16 January 2020

Associated British Foods plc
Trading update

Associated British Foods plc today issues a trading update for the 16 weeks to 4 January 2020 summarising the significant trading developments since the last market update.

Trading outlook
Our outlook for the group is unchanged, with progress expected, on both a reported and an IFRS 16 adjusted basis, in adjusted earnings per share for the year.

Group revenue
Group revenue from continuing operations for the 16 weeks ended 4 January 2020 was 4% ahead of the same period last year at constant currency. The average exchange rate for sterling against the euro was stronger in this period than in the comparable period last financial year and so sales from continuing operations at actual exchange rates were 3% ahead.

Retail
Trading at Primark has been good in this first quarter. Sales were 4.5% ahead of last year at constant currency and 3.0% ahead at actual exchange rates. This sales growth was due almost entirely to the increase in selling space. Like-for-like performance improved, driven by a marked upturn in the Eurozone.

The UK continued to perform well. Sales were 4.0% ahead of last year, driven by a strong contribution from new selling space with a marginal decline in like-for-like sales for the period. As a consequence we delivered a further increase in share of the total clothing, footwear and accessories market. Trading was particularly good over November and December.

Sales in the Eurozone were 5.1% ahead of last year at constant currency as a result of the increase in selling space and like-for-like growth, with strong progress in France and Italy. The improvement in like-for-like sales in the final quarter of last financial year continued. At this early stage, there was a notable improvement in Germany.

Our US business delivered like-for-like sales growth in the period.

As expected, operating profit margin in the period decreased, with the effect of purchases contracted at a stronger US dollar exchange rate than last year but partially mitigated by cost reductions in both the cost of goods and overheads.

Retail selling space increased by 0.2 million sq ft since the financial year end and, at 4 January 2020, 376 stores were trading from 15.8 million sq ft which 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 Norte shopping centre in Porto, Portugal, the Norwich store in the UK was extended and selling space was reduced in two stores in Germany.

We now expect to add a net 0.9 million sq ft of additional selling space in this financial year. We expect to open 18 new stores together with a number of relocations and selling space will be reduced in a further store in Germany. Trading at our first store in eastern Europe, in Ljubljana, Slovenia has exceeded expectations. As previously announced, we will enter the Polish market with a new store in Warsaw in spring 2020, followed by a store in Prague, Czech Republic. We have now also signed leases for a further store in Poland, in Poznan, and for our first store in Slovakia, in Bratislava which will take Primark to its fifteenth country.

Sugar
AB Sugar revenue was 7% ahead of last year at constant currency and 5% ahead at actual exchange rates.

EU sugar prices have remained at levels higher than last year and our UK and Spanish businesses have now substantially completed contracting sales for this financial year. This, combined with reductions in the costs of sugar production, will deliver a material improvement in our Sugar profit this year, weighted to the second half.

UK sugar production is expected to be 1.18 million tonnes, up on last year with an improvement in beet yield more than offsetting the reduction in crop area. The campaign is progressing well after some initial delays following high levels of rain which have at times limited harvesting.

In Spain, the lower beet prices contracted with growers, coupled with higher sugar prices, will deliver a significantly improved operating result this year. Beet sugar production is expected to be lower than last year at 210,000 tonnes, due to the reduction in contracted crop area in the north, which will however be compensated for by an increase in raws refining.

Sugar production at Illovo is now expected to be some 1.7 million tonnes, broadly in line with last year, with production in a number of countries being limited by heavy rains at the end of the season. Sales across Illovo were ahead of the same period last year, but our higher-margin domestic sales in South Africa were affected by increased imports and a decline in consumption in that developed market.

In China, production is expected to be 130,000 tonnes compared to 149,000 tonnes last year. A better-quality crop and the linking of some grower payments to the sugar content of their beet is expected to deliver a significantly improved operating result this year.

Grocery
Sales for Grocery were level with last year at both constant currency and actual exchange rates, and margin improved.

Sales growth in Twinings was driven in particular by herbal teas in the UK and the US, although Ovaltine sales were held back by a slow start in Thailand. Margin benefited from the tea supply chain efficiencies delivered last year. At Allied Bakeries, the operating loss was reduced with progress from cost reductions more than offsetting the loss of contribution from lower sales. ACH traded strongly in the US with increased sales volumes and the first contribution from Anthony's Goods.

Agriculture
AB Agri revenue was 10% ahead of last year at both constant currency and actual exchange rates and margin declined.

Ingredients
Sales in Ingredients were 3% ahead of last year at constant currency and 1% ahead at actual exchange rates and margins were in line with the comparable period last year.

For further enquiries please contact:
Associated British Foods
John Bason, Finance Director — Tel: 020 7399 6500
Catherine Hicks, Corporate Affairs Director

Citigate Dewe Rogerson
Chris Barrie, Jos Bieneman — Tel: 020 7638 9571