for the period		**221**	397	896
Attributable to				
Equity shareholders		**217**	389	878
Non-controlling interests		**4**	8	18
Profit for the period		**221**	397	896
Basic and diluted earnings per ordinary share (pence)	4	**27.5**	49.2	111.1
Dividends per share paid and proposed for the period (pence)	5	**-**	12.05	46.35

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 24 weeks ended 29 February 2020

	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m
Profit for the period recognised in the income statement	221	397	896
Other comprehensive income			
Remeasurements of defined benefit schemes	17	(178)	(407)
Deferred tax associated with defined benefit schemes	(3)	30	68
Current tax associated with defined benefit schemes	–	–	2
Items that will not be reclassified to profit or loss	14	(148)	(337)
Effect of movements in foreign exchange	(283)	(134)	43
Net gain on hedge of net investment in foreign subsidiaries	10	8	3
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	–	(3)	(3)
Movement in cash flow hedging position	18	(33)	(29)
Deferred tax associated with movement in cash flow hedging position	(3)	8	7
Share of other comprehensive income of joint ventures and associates	(6)	–	4
Effect of hyperinflationary economies	12	46	38
Deferred tax associated with hyperinflationary economies	–	(6)	(2)
Items that are or may be subsequently reclassified to profit or loss	(252)	(114)	61
Other comprehensive loss for the period	(238)	(262)	(276)
Total comprehensive (loss)/income for the period	(17)	135	620
Attributable to			
Equity shareholders	(15)	131	601
Non-controlling interests	(2)	4	19
Total comprehensive (loss)/income for the period	(17)	135	620

CONDENSED CONSOLIDATED BALANCE SHEET

At 29 February 2020

	29 February 2020 (IFRS 16) £m	2 March 2019 (IAS 17) £m	14 September 2019 (IAS 17) £m
Non-current assets			
Intangible assets	1,631	1,658	1,681
Property, plant and equipment	5,620	5,663	5,769
Right-of-use assets	3,057	–	–
Investments in joint ventures	216	215	225
Investments in associates	54	49	50
Employee benefits assets	247	403	228
Deferred tax assets	183	131	160
Other receivables	50	47	51
Total non-current assets	11,058	8,166	8,164
Current assets			
Assets classified as held for sale	42	–	43
Inventories	2,025	2,282	2,386
Biological assets	96	106	84
Trade and other receivables	1,379	1,435	1,436
Derivative assets	96	91	99
Current asset investments	29	26	29
Income tax	–	–	24
Cash and cash equivalents	1,320	1,149	1,495
Total current assets	4,987	5,089	5,596
Total assets	16,045	13,255	13,760
Current liabilities			
Liabilities classified as held for sale	(6)	–	(6)
Lease liabilities	(273)	–	–
Loans and overdrafts	(204)	(439)	(227)
Trade and other payables	(2,134)	(2,298)	(2,556)
Derivative liabilities	(40)	(58)	(52)
Income tax	(69)	(94)	(163)
Provisions	(108)	(61)	(64)
Total current liabilities	(2,834)	(2,950)	(3,068)
Non-current liabilities			
Lease liabilities	(3,279)	–	–
Loans	(344)	(350)	(361)
Other payables	–	(267)	(271)
Provisions	(33)	(54)	(54)
Deferred tax liabilities	(248)	(305)	(261)
Employee benefits liabilities	(194)	(154)	(195)
Total non-current liabilities	(4,098)	(1,130)	(1,142)
Total liabilities	(6,932)	(4,080)	(4,210)
Net assets	9,113	9,175	9,550
Equity			
Issued capital	45	45	45
Other reserves	175	175	175
Translation reserve	136	238	409
Hedging reserve	6	(12)	(9)
Retained earnings	8,662	8,643	8,832
Total equity attributable to equity shareholders	9,024	9,089	9,452
Non-controlling interests	89	86	98
Total equity	9,113	9,175	9,550

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the 24 weeks ended 29 February 2020

	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m
Cash flow from operating activities			
Profit before taxation	298	515	1,173
Profits less losses on disposal of non-current assets	(9)	(2)	(4)
Profits less losses on sale and closure of businesses	5	7	94
Transaction costs	1	1	2
Finance income	(7)	(8)	(15)
Finance expense	54	23	42
Other financial income	(1)	(3)	(12)
Share of profit after tax from joint ventures and associates	(27)	(24)	(57)
Amortisation	33	32	68
Depreciation (including depreciation of right-of-use assets)	386	265	544
Exceptional items	309	79	79
Acquired inventory fair value adjustments	8	7	15
Effect of hyperinflationary economies	4	–	6
Net change in the fair value of current biological assets	(20)	(26)	–
Share-based payment expense	7	9	22
Pension costs less contributions	3	2	(10)
Decrease/(increase) in inventories	29	(139)	(202)
Decrease/(increase) in receivables	3	(12)	18
(Decrease)/increase in payables	(318)	(138)	44
Purchases less sales of current biological assets	–	–	(1)
Decrease in provisions	(14)	(24)	(28)
Cash generated from operations	744	564	1,778
Income taxes paid	(151)	(122)	(269)
Net cash from operating activities	593	442	1,509
Cash flows from investing activities			
Dividends received from joint ventures and associates	29	25	52
Purchase of property, plant and equipment	(315)	(348)	(680)
Purchase of intangibles	(43)	(34)	(57)
Lease incentives received	12	–	–
Sale of property, plant and equipment	18	6	12
Purchase of subsidiaries, joint ventures and associates	(3)	(47)	(84)
Sale of subsidiaries, joint ventures and associates	2	5	6
Purchase of other investments	(2)	–	–
Interest received	6	10	20
Net cash from investing activities	(296)	(383)	(731)
Cash flows from financing activities			
Dividends paid to non-controlling interests	(4)	(1)	(4)
Dividends paid to equity shareholders	(271)	(263)	(358)
Interest paid	(42)	(20)	(43)
Repayment of lease liabilities	(115)	–	–
Decrease in short-term loans	(18)	(11)	(263)
(Decrease)/increase in long-term loans	–	(7)	2
(Increase)/decrease in current asset investments	(3)	3	1
Purchase of shares in subsidiary undertaking from non-controlling interests	(2)	(1)	(1)
Movements from changes in own shares held	–	–	(25)
Net cash from financing activities	(455)	(300)	(691)
Net (decrease)/increase in cash and cash equivalents	(158)	(241)	87
Cash and cash equivalents at the beginning of the period	1,358	1,271	1,271
Effect of movements in foreign exchange	(17)	1	–
Cash and cash equivalents at the end of the period	1,183	1,031	1,358

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 24 weeks ended 29 February 2020

		Attributable to equity shareholders							
	Note	Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 14 September 2019		45	175	409	(9)	8,832	9,452	98	9,550
IFRS 16 opening balance adjustment		–	–	–	–	(149)	(149)	(1)	(150)
Balance as at 15 September 2019		45	175	409	(9)	8,683	9,303	97	9,400
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	217	217	4	221
Remeasurements of defined benefit schemes		–	–	–	–	17	17	–	17
Deferred tax associated with defined benefit schemes		–	–	–	–	(3)	(3)	–	(3)
Items that will not be reclassified to profit or loss		–	–	–	–	14	14	–	14
Effect of movements in foreign exchange		–	–	(277)	–	–	(277)	(6)	(283)
Net gain on hedge of net investment in foreign subsidiaries		–	–	10	–	–	10	–	10
Movement in cash flow hedging position		–	–	–	18	–	18	–	18
Deferred tax associated with movements in cash flow hedging position		–	–	–	(3)	–	(3)	–	(3)
Share of other comprehensive income of joint ventures and associates		–	–	(6)	–	–	(6)	–	(6)
Effect of hyperinflationary economies		–	–	–	–	12	12	–	12
Items that are or may be subsequently reclassified to profit or loss		–	–	(273)	15	12	(246)	(6)	(252)
Other comprehensive income		–	–	(273)	15	26	(232)	(6)	(238)
Total comprehensive income		–	–	(273)	15	243	(15)	(2)	(17)
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held		–	–	–	–	7	7	–	7
Dividends paid to non-controlling interests		–	–	–	–	–	–	(4)	(4)
Acquisition and disposal of non-controlling interests		–	–	–	–	–	–	(2)	(2)
Total transactions with owners		–	–	–	–	(264)	(264)	(6)	(270)
Balance as at 29 February 2020		**45**	**175**	**136**	**6**	**8,662**	**9,024**	**89**	**9,113**
Balance as at 15 September 2018		45	175	363	13	8,615	9,211	85	9,296
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	389	389	8	397
Remeasurements of defined benefit schemes		–	–	–	–	(178)	(178)	–	(178)
Deferred tax associated with defined benefit schemes		–	–	–	–	30	30	–	30
Items that will not be reclassified to profit or loss		–	–	–	–	(148)	(148)	–	(148)
Effect of movements in foreign exchange		–	–	(130)	–	–	(130)	(4)	(134)
Net gain on hedge of net investment in foreign subsidiaries		–	–	8	–	–	8	–	8
Movements in foreign exchange on businesses disposed		–	–	(3)	–	–	(3)	–	(3)
Movement in cash flow hedging position		–	–	–	(33)	–	(33)	–	(33)
Deferred tax associated with movement in cash flow hedging position		–	–	–	8	–	8	–	8
Effect of hyperinflationary economies		–	–	–	–	46	46	–	46
Deferred tax associated with hyperinflationary economies		–	–	–	–	(6)	(6)	–	(6)
Items that are or may be subsequently reclassified to profit or loss		–	–	(125)	(25)	40	(110)	(4)	(114)
Other comprehensive income		–	–	(125)	(25)	(108)	(258)	(4)	(262)
Total comprehensive income		–	–	(125)	(25)	281	131	4	135
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(263)	(263)	–	(263)
Net movement in own shares held		–	–	–	–	9	9	–	9
Dividends paid to non-controlling interests		–	–	–	–	–	–	(1)	(1)
Acquisition and disposal of non-controlling interests		–	–	–	–	1	1	(2)	(1)
Total transactions with owners		–	–	–	–	(253)	(253)	(3)	(256)
Balance as at 2 March 2019		45	175	238	(12)	8,643	9,089	86	9,175

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

For the 24 weeks ended 29 February 2020

	Note	Attributable to equity shareholders: Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 15 September 2018		45	175	363	13	8,615	9,211	85	9,296
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	878	878	18	896
Remeasurements of defined benefit schemes		–	–	–	–	(407)	(407)	–	(407)
Deferred tax associated with defined benefit schemes		–	–	–	–	68	68	–	68
Current tax associated with defined benefit schemes		–	–	–	–	2	2	–	2
Items that will not be reclassified to profit or loss		–	–	–	–	(337)	(337)	–	(337)
Effect of movements in foreign exchange		–	–	42	–	–	42	1	43
Net gain on hedge of net investment in foreign subsidiaries		–	–	3	–	–	3	–	3
Movements in foreign exchange on businesses disposed		–	–	(3)	–	–	(3)	–	(3)
Movement in cash flow hedging position		–	–	–	(29)	–	(29)	–	(29)
Deferred tax associated with movements in cash flow hedging position		–	–	–	7	–	7	–	7
Share of other comprehensive income of joint ventures and associates		–	–	4	–	–	4	–	4
Effect of hyperinflationary economies		–	–	–	–	38	38	–	38
Deferred tax associated with hyperinflationary economies		–	–	–	–	(2)	(2)	–	(2)
Items that are or may be subsequently reclassified to profit or loss		–	–	46	(22)	36	60	1	61
Other comprehensive income		–	–	46	(22)	(301)	(277)	1	(276)
Total comprehensive income		–	–	46	(22)	577	601	19	620
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(358)	(358)	–	(358)
Net movement in own shares held		–	–	–	–	(3)	(3)	–	(3)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(4)	(4)
Acquisition and disposal of non-controlling interests		–	–	–	–	1	1	(2)	(1)
Total transactions with owners		–	–	–	–	(360)	(360)	(6)	(366)
Balance as at 14 September 2019		45	175	409	(9)	8,832	9,452	98	9,550

1. Operating segments

The group has five operating segments, as described below. These are the group's operating divisions, based on the management and internal reporting structure, which combine businesses with common characteristics, primarily in respect of the type of products offered by each business, but also the production processes involved and the manner of the distribution and sale of goods. The board is the chief operating decision-maker.

Inter-segment pricing is determined on an arm's length basis. Segment result is adjusted operating profit, as shown on the face of the consolidated income statement. Segment assets comprise all non-current assets except employee benefits assets and deferred tax assets, and all current assets except cash and cash equivalents, current asset investments and income tax assets. Segment liabilities comprise trade and other payables, derivative liabilities, provisions and lease liabilities.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, cash, borrowings, employee benefits balances and current and deferred tax balances. Segment non-current asset additions are the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year, comprising property, plant and equipment, right-of-use assets, operating intangibles and biological assets. Businesses disposed are shown separately and comparatives have been re-presented for businesses sold or closed during the period.

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, balsamic vinegars, bread & baked goods, chilled foods, cereals, ethnic foods and meat products, which are sold to retail, wholesale and foodservice businesses.
Sugar	The growing and processing of sugar beet and sugar cane for sale to industrial users and to Silver Spoon, which is included in the Grocery segment.
Agriculture	The manufacture of animal feeds and the provision of other products and services for the agriculture sector.
Ingredients	The manufacture of bakers' yeast, bakery ingredients, enzymes, lipids, yeast extracts, cereal specialities and pharmaceutical excipients.
Retail	Buying and merchandising value clothing and accessories through the Primark and Penneys retail chains.

Geographical information

In addition to the required disclosure for operating segments, disclosure is also given of certain geographical information about the group's operations, based on the geographical groupings: United Kingdom; Europe & Africa; The Americas; and Asia Pacific.

Revenues are shown by reference to the geographical location of customers. Profits are shown by reference to the geographical location of the businesses. Segment assets are based on the geographical location of the assets.

	Revenue			Adjusted operating profit		
	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m	**24 weeks ended 29 February 2020 (IFRS 16) £m**	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m
Operating segments						
Grocery	**1,689**	1,707	3,498	**189**	167	380
Sugar	**803**	769	1,608	**12**	1	26
Agriculture	**692**	665	1,385	**16**	15	42
Ingredients	**742**	744	1,515	**62**	64	136
Retail	**3,710**	3,630	7,792	**441**	426	913
Central	**–**	–	–	**(37)**	(34)	(76)
	7,636	7,515	15,798	**683**	639	1,421
Businesses disposed:						
Grocery	**10**	14	23	**(1)**	–	–
Ingredients	**–**	3	3	**–**	–	–
	7,646	7,532	15,824	**682**	639	1,421
Geographical information						
United Kingdom	**2,881**	2,784	5,971	**254**	230	476
Europe & Africa	**2,882**	2,854	5,992	**241**	255	589
The Americas	**804**	780	1,609	**122**	116	237
Asia Pacific	**1,069**	1,097	2,226	**66**	38	119
	7,636	7,515	15,798	**683**	639	1,421
Businesses disposed:						
The Americas	**–**	3	3	**–**	–	–
Asia Pacific	**10**	14	23	**(1)**	–	–
	7,646	7,532	15,824	**682**	639	1,421

1. Operating segments for the 24 weeks ended 29 February 2020 (IFRS 16)

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,690	833	694	829	3,710	(120)	7,636
Internal revenue	(1)	(30)	(2)	(87)	–	120	–
External revenue from continuing businesses	1,689	803	692	742	3,710	–	7,636
Businesses disposed	10	–	–	–	–	–	10
Revenue from external customers	1,699	803	692	742	3,710	–	7,646
Adjusted operating profit before joint ventures and associates	173	10	14	54	441	(37)	655
Share of profit after tax from joint ventures and associates	16	2	2	8	–	–	28
Businesses disposed	(1)	–	–	–	–	–	(1)
Adjusted operating profit	188	12	16	62	441	(37)	682
Profits less losses on disposal of non-current assets	9	–	–	–	–	–	9
Amortisation of non-operating intangibles	(22)	–	–	(2)	–	–	(24)
Acquired inventory fair value adjustments	(8)	–	–	–	–	–	(8)
Transaction costs	(1)	–	–	–	–	–	(1)
Exceptional items	(25)	–	–	–	(284)	–	(309)
Profits less losses on sale and closure of businesses	(6)	–	–	1	–	–	(5)
Profit before interest	135	12	16	61	157	(37)	344
Finance income						7	7
Finance expense	–	(1)	–	–	(37)	(16)	(54)
Other financial income						1	1
Taxation						(77)	(77)
Profit for the period	135	11	16	61	120	(122)	221
Segment assets (excluding joint ventures and associates)	2,674	2,120	444	1,444	7,158	156	13,996
Investments in joint ventures and associates	36	27	137	70	–	–	270
Segment assets	2,710	2,147	581	1,514	7,158	156	14,266
Cash and cash equivalents						1,320	1,320
Current asset investments						29	29
Deferred tax assets						183	183
Employee benefits assets						247	247
Segment liabilities	(561)	(394)	(140)	(296)	(4,263)	(219)	(5,873)
Loans and overdrafts						(548)	(548)
Income tax						(69)	(69)
Deferred tax liabilities						(248)	(248)
Employee benefits liabilities						(194)	(194)
Net assets	2,149	1,753	441	1,218	2,895	657	9,113
Non-current asset additions	55	35	11	54	251	8	414
Depreciation (including depreciation of right-of-use assets)	(52)	(49)	(8)	(27)	(246)	(4)	(386)
Amortisation	(26)	(1)	(1)	(3)	(1)	(1)	(33)
Impairment of property, plant and equipment on sale and closure of businesses	(2)	–	–	–	–	–	(2)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,881	2,882	804	1,079	7,646
Segment assets	5,458	6,050	1,328	1,430	14,266
Non-current asset additions	106	208	64	36	414
Depreciation (including depreciation of right-of-use assets)	(138)	(183)	(33)	(32)	(386)
Amortisation	(20)	(7)	(3)	(3)	(33)
Acquired inventory fair value adjustments	–	(7)	(1)	–	(8)
Exceptional items	(151)	(150)	(8)	–	(309)
Transaction costs	(1)	–	–	–	(1)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(2)	(2)

1. Operating segments for the 24 weeks ended 2 March 2019 (IAS 17)

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,708	796	667	827	3,630	(113)	7,515
Internal revenue	(1)	(27)	(2)	(83)	–	113	–
External revenue from continuing businesses	1,707	769	665	744	3,630	–	7,515
Businesses disposed	14	–	–	3	–	–	17
Revenue from external customers	1,721	769	665	747	3,630	–	7,532
Adjusted operating profit before joint ventures and associates	152	–	13	57	426	(34)	614
Share of profit after tax from joint ventures and associates	15	1	2	7	–	–	25
Adjusted operating profit	167	1	15	64	426	(34)	639
Profits less losses on disposal of non-current assets	2	–	–	–	–	–	2
Amortisation of non-operating intangibles	(18)	–	–	(2)	–	–	(20)
Acquired inventory fair value adjustments	(7)	–	–	–	–	–	(7)
Transaction costs	–	–	(1)	–	–	–	(1)
Exceptional items	(65)	–	–	–	–	(14)	(79)
Profits less losses on sale and closure of businesses	–	–	–	(7)	–	–	(7)
Profit before interest	79	1	14	55	426	(48)	527
Finance income						8	8
Finance expense						(23)	(23)
Other financial expense						3	3
Taxation						(118)	(118)
Profit for the period	79	1	14	55	426	(178)	397
Segment assets (excluding joint ventures and associates)	2,638	2,202	463	1,467	4,386	126	11,282
Investments in joint ventures and associates	35	26	136	67	–	–	264
Segment assets	2,673	2,228	599	1,534	4,386	126	11,546
Cash and cash equivalents						1,149	1,149
Current asset investments						26	26
Deferred tax assets						131	131
Employee benefits assets						403	403
Segment liabilities	(532)	(397)	(149)	(261)	(1,198)	(201)	(2,738)
Loans and overdrafts						(789)	(789)
Income tax						(94)	(94)
Deferred tax liabilities						(305)	(305)
Employee benefits liabilities						(154)	(154)
Net assets	2,141	1,831	450	1,273	3,188	292	9,175
Non-current asset additions	66	48	5	46	173	9	347
Depreciation	(47)	(46)	(6)	(24)	(141)	(1)	(265)
Amortisation	(25)	(1)	(1)	(3)	(1)	(1)	(32)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,784	2,854	783	1,111	7,532
Segment assets	4,549	4,418	1,087	1,492	11,546
Non-current asset additions	155	123	30	39	347
Depreciation	(96)	(118)	(21)	(30)	(265)
Amortisation	(19)	(7)	(2)	(4)	(32)
Acquired inventory fair value adjustments	–	(7)	–	–	(7)
Transaction costs	(1)	–	–	–	(1)
Exceptional items	(79)	–	–	–	(79)

1. Operating segments for the 52 weeks ended 14 September 2019 (IAS 17)

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,502	1,667	1,388	1,690	7,792	(241)	15,798
Internal revenue	(4)	(59)	(3)	(175)	–	241	–
External revenue from continuing businesses	3,498	1,608	1,385	1,515	7,792	–	15,798
Businesses disposed	23	–	–	3	–	–	26
Revenue from external customers	3,521	1,608	1,385	1,518	7,792	–	15,824
Adjusted operating profit before joint ventures and associates	347	26	30	122	913	(76)	1,362
Share of profit after tax from joint ventures and associates	33	–	12	14	–	–	59
Adjusted operating profit	380	26	42	136	913	(76)	1,421
Profits less losses on disposal of non-current assets	3	–	1	–	–	–	4
Amortisation of non-operating intangibles	(40)	–	(2)	(5)	–	–	(47)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Transaction costs	(1)	–	–	(1)	–	–	(2)
Exceptional items	(65)	–	–	–	–	(14)	(79)
Profits less losses on sale and closure of businesses	4	–	(3)	(95)	–	–	(94)
Profit before interest	266	26	38	35	913	(90)	1,188
Finance income						15	15
Finance expense						(42)	(42)
Other financial income						12	12
Taxation						(277)	(277)
Profit for the period	266	26	38	35	913	(382)	896
Segment assets (excluding joint ventures and associates)	2,732	2,083	408	1,422	4,775	129	11,549
Investments in joint ventures and associates	45	26	135	69	–	–	275
Segment assets	2,777	2,109	543	1,491	4,775	129	11,824
Cash and cash equivalents						1,495	1,495
Current asset investments						29	29
Income tax						24	24
Deferred tax assets						160	160
Employee benefits assets						228	228
Segment liabilities	(540)	(388)	(137)	(278)	(1,476)	(184)	(3,003)
Loans and overdrafts						(588)	(588)
Income tax						(163)	(163)
Deferred tax liabilities						(261)	(261)
Employee benefits liabilities						(195)	(195)
Net assets	2,237	1,721	406	1,213	3,299	674	9,550
Non-current asset additions	132	98	14	93	382	13	732
Depreciation	(96)	(79)	(12)	(51)	(303)	(3)	(544)
Amortisation	(53)	(2)	(3)	(7)	(2)	(1)	(68)
Impairment of goodwill on sale and closure of businesses	–	–	(3)	(56)	–	–	(59)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(32)	–	–	(32)

1. Operating segments for the 52 weeks ended 14 September 2019 continued (IAS 17)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,971	5,992	1,612	2,249	15,824
Segment assets	4,406	4,842	1,194	1,382	11,824
Non-current asset additions	255	345	57	75	732
Depreciation	(191)	(247)	(45)	(61)	(544)
Amortisation	(41)	(16)	(4)	(7)	(68)
Acquired inventory fair value adjustments	–	(15)	–	–	(15)
Impairment of goodwill on sale and closure of businesses	(3)	–	–	(56)	(59)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(32)	(32)
Transaction costs	–	(1)	(1)	–	(2)
Exceptional items	(79)	–	–	–	(79)

2. Exceptional items

Following the spread of the COVID-19 virus in January and February of this year, subsequent to the balance sheet date Primark closed all of its stores in March. Based on events prior to the balance sheet date and the further information available to the group after the balance sheet date, the group has assessed the recoverability of its Retail inventory as at 29 February 2020. No impairment triggers were identified in relation to the group's food businesses.

The group has performed a detailed assessment of all Retail inventory, including items in stores, warehouses and those goods-in-transit for which the group bears ownership risk. This review included the following considerations, performed by individual inventory types:

- items already received in store and on display which are likely to be damaged or otherwise unsaleable when stores reopen;
- items specific to the Spring/Summer 2020 season (for example Father's Day and Euro 2020 goods) which are unlikely to retain any value;
- other Spring/Summer 2020 items that may not be saleable at a profit when stores reopen; and
- broader analysis of other items, largely held in warehouses, between core items considered likely to be saleable (for example t-shirts, underwear and other staple items) and other items which are likely to be less saleable after the closure period, principally the most fashion-led lines.

The group has therefore concluded that it should recognise an inventory impairment charge of £248m and an onerous contract provision of £36m for inventory yet to be delivered.

In February 2020, our Speedibake Wakefield factory was significantly damaged by fire, following which we announced that the factory would permanently close. This resulted in an exceptional charge of £25m in the period, comprising £18m impairment of non-current assets, £1m of inventory write-off and £6m of closure costs. We have comprehensive insurance and have made significant progress with our insurers regarding receipt of compensation for the entire effects of the fire.

The first half of the prior year included £79m of exceptional items. Following the termination of our largest private label bread contract in December 2018, the carrying value of the assets of the Allied Bakeries business was no longer supported by our forecasts of its discounted future cash flows and a non-cash impairment charge of £65m was recognised. As a result of a High Court ruling regarding the equalisation of Guaranteed Minimum Pensions in October 2018, a pension service cost of £14m was taken for members of the company's defined benefit pension scheme for service between 1990 and 1997.

3. Income tax expense

	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m
Current tax expense			
UK – corporation tax at 18.08% (2019 – 19.00%)	9	23	80
Overseas – corporation tax	72	87	229
UK – over provided in prior periods	–	–	(5)
Overseas – over provided in prior periods	–	(1)	(1)
	81	109	303
Deferred tax expense			
UK deferred tax	–	4	(7)
Overseas deferred tax	(4)	4	(11)
UK – over provided in prior periods	–	–	(5)
Overseas – under/(over) provided in prior periods	–	1	(3)
	(4)	9	(26)
Total income tax expense in income statement	77	118	277
Reconciliation of effective tax rate			
Profit before taxation	298	515	1,173
Less share of profit after tax from joint ventures and associates	(27)	(24)	(57)
Profit before taxation excluding share of profit after tax from joint ventures and associates	271	491	1,116
Nominal tax charge at UK corporation tax rate of 18.08% (2019 – 19.00%)	49	93	212
Effect of higher and lower tax rates on overseas earnings	9	6	14
Effect of changes in tax rates on income statement	–	–	(1)
Expenses not deductible for tax purposes	18	12	37
Disposal of assets covered by tax exemptions or unrecognised capital losses	–	1	17
Deferred tax not recognised	1	6	12
Adjustments in respect of prior periods	–	–	(14)
	77	118	277
Income tax recognised directly in equity			
Deferred tax associated with defined benefit schemes	3	(30)	(68)
Current tax associated with defined benefit schemes	–	–	(2)
Deferred tax associated with movement in cash flow hedging position	3	(8)	(7)
Deferred tax associated with hyperinflationary economies	–	6	2
	6	(32)	(75)

The UK corporation tax rate of 19% was scheduled to reduce to 17% effective from 1 April 2020. The legislation to effect these rate changes had been substantially enacted before the balance sheet date and accordingly, UK deferred tax has been calculated using 17%. Since the balance sheet date, a further change has been substantially enacted for the UK rate to remain at 19%. The group expects that this rate change will increase the group's adjusted effective rate for this financial year by 0.2% with a deferred tax charge of £7m arising principally on the amortisation of non-operating intangibles and exceptional items. The tax rate on Primark profits is lower than that for the rest of the group. A consequence of the likely loss at Primark in the second half will be a significant increase in the overall effective tax rate for the group for the full year.

In April 2019 the European Commission published its decision on the Group Financing Exemption in the UK's controlled foreign company legislation. The Commission found that the UK law did not comply with EU State Aid rules in certain circumstances. The group has arrangements that may be impacted by this decision as might other UK-based multinational groups that had financing arrangements in line with the UK's legislation in force at the time. The group has appealed against the European Commission's decision, as have the UK Government and a number of other UK companies. We have calculated our maximum potential liability to be £26m, however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

4. Earnings per share

	24 weeks ended 29 February 2020 (IFRS 16) pence	24 weeks ended 2 March 2019 (IAS 17) pence	52 weeks ended 14 September 2019 (IAS 17) pence
Adjusted earnings per share	61.8	61.1	137.5
Disposal of non-current assets	1.1	0.3	0.5
Sale and closure of businesses	(0.6)	(0.9)	(11.9)
Acquired inventory fair value adjustments	(1.0)	(1.0)	(1.9)
Transaction costs	(0.1)	(0.1)	(0.3)
Exceptional items	(39.1)	(10.0)	(10.0)
Tax effect on above adjustments	7.8	1.7	1.9
Amortisation of non-operating intangibles	(3.0)	(2.5)	(6.0)
Tax credit on non-operating intangibles amortisation and goodwill	0.6	0.6	1.3
Earnings per share	27.5	49.2	111.1

5. Dividends

	24 weeks ended 29 February 2020 (IFRS 16) pence	24 weeks ended 2 March 2019 (IAS 17) pence	52 weeks ended 14 September 2019 (IAS 17) pence
2018 final	–	33.30	33.30
2019 interim	–	–	12.05
2019 final	34.30	–	–
	34.30	33.30	45.35

	24 weeks ended 29 February 2020 (IFRS 16) £m	24 weeks ended 2 March 2019 (IAS 17) £m	52 weeks ended 14 September 2019 (IAS 17) £m
2018 final	–	263	263
2019 interim	–	–	95
2019 final	271	–	–
	271	263	358

The 2019 final dividend of 34.3p per share was approved on 6 December 2019 and totalled £271m when paid on 10 January 2020. No interim dividend will be paid this year.

6. Acquisitions and disposals

Acquisitions

2020

In December 2019 the group's Grocery business in the UK acquired Al'Fez, a Middle Eastern food brand with customers in the UK and Europe. A £7m non-operating intangible asset was recognised in respect of the brand, comprising a £3m cash outflow on the purchase of subsidiaries, joint ventures and associates in the cash flow statement and £4m of deferred consideration.

2019

In the first half of 2019, the group's Grocery business completed the acquisition of 100% of Yumi's Quality Foods, a chilled food manufacturer in Australia, and its Agriculture business acquired a small manufacturer of piglet starter feed in Poland. The cash outflow of £47m on the purchase of subsidiaries, joint venture and associates in the cash flow statement comprised cash consideration of £46m for these acquisitions less cash acquired with the businesses of £1m and a £2m payment of deferred consideration in respect of previous acquisitions.

In the second half of 2019, the group's Grocery business completed the acquisition of Anthony's Goods, a California-based blender and online marketer of speciality baking ingredients. The group also acquired Italmill, an Italian bakery ingredients producer as part of the Ingredients business.

The full year cash outflow of £84m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprised cash consideration of £85m for these acquisitions less cash acquired with the businesses of £2m and £1m payment of deferred consideration in respect of acquisitions in previous years.

6. Acquisitions and disposals (continued)

Disposals

2020

In the first half of 2020 the group announced the closure of the Cake business in the Grocery segment in Australia, with £7m included in loss on closure of business comprising a £2m non-cash impairment of property, plant and equipment and £5m of restructuring provisions. The group also sold a small business in China, reported within the Asia Pacific and Grocery segments. Cash proceeds amounted to £2m on £1m of net assets disposed, resulting in a pre-tax profit on disposal of £1m. Warranty provisions of £1m relating to disposals made in previous years were no longer required and were released to sale and closure of business in the Americas and Ingredients segments.

2019

In the first half of 2019 the group disposed of its torula facility and associated torula whole cell business in Hutchinson, Minnesota, reported within the US and Ingredients segments. Cash proceeds amounted to £5m, net assets disposed were £5m and the associated goodwill was £8m. Provisions for transaction and associated restructuring costs were £2m, with a gain of £3m on recycling foreign exchange differences. The pre-tax loss on disposal was £7m.

In August 2019 we signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International, with completion subject to regulatory approval. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing commercial activities and technical expertise in China with Wilmar's extensive sales and distribution capability. As a consequence, a non-cash impairment charge of £88m was included in the loss on closure of businesses, comprising £56m of goodwill and £32m of property, plant and equipment.

In addition, in the second half of 2019, £4m of warranty and restructuring provisions relating to disposals made in previous years were no longer required and were released to sale and closure of business within the Americas and Grocery segments. In the Agriculture segment, goodwill with a carrying value of £3m was written off on the closure of a small business in the UK.

7. Analysis of net debt

	At 14 September 2019 £m	IFRS 16 transition £m	Cash flow £m	Disposals £m	New leases £m	Exchange adjustments £m	At 29 February 2020 £m
Cash at bank and in hand, cash equivalents and overdrafts	1,358	–	(158)	–	–	(17)	**1,183**
Current asset investments	29	–	3	–	–	(3)	**29**
Short-term loans	(90)	1	18	–	–	4	**(67)**
Long-term loans	(361)	13	–	–	–	4	**(344)**
Lease liabilities	–	(3,678)	115	1	(65)	75	**(3,552)**
	936	(3,664)	(22)	1	(65)	63	**(2,751)**

8. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Full details of the group's other related party relationships, transactions and balances are given in the group's financial statements for the 52 weeks ended 14 September 2019. There have been no material changes in these relationships in the 24 weeks ended 29 February 2020 or up to the date of this report. No related party transactions have taken place in the first 24 weeks of the current financial year that have materially affected the financial position or the performance of the group during that period.

9. Basis of preparation

Associated British Foods plc ('the Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the 24 weeks ended 29 February 2020 comprise those of the Company and its subsidiaries (together referred to as 'the group') and the group's interests in joint ventures and associates.

The consolidated financial statements of the group for the 52 weeks ended 14 September 2019 are available upon request from the Company's registered office at 10 Grosvenor Street, London, W1K 4QY or at www.abf.co.uk.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the 52 weeks ended 14 September 2019.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements. Further details of this assessment are set out in the Principal Risks and Uncertainties section. The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review. Note 25 on pages 154 to 166 of the 2019 Annual Report provides details of the group's policy on managing its financial and commodity risks.

9. Basis of preparation (continued)

The 24 week period for the condensed consolidated interim financial statements of the Company means that the second half of the year is usually a 28 week period, and the two halves of the reporting year are therefore not of equal length. For the Retail segment, Christmas, falling in the first half of the year, is a particularly important trading period. For the Sugar segment, the balance sheet, and working capital in particular, is strongly influenced by seasonal growth patterns for both sugar beet and sugar cane, which vary significantly in the markets in which the group operates.

The condensed consolidated interim financial statements are unaudited but have been subject to an independent review by the auditor and were approved by the board of directors on 21 April 2020. They do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The comparative figures for the 52 weeks ended 14 September 2019 have been abridged from the group's 2019 financial statements and are not the Company's statutory financial statements for that period. Those financial statements have been reported on by the Company's auditor for that period and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This Interim Results Announcement has been prepared solely to provide additional information to shareholders as a body, to assess the group's strategies and the potential for those strategies to succeed. This Interim Results Announcement should not be relied upon by any other party or for any other purpose.

10. Significant accounting policies

Except where detailed otherwise, the accounting policies applied by the group in these condensed consolidated interim financial statements are substantially the same as those applied by the group in its consolidated financial statements for the 52 weeks ended 14 September 2019 including for derivatives and current biological assets, which are recognised in the balance sheet at fair value and fair value less costs to sell, respectively. The methodology for selecting assumptions underpinning the fair value calculations has not changed since 14 September 2019.

New accounting standards

The following accounting standards and amendments were adopted during the period and had no significant impact on the group other than IFRS 16 *Leases*:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Prepayment features with Negative Compensation*
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to IFRS 2015– 2017*

IFRS 16 *Leases*

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 *Leases* and other related requirements. The group adopted IFRS 16 on 15 September 2019 and applies it for the first time in the 2020 financial year.

IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset. For lessees, it removes the previous accounting distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introduces a single model recognising a lease liability and corresponding right-of-use asset for all leases except for short-term leases and leases of low-value assets.

For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature.

The group engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reported to the Audit committee. The group completed its implementation project during the 2019 financial year.

IFRS 16 permits a choice of transition approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach with the cumulative effect of initial application recognised at the date of initial application without restating prior periods.

The age, size and complexity of the group's lease portfolio meant that it would have been either impossible or extremely costly and difficult to collate sufficient information to apply the fully retrospective approach. The group has therefore determined to adopt the modified retrospective approach.

Lease liabilities are measured initially at the present value of lease payments yet to be paid, subsequently adjusted for interest and lease payments as well as a number of other changes to lease provisions. Lease liabilities are included in net debt.

10. Significant accounting policies (continued)

Right-of-use assets are reported as non-current assets and are initially measured at either:

- carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the group's incremental borrowing rate as at 15 September 2019 (applied to a majority of the group's leases where sufficient historical information was available); or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (applied to a small number of leases where sufficient historical information was not available).

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

There is no change to overall cash flows. Operating lease payments were previously presented as operating cash flows and finance lease payments were allocated between payments of principal and interest within financing cash flows. Under IFRS 16, lease payments are split between payments of principal and interest, presented as financing cash flows.

Operating lease expenses previously charged to operating profit have been replaced by depreciation of right-of-use assets (within operating profit) and interest cost (within finance expense). Although the aggregate income statement impact of each lease over its life does not change, the generally straight-line profile of operating lease expense is now more front-loaded under IFRS 16 because of the interest charge on the lease liability.

In applying IFRS 16, the group has applied the following practical expedients as of the transition date:

- reliance on the previous identification of a lease (as defined by IAS 17) for all contracts that existed at the date of initial application;
- reliance on previous assessment of whether leases are onerous instead of performing an impairment review (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease);
- accounting for operating leases with a remaining lease term of less than 12 months as at the transition date as short-term leases excluded from the scope of IFRS 16 (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease); and
- accounting for operating leases for low-value items as excluded from the scope of IFRS 16;

No adjustment has been made to the recognition and measurement of assets previously recognised as finance leases under IAS 17 which were transferred to right-of-use assets on adoption of IFRS 16, with the related borrowings transferred to lease liabilities.

Impact on the group's results and financial position

The first results published under IFRS 16 are these 2020 interim results. The impact of IFRS 16 on the group's results and financial position is significant. IFRS 16 affects a number of financial statement captions and ratios, including the following:

Item	Comment
Earnings	There is a marginal impact on earnings and therefore marginal impact on dividend cover.
Operating profit/ operating margin	Operating profit and operating margin have increased as operating lease expenses are replaced by the depreciation of right-of-use assets.
Finance expense	Finance expense has increased significantly as a result of the interest cost on lease liabilities. Interest cover has therefore reduced.
Taxation	Taxation has changed in line with the changes in profit before tax.
Net debt	Net debt has increased very significantly as lease liabilities are recorded within current and non-current liabilities. Gearing ratios have therefore increased. The reconciliation of net debt includes more non-cash items as new leases are entered into.
Return on capital employed	The return on capital employed has reduced as a result of the changes to operating profit and non-current assets.
Cash flow statement	There is no overall impact on cash flow, but classifications of cash flows have changed, as set out above.

10. Significant accounting policies (continued)

The changes set out below to the group's assets and liabilities were recorded at the transition date of 15 September 2019 in the 2020 financial year and were charged against opening equity in this 2020 interim report.

	As reported 14 September 2019 £m	IFRS 16 adjustments £m	15 September 2019 £m
Non-current assets			
Property, plant and equipment	5,769	(20)	5,749
Right-of-use assets	-	3,204	3,204
Deferred tax assets	160	41	201
Other non-current assets	2,235	-	2,235
Total non-current assets	8,164	3,225	11,389
Current assets			
Other current assets	5,596	3	5,599
Total current assets	5,596	3	5,599
Total assets	13,760	3,228	16,988
Liabilities			
Lease liabilities	-	(3,678)	(3,678)
Loans and overdrafts	(588)	14	(574)
Provisions	(118)	10	(108)
Deferred tax liabilities	(261)	-	(261)
Other liabilities	(3,243)	276	(2,967)
Total liabilities	(4,210)	(3,378)	(7,588)
Net assets	9,550	(150)	9,400
Equity			
Total equity attributable to equity shareholders	9,452	(149)	9,303
Non-controlling interests	98	(1)	97
Total equity	9,550	(150)	9,400

10. Significant accounting policies (continued)

The 2019 results have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

Continuing operations	52 weeks ended 14 September 2019 (IAS 17) £m	IFRS 16 adjustments £m	52 weeks ended 14 September 2019 (IFRS 16 pro forma basis) £m
Operating profit	1,282	61	1,343
Adjusted operating profit	1,421	61	1,482
Profits less losses on disposal of non-current assets	4	-	4
Amortisation of non-operating intangibles	(47)	-	(47)
Acquired inventory fair value adjustments	(15)	-	(15)
Transaction costs	(2)	-	(2)
Exceptional items	(79)	-	(79)
Profits less losses on sale and closure of businesses	(94)	-	(94)
Profit before interest	1,188	61	1,249
Finance income	15	-	15
Finance expense	(42)	(82)	(124)
Other financial income	12	-	12
Profit before taxation	1,173	(21)	1,152
Adjusted profit before taxation	1,406	(21)	1,385
Profits less losses on disposal of non-current assets	4	-	4
Amortisation of non-operating intangibles	(47)	-	(47)
Acquired inventory fair value adjustments	(15)	-	(15)
Transaction costs	(2)	-	(2)
Exceptional items	(79)	-	(79)
Profits less losses on sale and closure of businesses	(94)	-	(94)
Taxation	(277)	4	(273)
Profit for the period	896	(17)	879
Attributable to			
Equity shareholders	878	(17)	861
Non-controlling interests	18	-	18
Profit for the period	896	(17)	879
Basic and diluted earnings per ordinary share (pence)	111.1	(2.1)	109.0
Adjusted earnings per ordinary share (pence)	137.5	(2.1)	135.4

IFRS 16 has the most significant impact on the Retail segment given the significant number of store leases to which Primark is a party. The changes in other liabilities mainly relate to the elimination of lease incentives received from the landlords of stores in the Retail segment.

10. Significant accounting policies (continued)

Disclosures on transition

The following table reconciles the operating lease commitments as at 14 September 2019 disclosed in the group's 2019 Annual Report to the amount recognised on the consolidated balance sheet in respect of lease liabilities on adoption of IFRS 16.

	£m
Undiscounted future operating lease commitments disclosed as at 14 September 2019	**5,213**
Effect of assumptions on renewal options and break clauses	(490)
Effect of discounting	(1,028)
Accruals and prepayments	(32)
Other reconciling items (net)	1
IFRS 16 lease liabilities recognised as at 15 September 2019	**3,664**
Existing finance lease liabilities as at 14 September 2019	14
Total lease liabilities recognised as at 15 September 2019	**3,678**

Under the modified retrospective transition method, lease payments were discounted to present value at 15 September 2019 using incremental borrowing rates derived as at that date representing the rate of interest that the group entity that entered into the lease would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Given the disproportionate value and profile of property leases in the Retail segment (£3,495m, 95% of the group total at transition), it is not appropriate to provide a single weighted average discount rate applied for the group at transition.

The weighted average incremental borrowing rate applied on transition for the Retail segment was 2.28%. For the food businesses, the incremental borrowing rates applied to individual leases range between 0.00% and 14.56%.

Accounting standards not yet applicable

The group is assessing the impact of the following standards, interpretations and amendments that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU, the adoption date is less certain:

- IFRS 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 1 and IAS 8 *Definition of Material* effective 2021 financial year
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* effective 2023 financial year (not yet endorsed by the EU)
- Amendments to *References to the Conceptual Framework in IFRS Standards* effective 2021 financial year

11. Accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the 52 weeks ended 14 September 2019 except as set out below.

IFRS 16

The adoption of IFRS 16 requires the group to make a number of estimates and judgements.

Transition approach

The selection of transition approach is a significant judgment. The group has adopted the modified retrospective transition approach. The rationale for this is set out in note 10.

Lease term

IFRS 16 defines lease term as the non-cancellable period of a lease together with options to renew or break a lease, if the lessee is reasonably certain to exercise that option. The assessment of lease term is a significant estimate. Where leases include an option to extend or reduce the lease term, the group makes a lease-by-lease assessment as to whether it is reasonably certain that the option will be exercised. This assessment considers the length of the time before any renewal or break option is exercisable, current and forecast store trading, the remaining useful economic life of store assets and any planned capital investment. Assessments for individual leases are also considered in aggregate to ensure consistency of approach.

11. Accounting estimates and judgements (continued)

Discount rate

The selection of discount rates is a significant judgment. The incremental borrowing rate applied to each lease was determined based on the risk-free rate in each country of operation adjusted for factors such as the estimated credit rating of the contracting entity, guarantees given by other group companies and the terms and conditions of each lease. Group Treasury devised a consistent and structured approach using a third-party model evaluating the following:

- external market data (e.g. risk-free rates in each country of operation and published financial statements);
- lease-specific data (e.g. lease dates and payments, lease counterparties and guarantors); and
- internal data and judgments (e.g. assessment of business model, judgments as to lease term).

Impairment risk associated with COVID-19

The global spread of COVID-19 began before the half year balance sheet date. The group has considered this in updating its half year assessment of impairment risk.

All of the group's food and ingredients factories have continued to operate, many of them at or near to full capacity. The group has identified no material impairment risk indicators in respect of its food businesses.

All of Primark's stores were closed in March and it is not yet known when they will be able to reopen. The group has considered the impact of these unplanned closures on impairment risk to the carrying value of its store property estate. The primary impact of this will be to delay the generation of future store profits and so no new impairments in respect of its retail estate have been identified.

The group has concluded that it should recognise impairment charges and provisions in respect of its retail inventory of £284m, details of which are set out in note 2.

12. Subsequent events

Following the balance sheet date, COVID-19 has spread rapidly. Governments have implemented significant restrictions on movement of people and trade in order to contain the further spread of the virus. This note sets out the subsequent events which are material to the group up to the date of this report. The risk of impairment of assets at the half year balance sheet date relating to COVID-19 were considered and the conclusions are set out in note 11.

Between 12 and 22 March, the group closed all Primark stores until further notice. Payment was confirmed with suppliers for all stock in transit. With no sales in Primark stores it was essential to prevent further cash outflows for stock and, as a result, all future orders were cancelled until further notice.

In each European country where Primark operates it intends to access each government programme for funds designed to provide income for those employees no longer working and to preserve their continued employment.

In April the Bank of England confirmed our eligibility to access funding under the Covid Corporate Financing Facility. The group ensured the availability of its £1.1bn committed revolving credit facility for the coming year and, as a precaution to avoid any possible illiquidity in the banking market, the facility was drawn down in full on 18 March.

Review of the key financial assumptions relating to the group's defined benefit pension schemes subsequent to the balance sheet date indicates that fluctuations in obligations fall within the range of sensitivities described in note 11 of the 2019 Annual Report. The fair value of plan assets is expected to be volatile in the short term due to uncertain market conditions.

CAUTIONARY STATEMENTS

This Interim Results Announcement contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

RESPONSIBILITY STATEMENT

The Interim Results Announcement complies with the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority in respect of the requirement to produce a half-yearly financial report.

The directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 as adopted by the EU;
- this Interim Results Announcement includes a fair review of the important events during the first half and their impact on the financial information, and a description of the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- this Interim Results Announcement includes a fair review of the disclosure of related party transactions and changes therein as required by DTR 4.2.8R.

On behalf of the board

Michael McLintock	George Weston	John Bason
Chairman	Chief Executive	Finance Director

21 April 2020

INDEPENDENT REVIEW REPORT TO ASSOCIATED BRITISH FOODS PLC

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the Interim Results Announcement for the 24 weeks ended 29 February 2020 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the Interim Results Announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Results Announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results Announcement in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 9, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed consolidated interim financial statements included in this Interim Results Announcement have 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 consolidated interim financial statements in the Interim Results Announcement based on our review.

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 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 consolidated interim financial statements in the Interim Results Announcement for the 24 weeks ended 29 February 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

21 April 2020