

Review of interim results  
for 24 weeks ended 28 February 2004

14 April 2004



## Financial Highlights

- Adjusted operating profit up 10% to £224m \*
- Group sales up 5% to £2,372m
- Adjusted profit before tax up 10% to £238m \*\*
- Adjusted earnings per share up 11% to 21.4p \*\*
- First interim dividend per share up 11% to 5.25p
- Net cash funds of £1,025m

\* before amortisation of goodwill

\*\* before profits less losses on the sale of businesses and fixed assets and amortisation of goodwill

All figures stated after profits less losses on the sale of businesses and fixed assets and amortisation of goodwill are shown on the face of the consolidated profit and loss account.



## Business Highlights

- Strong performance across a range of businesses
- Primark – impressive profit growth, margin improvement and like-for-like growth
- Excellent operating efficiencies in sugar
- Twinings / Ovaltine strongly ahead
  - full contribution from Ovaltine
- Acquisition of Blue Dragon in UK and Capullo / Mazola in Mexico
- Significant movements both in key commodity input costs and currency exchange rates



## Profit and Loss Account

£m	2004	2003	Change
Sales	2,372	2,259	+5%
Operating costs	(2,176)	(2,075)	
Share of jv's and associates	<u>8</u>	<u>3</u>	
Operating profit	204	187	
Adjusted operating profit	224	204	+10%
Amortisation of goodwill	(20)	(17)	



## Profit and Loss Account

£m	2004	2003	Change
Operating profit	204	187	+9%
Profits less losses on sale of fixed assets	(1)	(6)	
Profits less losses on sale of businesses	6	11	
Investment income	24	26	
Interest expense	<u>(10)</u>	<u>(14)</u>	
Profit before tax	223	204	+9%
Tax	<u>(64)</u>	<u>(58)</u>	
Profit after tax	159	146	
Minority interests	<u>-</u>	<u>-</u>	
Earnings	<u>159</u>	<u>146</u>	
Adjusted profit before tax*	<u>238</u>	<u>216</u>	+10%

\* before profits less losses on sale of businesses and fixed assets and amortisation of goodwill



# Tax

	2004		2003	
	£m	%	£m	%
Underlying charge	69	29.2	64	29.6
Credit on sale of fixed assets/businesses	(1)		(1)	
Credit on goodwill amortisation	<u>(4)</u>		<u>(5)</u>	
Reported charge	<u>64</u>	28.7	<u>58</u>	28.4

- underlying rate in line with the rate for last full year



## Earnings and Dividend Per Share

	2004	2003	Change
Adjusted earnings per share *	21.4p	19.3p	+11%
Earnings per share	20.2p	18.5p	+9%
Dividend per share	5.25p	4.75p	+11%

\* before profits less losses on sale of businesses and fixed assets and amortisation of goodwill net of the tax benefit



# Balance Sheet

£m	2004	2003 (restated)
Goodwill	475	515
Tangible fixed assets	1,396	1,402
Working capital	718	685
Tax and dividends	(149)	(139)
Net cash / Investments	1,025	836
Provisions	(147)	(139)
	<u>3,318</u>	<u>3,160</u>
Equity shareholders' funds	3,296	3,132
Minority interests	22	28
	<u>3,318</u>	<u>3,160</u>

Tangible fixed assets restated for reclassification of investment in own shares following adoption of UITF abstract 38 – Accounting for ESOP Trusts.



## Cash Flow

£m	2004	2003
Operating profit	204	187
Depreciation	72	72
Goodwill amortisation	20	17
Working capital/provisions	(272)	(190)
Capital expenditure - Primark	(32)	(15)
- Food	(64)	(51)
Tax	(65)	(63)
Net interest and other income	12	10
Other	<u>(1)</u>	<u>3</u>
Free cash flow	(126)	(30)
Dividends paid	(78)	(71)
(Acquisitions)/disposals	<u>(13)</u>	<u>(108)</u>
	<u>(217)</u>	<u>(209)</u>



# Segmental Analysis

## By business

	Sales		Profit		Margin		ROCE (annualised)	
	2004	2003	2004	2003	2004	2003	2004	2003
	£m	£m	£m	£m				
Grocery	1,169	1,053	71	70	6.1%	6.6%	20.6%	20.2%
Primary food & agriculture	749	676	85	73	11.3%	10.8%	23.3%	21.1%
Ingredients	133	141	15	13	11.3%	9.2%	25.7%	20.5%
Retail	399	359	50	42	12.5%	11.7%	34.8%	30.5%
Intercompany/central costs	(116)	(89)	(9)	(8)				
Pension credit	-	-	8	8				
Continuing businesses	<u>2,334</u>	<u>2,140</u>	<u>220</u>	<u>198</u>	<u>9.4%</u>	<u>9.3%</u>	<u>24.5%</u>	<u>22.7%</u>
Businesses disposed	<u>38</u>	<u>119</u>	<u>4</u>	<u>6</u>				
	<u>2,372</u>	<u>2,259</u>	<u>224</u>	<u>204</u>	<u>9.4%</u>	<u>9.0%</u>		



# Segmental Analysis

## By geography

	Sales		Profit		Margin	
	2004	2003	2004	2003	2004	2003
	£m	£m	£m	£m		
European Union	1,496	1,349	161	136	10.8%	10.1%
Australia & New Zealand	317	278	10	9	3.2%	3.2%
North America	386	405	33	40	8.5%	9.9%
Elsewhere	153	120	8	5	5.2%	4.2%
Intercompany/Pension credit	(18)	(12)	8	8		
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Grocery	2004	2003	Change
Sales £m	1,169	1,053	+11%
Operating Profit £m	71	70	+1%

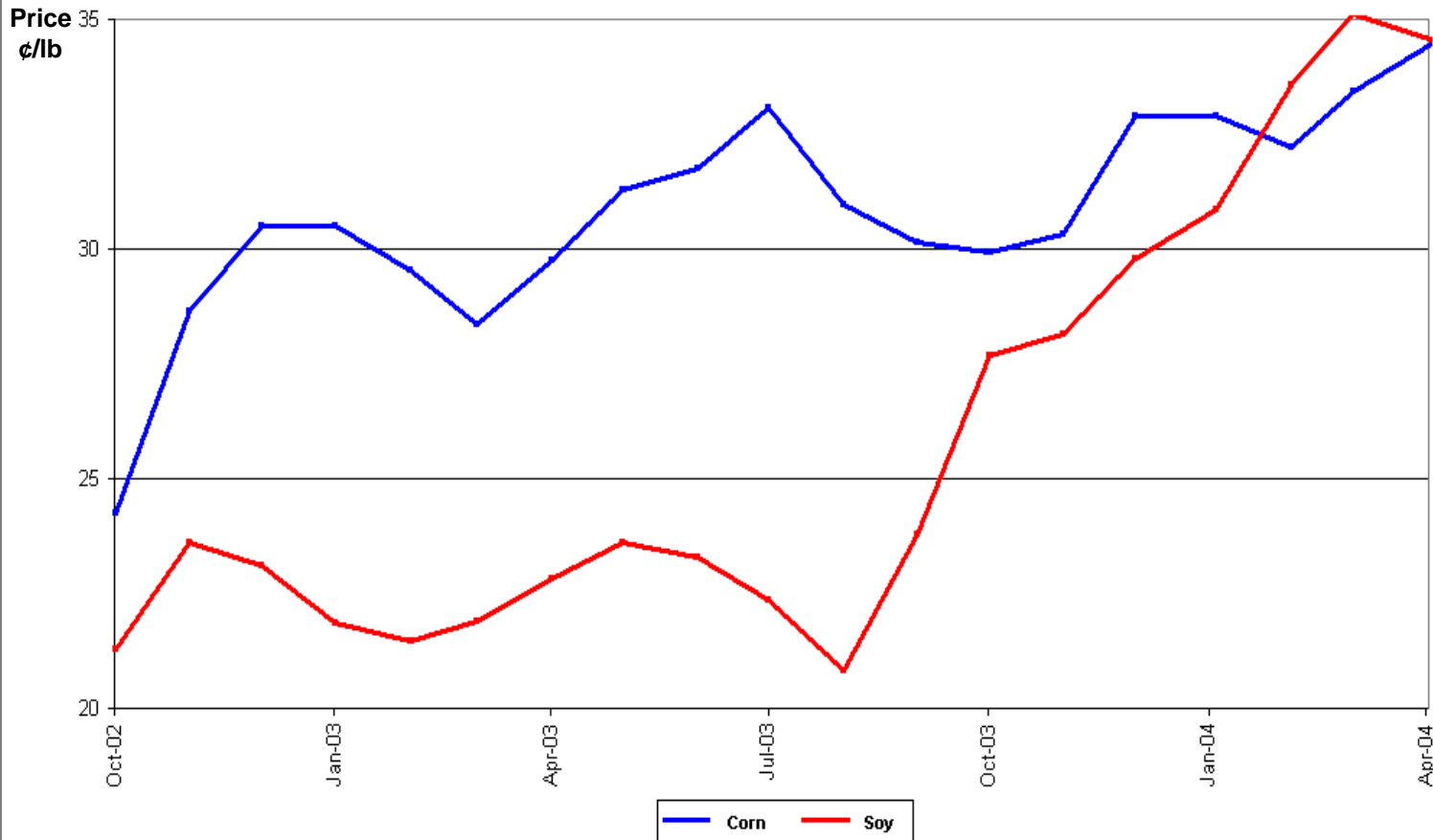


## Oils

- sharp increase in corn and soy oil input costs



# Corn vs soy oil prices 2002 - 2004



- initial competitive disadvantage for corn based products
- difficulty in passing prices on until soy price moved
- higher prices lead to some customers trading down

Grocery	2004	2003	Change
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## Oils

- price action now taken to recover costs
- Mazola volumes ahead
- translation loss from weak US dollar



Grocery

	2004	2003	Change
Sales £m	1,169	1,053	+11%
Operating Profit £m	71	70	+1%



ACH

- Capullo and Mazola acquired in Mexico
- Capullo is leading Mexican premium canola oil brand
- ongoing supply contract
- new sales and management organisation being built



Grocery	2004	2003	Change
Sales £m	1,169	1,053	+11%
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## Speciality hot beverages

- Twinings / Ovaltine integration complete
- ongoing Twinings tea growth
- strong Ovaltine growth in Asia
- new product launches:
  - Twinings 1706, single serve Options and Ovaltine 3-in-1



Grocery	2004	2003	Change
Sales £m	1,169	1,053	+11%
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## Baked goods

### Allied Bakeries

- retail bread price increases following wheat price increase
- continued growth in Kingsmill – morning goods, Toastie brown



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## Baked goods

### Allied Bakeries

- retail bread price increases following wheat price increase
- continued growth in Kingsmill – morning goods, Toastie brown
- continued focus on cost, further benefit from mill integration



### Speedibake

- tough competition
- operational improvements delivering results



Grocery	2004	2003	Change
Sales £m	1,169	1,053	+11%
Operating Profit £m	71	70	+1%



### Australia

- biscuit business sale completed
- aggressive competition in bread
- new Sydney bakery construction to plan, Chatswood to close
- conditions in meat remain tough, exited piggeries in S Australia



### Ryvita

- strong UK crispbread growth



Grocery	2004	2003	Change
Sales £m	1,169	1,053	+11%
Operating Profit £m	71	70	+1%



### Westmill

- Manchester factory being commissioned
- growth in noodles and rice – development of Ken Hom brand



### G Costa

- specialist in ethnic foods, adds Blue Dragon brand



### Silver Spoon

- acquisition of Askeys, market leader in ice cream cones and wafers, develops ice cream and desserts complements category



## Primary food & agriculture

	2004	2003	Change
Sales £m	749	676	+11%
Operating Profit £m	85	73	+16%



## British Sugar

- lower UK crop of 1.37 million tonnes
- good crop quality and factory efficiencies
- currency benefit in first half



Primary food & agriculture	2004	2003	Change
Sales £m	749	676	+11%
Operating Profit £m	85	73	+16%



- No further progress on EU sugar regime reform

**2004**

- Accession of 10 new countries
- Commission produce next report

May

July/August ?



- European Parliament opinion
- Council of Ministers decision

**2005**

March

end of year



- start of new regime

**2006**

July



Primary food & agriculture	2004	2003	Change
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Operating Profit £m	85	73	+16%



### British Sugar Overseas

- Poland had excellent campaign
- pricing in Poland suffered before EU accession this May
- good yields in China – now firmer pricing



### Agriculture

- feed volumes ahead, margin impact in wheat based feeds
- compound ruminant feeds divested
- strong performance in China



Ingredients	2004	2003	Change
Sales £m	133	141	-6%
Operating Profit £m	15	13	+15%



## Polyols

- very strong growth in speciality food polyols for low carbohydrate / sugar free applications



## Bakery ingredients

- good progress, margin improvement from operational efficiencies
- rationalisation of unprofitable lines
- low carbohydrate mixes for US market



## Lipids

- loss of commodity emulsifier volume, focus on specialities



## Enzymes

- sales growth but margin impact of euro strength



Retail	2004	2003	Change
Sales £m	<b>399</b>	359	+11%
Operating Profit £m	<b>50</b>	42	+19%



## Primark

- like-for-like sales growth of 5% at top end of sector
- price deflation estimated at 5%
- margin improved from 11.7% to 12.5%
- extensions take retail sales space to 2.2m sq ft
- new stores acquired – Boscombe, Lincoln, Loughborough, Slough Sunderland and Watford
- Manchester now 100,000 sq ft with 25,000 sq ft extension
- 116 stores trading, 6 to open in second half, search for more ongoing



# Overview of ABF

- More focused
- Increasingly international
- Cash generative
- Growing



## But ... what about EU sugar?

We recognise European sugar will be less profitable...



## But ... what about EU sugar?

However:

- Sugar will still be profitable
- British Sugar will continue to be the lowest cost operator in Europe
- Change will bring opportunities
- Poland will gain from EU membership
- Chinese sugar demand is growing fast



## The rest of ABF

- Will have almost doubled in profit over five years from 1999
- More than 2/3 of group's earnings in half year 2004
- Strong platforms for growth
  - hot beverages
  - Primark
  - retail grocery brands
  - food ingredients

We will continue to use our strong cash flow to support both the **organic and acquisition** based development of these platforms for growth



# Summary

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- Excellent operating efficiencies in sugar
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- Acquisition of Blue Dragon in UK and Capullo / Mazola in Mexico
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