Associated British Foods plc

FOR RELEASE 25 APRIL 2023

Interim Results Announcement

24 weeks ended 4 March 2023

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Associated British Foods plc results for the 24 weeks ended 4 March 2023

Strong growth in Group sales

Very good footfall and margin better than expected at Primark

Financial Headlines

		Actual currency change	Constant currency change
Group revenue	£9,560m	+21%	+17%
Adjusted operating profit	£684m	-3%	-7%
Adjusted profit before tax	£667m	In line	
Adjusted earnings per share	62.0p	-3%	
Dividend per share	14.2p	+3%	
Gross investment	£527m	+17%	
Net cash before lease liabilities	£586m		
Net debt including lease liabilities	£2,601m		
Statutory operating profit	£663m	-3%	
Statutory profit before tax	£644m	+1%	
Basic earnings per share	67.0p	+11%	

Statutory operating profit is derived from the adjusted operating profit after taking certain charges and credits as shown on the face of the condensed consolidated income statement.

Summary of Group performance

Food

- Sales increased across all businesses, up 23% in aggregate to £5,332m
- Adjusted operating profit up 13% to £373m
- Exceptionally strong adjusted operating profit performance in Ingredients, up 62%
- Sugar crop and inflationary challenges offset by strong Illovo performance
- Grocery adjusted operating profit broadly in line with pricing lagging input cost inflation as expected
- Agriculture adjusted operating profit down with difficult animal feed markets in UK and China

Primark

- Sales up 19% to £4,228m reflecting good growth in all countries
- Strong like-for-like sales growth driven by price and volume
- New stores performing strongly
- Adjusted operating profit of £351m, margin of 8.3%
- US: expansion into southern states to be anchored by new warehouse
- Announcement of restructuring and growth plan for Germany
- Digital development continues with rollout of improved website, UK trial of Click and Collect launched with geographic extension later this year

Shareholder returns

- £140m of the £500m share buyback completed in the period

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

"This period was marked by extreme and volatile inflation in all our businesses. We have taken considerable action to mitigate these costs through operational cost savings and, where appropriate, pricing.

The performance of our Food businesses was resilient in aggregate, underpinned by an exceptional performance at Ingredients. We were very pleased with the improvement in Primark sales, which recovered strongly from the second half of the last financial year and drove operating profit margin up to 8.3%, higher than we had expected.

Primark has been very successful in this period in attracting new customers with its proposition of good quality merchandise combined with price leadership and well invested stores. We have had a very strong contribution from new stores opened in the period, and today we are announcing plans for the development of our Primark business in southern states of the US."

The Group has defined and outlined the purpose of its Alternative performance measures in note 14. These measures are used within the Financial Headlines and in this Interim Results Announcement.

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There will be an analyst and investor presentation at 09.00am BST today which will be streamed online and accessed via our website here.

Notes to editors

Associated British Foods is a diversified international food, ingredients and retail group with annual sales of £17bn and 132,000 employees in 53 countries. It has significant businesses in Europe, Africa, the Americas, Asia and Australia.

Our aim is to achieve strong, sustainable leadership positions in markets that offer potential for long-term profitable growth. We look to achieve this through a combination of growth of existing businesses, acquisition of complementary new businesses and achievement of high levels of operating efficiency.

Interim Results Announcement

For the 24 weeks ended 4 March 2023

Chairman's statement

Our performance this half year should be seen in the context of an operating environment that has seen intense and volatile inflationary pressures. First half revenues were up 21% at actual exchange rates and 17% at constant currency, against the same period last year, to £9.6bn. Careful pricing decisions at Primark and the usual delay in recovering inflation in many of our Food businesses resulted in lower Group margins. Given this economic environment, it is creditable that adjusted operating profit for the Group was broadly in line with that delivered last year. Adjusted operating profit was 3% lower at £684m at actual exchange rates and declined 7% at constant currency. There were no exceptional items in either half year, and so the statutory operating profit also declined by 3% to £663m this period.

Over the period, sterling saw pronounced weakness and this was the major reason for the decline in the Primark margin. However, given the international breadth of our operations there was a £29m benefit on the translation of our non-sterling earnings.

Within Food, our Ingredients businesses performed well with AB Mauri recording good growth in volumes and cost recovery. Our Grocery and Sugar businesses were resilient in the face of cost inflation and, in the case of Sugar, a particularly poor UK crop and other challenges.

Given the wider economic conditions and their effect on the cost of living for our customers, Primark traded very strongly in the half year, ahead of both our expectations and the wider clothing retail market. The business attracted new customers and it is notable that the higher sales resulted from both pricing and an increase in unit volumes.

The net of finance and other financial income and expense improved by £23m, reflecting a further substantial increase in the surplus in the Group's defined benefit pension schemes and the increase in interest rates. Adjusted profit before tax was in line with last year. As previously indicated, the effective tax rate increased to 24.7% from 23.2% last year. Adjusted earnings per share declined by 3% to 62.0p.

We have a number of large capital projects under way, and with a recovery from the pandemic-affected years gross investment is building and increased by 17% to £527m. This was driven by projects to build capacity in our businesses, add stores in Primark and increasingly expand our capabilities in automation and technology. We expect this higher level of investment to continue over the medium term.

The cash outflow for the Group in the first half was £895m, some £600m higher than that expected in a typical first half. This increase was driven by £140m spent in the first half following the initiation of the £500m share buyback programme and by a working capital increase some £400m higher than a typical first half. This higher than usual increase in working capital was driven by three factors: the effect of inflation, higher than usual inventory at Primark and higher sugar production in Illovo. Working capital will be lower at the end of the financial year, with the seasonal increase in Sugar inventory set to reverse and we expect a reduction in Primark's inventory.

This cash outflow in the first half resulted in net cash before lease liabilities of £586m at the half year. Net debt including lease liabilities of £3.2bn was £2.6bn, giving a financial leverage ratio of 1.2 times. Total liquidity was £2.5bn.

Board

Last November we announced that John Bason would be retiring this month, having been Finance Director since 1999. He leaves with our immense gratitude. On 6 February this year we welcomed Eoin Tonge to the Group as Finance Director Designate. John will stand down as Finance Director, and from the Board, on 28 April with Eoin succeeding him as Finance Director the following day. John will become Chairman of Primark's Strategic Advisory Board in May.

Having completed nine years on the Board on 1 May 2023, Ruth Cairnie will relinquish her roles of Senior Independent Director and as Chair of the Remuneration Committee with effect from that date. Dame Heather Rabbatts will become Senior Independent Director and Graham Allan will become Chair of the Remuneration Committee. Ruth will not stand for re-election at the next Annual General Meeting of the Company.

Dividend

The Board has declared an interim dividend of 14.2p a share, an increase of 3% on last year reflecting our confidence in our forecast for the outturn for the year.

The dividend will be paid on 7 July 2023 to shareholders registered at the close of business on 2 June 2023.

Capital allocation

In the ordinary course of business, the Board prefers to see the Group's financial leverage, expressed as the ratio of net debt including lease liabilities to adjusted EBITDA, to be well under 1.5 times at each half year and year end reporting date. In exceptional circumstances the Board will be prepared to see leverage above that level for a short period of time. Our priority is always to invest in our businesses, both organically and by acquisition, at an appropriate pace and wherever attractive returns on capital can be generated. The Board may from time to time conclude that it has surplus cash and capital. In making this assessment, the Board will be mindful that financial leverage consistently below 1.0 times and substantial net cash balances at both half and full year ends may indicate such a surplus position.

Accordingly, we announced a share buyback programme of £500m in November 2022. The Board views the share buyback as an investment, rather than simply a return of capital, with both the size and timing of the programme appropriate for the delivery of value to shareholders. Although financial leverage was 1.2 times at this half year end, with the seasonal reduction of working capital, leverage is expected to be below 1.0 times at the financial year end.

In the period we purchased 8.1m shares for £140m. Shares bought back were cancelled and at the end of the half year we had 784m ordinary shares in issue. The weighted average number of shares for the half year was 786m which compared to 789m for the last financial year.

Outlook

In the second half the continued recovery of significant inflation in our input costs remains a management priority across the Group, albeit that inflation has become less volatile, with some input costs reduced. Some macro-economic headwinds for the consumer remain.

For the full year, adjusted operating profit in our Food businesses is expected to be modestly ahead of last year. After the very strong performance in the first half, we expect Ingredients profit for the full year to be well ahead of last year. We now expect a decline in adjusted operating profit for the full year at AB Sugar mainly as a consequence of much lower UK sugar production. We now expect the Grocery adjusted operating profit to be ahead of the prior year with the full year benefit of the pricing actions and cost savings already taken.

At Primark, we remain cautious about the resilience of consumer spending in the face of ongoing inflation in the cost of living and higher interest rates. We expect like-for-like sales growth in the second half although we expect that growth to moderate from that in the first half. The cost of bought-in goods will be higher than the same period a year ago due to the particular strength of the US dollar against sterling and the euro at the time of purchasing. However, we will start to see the benefits of lower sea freight costs, which have returned to normal levels, and of much reduced energy costs. Our forecast for overhead costs includes increases in in-store retail wages and incremental investment in technology. Taking these factors into account, we now expect the second half margin to be similar to that achieved in the first half and as a consequence the full year adjusted operating profit margin to be similar to 8.3%.

For the full year, our expectation for the Group remains for adjusted operating profit and adjusted earnings per share to be broadly in line with the previous financial year.

Michael McLintock
Chairman

Chief Executive's statement

Inflation dominated the economic and commercial environment for all our businesses. The growth in sales, an increase of 17% at constant currency to £9.6bn, demonstrated the work to recover the very significant input cost inflation that we were not able to mitigate through operational efficiencies. We chose not to recover all the input cost inflation in Primark and actions on price in our Food businesses lagged input cost inflation as usual, and margin declined in the first half as a result. Given the extent of inflation this was to be expected and we regard this level of profitability as satisfactory in the circumstances while acknowledging that there is more work to do on margin recovery.

At the start of this financial year all our businesses were experiencing inflation across raw materials and commodities, in the supply chain, and in energy. All of this was made more difficult by high volatility and short-term currency movements which were especially pronounced in the sterling US dollar exchange rate which is a major determinant of Primark's transaction costs. As the period progressed, this volatility lessened and some input costs such as freight and cotton fell back to normal levels. Labour costs have increased substantially and some costs, while reduced, remain above past norms. Our businesses took steps to offset these higher input costs through operational cost savings and where necessary the implementation of price increases. Looking into the second half, our focus remains on margin recovery in both Food and Retail.

In Food, revenues grew by 17% to £5.3bn and adjusted operating profit grew by 4% to £373m at constant currency. Ingredients performed particularly strongly, and adjusted operating profit rose by 48% at constant currency to £102m. This was mainly driven by good cost recovery and resilient volumes at AB Mauri, our yeast and bakery ingredients business; ABF Ingredients, our portfolio of speciality ingredients businesses, also had a strong period. In Sugar, the adjusting operating profit in the first half was ahead driven by the Illovo businesses in Zambia and Malawi. However, we now expect full year profits to decline: adverse weather conditions damaged the UK beet crop and as a result sugar production was the lowest seen in decades at British Sugar, severe flooding in Mozambique caused the significant loss of sugar cane, and adverse price movements combined with short-term spikes in operating costs drove losses at Vivergo. Pricing actions became more evident as the period progressed in Grocery but margins declined. Agriculture sales rose significantly but margins declined given that market conditions for animal feed in our major markets of the UK and China remained tough.

A key feature of Primark trading in the first half was the increase in footfall and unit volumes which compared to volume declines seen elsewhere in retailing in this environment. We were pleased with the recovery in Primark sales from those of the second half of the last financial year and a 10% increase in like-for-like sales over last year.

Late last summer the US dollar strengthened significantly against sterling and the euro, and energy costs were both high and highly volatile. Against this backdrop, and the likelihood of much reduced disposable incomes for our customers, we decided to implement only moderate price increases on a selection of our ranges for this financial year. Given the evolution of the inflation environment, we believe that this decision was not only in the best interests of Primark customers but also supported our core proposition of everyday affordability and price leadership. This pricing did not recover the input cost inflation in the first half, and margins declined in the period as a result. Margins in the second half of this financial year are now expected to be similar to that achieved in the first half of this year, and this increases our confidence in returning the Primark margin to above 10%.

Today we are announcing our plans to establish a significant presence for Primark in southern states of the US. In the coming months we expect to sign leases for stores in states across the region, including locations in Texas. We are locating our second US distribution centre in Jacksonville Florida and construction is progressing well.

We are committed to our Primark business in Germany and have been developing plans with some restructuring to return the existing estate to long-term profitability and we will also open new stores.

We increased our focus on investment and innovation in the Group and the increase in capital expenditure is one reflection of this. This was achieved despite the intensity of work required to successfully manage high inflation. We are well placed to grow both sales and profits sustainably in the medium term.

George Weston
Chief Executive

Operating review

The table below shows the results by segment on a reported basis.

	Revenue			Adjusted operating profit		
	24 weeks ended 4 March 2023 £m	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Operating segments						
Grocery	**2,105**	1,821	3,735	**173**	175	399
Sugar	**1,189**	914	2,016	**86**	77	162
Agriculture	**950**	809	1,722	**12**	15	47
Ingredients	**1,088**	798	1,827	**102**	63	159
Food	**5,332**	4,342	9,300	**373**	330	767
Retail	**4,228**	3,540	7,697	**351**	414	756
Central	**–**	–	–	**(40)**	(38)	(88)
	9,560	7,882	16,997	**684**	706	1,435

References to changes in revenue and adjusted operating profit in the following segmental commentary are based on constant currency.

Grocery

	2023	2022	Actual currency	Constant currency
Revenue £m	**2,105**	1,821	+16%	+10%
Adjusted operating profit £m	**173**	175	-1%	-10%

Revenue in the first half was 10% higher than the same period last year with price increases building during the period to recover cost inflation. Adjusted operating profit was slightly lower reflecting the decline in margin from 9.6% in the same period last year to 8.2% this year, which reflected the lag between input cost inflation and the time taken for the agreement and implementation of pricing. In the second half, we will benefit from the full effect of the pricing taken in the first half, and from further pricing implemented in the period. As a consequence we expect the decline in the adjusted operating profit margin, compared to the second half margin of the prior year, to be substantially less than the 1.4 ppt decline in the first half. For the full year, we now expect adjusted operating profit to be broadly in line with the previous year.

Half year sales at Twinings Ovaltine were broadly in line with the same period last year. Marketing investment was increased in the period and we expect an increase for the full year. Twinings revenues were ahead driven by good performances in the US and Australia and continued growth of Wellness teas. Although Ovaltine performed well in Brazil and Switzerland, revenues were held back by the disruption to imports into Myanmar, lower sales of powder products in Thailand, and lower foodservice sales in China.

Allied Bakeries secured significant pricing in the period and the results improved. The trajectory of this performance is encouraging with the financial performance improving through the period and, as a consequence, a bigger improvement is expected in the second half. We continue to work on improvements to the financial performance of this business. Early indications are that the significant brand investment made in the period by Jordans Dorset Ryvita is having a positive impact. Pricing at AB World Foods and Westmill led to higher sales.

Revenue growth was strong at ACH, our edible oils and bakery ingredients business in the US, driven by both Mazola and Fleischmann's improving on their strong market share positions, and pricing taken to recover inflationary costs. Stratas, our joint venture in the US that supplies oils to the foodservice, ingredients and retail markets, continued to trade very strongly.

George Weston Foods in Australia delivered strong sales growth led by pricing. Our Tip Top baking business traded well but faced a number of inflationary pressures, specifically very high prices for wheat used in bread due to a wet Australian harvest. Don KRC, our meat business, delivered some recovery in its adjusted operating profit due to good sales growth and production increased as labour availability improved.

Sugar

	2023	2022	Actual currency	Constant currency
Revenue £m	**1,189**	914	+30%	+27%
Adjusted operating profit £m	**86**	77	+12%	+5%

AB Sugar revenues were 27% ahead of the same period last year driven by higher sugar and co-product prices, higher Illovo volumes, and the resumption of Vivergo bioethanol sales. The contribution from the higher sales was partly offset by higher costs for beet, cane and energy, increased processing costs in British Sugar, and a substantial trading loss at Vivergo. We also recognised a £10m charge for extensive flood damage to the cane estate in Mozambique following cyclone Freddy. Taking all this into account, adjusted operating profit was 5% ahead of the same period last year.

European and world sugar prices improved further, and remain high, with estimates for EU sugar production in the 2022/23 campaign showing a reduction of some 10% compared to last year as a result of a smaller growing area and lower beet yields caused by adverse weather. Our UK and Spanish businesses have largely contracted sales for this financial year at much improved prices.

UK sugar production for the 2022/23 campaign was 0.74 million tonnes, down from 1.03 million tonnes in the previous year. This was an exceptionally low level of production and was caused by both low beet yields and sugar content following an unusually adverse sequence of weather events over the summer and winter. Energy costs and beet costs were higher in the period compared to last year. Looking to the second half, as a consequence of the production shortfall, British Sugar has secured alternative sources of supply and continues to work with its customers to ensure continuity of supply, and profitability will be significantly impacted as a result.

Vivergo incurred substantial losses in the first half as a result of higher energy and wheat costs, and lower bioethanol prices than expected combined with short-term spikes in operating costs. Losses are expected to reduce in the second half with more consistency in operating costs and as bioethanol prices improve.

Sugar production at Azucarera is expected to be some 11% lower than last year with higher margin beet sugar production running at similar levels to last year while volumes of lower margin cane raws declined. In this first half, the benefit of higher sugar prices was more than offset by higher energy costs, but we expect an improvement in profitability in the second half of the financial year.

Financial results at Illovo for the period were much higher than in the same period a year ago. Sales were much improved with higher sugar prices and volumes, higher sugar production in Malawi and Zambia in particular, strong sales of co-products, and an improved performance in Eswatini compared to volumes affected by strike action last year. Profit was also ahead despite the charge taken for flood damage to our cane estates in Mozambique and a levy required by the South African Sugar Association reflecting the early-stage insolvency of some of the other market participants in the period. Construction of the new production and packaging plant at Kilombero, in Tanzania, is progressing and, when operational, will enable us to supply more domestic demand from domestic production, so displacing imports.

AB Sugar China trading performance was below the same period last year mainly as a result of lower sugar prices which resulted from a reduction in demand due to the temporary closure of hospitality venues caused by pandemic-related restrictions.

Agriculture

	2023	2022	Actual currency	Constant currency
Revenue £m	**950**	809	+17%	+15%
Adjusted operating profit £m	**12**	15	-20%	-25%

Revenue in the period was up significantly and reflected pricing taken to recover higher input costs partially offset by lower volumes of compound feed in the UK and China where market conditions continue to remain challenging. Lower demand for UK compound feed volumes was the result of avian influenza and a reduction in the UK pig herd. Compound feed volumes in China were also lower as a result of low livestock prices and localised disruption from the pandemic. Sales at AB Vista, our enzymes business, were broadly in line with last year but increased raw material and freight costs led to lower margins. Frontier benefitted from good grain trading and higher demand for fertiliser. The decline in adjusted operating profit in the first half was driven mainly by lower profit in our UK and Chinese compound feed businesses.

Ingredients

	2023	2022	Actual currency	Constant currency
Revenue £m	**1,088**	798	+36%	+27%
Adjusted operating profit £m	**102**	63	+62%	+48%

Sales and adjusted operating profit rose significantly in the period with a very strong performance by AB Mauri and ABF Ingredients performing well.

AB Mauri, our yeast and bakery ingredients business, saw sales rise strongly with successful actions on pricing and resilient volumes. All major regions, and North America in particular, showed good sales increases with the exception of China where demand was lower due to pandemic-related disruption. Adjusted operating profit grew significantly as a result. Looking ahead, construction of a new yeast plant in northern India has begun and plans to expand capacity in Brazil are on schedule for completion this year. AB Biotek, which develops high value yeast strains for non-baking applications, is now benefitting from additional capability and innovation with the start-up earlier this month of our new specialty yeast plant in Hull in the UK.

ABF Ingredients, our portfolio of specialty ingredients businesses, delivered good organic revenue and profit growth and also benefitted from the acquisition last year of Fytexia Group. Ohly, Abitec and SPI Pharma, our specialists in yeast extracts, lipids and pharmaceutical ingredients respectively, all delivered significant revenue growth, while we had good revenue growth at AB Enzymes and PGPI, our food and feed enzymes business and our extruded proteins business respectively. Fytexia continues to perform well.

Retail

	2023	2022	Actual currency	Constant currency
Revenue £m	**4,228**	3,540	+19%	+17%
Adjusted operating profit £m	**351**	414	-15%	-16%

Total Primark sales for the first half were 17% ahead of last year at constant currency with increases in all our markets. Trading was significantly better than expected driven by good footfall and the appeal of our proposition to new and existing customers. This represented a material improvement in both the UK and Europe on the second half of the last financial year. This financial year began with good sales in September, followed by softer trading in a warm October, succeeded by better trading in November and December which culminated in two record sales weeks in the run-up to Christmas. Trading in the New Year started very strongly with a slight softening in February against harder year-on-year comparators. More recently we have seen a positive reaction to our spring and summer ranges.

Like-for-like sales were 10% ahead of last year driven by higher average selling prices and higher unit volumes. Footfall increased in both the UK and in Europe. This was against a comparative period which had some disruption from COVID-19. Like-for-like sales for the half year returned to levels broadly in line with pre-COVID. The increase in our weighted average retail selling space was more meaningful in the period, at 3.4%, and follows the acceleration of our store opening programme. All the new stores opened in the period are performing well with some exceptionally high sales densities.

The benefit of stronger sales than expected drove operating profit margin up to 8.3%, which was higher than we expected at the start of our financial year. However, the first half margin last year was 11.7%. The margin reduction from last year was a result of our decision not to fully recover all the inflation in input costs. The cost of bought-in goods increased due to the significant strengthening of the US dollar against sterling and the euro, and higher freight rates. We also experienced inflation in labour and energy costs.

In the UK, total sales were 15% ahead of the same period a year ago driven by like-for-like sales growth of 15%. Footfall strengthened on high streets and in retail parks and was significantly better in our destination city stores which are now busy as tourists and office workers have returned. The strength of these sales is evidenced by the outperformance of Primark's share of the total UK clothing, footwear and accessories market by value, including online sales. The latest 12-week data to 5 March 2023, showed Primark's market share increased from 6.2% last year to 6.5% this year.

Total sales in Europe, excluding the UK, were 18% higher, with an increase in like-for-like sales of 8% with higher average selling prices and footfall. The like-for-like performance was driven by much improved performances in our large markets of Spain, France and Germany. In Spain, Primark increased its market share in the period from November to the end of January with sales 14% higher against overall market growth of 5%. We opened 10 stores in Europe in the first half, all of which have shown very strong and sustained customer demand, in particular Bucharest in Romania, and Bari and Caserta Naples in southern Italy. We also added more than 100,000 sq ft of retail selling space in France, with Saint Etienne performing particularly well. This extensive store opening programme delivered a 6% year-on-year increase in weighted average retail selling space.

In Germany, like-for-like sales recovered strongly in this first half, increasing 13% year-on-year, but sales densities across the estate remain too low as a result of the size of some existing stores and their proximity to one another. We have been developing our plans to return our business to long-term profitability and have announced today a restructuring and growth plan. We intend to optimise the retail selling space of some stores and to reduce the number of stores which stood at 31 at the end of the period. We closed our store in Weiterstadt in the half year and our store in Steglitz Berlin after the period end. We are consulting on our intention to close a further four stores: Gelsenkirchen, Frankfurt Nord-West-Zentrum, Kaiserslautern and Krefeld. We recently reduced the size of our Hannover store and we are consulting on plans to reduce in size more stores in due course.

Primark is committed to the German market where it has a substantial and loyal customer base. A large proportion of German shoppers do not live within a convenient distance of a Primark store and so we will invest in new stores in locations where there is little risk of cannibalisation. The new stores will be smaller than the average in Primark's estate in Germany and the merchandise will be selected to appeal to local customer demand. Our proposition remains attractive to customers and we believe the enhanced functionality of our new website will benefit sales.

In the US total sales were 11% higher with good trading across the 16 stores. Prior year comparatives were particularly strong with consumer spending supported by COVID-related government stimulus. We opened three new stores in the period with another five stores opening in the second half: Buffalo, and Albany New York, Baltimore Maryland, and two further stores in the wider New York metro area - Green Acres Long Island and Jersey Gardens Newark. We also signed in the period two leases for new stores due to open beyond this financial year: Florida Mall Orlando, and Jersey City New Jersey. In the coming months we expect to sign leases for stores across southern states of the US, including locations in Texas. We are locating our second US distribution centre in Jacksonville Florida and construction is progressing well.

Trading across the estate benefitted from higher levels of stock and this better availability of stock compared to last year drove incremental sales through investment in high demand seasonal product. Our cold weather and Christmas collections, including the "Snuddie" and velvet plush leggings, drove good sales growth in the first quarter. Since the Christmas period, holiday and summer categories have had exceptional growth in sales of beachwear and luggage in particular. Early reaction to our spring and summer ranges has been positive. Our collaborations with UK and Spanish brand ambassadors continue to perform well across all markets. Health and beauty continued its strong sales performance with expanded product ranges driving strong growth. More recent standalone collections such as the Edit, our more premium essentials range for women, continue to grow and attract new customers.

The Primark Cares sustainability strategy was launched in September 2021. We published in November 2022 the first of our annual Sustainability and Ethics Progress Reports. Some 50% of clothing unit sales in this first half contained recycled or more sustainably sourced materials, an increase from 39% over the same period last year. We have now trained over 250,000 farmers in more sustainable farming practices under the Primark Sustainable Cotton Programme. We are well placed to reach our target to train some 275,000 farmers by the end of this calendar year and we now plan to expand the Programme beyond Bangladesh, India, Pakistan and China to farmers in Turkey. Some 38% of the cotton in our clothes sold in the first half is now organic, recycled or sourced from this Programme, up from 33% in the same period last year. After the period end we launched our first circular product collection comprising 35 pieces in menswear, womenswear and kidswear.

Primark’s digital development continues. Our much-improved website was launched in the UK a year ago followed by the Republic of Ireland before Christmas, Germany and Spain after the half year end, with Italy, US and France the next to follow. All remaining markets will follow over the summer. We have seen a significant increase in customer traffic where the new website has been introduced, and importantly the stock checker facility is being used by a significant number of customers. We believe that the website has contributed to like-for-like growth in the relevant markets. Our Click and Collect trial of children’s products in 25 stores in the north of England and Wales was launched in late November and continues with encouraging results. We have decided to extend this trial to 32 stores which are broadly within the M25 region by late summer.

Retail selling space increased by 0.5 million sq ft since the last financial year end and on 4 March 2023 we were trading from 419 stores and 17.8 million sq ft of selling space. Thirteen new stores were opened in the period: our first store in Romania, Primark’s 15th market, three in the US, three in Italy, three in France, two in Poland, and one in Northern Ireland. We fully reopened our Bank Buildings store in the heart of Belfast, which was damaged by fire in 2018, and closed our temporary store in Donegal Place. We extended our stores at Sawgrass Mills, Florida, and Galway Eyre Square, Republic of Ireland, and closed our store in Weiterstadt, Germany. After the period end we closed one of our stores in Berlin. We are on track to deliver a net increase in retail selling space of some 1 million sq ft in the financial year.

Managing our risks

Our approach to risk management

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 94 to 101 of the Group's Annual Report and Accounts for the 52 weeks ended 17 September 2022, as part of the Strategic Report.

We have reassessed our principal risks for the remaining six months of the financial year as the world continues to face uncertainties as a result of the war between Russia and Ukraine. Whilst supply chain volatility has reduced and energy prices and sea freight costs have stabilised, uncertainty and instability continue to be significant risks and there are inflationary pressures on raw materials and some key commodities. We remain cognisant of the significant impacts that would result from an escalation in the conflict in Ukraine. Our procurement teams continue to work closely with suppliers.

Rising interest rates and a slowdown in global growth, potentially leading to recession in some economies, could exacerbate debt problems, raise risks of emerging market crises, and could trigger market instability.

Whilst consumer spending has proven to be more resilient in this trading period than anticipated at the start of the financial year, household budgets continue to face real pressures as a result of high inflation, increased interest rates and general economic uncertainty. This means that some consumers are having to make challenging and difficult choices in respect of what they spend and where they spend it. Whilst we continue to offer safe, nutritious and affordable food and affordable, quality clothes to our customers, the full consequences of the current cost of living crisis remains uncertain. The impact on our businesses will depend on the extent of government intervention and the duration of any economic downturns.

Extreme weather conditions have a significant impact on sugar production. In the UK, adverse weather conditions have resulted in significantly lower beet yields from the 2022/23 crop. British Sugar has moved swiftly to secure alternative sources of supply. Mozambique continues to be impacted by ongoing severe flooding resulting in significant areas of crops being under water.

Some of our businesses are experiencing challenges in recruiting and retaining talent with the appropriate skills in pockets of their operations. Recruitment and talent management and development continue to be key priorities.

Our businesses remain on high alert to the heightened risk of IT security breaches and cyber-based attacks. We continue to invest in monitoring and detection capabilities.

The purchase of merchandise denominated in foreign currencies by Primark is the most material currency transaction risk for the Group, although Primark is now bought for this financial year. Financial markets have generally been less volatile than the same period last year, which was impacted by the onset of the war in Ukraine. Market disruption events still remain though and ABF's key transactional and earnings denominated currencies are subject to these economic and geo-political events. Sterling is on average weaker against our portfolio of earnings currencies and the net impact of this will lead to a small translation gain in the second half of the year.

The Group purchases a wide range of commodities, including the consumption of energy, in the ordinary course of business. We constantly monitor the markets in which we operate and manage certain of these exposures with fixed price supply contracts, exchange traded contracts and hedging instruments. The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.

The Group continues to focus on tightly managing cash flow, maintaining a very strong level of liquidity and prudently managing the interest rate and credit risk associated with our significant gross cash balances.

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. See note 11 to the Condensed Consolidated Interim Financial Statements.

Condensed consolidated income statement

for the 24 weeks ended 4 March 2023

Continuing operations		Note	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Revenue		1	**9,560**	7,882	16,997
Operating costs before exceptional items			**(8,949)**	(7,237)	(15,729)
Exceptional items		2	**–**	–	(206)
			611	645	1,062
Share of profit after tax from joint ventures and associates			**50**	37	109
Profits less losses on disposal of non-current assets			**2**	4	7
Operating profit			**663**	686	1,178
Adjusted operating profit			**684**	706	1,435
Profits less losses on disposal of non-current assets			**2**	4	7
Amortisation of non-operating intangibles			**(20)**	(20)	(47)
Acquired inventory fair value adjustments			**(2)**	–	(5)
Transaction costs			**(1)**	(4)	(6)
Exceptional items		2	**–**	–	(206)
Profits less losses on sale and closure of businesses		7	**(2)**	(11)	(23)
Profit before interest			**661**	675	1,155
Finance income			**22**	6	19
Finance expense			**(59)**	(50)	(111)
Other financial income			**20**	4	13
Profit before taxation			**644**	635	1,076
Adjusted profit before taxation			**667**	666	1,356
Profits less losses on disposal of non-current assets			**2**	4	7
Amortisation of non-operating intangibles			**(20)**	(20)	(47)
Acquired inventory fair value adjustments			**(2)**	–	(5)
Transaction costs			**(1)**	(4)	(6)
Exceptional items		2	**–**	–	(206)
Profits less losses on sale and closure of businesses		7	**(2)**	(11)	(23)
Taxation	UK (excluding tax on exceptional items)		**(28)**	(29)	(50)
	UK (exceptional items)		**–**	–	3
	Overseas (excluding tax on exceptional items)		**(132)**	(122)	(243)
	Overseas (exceptional items)		**58**	–	(66)
		3	**(102)**	(151)	(356)
Profit for the period			**542**	484	720
Attributable to					
Equity shareholders			**527**	476	700
Non-controlling interests			**15**	8	20
Profit for the period			**542**	484	720
Basic and diluted earnings per ordinary share (pence)		4	**67.0**	60.3	88.6
Dividends per share paid and proposed for the period (pence)		5	**14.2**	13.8	43.7

Condensed consolidated statement of comprehensive income

for the 24 weeks ended 4 March 2023

	24 weeks ended 4 March 2023 £m	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Profit for the period recognised in the income statement	**542**	484	720
Other comprehensive income			
Remeasurements of defined benefit schemes	**18**	300	821
Deferred tax associated with defined benefit schemes	**(2)**	(74)	(198)
Items that will not be reclassified to profit or loss	**16**	226	623
Effect of movements in foreign exchange	**(179)**	5	440
Net gain/(loss) on hedge of net investment in foreign subsidiaries	**1**	5	(1)
Net gain on other investments held at fair value through other comprehensive income	**–**	–	4
Movement in cash flow hedging position	**(271)**	72	419
Deferred tax associated with movement in cash flow hedging position	**62**	(3)	(28)
Deferred tax associated with movement in other investments	**–**	–	(1)
Share of other comprehensive (loss)/income of joint ventures and associates	**(6)**	7	28
Effect of hyperinflationary economies	**26**	10	46
Items that are or may be subsequently reclassified to profit or loss	**(367)**	96	907
Other comprehensive (loss)/income for the period	**(351)**	322	1,530
Total comprehensive income for the period	**191**	806	2,250
Attributable to			
Equity shareholders	**191**	799	2,219
Non-controlling interests	**–**	7	31
Total comprehensive income for the period	**191**	806	2,250

Condensed consolidated balance sheet

at 4 March 2023

	Note	4 March 2023 £m	5 March 2022 £m	17 September 2022 £m
Non-current assets				
Intangible assets		**1,901**	1,756	1,868
Property, plant and equipment		**5,702**	5,308	5,599
Right-of-use assets		**2,386**	2,511	2,456
Investments in joint ventures		**297**	271	301
Investments in associates		**91**	69	85
Employee benefits assets	10	**1,440**	942	1,393
Income tax		**23**	23	23
Deferred tax assets		**204**	191	158
Other receivables		**58**	53	58
Total non-current assets		**12,102**	11,124	11,941
Current assets				
Assets classified as held for sale	6	**92**	–	45
Inventories		**3,601**	2,525	3,259
Biological assets		**129**	115	105
Trade and other receivables		**1,824**	1,507	1,758
Derivative assets		**92**	146	475
Current asset investments	8	**3**	34	4
Income tax		**68**	62	67
Cash and cash equivalents	8	**1,213**	2,190	2,121
Total current assets		**7,022**	6,579	7,834
Total assets		**19,124**	17,703	19,775
Current liabilities				
Liabilities classified as held for sale	6	**(26)**	–	(14)
Lease liabilities	8	**(322)**	(292)	(316)
Loans and overdrafts	8	**(150)**	(275)	(157)
Trade and other payables		**(2,892)**	(2,466)	(3,114)
Derivative liabilities		**(134)**	(40)	(205)
Income tax		**(140)**	(152)	(160)
Provisions		**(60)**	(80)	(87)
Total current liabilities		**(3,724)**	(3,305)	(4,053)
Non-current liabilities				
Lease liabilities	8	**(2,865)**	(2,849)	(2,936)
Loans	8	**(480)**	(473)	(480)
Provisions		**(28)**	(35)	(26)
Deferred tax liabilities		**(593)**	(456)	(647)
Employee benefits liabilities		**(77)**	(145)	(79)
Total non-current liabilities		**(4,043)**	(3,958)	(4,168)
Total liabilities		**(7,767)**	(7,263)	(8,221)
Net assets		**11,357**	10,440	11,554
Equity				
Issued capital		**45**	45	45
Other reserves		**38**	175	178
Translation reserve		**253**	(16)	422
Hedging reserve		**(49)**	61	154
Retained earnings		**10,970**	10,091	10,649
Total equity attributable to equity shareholders		**11,257**	10,356	11,448
Non-controlling interests		**100**	84	106
Total equity		**11,357**	10,440	11,554

Condensed consolidated cash flow statement

for the 24 weeks ended 4 March 2023

	Note	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Cash flow from operating activities				
Profit before taxation		**644**	635	1,076
Profits less losses on disposal of non-current assets		**(2)**	(4)	(7)
Profits less losses on sale and closure of businesses		**2**	11	23
Transaction costs		**1**	4	6
Finance income		**(22)**	(6)	(19)
Finance expense		**59**	50	111
Other financial income		**(20)**	(4)	(13)
Share of profit after tax from joint ventures and associates		**(50)**	(37)	(109)
Amortisation		**39**	33	68
Depreciation (including depreciation of right-of-use assets and non-cash lease adjustments)		**386**	373	802
Exceptional items		**–**	–	206
Acquired inventory fair value adjustments		**2**	–	5
Effect of hyperinflationary economies		**8**	2	16
Net change in the fair value of current biological assets		**(39)**	(29)	(8)
Share-based payment expense		**8**	8	19
Pension costs less contributions		**(2)**	3	7
Increase in inventories		**(437)**	(376)	(953)
Increase in receivables		**(115)**	(122)	(288)
(Decrease)/increase in payables		**(151)**	46	512
Purchases less sales of current biological assets		**–**	–	(4)
(Decrease)/increase in provisions		**(20)**	13	7
Cash generated from operations		**291**	600	1,457
Income taxes paid		**(148)**	(150)	(304)
Net cash generated from operating activities		**143**	450	1,153
Cash flow from investing activities				
Dividends received from joint ventures and associates		**43**	45	93
Purchase of property, plant and equipment		**(444)**	(272)	(680)
Purchase of intangibles		**(54)**	(64)	(89)
Lease incentives received		**12**	8	46
Sale of property, plant and equipment		**11**	10	30
Purchase of subsidiaries, joint ventures and associates	7	**(29)**	(114)	(154)
Sale of subsidiaries, joint ventures and associates		**4**	–	–
Purchase of other investments		**–**	–	(7)
Interest received		**22**	4	17
Net cash used in investing activities		**(435)**	(383)	(744)
Cash flow from financing activities				
Dividends paid to non-controlling interests		**(5)**	(6)	(8)
Dividends paid to equity shareholders	5	**(235)**	(271)	(380)
Interest paid		**(57)**	(48)	(114)
Payment of lease liabilities	8	**(135)**	(131)	(321)
Decrease in short-term loans	8	**(11)**	(80)	(12)
Increase in long-term loans	8	**–**	402	178
Increase/(decrease) in current asset investments	8	**1**	(1)	30
Share buyback		**(140)**	–	–
Movement from changes in own shares held		**(21)**	(50)	(50)
Net cash used in financing activities		**(603)**	(185)	(677)
Net decrease in cash and cash equivalents		**(895)**	(118)	(268)
Cash and cash equivalents at the beginning of the period		**1,995**	2,189	2,189
Effect of movements in foreign exchange		**(20)**	20	74
Cash and cash equivalents at the end of the period	8	**1,080**	2,091	1,995

Condensed consolidated statement of changes in equity

for the 24 weeks ended 4 March 2023

	Note	Attributable to equity shareholders						Non-controlling interests £m	Total equity £m
		Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m		
Balance as at 17 September 2022		**45**	**178**	**422**	**154**	**10,649**	**11,448**	**106**	**11,554**
Total comprehensive income									
Profit for the period recognised in the income statement		**–**	**–**	**–**	**–**	**527**	**527**	**15**	**542**
Remeasurements of defined benefit schemes		**–**	**–**	**–**	**–**	**18**	**18**	**–**	**18**
Deferred tax associated with defined benefit schemes		**–**	**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
Items that will not be reclassified to profit or loss		**–**	**–**	**–**	**–**	**16**	**16**	**–**	**16**
Effect of movements in foreign exchange		**–**	**–**	**(164)**	**–**	**–**	**(164)**	**(15)**	**(179)**
Net gain on hedge of net investment in foreign subsidiaries		**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Movement in cash flow hedging position		**–**	**–**	**–**	**(271)**	**–**	**(271)**	**–**	**(271)**
Deferred tax associated with movement in cash flow hedging position		**–**	**–**	**–**	**62**	**–**	**62**	**–**	**62**
Share of other comprehensive income of joint ventures and associates		**–**	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Effect of hyperinflationary economies		**–**	**–**	**–**	**–**	**26**	**26**	**–**	**26**
Items that are or may be reclassified to profit or loss		**–**	**–**	**(169)**	**(209)**	**26**	**(352)**	**(15)**	**(367)**
Other comprehensive income		**–**	**–**	**(169)**	**(209)**	**42**	**(336)**	**(15)**	**(351)**
Total comprehensive income		**–**	**–**	**(169)**	**(209)**	**569**	**191**	**–**	**191**
Inventory cash flow hedge movements									
Losses transferred to cost of inventory		**–**	**–**	**–**	**6**	**–**	**6**	**–**	**6**
Total inventory cash flow hedge movements		**–**	**–**	**–**	**6**	**–**	**6**	**–**	**6**
Transactions with owners									
Dividends paid to equity shareholders	5	**–**	**–**	**–**	**–**	**(235)**	**(235)**	**–**	**(235)**
Net movement in own shares held		**–**	**–**	**–**	**–**	**(13)**	**(13)**	**–**	**(13)**
Share buyback		**–**	**(140)**	**–**	**–**	**–**	**(140)**	**–**	**(140)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Total transactions with owners		**–**	**(140)**	**–**	**–**	**(248)**	**(388)**	**(6)**	**(394)**
Balance as at 4 March 2023		**45**	**38**	**253**	**(49)**	**10,970**	**11,257**	**100**	**11,357**
Balance as at 18 September 2021		45	175	(34)	43	9,692	9,921	83	10,004
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	476	476	8	484
Remeasurements of defined benefit schemes		–	–	–	–	300	300	–	300
Deferred tax associated with defined benefit schemes		–	–	–	–	(74)	(74)	–	(74)
Items that will not be reclassified to profit or loss		–	–	–	–	226	226	–	226
Effect of movements in foreign exchange		–	–	6	–	–	6	(1)	5
Net gain on hedge of net investment in foreign subsidiaries		–	–	5	–	–	5	–	5
Movement in cash flow hedging position		–	–	–	72	–	72	–	72
Deferred tax associated with movement in cash flow hedging position		–	–	–	(3)	–	(3)	–	(3)
Share of other comprehensive income of joint ventures and associates		–	–	7	–	–	7	–	7
Effect of hyperinflationary economies		–	–	–	–	10	10	–	10
Items that are or may be subsequently reclassified to profit or loss		–	–	18	69	10	97	(1)	96
Other comprehensive income		–	–	18	69	236	323	(1)	322
Total comprehensive income		–	–	18	69	712	799	7	806
Inventory cash flow hedge movements									
Gains transferred to cost of inventory		–	–	–	(51)	–	(51)	–	(51)
Total inventory cash flow hedge movements		–	–	–	(51)	–	(51)	–	(51)
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(271)	(271)	–	(271)
Net movement in own shares held		–	–	–	–	(42)	(42)	–	(42)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(6)	(6)
Total transactions with owners		–	–	–	–	(313)	(313)	(6)	(319)
Balance as at 5 March 2022		45	175	(16)	61	10,091	10,356	84	10,440

Condensed consolidated statement of changes in equity
(continued)

for the 24 weeks ended 4 March 2023

	Note	Attributable to equity shareholders						Non-controlling interests	Total equity
		Issued capital £m	Other reserves £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	£m	£m
Balance as at 18 September 2021		45	175	(34)	43	9,692	9,921	83	10,004
Total comprehensive income									
Profit for the period recognised in the income statement		–	–	–	–	700	700	20	720
Remeasurements of defined benefit schemes		–	–	–	–	821	821	–	821
Deferred tax associated with defined benefit schemes		–	–	–	–	(198)	(198)	–	(198)
Items that will not be reclassified to profit or loss		–	–	–	–	623	623	–	623
Effect of movements in foreign exchange		–	–	429	–	–	429	11	440
Net loss on hedge of net investment in foreign subsidiaries		–	–	(1)	–	–	(1)	–	(1)
Net gain on other investments held at fair value through other comprehensive income		–	4	–	–	–	4	–	4
Movement in cash flow hedging position		–	–	–	419	–	419	–	419
Deferred tax associated with movement in cash flow hedging position		–	–	–	(28)	–	(28)	–	(28)
Deferred tax associated with movement in other investments		–	(1)	–	–	–	(1)	–	(1)
Share of other comprehensive income of joint ventures and associates		–	–	28	–	–	28	–	28
Effect of hyperinflationary economies		–	–	–	–	46	46	–	46
Items that are or may be subsequently reclassified to profit or loss		–	3	456	391	46	896	11	907
Other comprehensive income		–	3	456	391	669	1,519	11	1,530
Total comprehensive income		–	3	456	391	1,369	2,219	31	2,250
Inventory cash flow hedge movements									
Gains transferred to cost of inventory		–	–	–	(280)	–	(280)	–	(280)
Total inventory cash flow hedge movements		–	–	–	(280)	–	(280)	–	(280)
Transactions with owners									
Dividends paid to equity shareholders	5	–	–	–	–	(380)	(380)	–	(380)
Net movement in own shares held		–	–	–	–	(31)	(31)	–	(31)
Deferred tax associated with share-based payments		–	–	–	–	(1)	(1)	–	(1)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(8)	(8)
Total transactions with owners		–	–	–	–	(412)	(412)	(8)	(420)
Balance as at 17 September 2022		45	178	422	154	10,649	11,448	106	11,554

1. Operating segments

The Group has five operating segments. 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, 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 and sweeteners, vegetable oils, balsamic vinegars, bread and 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 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 4 March 2023 £m	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Operating segments						
Grocery	**2,105**	1,821	3,735	**173**	175	399
Sugar	**1,189**	914	2,016	**86**	77	162
Agriculture	**950**	809	1,722	**12**	15	47
Ingredients	**1,088**	798	1,827	**102**	63	159
Retail	**4,228**	3,540	7,697	**351**	414	756
Central	**–**	–	–	**(40)**	(38)	(88)
	9,560	7,882	16,997	**684**	706	1,435
Geographical information						
United Kingdom	**3,590**	2,951	6,378	**261**	288	533
Europe & Africa	**3,508**	2,902	6,291	**235**	255	482
The Americas	**1,219**	919	2,028	**160**	107	279
Asia Pacific	**1,243**	1,110	2,300	**28**	56	141
	9,560	7,882	16,997	**684**	706	1,435

Operating segments for the 24 weeks ended 4 March 2023

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	2,117	1,260	953	1,194	4,228	(192)	9,560
Internal revenue	(12)	(71)	(3)	(106)	–	192	–
Revenue from external customers	2,105	1,189	950	1,088	4,228	–	9,560
Adjusted operating profit before joint ventures and associates	141	82	8	91	351	(40)	633
Share of profit after tax from joint ventures and associates	32	4	4	11	–	–	51
Adjusted operating profit	173	86	12	102	351	(40)	684
Finance income						22	22
Finance expense	(1)	(1)	–	–	(39)	(18)	(59)
Other financial income						20	20
Adjusted profit before taxation	172	85	12	102	312	(16)	667
Profits less losses on disposal of non-current assets	1	–	–	–	–	1	2
Amortisation of non-operating intangibles	(11)	–	(2)	(7)	–	–	(20)
Acquired inventory fair value adjustments	–	–	(2)	–	–	–	(2)
Transaction costs	–	–	(1)	–	–	–	(1)
Profits less losses on sale and closure of businesses	–	(6)	–	4	–	–	(2)
Profit before taxation	162	79	7	99	312	(15)	644
Taxation						(102)	(102)
Profit for the period	162	79	7	99	312	(117)	542
Segment assets (excluding joint ventures and associates)	2,866	2,509	643	2,113	7,501	147	15,779
Investments in joint ventures and associates	52	48	147	141	–	–	388
Segment assets	2,918	2,557	790	2,254	7,501	147	16,167
Cash and cash equivalents						1,213	1,213
Current asset investments						3	3
Income tax						91	91
Deferred tax assets						210	210
Employee benefits assets						1,440	1,440
Segment liabilities	(696)	(670)	(190)	(391)	(4,193)	(187)	(6,327)
Loans and overdrafts						(630)	(630)
Income tax						(140)	(140)
Deferred tax liabilities						(593)	(593)
Employee benefits liabilities						(77)	(77)
Net assets	2,222	1,887	600	1,863	3,308	1,477	11,357
Non-current asset additions	67	131	11	86	282	2	579
Depreciation and non-cash lease adjustments	(57)	(47)	(9)	(30)	(239)	(4)	(386)
Amortisation	(13)	(1)	(3)	(7)	(15)	–	(39)

Operating segments for the 24 weeks ended 5 March 2022

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	1,822	950	810	878	3,540	(118)	7,882
Internal revenue	(1)	(36)	(1)	(80)	–	118	–
Revenue from external customers	1,821	914	809	798	3,540	–	7,882
Adjusted operating profit before joint ventures and associates	150	75	13	54	414	(38)	668
Share of profit after tax from joint ventures and associates	25	2	2	9	–	–	38
Adjusted operating profit	175	77	15	63	414	(38)	706
Finance income						6	6
Finance expense	(1)	(1)	–	–	(35)	(13)	(50)
Other financial income						4	4
Adjusted profit before taxation	174	76	15	63	379	(41)	666
Profits less losses on disposal of non-current assets	3	–	–	–	–	1	4
Amortisation of non-operating intangibles	(15)	–	–	(5)	–	–	(20)
Transaction costs	(1)	–	–	(3)	–	–	(4)
Profits less losses on sale and closure of businesses	–	–	–	(11)	–	–	(11)
Profit before taxation	161	76	15	44	379	(40)	635
Taxation						(151)	(151)
Profit for the period	161	76	15	44	379	(191)	484
Segment assets (excluding joint ventures and associates)	2,611	2,099	519	1,722	6,805	165	13,921
Investments in joint ventures and associates	37	32	141	130	–	–	340
Segment assets	2,648	2,131	660	1,852	6,805	165	14,261
Cash and cash equivalents						2,190	2,190
Current asset investments						34	34
Income tax						85	85
Deferred tax assets						191	191
Employee benefits assets						942	942
Segment liabilities	(649)	(461)	(177)	(349)	(3,906)	(220)	(5,762)
Loans and overdrafts						(748)	(748)
Income tax						(152)	(152)
Deferred tax liabilities						(456)	(456)
Employee benefits liabilities						(145)	(145)
Net assets	1,999	1,670	483	1,503	2,899	1,886	10,440
Non-current asset additions	55	120	14	73	142	1	405
Depreciation and non-cash lease adjustments	(52)	(42)	(8)	(26)	(240)	(5)	(373)
Amortisation	(20)	(1)	(1)	(6)	(5)	–	(33)
Impairment of property, plant, equipment and right-of-use assets on sale and closure of businesses	–	–	–	(11)	–	–	(11)

Operating segments for the 52 weeks ended 17 September 2022

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Total £m
Revenue from continuing businesses	3,736	2,097	1,728	1,996	7,697	(257)	16,997
Internal revenue	(1)	(81)	(6)	(169)	–	257	–
Revenue from external customers	3,735	2,016	1,722	1,827	7,697	–	16,997
Adjusted operating profit before joint ventures and associates	328	154	31	142	756	(88)	1,323
Share of profit after tax from joint ventures and associates	71	8	16	17	–	–	112
Adjusted operating profit	399	162	47	159	756	(88)	1,435
Finance income						19	19
Finance expense	(1)	(2)	–	(1)	(76)	(31)	(111)
Other financial income						13	13
Adjusted profit before taxation	398	160	47	158	680	(87)	1,356
Profits less losses on disposal of non-current assets	4	2	–	–	–	1	7
Amortisation of non-operating intangibles	(32)	–	(2)	(13)	–	–	(47)
Acquired inventory fair value adjustments	(1)	–	(2)	(2)	–	–	(5)
Transaction costs	(1)	–	(2)	(3)	–	–	(6)
Exceptional items	–	–	–	–	(206)	–	(206)
Profits less losses on sale and closure of businesses	–	(16)	–	(7)	–	–	(23)
Profit before taxation	368	146	41	133	474	(86)	1,076
Taxation						(356)	(356)
Profit for the period	368	146	41	133	474	(442)	720
Segment assets (excluding joint ventures and associates)	2,876	2,422	597	2,017	7,570	136	15,618
Investments in joint ventures and associates	62	45	143	136	–	–	386
Segment assets	2,938	2,467	740	2,153	7,570	136	16,004
Cash and cash equivalents						2,121	2,121
Current asset investments						4	4
Income tax						90	90
Deferred tax assets						163	163
Employee benefits assets						1,393	1,393
Segment liabilities	(703)	(616)	(196)	(450)	(4,545)	(188)	(6,698)
Loans and overdrafts						(637)	(637)
Income tax						(160)	(160)
Deferred tax liabilities						(647)	(647)
Employee benefits liabilities						(79)	(79)
Net assets	2,235	1,851	544	1,703	3,025	2,196	11,554
Non-current asset additions	128	223	26	183	489	3	1,052
Depreciation and non-cash lease adjustments	(109)	(75)	(17)	(57)	(532)	(12)	(802)
Amortisation	(37)	(3)	(3)	(14)	(11)	–	(68)
Reversal of impairment of property, plant & equipment and right-of-use assets	–	(19)	–	(11)	–	–	(30)

Geographical information for the 24 weeks ended 4 March 2023

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	**3,590**	**3,508**	**1,219**	**1,243**	**9,560**
Segment assets	**5,916**	**6,744**	**1,803**	**1,704**	**16,167**
Non-current asset additions	**143**	**292**	**105**	**39**	**579**
Depreciation and non-cash lease adjustments	**(136)**	**(175)**	**(41)**	**(34)**	**(386)**
Amortisation	**(8)**	**(26)**	**(2)**	**(3)**	**(39)**
Acquired inventory fair value adjustments	**(2)**	**–**	**–**	**–**	**(2)**
Transaction costs	**(1)**	**–**	**–**	**–**	**(1)**

Geographical information for the 24 weeks ended 5 March 2022

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	2,951	2,902	919	1,110	7,882
Segment assets	5,449	5,856	1,415	1,541	14,261
Non-current asset additions	139	170	54	42	405
Depreciation and non-cash lease adjustments	(138)	(176)	(29)	(30)	(373)
Amortisation	(14)	(13)	(3)	(3)	(33)
Transaction costs	(3)	–	–	(1)	(4)
Impairment of property, plant, equipment and right-of-use assets on sale and closure of businesses	–	–	–	(11)	(11)

Geographical information for the 52 weeks ended 17 September 2022

	United Kingdom £m	Europe & Africa £m	The Americas £m	Asia Pacific £m	Total £m
Revenue from external customers	6,378	6,291	2,028	2,300	16,997
Segment assets	5,972	6,519	1,840	1,673	16,004
Non-current asset additions	285	487	177	103	1,052
Depreciation and non-cash lease adjustments	(277)	(392)	(69)	(64)	(802)
Amortisation	(25)	(32)	(5)	(6)	(68)
Impairment of property, plant and equipment on sale and closure of businesses	–	–	–	(30)	(30)
Acquired inventory fair value adjustments	(2)	(3)	–	–	(5)
Transaction costs	(2)	(3)	–	(1)	(6)
Exceptional items	–	(206)	–	–	(206)

The Group's operations in the following countries met the criteria for separate disclosure:

	Revenue			Non-current assets		
	24 weeks ended 4 March 2023 £m	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Australia	**705**	571	1,232	**606**	568	623
Spain	**880**	748	1,545	**647**	635	650
United States	**806**	614	1,315	**854**	683	866

All segment disclosures are stated before reclassification of assets and liabilities classified as held for sale.

2. Exceptional items

2023

At half year, there were no exceptional items.

2022

At half year, there were no exceptional items. At year end, the income statement included an exceptional charge for Primark of £206m comprising non-cash writedowns of £72m against property, plant and equipment and a writedown of £134m of right-of-use assets relating to the capitalisation of store leases.

3. Income tax expense

	24 weeks ended 4 March 2023 £m	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Current tax expense			
UK – corporation tax at 21.76% (2022 – 19%)	**23**	18	44
Overseas – corporation tax	**112**	112	244
UK – (over)/under provided in prior periods	**(7)**	1	(12)
Overseas – (over)/under provided in prior periods	**–**	(3)	1
	128	128	277
Deferred tax expense			
UK deferred tax	**12**	10	18
Overseas deferred tax	**20**	12	72
UK – over provided in prior periods	**–**	–	(3)
Overseas – (over)/under provided in prior periods	**(58)**	1	(8)
	(26)	23	79
Total income tax expense in income statement	**102**	151	356
Reconciliation of effective tax rate			
Profit before taxation	**644**	635	1,076
Less share of profit after tax from joint ventures and associates	**(50)**	(37)	(109)
Profit before taxation excluding share of profit after tax from joint ventures and associates	**594**	598	967
Nominal tax charge at UK corporation tax rate of 21.76% (2022 – 19%)	**129**	114	184
Effect of higher and lower tax rates on overseas earnings	**–**	7	4
Effect of changes in tax rates on income statement	**2**	3	2
Expenses not deductible for tax purposes	**28**	24	63
Disposal of assets covered by tax exemptions or unrecognised capital losses	**1**	1	6
Deferred tax not recognised	**7**	3	120
Adjustments in respect of prior periods	**(65)**	(1)	(23)
	102	151	356
Income tax recognised directly in equity			
Deferred tax associated with defined benefit schemes	**2**	74	198
Deferred tax associated with share-based payments	**–**	–	1
Deferred tax associated with movement in cash flow hedging position	**(62)**	3	28
Deferred tax associated with movement in other investments	**–**	–	1
	(60)	77	228

The adjusted tax rate of 24.7% (2022 half year: 23.2%) is the estimated weighted average annual tax rate based on full year projections and has been applied to profit before adjusting items for the 24 weeks ended 4 March 2023. The tax impact of adjusting items has been calculated on an item-by-item basis. The UK corporation tax rate of 19% increased to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has been calculated accordingly.

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 UK Government, the Group and a number of other UK companies appealed against this decision to the General Court of the European Union ('GCEU'). On 8 June 2022, the GCEU found in favour of the Commission's original decision. As a result of this, in August 2022, the UK Government, the Group and various other UK companies appealed GCEU's decision to the Court of Justice of the European Union. We have calculated our maximum potential liability to be £26m (HY22: £26m), however we do not consider that any provision is required in respect of this amount based on our current assessment of the issue. Following receipt of charging notices from HM Revenue & Customs ('HMRC'), we made payments to HMRC in FY2021. Our assessment remains that no provision is required in respect of this amount. We will continue to consider the impact of the Commission's decision on the group and the potential requirement to record a provision.

In the second half of last year a deferred tax asset arose mainly in relation to the charge taken for the impairment of property, plant and equipment and store leases in Primark Germany. A significant proportion of this asset was deemed not to be recoverable and was written off as an exceptional tax charge. Since then, further work has been undertaken to assess the amount of the deferred tax asset that is expected to be recoverable. This work determined that the deferred tax asset at last year end was understated in error. The Directors believe that this understatement of the deferred tax asset was not material to the prior period financial statements. Accordingly, an exceptional tax credit of £58m has been recognised in this half year.

4. Earnings per share

	24 weeks ended 4 March 2023 pence	24 weeks ended 5 March 2022 pence	52 weeks ended 17 September 2022 pence
Adjusted earnings per share	**62.0**	63.8	131.1
Disposal of non-current assets	**0.3**	0.5	0.9
Sale and closure of businesses	**(0.3)**	(1.4)	(2.9)
Acquired inventory fair value adjustments	**(0.3)**	–	(0.6)
Transaction costs	**(0.1)**	(0.5)	(0.8)
Exceptional items	**–**	–	(26.1)
Tax effect on above adjustments and exceptional tax	**7.4**	–	(8.0)
Amortisation of non-operating intangibles	**(2.5)**	(2.5)	(6.0)
Tax credit on non-operating intangibles amortisation and goodwill	**0.5**	0.4	1.0
Earnings per ordinary share	**67.0**	60.3	88.6

5. Dividends

	24 weeks ended 4 March 2023 pence	24 weeks ended 5 March 2022 pence	52 weeks ended 17 September 2022 pence	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
2021 final and special	**–**	34.3	34.3	**–**	271	271
2022 interim	**–**	–	13.8	**–**	–	109
2022 final	**29.9**	–	–	**235**	–	–
	29.9	34.3	48.1	**235**	271	380

The 2022 final dividend of 29.9p was approved on 9 December 2022 and totalled £235m when paid on 13 January 2023. The 2023 interim dividend of 14.2p per share, totalling £110m will be paid on 7 July 2023 to shareholders on the register on 2 June 2023.

6. Assets and liabilities classified as held for sale

The Group currently continues to expect to dispose of its north China sugar business, subject to competition and administrative requirements. £92m of assets classified as held for sale comprise of £49m of inventories, £17m of property, plant and equipment, £12m of operating intangibles, £8m of trade and other receivables and a deferred tax asset of £6m. £26m of liabilities classified as held for sale comprise trade and other payables.

7. Acquisitions and disposals

Acquisitions

2023

In November, the Agriculture division acquired Advance Sourcing, which provides specialist products to create value by improving herd performance and supports dairy farmers to improve herd efficiency and build resilience across the agri-food supply chain.

In February, the Agriculture division acquired Progres in Finland, originally created by Finnish biosciences company Hankkija and owner of a patented additive used to support good health, reduce inflammation and stimulate recovery, which improves gut integrity and the performance of animals.

Cash consideration was £24m. Net assets acquired included non-operating intangible assets of £5m, £2m of other operating assets and £17m of goodwill. The cash outflow of £29m on the purchase of subsidiaries, joint ventures and associates in the cash flow statement comprised cash consideration of £24m less cash acquired of £1m and £6m of deferred consideration in respect of previous acquisitions.

2022

In January 2022, the Group acquired Fytexia, a B2B specialty ingredients business in France and Italy producing and formulating polyphenols-based active ingredients for the dietary supplements industry. The Group also acquired a small grocery company in New Zealand and a small agriculture business in Finland during the first half.

In the second half, the Group acquired Greencoat, a UK-based animal supplement and care business.

Total consideration for these acquisitions was £160m, comprising £153m cash consideration and £7m deferred consideration. Pre-acquisition carrying amounts were the same as recognised values on acquisition apart from £88m of non-operating intangibles in respect of brands, technology and customer relationships, an £8m uplift to inventory, a £16m related deferred tax liability and goodwill of £85m.

Disposals

2023

The Group agreed to sell property, plant and equipment to its Chinese joint venture partner. Profit on sale was £4m.

In March, Gledhow, the Group’s 30% equity-accounted associate in Illovo South Africa formally went into business rescue. A non-cash provision of £6m was booked on the financial guarantee held on this business' liabilities.

2022

There were no disposals in the first half. The proposed sale of a yeast company to the joint venture with Wilmar International in China (classified as held for sale at the 2021 year end) did not go ahead. The £10m non-cash impairment reversed in 2021 through profit/(loss) on sale and closure of business was reinstated at a cost of £11m.

The Group's investment in north China Sugar was classified as held-for-sale at the 2022 financial year end and an associated £19m non-cash write-down was charged to loss on sale and closure of business.

The Group also released £3m of closure provisions in Vivergo in the UK and £4m of warranty provisions that were no longer required for a disposed Ingredients business in the United States.

8. Analysis of net debt

	At 17 September 2022 £m	Cash flow £m	Acquisitions £m	New leases and non-cash items £m	Exchange adjustments £m	**At 4 March 2023 £m**
Short-term loans	(31)	11	–	–	3	**(17)**
Long-term loans	(480)	–	–	–	–	**(480)**
Lease liabilities	(3,252)	135	(1)	(71)	2	**(3,187)**
Total liabilities from financing activities	(3,763)	146	(1)	(71)	5	**(3,684)**
Cash at bank and in hand, cash equivalents and overdrafts	1,995	(895)	–	–	(20)	**1,080**
Current asset investments	4	(1)	–	–	–	**3**
Net debt including lease liabilities	(1,764)	(750)	(1)	(71)	(15)	**(2,601)**

Cash and cash equivalents comprise bank and cash balances, deposits and short-term investments with original maturities of three months or less. £133m (2022 half year – £99m; 2022 full year – £126m) of bank overdrafts that are repayable on demand form part of the Group’s cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Net cash excluding lease liabilities is £586m (2022 half year – £1,476m; 2022 year end – £1,488m).

£133m (2022 half year – £99m; 2022 full year – £126m) of bank overdrafts plus the £17m (2022 half year – £176m; 2022 full year – £31m) of short-term loans shown above comprise the £150m (2022 half year – £275m; 2022 full year – £157m) of current loans and overdrafts shown on the face of the balance sheet.

Current and non-current lease liabilities shown on the face of the balance sheet of £322m and £2,865m respectively (2022 half year – £292m and £2,849m respectively; 2022 full year – £316m and £2,936m respectively) comprise the £3,187m (2022 half year – £3,141m; 2022 full year – £3,252m) of lease liabilities shown above. Current asset investments comprise term deposits and short-term investments with original maturities of greater than three months.

Interest paid is included within financing activities. The roll-forward of the liabilities associated with interest paid is an opening balance of £(18)m, expense of £(59)m, payments of £57m, interest on the interest rate swap £(5)m and a closing balance of £(25)m (2022 half year: opening balance of £(20)m, expense of £(50)m, payments of £48m, fx of £(1)m and a closing balance of £(23)m; 2022 full year: opening balance of £(20)m, expense of £(111)m, payments of £114m, fx of £(1)m and a closing balance of £(18)m).

9. Related parties

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 17 September 2022. There have been no material changes in these relationships in the 24 weeks ended 4 March 2023 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.

10. Defined benefit pension schemes

Employee benefits assets primarily comprise the accounting surplus of the Group’s UK defined benefit scheme. At the end of the period these UK asset schemes were £1,397m (2022 half year: £935m). The increase from £1,366m at the end of the last financial year is due to an increase in corporate bond yields since year end.

11. 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 4 March 2023 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 17 September 2022 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 UK-adopted 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 17 September 2022.

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 consolidated interim financial statements.

The directors have reviewed a detailed cash flow forecast to the end of the 2024 financial year. Having reviewed this forecast and having applied a downside sensitivity analysis and performed a reverse stress test, the directors consider it a remote possibility that the financial headroom could be exhausted.

The Board's treasury policies are in place to maintain a strong capital base and manage the Group's balance sheet and liquidity to ensure long-term financial stability. These policies are the basis for investor, creditor and market confidence and enable the successful development of the business. The events of the last two years demonstrated the importance of sufficient financial resources and credit strength to meet any operational challenges or business disruption events. The financial leverage policy states that, in the ordinary course of business, the Board prefers to see the Group's ratio of net debt including lease liabilities to adjusted EBITDA to be well under 1.5x. At the end of this financial period, the financial leverage ratio was 1.2x and the Group had net cash before lease liabilities of £586m.

In March 2023, S&P Global Ratings reaffirmed their assignment to the Group of an 'A' grade long-term issuer credit rating. The Group's funding basis is supported by the existing £400m public bond due in 2034 furthermore the Groups committed Revolving Credit Facility is free of performance covenants maturing in 2027, with two 1-year extension options.

In reviewing the cash flow forecast for the period, the directors reviewed the trading for both Primark and the Food businesses in light of the experience gained from events of the last two years of trading and emerging trading patterns. The directors have a thorough understanding of the risks, sensitivities and judgements included in these elements of the cash flow forecast and have a high degree of confidence in these cash flows.

As a downside scenario the directors considered the adverse scenario in which inflationary costs are not fully recovered and in which energy costs are twice the forecasted increase and other inflationary cost pressures are 25% higher. It also includes further adverse foreign exchange impacts combined with a global recession, reducing demand for goods further than the base levels forecast. This downside scenario was modelled without taking any mitigating actions within their control. Under this downside scenario the Group forecasts liquidity throughout the period and compliance with financial covenants in the remaining $100m of outstanding private placement notes (due March 2024).

In addition, the directors also considered the circumstances which would be needed to exhaust the Group's total liquidity over the assessment period – a reverse stress test. This indicates that increasing inflation (rising energy costs and other inflationary cost pressures; and adverse foreign exchange impacts) combined with a global recession, reducing demand for goods, and more frequent and extreme weather events would need to exceed £3.9 billion more than the level forecasted by the Group, without any mitigating actions being taken before total liquidity is exhausted. The likelihood of these circumstances is considered remote for two reasons. Firstly, over such a long period, management could take substantial mitigating actions, such as reviewing pricing, cost cutting measures and reducing capital investment. Secondly, the Group has significant business and asset diversification and would be able to, if it were necessary, dispose of assets and/or businesses to raise considerable levels of funds.

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 26 on pages 204 to 215 of the 2022 Annual Report provides details of the Group's policy on managing its financial and commodity risks.

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 25 April 2023. 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 17 September 2022 have been abridged from the Group's 2022 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.

12. 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 17 September 2022 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 17 September 2022. The significant movement in derivatives and in the cash flow hedging position recorded in other comprehensive income are due to changes in underlying market conditions.

New accounting standards

The following accounting standards, amendments and clarifications were adopted during the period and had no significant impact on the Group:

- Annual Improvements to IFRS 2018–2020:

   - Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards—Subsidiary as a First-time Adopter.
   - Amendment to IFRS 9 Financial Instruments—Fees in the '10 per cent' Test for Derecognition of Financial Liabilities.
   - Amendment to IAS 41 Agriculture—Taxation in Fair Value Measurements.
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

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 UK Endorsement Board (UKEB), these changes will be adopted on the effective dates noted. Where not yet endorsed by the UKEB, the adoption date is less certain:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) effective 2024 financial year
- Definition of Accounting Estimates (Amendments to IAS 8) effective 2024 financial year
- Disclosure of Accounting policies (*Classification of Liabilities as Current or Non-current* - Amendments to IAS 1 and IFRS Practice Statement 2). IAS 1 effective 2024 financial year. IFRS 2 Practice Statement 2 has no transition requirements or effective date
- IFRS 17 Insurance Contracts effective 2024 financial year
- Amendments to *Classification of Liabilities as Current or Non-current* - IAS 1 *Presentation of Financial Statements* effective 2024 financial year (not yet endorsed by the UKEB)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) effective 2024 financial year

13. 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 17 September 2022.

14. Alternative performance measures

In reporting financial information, the Board uses various alternative performance measures (APMs) which it believes provide useful additional information for understanding the financial performance and financial health of the Group. These APMs should be considered in addition to IFRS measures and are not intended to be a substitute for them. Since IFRS does not define APMs, they may not be directly comparable to similar measures used by other companies.

The Board also uses APMs to improve the comparability of information between reporting periods and geographical units (such as like-for-like sales) by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, the Board and management use APMs for performance analysis, planning, reporting and incentive-setting.

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
Like-for-like sales	No direct equivalent	The like-for-like sales metric enables measurement of the performance of our retail stores on a comparable year-on-year basis. This measure represents the change in sales at constant currency in our retail stores adjusted for new stores, closures and relocations. Refits, extensions and downsizes are also adjusted for if a store's retail square footage changes by 10% or more. For each change described above, a store's sales are excluded from like-for-like sales for one year. No adjustments are made for disruption during refits, extensions or downsizes if a store's retail square footage changes by less than 10%, for cannibalisation by new stores, or for the timing of national or bank holidays. It is measured against comparable trading days in each period.	Consistent with the definition given
Adjusted operating (profit) margin	No direct equivalent	Adjusted operating (profit) margin is adjusted operating profit as a percentage of revenue.	See note A
Adjusted operating profit	Operating profit	Adjusted operating profit is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets and exceptional items. Items defined above which arise in the Group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted operating profit.	A reconciliation of this measure is provided on the face of the condensed consolidated income statement and by operating segment in note 1
Adjusted profit before tax	Profit before tax	Adjusted profit before tax is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses.	A reconciliation of this measure is provided on the face of the condensed consolidated income

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
		Items defined above which arise in the Group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted profit before tax.	statement and by operating segment in note 1
Adjusted earnings per share	Earnings per share	Adjusted earnings per share is stated before amortisation of non-operating intangibles, transaction costs, amortisation of fair value adjustments made to acquired inventory, profits less losses on disposal of non-current assets, exceptional items and profits less losses on sale and closure of businesses together with the related tax effect. Items defined above which arise in the Group's joint ventures and associates are also treated as adjusting items for the purposes of adjusted earnings per share.	Reconciliation of this measure is provided in note 4
Exceptional items	No direct equivalent	Exceptional items are items of income and expenditure which are material and unusual in nature and are considered of such significance that they require separate disclosure on the face of the income statement.	Exceptional items are included on the face of the condensed consolidated income statement with further detail provided in note 2
Constant currency	Revenue and see adjusted operating profit (non-IFRS) measure	Constant currency measures are derived by translating the relevant prior year figures at current year average exchange rates, except for countries where CPI has escalated to extreme levels, in which case actual exchange rates are used. There are currently three countries where the Group has operations in this position – Argentina, Venezuela and Turkey.	See note B
Effective tax rate	Income tax expense	The effective tax rate is the tax charge for the period expressed as a percentage of profit before tax.	Whilst the effective tax rate is not disclosed, a reconciliation of the tax charge on profit before tax at the UK corporation tax rate to the actual tax charge is provided in note 3
Adjusted effective tax rate	No direct equivalent	The adjusted effective tax rate is the tax charge for the period excluding tax on adjusting items expressed as a percentage of adjusted profit before tax.	The tax impact of reconciling items between profit before tax and adjusted profit before tax is shown in note 3
Dividend cover	No direct equivalent	Dividend cover is the ratio of adjusted earnings per share to dividends per share relating to the period.	See note C
Capital expenditure	No direct equivalent	Capital expenditure is a measure of investment each period in non-current assets in existing businesses. It comprises cash outflows from the purchase of property, plant and equipment and intangibles.	See note D
Gross investment	No direct equivalent	Gross investment is a measure of investment each period in non-current assets of existing businesses and acquisitions of new businesses. It includes capital expenditure as well as cash outflows from the purchase of subsidiaries, joint ventures and associates, additional shares in subsidiary undertakings purchased from non-controlling interests and other investments, as well as net debt assumed in acquisitions.	See note E
Net cash/debt before lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments and loans.	A reconciliation of this measure is shown in note 8
Net cash/debt including lease liabilities	No direct equivalent	This measure comprises cash, cash equivalents and overdrafts, current asset investments, loans and lease liabilities.	A reconciliation of this measure is shown in note 8
Adjusted EBITDA	See Adjusted operating profit (non-IFRS) measure	Adjusted EBITDA is stated before depreciation, amortisation and impairment charged to adjusted operating profit.	See note F
Financial leverage ratio	No direct equivalent	Financial leverage is the ratio of net cash/debt including lease liabilities to adjusted EBITDA based on the last 12 months rolling adjusted EBITDA.	See note F
Total liquidity	No direct equivalent	Total liquidity comprises net cash/debt before lease liabilities plus qualifying debts and credit facilities. Qualifying debt and credit facilities are those which are medium-to-long-term, are committed and either contain no performance covenants, or where they do, they are assessed as highly unlikely to be breached in even a severe downside scenario.	See note G

APM	Closest equivalent IFRS measure	Definition/purpose	Reconciliation/calculation
(Average) capital employed	No direct equivalent	Capital employed is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of capital employed are calculated in accordance with UK adopted IFRS. Average capital employed for each segment and the Group is calculated by averaging the capital employed for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given
Return on (average) capital employed	No direct equivalent	The return on (average) capital employed measure divides annualised adjusted operating profit by average capital employed.	Consistent with the definition given
(Average) working capital	No direct equivalent	Working capital is derived from the management balance sheet and does not reconcile directly to the statutory balance sheet. All elements of working capital are calculated in accordance with UK-adopted IFRS. Average working capital for each segment and the Group is calculated by averaging the working capital for each period of the financial year based on the reporting calendar of each business.	Consistent with the definition given
(Average) working capital as a percentage of revenue	No direct equivalent	This measure expresses (average) working capital as a percentage of revenue.	Consistent with the definition given

Note A

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
24 weeks ended 4 March 2023							
External revenue from continuing businesses	**2,105**	**1,189**	**950**	**1,088**	**4,228**	**–**	**9,560**
Adjusted operating profit	**173**	**86**	**12**	**102**	**351**	**(40)**	**684**
Adjusted operating margin %	**8.2%**	**7.2%**	**1.3%**	**9.4%**	**8.3%**		**7.2%**
24 weeks ended 5 March 2022							
External revenue from continuing businesses	1,821	914	809	798	3,540	–	7,882
Adjusted operating profit	175	77	15	63	414	(38)	706
Adjusted operating margin %	9.6%	8.4%	1.9%	7.9%	11.7%		9.0%

Note B

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Disposed businesses £m	Total £m
24 weeks ended 4 March 2023							
External revenue from continuing businesses at actual rates	**2,105**	**1,189**	**950**	**1,088**	**4,228**	**–**	**9,560**
24 weeks ended 5 March 2022							
External revenue from continuing businesses at actual rates	1,821	914	809	798	3,540	–	7,882
Impact of foreign exchange	99	22	15	62	89	–	287
External revenue from continuing businesses at constant currency	1,920	936	824	860	3,629	–	8,169
% change at constant currency	+10%	+27%	+15%	+27%	+17%		+17%

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central and disposed businesses £m	Total £m
24 weeks ended 4 March 2023							
Adjusted operating profit at actual rates	**173**	**86**	**12**	**102**	**351**	**(40)**	**684**
24 weeks ended 5 March 2022							
Adjusted operating profit at actual rates	175	77	15	63	414	(38)	706
Impact of foreign exchange	17	5	1	6	3	–	32
Adjusted operating profit at constant currency	192	82	16	69	417	(38)	738
% change at constant currency	-10%	+5%	-25%	+48%	-16%		-7%

Note C

	24 weeks ended 4 March 2023 pence	24 weeks ended 5 March 2022 pence	52 weeks ended 17 September 2021 pence
Adjusted earnings per share (pence)	**62.0**	63.8	131.1
Dividends relating to the period (pence)	**14.2**	13.8	43.7
Dividend cover	**4**	5	3

Note D

From the cash flow statement	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Purchase of property, plant and equipment	**444**	272	680
Purchase of intangibles	**54**	64	89

	498	336	769

Note E

From the cash flow statement	**24 weeks ended 4 March 2023 £m**	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Purchase of property, plant and equipment	**444**	272	680
Purchase of intangibles	**54**	64	89
Purchase of subsidiaries, joint ventures and associates	**29**	114	154
Purchase of other investments	**–**	–	7
	527	450	930

Note F

	24 weeks ended 4 March 2023 £m	24 weeks ended 5 March 2022 £m	52 weeks ended 17 September 2022 £m
Adjusted operating profit	**684**	706	1,435
Charged to adjusted operating profit:			
Depreciation of property, plant and equipment	**258**	245	521
Amortisation of operating intangibles	**20**	14	24
Depreciation of right-of-use assets and non-cash lease adjustments	**128**	128	281
Adjusted EBITDA	**1,090**	1,093	2,261
Net debt including lease liabilities	**(2,601)**	(1,665)	(1,764)
Financial leverage ratio (based on the last 12 months rolling adjusted EBITDA)	**1.2**	0.8	0.8

Note G

	At 4 March 2023 £m	At 5 March 2022 £m	At 17 September 2022 £m
Net cash before lease liabilities	**586**	1,476	1,488
Qualifying debt	**400**	400	400
Qualifying credit facilities	**1,500**	1,088	1,500
Total liquidity	**2,486**	2,964	3,388

Cautionary statements

This report 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 UK-adopted International Accounting Standard 34 *Interim Financial Reporting*;
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
Chairman

George Weston
Chief Executive

John Bason
Finance Director

25 April 2023

Independent review report to Associated British Foods plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the Interim Results Announcement for the 24 week period ended 4 March 2023 which comprises 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 set of financial statements.

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 week period ended 4 March 2023 are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with 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. 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.

As disclosed in note 11, the annual financial statements of the Group will be prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this Interim Results Announcement has been prepared in accordance with UK-adopted International Accounting Standard 34 *Interim Financial Reporting*.

Conclusions relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the Interim Results Announcement, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the Interim Results Announcement, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the Interim Results Announcement. Our conclusion, including our Conclusions Relating to Going Concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

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.

Ernst & Young LLP

Birmingham

25 April 2023