For release 17 April 2018

Associated British Foods plc

Interim Results Announcement

24 weeks ended 3 March 2018

For release 17 April 2018

ASSOCIATED BRITISH FOODS PLC RESULTS FOR 24 WEEKS ENDED 3 MARCH 2018

Progress in adjusted earnings per share

Financial highlights

		Actual	Constant currency
• Group revenue	£7,422m	+2%	+3%
• Adjusted operating profit	£648m	-1%	+1%
• Adjusted profit before tax	£628m	+1%	
• Adjusted earnings per share	61.3p	+3%	
• Dividend per share	11.7p	+3%	
• Gross investment	£672m		
• Net cash	£123m		

- Statutory operating profit down 3% to £618m. Last year included the benefit of a profit on the sale of businesses which explains a 30% reduction in statutory profit before tax to £603m this year and a reduction in basic earnings per share of 24% to 60.9 pence.

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

"The group made progress in this period. Good sales and profit growth was achieved by all of our businesses at constant currency, other than Sugar, where the reduction was as expected. Our full year outlook for the group is unchanged with progress expected in both adjusted operating profit and adjusted earnings per share."

Adjusted operating profit is stated before the amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs and acquired inventory fair value adjustments. 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. Constant currency is derived by translating the 2017 results at 2018 average exchange rates.

References to operating profit in the Operating Review are based on the adjusted measure defined above.

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INTERIM RESULTS ANNOUNCEMENT

For the 24 weeks ended 3 March 2018

CHAIRMAN'S STATEMENT

This is my first report to shareholders having succeeded Charles Sinclair as Chairman this April, and I am pleased to report on our progress in the period. At actual exchange rates, revenue of £7.4bn in the first half was 2% ahead of last year and adjusted operating profit of £648m was 1% lower. At constant currency, revenue was 3% ahead and adjusted operating profit was 1% ahead of last year. Net financing costs reduced against the same period last year following favourable interest rate movements. The group's effective tax rate has reduced from 22.7% last year to 21.3% this year on adjusted profit before tax. This is primarily due to the reduction in the US federal corporate tax rate which will reduce the group's effective tax rate by 1% in the current financial year. As a result, adjusted earnings per share were 3% ahead at 61.3 pence.

The statutory operating profit for the period was 3% down at £618m. Last year the statutory profit before tax included a profit of £255m on the sale of both the group's US herbs and spices business and south China cane sugar operations. As a result, the statutory profit before tax has reduced by 30% to £603m this year and basic earnings per share has reduced by 24% to 60.9 pence.

Cash flow before acquisitions and disposals was lower than the corresponding period last year driven by a return to the usual seasonal cash outflow of AB Sugar and higher Primark inventories with deliveries accelerated ahead of Chinese New Year. Gross capital expenditure of £388m was in line with last year and the purchase consideration, on a debt-free basis, of Acetum in October 2017 amounted to £282m. Together with the payment of the final dividend, these resulted in a net cash balance for the group at the half year of £123m, which compared to net cash of £673m at the beginning of the financial year.

Board

Tim Clarke retired as a director on 30 November 2017 after 13 years on the board. Charles Sinclair has already paid tribute to the immeasurable value of Tim's contribution and, with his retirement, Javier Ferrán has taken on the responsibilities of Senior Independent Director.

Charles Sinclair retired as Chairman of the Company on 11 April 2018. On becoming Chairman, I succeeded Charles as chairman of the Nomination committee and have stepped down from the Audit committee. Ruth Cairnie succeeded Charles as chair of the Remuneration committee on that date.

Charles has served on the board for almost ten years, of which the last nine years were as Chairman. The development of the Company during his tenure is testament to his wise counsel and steady hand in steering the group through many periods of challenge and considerable change. Over the last decade the group's revenue and profit have doubled. All of our businesses have become more efficient and Primark has evolved into a leading international retailer. Charles has always believed that operating ethically is a core value and he has ensured that the governance of the Company has at all times encouraged the management to take a long-term view and to invest in the future. The group's success in converting profitability into cash has funded the significant investment over this period. We greatly appreciate his tremendous contribution and our very best wishes follow him.

Dividends

The board has declared an interim dividend of 11.7 pence per share, an increase of 3% on last year. The dividend will be paid on 6 July 2018 to shareholders registered at the close of business on 8 June 2018.

Outlook

In the first half, adjusted operating profit was in line with the prior year with growth in Primark, Grocery, Ingredients and Agriculture offset by the expected decline in profit at AB Sugar. In the second half, we expect an acceleration in profit growth at Primark, as a result of margin improvement, and continued profit growth from our other non-Sugar businesses. These should more than offset the decline in profit at AB Sugar in the balance of the year.

As a result, our full year outlook for the group is unchanged with progress expected in both adjusted operating profit and adjusted earnings per share.

Michael McLintock
Chairman

OPERATING REVIEW

At constant currency, group revenue of £7.4bn was 3% ahead and adjusted operating profit of £648m was 1% ahead of last year. The group made progress in this period. Good sales and profit growth was achieved by all of our businesses at constant currency, other than Sugar, where the reduction was as expected.

With some two thirds of the group's operating profit generated outside the UK, the weakness of sterling had a very favourable effect on the translation of our overseas results last year. This half year sterling has slightly strengthened against our major trading currencies, other than the euro, leading to a loss on translation in these results of some £11m.

Illovo, the largest sugar producer in Africa, contributes some half of the sales and volumes of AB Sugar. Our expectation is that the contribution this year from this profitable business will be in line with that delivered last year. The reduction in profit reported by AB Sugar this period was the result of significantly lower EU prices which adversely affected our UK and Spanish businesses. These lower prices were the result of the end of the EU sugar regime, the consequent removal of domestic sales quotas and an increase in sugar supply. AB Sugar has spent a number of years preparing for this, primarily in the reduction of its cost base and importantly we believe that British Sugar, at current exchange rates, is the lowest cost producer of sugar in the EU. Although we can now expect more volatility in the EU sugar price to affect the profitability of the European operations of AB Sugar, we have been working to deliver a satisfactory shareholder return over the medium term.

Primark performed well with profit growth of 4% achieved against a backdrop of unseasonable weather in Europe and a margin decline following the adverse effect of currency on purchases. Our UK performance was remarkable in the circumstances and delivered a strong increase in our share of the total clothing market. Looking ahead we expect this profit growth to accelerate with the continuation of our retail selling space expansion and an improvement in margin following the recent strengthening of sterling against the US dollar.

The strong profit growth of our other businesses this period should be recognised, particularly supported by further margin improvement in Grocery and Ingredients. Development of new products and expansion into new markets underpin much of this result and should lead to continued progress in the second half.

Sales and profit growth commentary in this Operating Review are based on results stated at constant currency.

Grocery

Continuing businesses	**2018**	2017	Actual fx	Constant fx
Revenue £m	**1,672**	1,658	+1%	+4%
Adjusted operating profit £m	**159**	151	+5%	+9%

Revenue in the first half was ahead of last year and adjusted operating profit was well ahead, driven by growth in Twinings Ovaltine, further margin improvement at George Weston Foods and a contribution from Acetum. As a consequence, Grocery margin increased to 9.5%.

Revenues at Twinings Ovaltine increased with especially strong growth in the Ovaltine brand. This was led by its major markets of Thailand and Switzerland, where there were new product launches and intensive marketing investment. In addition, good sales growth was achieved in important future markets, including China, Brazil, Nigeria and Vietnam. There was good progress by Twinings in the US and Italy, and green teas and infusions performed well in Australia and France.

In the UK there was an increase in the market share of private label bread. The Christmas trading period was good with Kingsmill being the best performer. We continued to invest in our brands with the launch of Kingsmill Super Seeds and craft loaves from Allinsons, and national television advertising celebrated the role that Kingsmill plays in family life. Continued progress has been made in reducing the operating loss at Allied Bakeries in this financial year. The operating result at Silver Spoon was better than the same period last year with some price improvement. Billington's, our premium unrefined baking sugar brand, had a successful marketing campaign which included a partnership with the Great British Bake Off and innovative recipe advertorials in The Times.

Jordans achieved good overseas growth, especially in Australia and Canada and, with the benefit of recent launches, in New Zealand and Brazil. In the UK, Ryvita Thins has shown continued growth although sales of crispbread have suffered from strong competition, particularly in the retail discounters. Good progress has been made with the construction of the new Ryvita bakery at Bardney in Lincolnshire which is expected to be commissioned in September.

At AB World Foods, Patak's delivered further share growth following the successful launch of paste pots which had strong endorsement by Jamie Oliver. Westmill had another period of consistent growth in noodles, and our investment in a substantial increase in production capacity is well under way. Our premium market-leading atta flour, Elephant, was successfully relaunched with full marketing support.

Acetum, the Modena-based balsamic vinegar business, was acquired in October and its integration is progressing well. The prospects for this business are good although, following a poor European grape harvest, unusually high raw material costs are likely to impact margins in the second half of this financial year.

At ACH in the US, our successful Mazola advertising campaign promoted its favourable health benefits and drove further volume growth and increased market share. The increased profit contribution from this was partially offset by higher freight costs, which have affected all of our US businesses. Profit in Mexico benefited from much stronger volumes of Capullo and a more favourable exchange rate with the US dollar.

Margins increased at George Weston Foods in Australia and New Zealand as a result of better trading and a reduction in overhead and operating costs. Profit at the Don KRC meat business was ahead, mostly driven by improved factory performance. Tip Top bread volumes improved, benefiting from the launch of a new, softer loaf and Thins, launched last year, performed well.

Sugar

Continuing businesses	2018	2017	Actual fx	Constant fx
Revenue £m	**938**	1,081	-13%	-12%
Adjusted operating profit £m	**90**	123	-27%	-24%

AB Sugar's revenue and adjusted operating profit were well down on last year which, as expected, was primarily as a result of significantly lower EU prices which adversely affected our UK and Spanish businesses. This was partially mitigated by a much larger UK crop and the ongoing benefits from performance improvement projects across the group.

Sugar production at Illovo this year is estimated to improve again, to over 1.7 million tonnes, with generally favourable weather conditions and improved management of irrigation and crops, although poor sugar content in the cane in Zambia led to some shortfall in sugar production there. We expect full year operating profit to be in line with that achieved last year. Good progress was made in the development of Illovo's regional sugar markets and sales of co-products, including potable alcohol in Tanzania, were strong. We continue to roll out advanced drip irrigation systems with major capital investments in Swaziland and Malawi.

Our sugar business in China performed well and processed 1.25 million tonnes of beet. The quality of beet processed was dramatically better following improvements made in beet handling and storage, and factory operations were excellent. With good domestic prices, we expect an improvement in profit for the full year.

The EU sugar regime ended on 30 September 2017 resulting in the end of sales quotas and the removal of constraints on exports. Sugar production in the EU during the 2017/18 campaign was substantially higher than last year as a result of exceptionally high beet yields and increased crop area. As a consequence, the EU has become a net exporter of sugar. Domestic prices have fallen and are now more closely related to world market prices. The global supply of sugar has moved back into surplus, with large crops in a number of major producing countries, and as a consequence, the sugar price on the world market has fallen. EU ethanol production from sugar has also increased leading to lower ethanol prices.

In the UK, a record beet yield and larger crop area led to an increase in sugar production from 0.9 million tonnes last year to around 1.37 million tonnes this year. Our sales for this financial year are largely contracted but, with sugar available from a number of EU countries and strong competition, prices have fallen significantly. Looking ahead, there has been a good take-up by growers of sugar beet contracts for 2018/19, the area contracted is in line with 2017/18 but delays experienced in drilling the new crop may affect yields this year. Following an extended maintenance shutdown, during which significant plant improvement work was completed, Vivergo has now restarted operations.

In Spain, sugar production from beet is expected to be around 0.4 million tonnes, ahead of last year. Sowing of the 2017/18 southern crop has been completed with an area in line with last year. As a result of higher sugar production from beet, the cane refinery at Guadalete will process lower volumes this year. Importantly for the 2018/19 campaign in the north, reserves of irrigation water, which had become depleted this year, have been replenished following snowfalls over the winter.

New product development supported the growth of sales and profit at Germains, our seed treatment and enhancement business. Growth has been particularly strong in the US horticulture market, and future growth will be supported by expansion of our facility at Gilroy, California.

Performance improvement projects in AB Sugar, supported by capital investment where appropriate, made material contributions to the profit from each part of the business.

Agriculture

	2018	2017	Actual fx	Constant fx
Revenue £m	**615**	552	+11%	+13%
Adjusted operating profit £m	**24**	23	+4%	+9%

Revenue growth in the first half was driven by higher feed volumes, the impact of increased raw material costs in the UK on feed prices and sales growth in our new business ventures. Sales increased by 13% and adjusted operating profit by 9%.

In the UK, compound feed sales have benefited from increased consumption of poultry and better profitability in the pork market. A larger sugar beet crop compared to last year increased the sales and contribution of co-products. The new anaerobic digestion plant in Yorkshire has been fully commissioned and is now running at near full capacity. Profit at Frontier has been held back by low volatility and weakening grain prices which have limited both merchanting and trading opportunities. Speciality Nutrition, our premix and starter feed business, performed strongly with increased sales volumes and new customers.

Volumes at AB Vista were driven by higher sales in Europe and North America, and profitability in our China feed business was much improved. Good sales progress was made across our new business ventures, in particular in Agrokorn our Danish speciality protein business.

Ingredients

	2018	2017	Actual fx	Constant fx
Revenue £m	**720**	730	-1%	+5%
Adjusted operating profit £m	**63**	61	+3%	+11%

Revenue in the first half was 5% ahead of last year and operating profit growth was strong at 11% with a further improvement in margin. Progress was made in both AB Mauri and ABF Ingredients.

AB Mauri in the half year delivered a further improvement in the operating performance of its plants and continued to invest in technology and manufacturing capability. Profit in North America was well ahead following the successful integration of Specialty Blending, the bakery ingredients business acquired last year, sales growth from bakery ingredients and improved yeast plant performance. Our business in South America performed well given the challenging economic conditions in the major economies of Argentina and Brazil, and the new bakery ingredients manufacturing facility in Buenos Aires is now fully operational.

Trading performance in Europe was ahead of last year and the recently opened UK Technical Centre delivered a number of differentiated products to our customers. A milestone in the building of our research and development capabilities was marked with the opening of the Global Bakery Centre in Made, Netherlands in September. Elsewhere our investment included the start of construction of a bakery ingredients plant in Panyu, China.

In ABF Ingredients, our enzyme business successfully completed the major capacity increase at its production site in Finland. Sales growth was particularly strong in enzymes for the bakery, detergent and other technical markets. Abitec in the US delivered further growth in its lipid products for pharmaceutical and nutrition applications and additional capability at Janesville, Wisconsin is being commissioned. PGPI, our US protein extrusion business performed very well with growth in cereal crisps benefiting from the consumer trend in the US for healthy snacking.

Retail

	2018	2017	Actual fx	Constant fx
Revenue £m	**3,477**	3,222	+8%	+7%
Adjusted operating profit £m	**341**	323	+6%	+4%

Sales at Primark were 7% ahead of last year at constant currency, driven by increased retail selling space, and 8% ahead at actual exchange rates.

Like-for-like sales for the group declined 1.5% for the 24 weeks. Sales were held back by unseasonably warm weather in October with a significant decline in the like-for-like measure in that month. The last week of the period was also challenging with freezing temperatures across northern Europe. Encouragingly, like-for-likes sales for the 15 weeks to 24 February 2018 delivered growth of 1% and record sales were achieved in the week before Christmas. Early customer reaction to the spring/summer range has been encouraging. Primark's following on digital and social media grew strongly again. Our website and these social channels are increasingly relevant to our customers, building awareness of our brand and product, and are drawing them into our stores.

Primark performed very well in the UK with sales 8% ahead of last year and a strong increase in our share of the total clothing market. This was driven by a 3% growth in like-for-like sales, an increase in selling space and the breadth of our consumer offering. Sales in Continental Europe were 6% ahead of last year mainly driven by increased retail selling space, partially offset by like-for-like decline in northern Europe.

Our business in the US made progress in the period. We continue to refine the operating model of our stores in the North East. We expect to reach an agreement soon to open a store in Sawgrass Mills, Florida in late 2019 which will provide the opportunity to trade in another type of retail environment, in both mall format and geographic location, to our existing stores. The store will be supplied from our existing US warehouse.

Operating margin in the first half was 9.8% and compared to 10% in the same period last year with better buying virtually offsetting the adverse effect of the US dollar exchange rate on purchases. Stock was tightly managed in the period and markdowns were in line with those of the first half last year.

We expect an acceleration in Primark profit growth in the second half as a result of an improvement in margin over the same period last year. This will be driven by better buying and some benefit of the recent weakness of the US dollar which will more than offset an expected return to a more normal level of markdowns, compared to the very low level achieved last year.

Retail selling space increased by 0.4 million sq ft since the financial year end and, at 3 March 2018, 352 stores were trading from 14.3 million sq ft which compared to 13.1 million sq ft a year ago. Seven new stores were opened in the period: Bielefeld, Münster and our second store in Stuttgart in Germany, Charlton and Staines in the UK, Loulé in the Algarve, Portugal and Le Havre in France. In addition, there were three relocations in the UK: a return to the redeveloped Westgate shopping centre in Oxford and a move to larger stores in Rotherham and Grimsby.

We still expect a total of 1.2 million sq ft of new selling space to be added in this financial year, and a strong programme is planned for the second half. We have already opened a new store in Metz, France, a large extension to our existing store in Meadowhall, UK and we have returned to much larger premises in Kingston, UK. The new stores planned for the remainder of this financial year are: Toulouse in France, Munich and Ingolstadt in Germany, Antwerp in Belgium, Valencia in Spain, Brooklyn, our ninth store in the US, Tilburg in the Netherlands, Burnley in the UK and in the Westfield London shopping centre at White City.

New store openings to date:

UK	**Germany**	**France**	**Portugal**
Charlton	Bielefeld	Le Havre	Loulé
Staines	Münster	Metz	
	Stuttgart Königstrasse		

Relocations:

Oxford, Rotherham, Grimsby and Kingston

New stores planned for the second half:

UK	Germany	France	Belgium
Westfield London	Munich	Toulouse	Antwerp
Burnley	Ingolstadt		
Spain	**US**	**Netherlands**	
Valencia	Brooklyn	Tilburg	

George Weston
Chief Executive

CONDENSED CONSOLIDATED INCOME STATEMENT

For the 24 weeks ended 3 March 2018

Continuing operations	Note	**24 weeks ended 3 March 2018 £m**	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m
Revenue	1	**7,422**	7,296	15,357
Operating costs		**(6,830)**	(6,684)	(14,090)
		592	612	1,267
Share of profit after tax from joint ventures and associates		**24**	26	63
Profits less losses on disposal of non-current assets		**2**	2	6
Operating profit		**618**	640	1,336
Adjusted operating profit	1	**648**	652	1,363
Profits less losses on disposal of non-current assets		**2**	2	6
Amortisation of non-operating intangibles		**(17)**	(11)	(28)
Acquired inventory fair value adjustments		**(15)**	–	–
Transaction costs		**–**	(3)	(5)
Profits less losses on sale and closure of businesses	5	**5**	255	293
Profit before interest		**623**	895	1,629
Finance income		**7**	4	9
Finance expense		**(25)**	(29)	(59)
Other financial expense		**(2)**	(3)	(3)
Profit before taxation		**603**	867	1,576
Adjusted profit before taxation		**628**	624	1,310
Profits less losses on disposal of non-current assets		**2**	2	6
Amortisation of non-operating intangibles		**(17)**	(11)	(28)
Acquired inventory fair value adjustments		**(15)**	–	–
Transaction costs		**–**	(3)	(5)
Profits less losses on sale and closure of businesses		**5**	255	293
Taxation – UK		**(32)**	(36)	(62)
– Overseas		**(80)**	(185)	(303)
	2	**(112)**	(221)	(365)
Profit for the period		**491**	646	1,211
Attributable to				
Equity shareholders		**481**	636	1,198
Non-controlling interests		**10**	10	13
Profit for the period		**491**	646	1,211
Basic and diluted earnings per ordinary share (pence)	3	**60.9**	80.5	151.6
Dividends per share paid and proposed for the period (pence)	4	**11.70**	11.35	41.00

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 24 weeks ended 3 March 2018

	24 weeks ended 3 March 2018 £m	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m
Profit for the period recognised in the income statement	**491**	646	1,211
Other comprehensive income			
Remeasurements of defined benefit schemes	**224**	103	438
Deferred tax associated with defined benefit schemes	**(42)**	(22)	(77)
Items that will not be reclassified to profit or loss	**182**	81	361
Effect of movements in foreign exchange	**(7)**	256	61
Net loss on hedge of net investment in foreign subsidiaries	**(7)**	(13)	(9)
Deferred tax associated with movements in foreign exchange	**1**	–	(2)
Current tax associated with movements in foreign exchange	**–**	–	(1)
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed	**–**	(28)	(28)
Movement in cash flow hedging position	**20**	20	(8)
Deferred tax associated with movement in cash flow hedging position	**(4)**	(4)	–
Share of other comprehensive income of joint ventures and associates	**–**	7	–
Items that are or may be subsequently reclassified to profit or loss	**3**	238	13
Other comprehensive income for the period	**185**	319	374
Total comprehensive income for the period	**676**	965	1,585
Attributable to			
Equity shareholders	**666**	949	1,573
Non-controlling interests	**10**	16	12
Total comprehensive income for the period	**676**	965	1,585

CONDENSED CONSOLIDATED BALANCE SHEET

At 3 March 2018

	3 March 2018 £m	4 March 2017 £m	16 September 2017 £m
Non-current assets			
Intangible assets	**1,627**	1,467	1,414
Property, plant and equipment	**5,611**	5,400	5,470
Investments in joint ventures	**204**	210	210
Investments in associates	**48**	46	44
Employee benefits assets	**504**	7	285
Deferred tax assets	**149**	136	143
Other receivables	**54**	47	54
Total non-current assets	**8,197**	7,313	7,620
Current assets			
Inventories	**2,314**	1,988	2,101
Biological assets	**103**	121	90
Trade and other receivables	**1,346**	1,382	1,342
Derivative assets	**74**	127	79
Income tax	**–**	–	28
Cash and cash equivalents	**887**	1,103	1,550
Total current assets	**4,724**	4,721	5,190
Total assets	**12,921**	12,034	12,810
Current liabilities			
Loans and overdrafts	**(183)**	(249)	(265)
Trade and other payables	**(2,223)**	(2,230)	(2,500)
Derivative liabilities	**(78)**	(52)	(113)
Income tax	**(138)**	(169)	(170)
Provisions	**(82)**	(84)	(105)
Total current liabilities	**(2,704)**	(2,784)	(3,153)
Non-current liabilities			
Loans	**(581)**	(664)	(612)
Other payables	**(246)**	(214)	(216)
Provisions	**(48)**	(50)	(27)
Deferred tax liabilities	**(330)**	(226)	(231)
Employee benefits liabilities	**(154)**	(210)	(159)
Total non-current liabilities	**(1,359)**	(1,364)	(1,245)
Total liabilities	**(4,063)**	(4,148)	(4,398)
Net assets	**8,858**	7,886	8,412
Equity			
Issued capital	**45**	45	45
Other reserves	**175**	175	175
Translation reserve	**443**	650	456
Hedging reserve	**(15)**	(7)	(31)
Retained earnings	**8,126**	6,940	7,694
Total equity attributable to equity shareholders	**8,774**	7,803	8,339
Non-controlling interests	**84**	83	73
Total equity	**8,858**	7,886	8,412

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the 24 weeks ended 3 March 2018

	24 weeks ended 3 March 2018 £m	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m
Cash flow from operating activities			
Profit before taxation	**603**	867	1,576
Profits less losses on disposal of non-current assets	**(2)**	(2)	(6)
Profits less losses on sale and closure of businesses	**(5)**	(255)	(293)
Transaction costs	**–**	3	3
Finance income	**(7)**	(4)	(9)
Finance expense	**25**	29	59
Other financial expense	**2**	3	3
Share of profit after tax from joint ventures and associates	**(24)**	(26)	(63)
Amortisation	**28**	24	57
Depreciation	**233**	232	514
Acquired inventory fair value adjustments	**15**	–	–
Net change in the fair value of current biological assets	**(14)**	(25)	–
Share-based payment expense	**7**	9	21
Pension costs less contributions	**1**	8	12
(Increase)/decrease in inventories	**(128)**	104	(40)
Decrease/(increase) in receivables	**11**	7	(2)
(Decrease)/increase in payables	**(284)**	(155)	168
Purchases less sales of current biological assets	**–**	(1)	(2)
Decrease in provisions	**(25)**	(9)	(1)
Cash generated from operations	**436**	809	1,997
Income taxes paid	**(111)**	(164)	(356)
Net cash from operating activities	**325**	645	1,641
Cash flows from investing activities			
Dividends received from joint ventures and associates	**25**	38	69
Purchase of property, plant and equipment	**(351)**	(399)	(823)
Purchase of intangibles	**(37)**	(22)	(43)
Sale of property, plant and equipment	**10**	17	49
Purchase of subsidiaries, joint ventures and associates	**(195)**	(81)	(79)
Sale of subsidiaries, joint ventures and associates	**–**	455	452
Interest received	**4**	4	8
Net cash from investing activities	**(544)**	12	(367)
Cash flows from financing activities			
Dividends paid to non-controlling interests	**(2)**	–	(4)
Dividends paid to equity shareholders	**(234)**	(209)	(299)
Interest paid	**(22)**	(24)	(59)
(Decrease)/increase in short-term loans	**(115)**	114	49
Decrease in long-term loans	**(5)**	(2)	(9)
Purchase of shares in subsidiary undertaking from non-controlling interests	**(1)**	–	(3)
Sale of shares in subsidiary undertakings to non-controlling interests	**1**	–	–
Movements from changes in own shares held	**–**	–	(10)
Net cash from financing activities	**(378)**	(121)	(335)
Net (decrease)/increase in cash and cash equivalents	**(597)**	536	939
Cash and cash equivalents at the beginning of the period	**1,386**	462	462
Effect of movements in foreign exchange	**(6)**	16	(15)
Cash and cash equivalents at the end of the period	**783**	1,014	1,386

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 24 weeks ended 3 March 2018

	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 16 September 2017		45	175	456	(31)	7,694	8,339	73	8,412
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	481	481	10	491
Remeasurements of defined benefit schemes		–	–	–	–	224	224	–	224
Deferred tax associated with defined benefit schemes		–	–	–	–	(42)	(42)	–	(42)
Items that will not be reclassified to profit or loss		–	–	–	–	182	182	–	182
Effect of movements in foreign exchange		–	–	(7)	–	–	(7)	–	(7)
Net loss on hedge of net investment in foreign subsidiaries		–	–	(7)	–	–	(7)	–	(7)
Deferred tax associated with movements in foreign exchange		–	–	1	–	–	1	–	1
Movement in cash flow hedging position		–	–	–	20	–	20	–	20
Deferred tax associated with movements in cash flow hedging position		–	–	–	(4)	–	(4)	–	(4)
Items that are or may be subsequently reclassified to profit or loss		–	–	(13)	16	–	3	–	3
Other comprehensive income		–	–	(13)	16	182	185	–	185
Total comprehensive income		–	–	(13)	16	663	666	10	676
Transactions with owners									
Dividends paid to equity shareholders	4	–	–	–	–	(234)	(234)	–	(234)
Net movement in own shares held		–	–	–	–	7	7	–	7
Dividends paid to non-controlling interests		–	–	–	–	–	–	(3)	(3)
Acquisition and disposal of non-controlling interests		–	–	–	–	(4)	(4)	4	–
Total transactions with owners		–	–	–	–	(231)	(231)	1	(230)
Balance as at 3 March 2018		**45**	**175**	**443**	**(15)**	**8,126**	**8,774**	**84**	**8,858**
Balance as at 17 September 2016		45	175	433	(22)	6,423	7,054	68	7,122
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	636	636	10	646
Remeasurements of defined benefit schemes		–	–	–	–	103	103	–	103
Deferred tax associated with defined benefit schemes		–	–	–	–	(22)	(22)	–	(22)
Items that will not be reclassified to profit or loss		–	–	–	–	81	81	–	81
Effect of movements in foreign exchange		–	–	251	(1)	–	250	6	256
Net loss on hedge of net investment in foreign subsidiaries		–	–	(13)	–	–	(13)	–	(13)
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	–	(28)	–	–	(28)	–	(28)
Movement in cash flow hedging position		–	–	–	20	–	20	–	20
Deferred tax associated with movement in cash flow hedging position		–	–	–	(4)	–	(4)	–	(4)
Share of other comprehensive income of joint ventures and associates		–	–	7	–	–	7	–	7
Items that are or may be subsequently reclassified to profit or loss		–	–	217	15	–	232	6	238
Other comprehensive income		–	–	217	15	81	313	6	319
Total comprehensive income		–	–	217	15	717	949	16	965
Transactions with owners									
Dividends paid to equity shareholders	4	–	–	–	–	(209)	(209)	–	(209)
Net movement in own shares held		–	–	–	–	9	9	–	9
Disposal of non-controlling interests		–	–	–	–	–	–	(1)	(1)
Total transactions with owners		–	–	–	–	(200)	(200)	(1)	(201)
Balance as at 4 March 2017		45	175	650	(7)	6,940	7,803	83	7,886
Balance as at 17 September 2016		45	175	433	(22)	6,423	7,054	68	7,122
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	1,198	1,198	13	1,211
Remeasurements of defined benefit schemes		–	–	–	–	438	438	–	438
Deferred tax associated with defined benefit schemes		–	–	–	–	(77)	(77)	–	(77)
Items that will not be reclassified to profit or loss		–	–	–	–	361	361	–	361
Effect of movements in foreign exchange		–	–	63	–	–	63	(2)	61
Net loss on hedge of net investment in foreign subsidiaries		–	–	(9)	–	–	(9)	–	(9)
Deferred tax associated with movements in foreign exchange		–	–	(2)	–	–	(2)	–	(2)
Current tax associated with movements in foreign exchange		–	–	(1)	–	–	(1)	–	(1)
Reclassification adjustment for movements in foreign exchange on subsidiaries disposed		–	–	(28)	–	–	(28)	–	(28)
Movement in cash flow hedging position		–	–	–	(9)	–	(9)	1	(8)
Items that are or may be subsequently reclassified to profit or loss		–	–	23	(9)	–	14	(1)	13
Other comprehensive income		–	–	23	(9)	361	375	(1)	374
Total comprehensive income		–	–	23	(9)	1,559	1,573	12	1,585
Transactions with owners									
Dividends paid to equity shareholders	4	–	–	–	–	(299)	(299)	–	(299)
Net movement in own shares held		–	–	–	–	11	11	–	11
Deferred tax associated with share-based payments		–	–	–	–	1	1	–	1
Current tax associated with share-based payments		–	–	–	–	(1)	(1)	–	(1)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(4)	(4)
Acquisition and disposal of non-controlling interests		–	–	–	–	–	–	(3)	(3)
Total transactions with owners		–	–	–	–	(288)	(288)	(7)	(295)
Balance as at 16 September 2017		45	175	456	(31)	7,694	8,339	73	8,412

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, income tax assets and deferred tax assets, and all current assets except cash and cash equivalents. Segment liabilities comprise trade and other payables, derivative liabilities and provisions.

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, operating intangibles and biological assets.

The group is comprised of the following operating segments:

Grocery	The manufacture of grocery products, including hot beverages, sugar & sweeteners, vegetable oils, bread & baked goods, 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 and cereal specialities.
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 3 March 2018 £m	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m	**24 weeks ended 3 March 2018 £m**	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m
Operating segments						
Grocery	**1,672**	1,658	3,381	**159**	151	303
Sugar	**938**	1,081	2,174	**90**	123	223
Agriculture	**615**	552	1,203	**24**	23	50
Ingredients	**720**	730	1,493	**63**	61	125
Retail	**3,477**	3,222	7,053	**341**	323	735
Central	**–**	–	–	**(29)**	(31)	(75)
	7,422	7,243	15,304	**648**	650	1,361
Businesses disposed:						
Grocery	**–**	53	53	**–**	5	5
Sugar	**–**	–	–	**–**	(3)	(3)
	7,422	7,296	15,357	**648**	652	1,363
Geographical information						
United Kingdom	**2,752**	2,589	5,702	**235**	204	504
Europe & Africa	**2,861**	2,800	5,865	**245**	278	555
The Americas	**746**	752	1,538	**102**	107	189
Asia Pacific	**1,063**	1,102	2,199	**66**	61	113
	7,422	7,243	15,304	**648**	650	1,361
Businesses disposed:						
The Americas	**–**	53	53	**–**	5	5
Asia Pacific	**–**	–	–	**–**	(3)	(3)
	7,422	7,296	15,357	**648**	652	1,363

1. Operating segments for the 24 weeks ended 3 March 2018

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,674	977	617	808	3,477	(131)	7,422
Internal revenue	(2)	(39)	(2)	(88)	–	131	–
Revenue from external customers	1,672	938	615	720	3,477	–	7,422
Adjusted operating profit before joint ventures and associates	145	88	21	57	341	(29)	623
Share of profit after tax from joint ventures and associates	14	2	3	6	–	–	25
Adjusted operating profit	159	90	24	63	341	(29)	648
Profits less losses on disposal of non-current assets	2	–	–	–	–	–	2
Amortisation of non-operating intangibles	(15)	(1)	–	(1)	–	–	(17)
Acquired inventory fair value adjustments	(15)	–	–	–	–	–	(15)
Profits less losses on sale and closure of businesses	–	23	–	–	–	(18)	5
Profit before interest	131	112	24	62	341	(47)	623
Finance income						7	7
Finance expense						(25)	(25)
Other financial expense						(2)	(2)
Taxation						(112)	(112)
Profit for the period	131	112	24	62	341	(179)	491
Segment assets (excluding joint ventures and associates)	2,662	2,298	432	1,401	4,246	90	11,129
Investments in joint ventures and associates	26	26	133	67	–	–	252
Segment assets	2,688	2,324	565	1,468	4,246	90	11,381
Cash and cash equivalents						887	887
Deferred tax assets						149	149
Employee benefits assets						504	504
Segment liabilities	(500)	(398)	(134)	(254)	(1,161)	(230)	(2,677)
Loans and overdrafts						(764)	(764)
Income tax						(138)	(138)
Deferred tax liabilities						(330)	(330)
Employee benefits liabilities						(154)	(154)
Net assets	2,188	1,926	431	1,214	3,085	14	8,858
Non-current asset additions	63	53	11	26	227	2	382
Depreciation	(46)	(45)	(6)	(25)	(110)	(1)	(233)
Amortisation	(21)	(2)	(1)	(2)	(1)	(1)	(28)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,752	2,861	746	1,063	7,422
Segment assets	4,414	4,507	1,032	1,428	11,381
Non-current asset additions	171	159	24	28	382
Depreciation	(90)	(94)	(19)	(30)	(233)
Amortisation	(17)	(6)	(2)	(3)	(28)

1. Operating segments for the 24 weeks ended 4 March 2017

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,660	1,135	553	826	3,222	(153)	7,243
Internal revenue	(2)	(54)	(1)	(96)	–	153	–
External revenue from continuing businesses	1,658	1,081	552	730	3,222	–	7,243
Businesses disposed	53	–	–	–	–	–	53
Revenue from external customers	1,711	1,081	552	730	3,222	–	7,296
Adjusted operating profit before joint ventures and associates	138	120	20	54	323	(31)	624
Share of profit after tax from joint ventures and associates	13	3	3	7	–	–	26
Businesses disposed	5	(3)	–	–	–	–	2
Adjusted operating profit	156	120	23	61	323	(31)	652
Profits less losses on disposal of non-current assets	2	–	–	–	–	–	2
Amortisation of non-operating intangibles	(10)	–	–	(1)	–	–	(11)
Transaction costs	(3)	–	–	–	–	–	(3)
Profits less losses on sale and closure of businesses	72	183	–	–	–	–	255
Profit before interest	217	303	23	60	323	(31)	895
Finance income						4	4
Finance expense						(29)	(29)
Other financial expense						(3)	(3)
Taxation						(221)	(221)
Profit for the period	217	303	23	60	323	(280)	646
Segment assets (excluding joint ventures and associates)	2,404	2,312	388	1,489	3,800	139	10,532
Investments in joint ventures and associates	33	25	132	66	–	–	256
Segment assets	2,437	2,337	520	1,555	3,800	139	10,788
Cash and cash equivalents						1,103	1,103
Deferred tax assets						136	136
Employee benefits assets						7	7
Segment liabilities	(531)	(492)	(115)	(267)	(1,042)	(183)	(2,630)
Loans and overdrafts						(913)	(913)
Income tax						(169)	(169)
Deferred tax liabilities						(226)	(226)
Employee benefits liabilities						(210)	(210)
Net assets	1,906	1,845	405	1,288	2,758	(316)	7,886
Non-current asset additions	55	38	15	41	224	2	375
Depreciation	(49)	(47)	(5)	(25)	(104)	(2)	(232)
Amortisation	(19)	(2)	(1)	(2)	–	–	(24)
Impairment of property, plant & equipment on disposal of business	(2)	–	–	–	–	–	(2)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,589	2,800	805	1,102	7,296
Segment assets	4,245	3,870	1,153	1,520	10,788
Non-current asset additions	119	175	46	35	375
Depreciation	(93)	(84)	(20)	(35)	(232)
Amortisation	(14)	(2)	(2)	(6)	(24)
Impairment of property, plant & equipment on disposal of business	–	–	(2)	–	(2)

1. Operating segments for the 52 weeks ended 16 September 2017

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,384	2,282	1,207	1,674	7,053	(296)	15,304
Internal revenue	(3)	(108)	(4)	(181)	–	296	–
External revenue from continuing businesses	3,381	2,174	1,203	1,493	7,053	–	15,304
Businesses disposed	53	–	–	–	–	–	53
Revenue from external customers	3,434	2,174	1,203	1,493	7,053	–	15,357
Adjusted operating profit before joint ventures and associates	264	220	37	112	735	(75)	1,293
Share of profit after tax from joint ventures and associates	39	3	13	13	–	–	68
Businesses disposed	5	(3)	–	–	–	–	2
Adjusted operating profit	308	220	50	125	735	(75)	1,363
Profits less losses on disposal of non-current assets	17	–	–	–	(6)	(5)	6
Amortisation of non-operating intangibles	(25)	(1)	(1)	(1)	–	–	(28)
Transaction costs	(4)	–	–	(1)	–	–	(5)
Profits less losses on sale and closure of businesses	110	183	–	–	–	–	293
Profit before interest	406	402	49	123	729	(80)	1,629
Finance income						9	9
Finance expense						(59)	(59)
Other financial income						(3)	(3)
Taxation						(365)	(365)
Profit for the period	406	402	49	123	729	(498)	1,211
Segment assets (excluding joint ventures and associates)	2,349	2,079	371	1,416	4,245	90	10,550
Investments in joint ventures and associates	36	23	131	64	–	–	254
Segment assets	2,385	2,102	502	1,480	4,245	90	10,804
Cash and cash equivalents						1,550	1,550
Income tax						28	28
Deferred tax assets						143	143
Employee benefits assets						285	285
Segment liabilities	(515)	(480)	(112)	(273)	(1,382)	(199)	(2,961)
Loans and overdrafts						(877)	(877)
Income tax						(170)	(170)
Deferred tax liabilities						(231)	(231)
Employee benefits liabilities						(159)	(159)
Net assets	1,870	1,622	390	1,207	2,863	460	8,412
Non-current asset additions	140	100	27	78	519	3	867
Depreciation	(116)	(84)	(11)	(52)	(248)	(3)	(514)
Amortisation	(43)	(4)	(2)	(4)	(3)	(1)	(57)
Impairment of property, plant & equipment on disposal of business	(2)	–	–	–	–	–	(2)

Geographical information

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	5,702	5,865	1,591	2,199	15,357
Segment assets	4,199	4,123	1,077	1,405	10,804
Non-current asset additions	290	407	89	81	867
Depreciation	(189)	(190)	(54)	(81)	(514)
Amortisation	(33)	(8)	(5)	(11)	(57)
Impairment of property, plant & equipment on disposal of business	–	–	(2)	–	(2)

2. Income tax expense

	24 weeks ended 3 March 2018 £m	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m
Current tax expense			
UK – corporation tax at 19% (2017 – 19.54%)	**28**	33	82
Overseas – corporation tax	**78**	165	297
UK –under/(over) provided in prior periods	**2**	–	(12)
Overseas – over provided in prior periods	**(4)**	–	(9)
	104	198	358
Deferred tax expense			
UK deferred tax	**2**	3	(10)
Overseas deferred tax	**7**	20	17
UK – under provided in prior periods	**–**	–	2
Overseas – over provided in prior periods	**(1)**	–	(2)
	8	23	7
Total income tax expense in income statement	**112**	221	365
Reconciliation of effective tax rate			
Profit before taxation	**603**	867	1,576
Less share of profit after tax from joint ventures and associates	**(24)**	(26)	(63)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**579**	841	1,513
Nominal tax charge at UK corporation tax rate of 19% (2017 – 19.54%)	**110**	164	296
Effect of higher and lower tax rates on overseas earnings	**6**	40	39
Effect of changes in tax rates on income statement	**(9)**	1	–
Expenses not deductible for tax purposes	**12**	4	24
Disposal of assets covered by tax exemptions or unrecognised capital losses	**(6)**	13	9
Deferred tax not recognised	**2**	–	18
Adjustments in respect of prior periods	**(3)**	(1)	(21)
	112	221	365
Income tax recognised directly in equity			
Deferred tax associated with defined benefit schemes	**42**	22	77
Deferred tax associated with share-based payments	**–**	–	(1)
Current tax associated with share-based payments	**–**	–	1
Deferred tax associated with movement in cash flow hedging position	**4**	4	–
Deferred tax associated with movements in foreign exchange	**(1)**	–	2
Current tax associated with movements in foreign exchange	**–**	–	1
	45	26	80

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 17% effective from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. Accordingly, UK deferred tax has been calculated using these rates as appropriate.

On 24 November 2017 the European Commission published its preliminary decision on the Group Financing Exemption in the UK's controlled foreign company legislation finding that the legislation is in breach of the EU State Aid rules. Like many other multinational groups that have acted in accordance with this UK legislation, the group may be affected by the final outcome of this investigation. We have calculated our maximum potential liability to be some £25m. We do not consider that any provision is required in respect of this amount based on our current assessment of the issue.

3. Earnings per share

	24 weeks ended 3 March 2018 pence	24 weeks ended 4 March 2017 pence	52 weeks ended 16 September 2017 pence
Adjusted earnings per share	**61.3**	59.7	127.1
Disposal of non-current assets	**0.3**	0.3	0.8
Sale and closure of businesses	**0.6**	32.3	37.0
Acquired inventory fair value adjustments	**(1.9)**	–	–
Transaction costs	**–**	(0.4)	(0.6)
Tax effect on above adjustments	**1.1**	(10.3)	(11.0)
Amortisation of non-operating intangibles	**(2.2)**	(1.4)	(3.5)
Tax credit on non-operating intangibles amortisation and goodwill	**1.7**	0.3	1.8
Earnings per ordinary share	**60.9**	80.5	151.6

4. Dividends

	24 weeks ended 3 March 2018 pence	24 weeks ended 4 March 2017 pence	52 weeks ended 16 September 2017 pence
2016 final	**–**	26.45	26.45
2017 interim	**–**	–	11.35
2017 final	**29.65**	–	–
	29.65	26.45	37.80

	24 weeks ended 3 March 2018 £m	24 weeks ended 4 March 2017 £m	52 weeks ended 16 September 2017 £m
2016 final	**–**	209	209
2017 interim	**–**	–	90
2017 final	**234**	–	–
	234	209	299

The 2017 final dividend of 29.65 pence per share was approved on 8 December 2017 and totalled £234m when paid on 12 January 2018. The 2018 interim dividend of 11.70 pence per share, total value of £93m, will be paid on 6 July 2018 to shareholders on the register on 8 June 2018.

5. Acquisitions and disposals

Acquisitions

2018

On 12 October 2017, the group's Grocery business completed the acquisition of 100% of Acetum S.p.A, the leading Italian producer of Balsamic Vinegar of Modena for a total consideration of £284m including debt assumed of £89m and deferred consideration of £2m. In the first half the group also acquired a small aerial survey and informatics company as part of the UK Agriculture business.

The acquisitions had the following effect on the group's assets and liabilities:

	Pre-acquisition carrying values £m	Recognised values on acquisition £m
Net Assets		
Intangible assets	–	95
Property, plant and equipment	40	42
Inventories	26	95
Trade and other receivables	23	23
Cash and cash equivalents	11	11
Trade and other payables	(26)	(26)
Loans	(89)	(89)
Taxation	6	(40)
Net identifiable assets and liabilities	(9)	111
Goodwill		98
Total consideration		209

5. Acquisitions and disposals (continued)

	Recognised values on acquisition £m
Satisfied by	
Cash consideration	205
Deferred consideration	4
	209

Net cash	
Cash consideration	205
Cash and cash equivalents acquired	(11)
	194

Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £95m of non-operating intangible assets in respect of brand and customer relationships, a £69m upward fair value adjustment on inventories and a £2m upward revaluation of land and buildings, which were recognised together with related deferred tax of £46m.

The cash outflow of £195m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £205m for these acquisitions less cash acquired with the businesses of £11m and £1m payment of deferred consideration in respect of prior year acquisitions.

2017

During the first half of 2017 the group acquired two small Grocery businesses in the UK and an Ingredients business in the US. Total consideration was £85m, comprising cash of £83m and deferred consideration of £2m. Net assets acquired comprised intangible assets of £69m, cash of £5m and other operating assets and liabilities of £11m. The full year cash outflow of £79m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprises cash consideration of £83m less cash acquired with the businesses of £5m, and £1m of deferred consideration in respect of prior year acquisitions.

Disposals

2018

There have been no business disposals in the first half of 2018. On 20 October 2017 the group completed the buy-out of the remaining 5.5% minority interest in Vivergo. This resulted in the recognition of a gain of £23m (in the Sugar and UK segments) arising from the extinguishment of the associated shareholder loan and interest, which has been recognised in sale and closure of businesses in line with the original transaction in 2015. The group also charged an £18m onerous lease provision to sale and closure of business (in the Central and UK segments) against rental guarantees given on property leases assigned to third parties that the group expects to be required to honour.

2017

In the first half of 2017 the group disposed of its US herbs and spices business, reported within the Grocery segment. Cash proceeds amounted to £294m, net assets disposed were £26m and the associated goodwill was £124m. Provisions for transaction and associated restructuring costs were £33m, with a loss of £1m on recycling foreign exchange differences. The pre-tax gain on disposal was £110m. The group also disposed of its south China cane sugar operations for cash proceeds of £194m. The purchaser also assumed £103m of debt resulting in total proceeds of £297m. Net assets disposed were £120m. Provisions for transaction and associated restructuring costs were £24m, offset by a gain of £29m on recycling of foreign exchange differences and £1m of non-controlling interests. The pre-tax gain on disposal was £183m.

The full year cash inflow of £452m on the sale of subsidiaries, joint ventures and associates in the cash flow statement comprises cash proceeds of £488m less cash disposed with the businesses of £26m and £10m of transaction costs.

6. Analysis of net cash/(debt)

	At 16 September 2017 £m	Cash flow £m	Acquisitions £m	Non-cash items £m	Exchange adjustments £m	**At 3 March 2018 £m**
Cash at bank and in hand, cash equivalents and overdrafts	1,386	(597)	–	–	(6)	**783**
Short-term loans	(101)	115	(89)	(6)	2	**(79)**
Long-term loans	(612)	5	–	23	3	**(581)**
	673	(477)	(89)	17	(1)	**123**

7. 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 16 September 2017. There have been no material changes in these relationships in the 24 weeks ended 3 March 2018 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.

8. 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 3 March 2018 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 16 September 2017 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 16 September 2017.

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 16 September 2017.

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 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 24 on pages 138 to 147 of the 2017 annual report provides details of the group's policy on managing its financial and commodity risks.

The group has considerable financial resources, good access to debt markets, a diverse range of businesses and a wide geographic spread. It is therefore well placed to continue to manage business risks successfully despite the current economic uncertainty.

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 17 April 2018. 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 16 September 2017 have been abridged from the group's 2017 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.

9. Significant accounting policies

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 16 September 2017 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 16 September 2017.

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.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions effective 2019 financial year
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts effective 2019 financial year
- Annual Improvements to IFRSs 2014-2016 effective 2019 financial years

9. Significant accounting policies (continued)

- IFRS 9: Financial Instruments: Classification and Measurement effective 2019 financial year
- IFRS 15: Revenue from Contracts with Customers effective 2019 financial year
- IFRS 16: Leases effective 2020 financial year
- IFRS 17: Insurance contracts effective 2022 financial year (not yet endorsed by the EU)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration effective 2019 financial year
- IFRIC 23: Uncertainty over Income Tax Treatments effective 2020 financial year (not yet endorsed by the EU)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures effective 2020 financial year (not yet endorsed by the EU)
- Annual Improvements to IFRSs 2015-2017 effective 2020 financial year (not yet endorsed by the EU)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement effective 2020 financial year (not yet endorsed by the EU)

The group continues to assess the impacts of IFRS 9, IFRS 15 and IFRS 16. The group has made progress in understanding the effect of IFRS 9 and IFRS 15 through collecting data from across the group and conducting training. Currently the group expects these standards to have a limited impact on the group's results, but will provide fuller detail in the 2018 consolidated financial statements. In light of the group's significant property portfolio, the group is still assessing the transition options of IFRS 16, and anticipates concluding this work before the end of this financial year.

The acquisition of Acetum S.p.A during the half year gave rise to a £69m upward fair value adjustment on acquired inventory. This adjustment is charged to the income statement as the acquired inventory is sold. In line with the group's practice in previous years, this charge is treated as an adjusting item for the purpose of adjusted operating profit and adjusted profit before tax measures shown on the face of the income statement, to reflect the underlying performance of the business.

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.

RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, competitor activity and competition risk, commercial relationships with customers and suppliers, changes in foreign exchange rates and commodity prices. Details of the principal risks facing the group's businesses at an operational level are included on pages 54 to 58 of the group's statutory financial statements for the 52 weeks ended 16 September 2017, as part of the Strategic report. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Chairman's statement and the Operating Review as appropriate.

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**

17 April 2018

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 3 March 2018 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 8, 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 3 March 2018 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

17 April 2018