Chairman's statement

> The resilience of the group was demonstrated this year.

Michael McLintock
Chairman

It is a testament to the breadth of the group that profit growth was achieved in a year where the effects of a radical change in the European sugar market fully impacted our businesses.

In a period when our ongoing sugar businesses experienced a significant drop in profits, the resilience of the group was demonstrated by an increase in the profits of our non-sugar activities, mainly driven by strong performances from Grocery and Primark. Revenues were 2% higher than last year at £15.8bn and adjusted operating profit was 1% ahead at £1,421m. There was a minimal effect from currency translation and so revenue and profit increases were broadly the same at constant currency. Net finance expense was much lower than last year following the maturity of a portion of the group's private placement notes and other financial income was higher as a consequence of an increase in the surplus of our defined benefit pension schemes between the 2017 and 2018 year ends. The group's adjusted effective tax rate of 21.5% was in line with last year. Adjusted earnings per share increased by 2% to 137.5p.

This year Primark celebrated the 50th anniversary of the opening of its first store, and I am pleased to report another year of strong progress and notable achievements. The expansion in selling space included Birmingham High Street, a showcase for our entire product range and innovative in-store experiences, and our first move into eastern Europe with the opening of a store in Slovenia. Our stores in the US performed very well and we have announced four further stores to open in the near future. Primark again demonstrated its track record for operational excellence with further improvements in buying and stock management.

Adjusted operating profit at Grocery was well ahead of last year. The margin improvement was broad-based, with excellent performances from our businesses in Australia and the US, Acetum, which was acquired last year, and Twinings Ovaltine on an underlying basis. Profit was down substantially at AB Sugar, mainly due to the effect of a further decline in EU sugar prices last year. This decline resulted from a coincidence of a regional oversupply of sugar and the end of the EU sugar regime. Following the subsequent reduction in EU sugar supply, sugar prices have increased and we look forward to a material increase in our Sugar profit in the coming year.

We continued to invest for the long term, with a gross investment of £837m comprising capital expenditure of £737m and acquisitions of £100m. The capital expenditure for Primark was driven by investment in selling space expansion, supply chain and infrastructure. Investments in our food businesses focused on capacity expansion and projects to drive further operational efficiencies.

In September 2018 we were delighted to acquire Yumi's, an Australian producer of premium chilled dips and snacks, and, on 6 September 2019, Anthony's Goods, a California-based online marketer and blender of speciality baking ingredients. We also signed an agreement to form a yeast and bakery ingredients joint venture in China with Wilmar International. The joint venture will see us build a major new low-cost yeast plant in the north east of China and will combine AB Mauri's existing activities and technical expertise in China with Wilmar's extensive sales and distribution capability.

> We have set out our four group-wide values this year.

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We delivered a stronger operating cash flow this year and the closing net cash position of £936m, before the adoption of IFRS 16 from the coming year, compared to £614m at last year end. The group has the financial strength to invest in all its businesses and to continue to pursue value accretive acquisition opportunities.

Statutory operating profit for the year was 5% down at £1,282m after taking into account exceptional charges of £79m. Losses on sale and closure of businesses increased to £94m this year and as a result, the statutory profit before tax reduced by 8% to £1,173m and basic earnings per share reduced by 13% to 111.1p.

Corporate responsibility
At Associated British Foods, our purpose is to provide safe, nutritious, affordable food and clothing that is great value for money. We are committed to being a good neighbour and supporting the communities where we operate.

This year we have, for the first time, set out our four group-wide values: acting with integrity, respecting everyone's dignity, progressing through collaboration and pursuing with rigour. These values provide clarity and guidance across all our businesses for employees, customers, suppliers and shareholders alike.

Our businesses have always aimed to make a lasting positive contribution to society and our 2019 Responsibility Report, *Living our values*, details the actions we are taking to invest in our people, support society, strengthen supply chains and respect our environment. To see how we make a difference, please download *Living our values*, at www.abf.co.uk/responsibility.

Remuneration
This year we have undertaken a review of the group's executive reward arrangements which has included consultation with some of the group's largest shareholders. As a result, a number of changes are proposed to our remuneration policy to further improve alignment with shareholder interests and these are set out in the Remuneration Report.

The board
In September 2018 we welcomed Graham Allan to the board as a non-executive director. I want to thank Graham for also leading this year's internal evaluation of the board and its committees. Javier Ferrán stood down at our Annual General Meeting in December 2018 and my last statement recorded my thanks to Javier. Ruth Cairnie took on the responsibilities of Senior Independent Director. Richard Reid was appointed as designated non-executive director for engagement with the workforce.

Employees
These results are a tribute to the ongoing dedication and commitment of our 138,000 employees during the past year. Operating in 52 countries, some of which are challenging markets, they have delivered operational improvements which have underpinned the increased profit and cash generation that we report today. I would like to thank all of our employees for their valuable contribution, determination to succeed and in bringing our values to life every day.

Dividends
I am pleased to report that a final dividend of 34.3p is proposed to be paid on 10 January 2020, to shareholders on the register on 13 December 2019. Together with the interim dividend of 12.05p paid on 5 July 2019, this will make a total of 46.35p for the year, an increase of 3%.

IFRS 16 *Leases*
The group will adopt the new accounting standard IFRS 16 *Leases* from the coming financial year. This is a significant accounting change for the group and will bring lease liabilities of £3.6bn on to the balance sheet, predominantly relating to Primark's leasehold stores. Under our chosen transition option, the results for the 2019 financial year will not be restated. However, we have set out the pro forma effects on our financial results this year, and on the key metrics for Primark, in the Financial review.

Outlook
In the coming year, AB Sugar will benefit materially from the increase seen this year in EU sugar prices and from further cost reduction. We expect another year of strong profit and margin growth in Grocery, with Twinings Ovaltine in particular benefiting from a more efficient tea supply chain.

Primark will continue to expand its selling space next year, with the most stores being added in France and Spain. Looking further ahead, Primark has a strong pipeline of good quality sites. We expect cost reductions in both the cost of goods and overheads during the year, but the weakness of sterling during this financial year will result in a margin decline for Primark in the first half. The sterling exchange rate is currently very volatile but, at current exchange rates, we expect margin in the second half to be in line with the same period this year and margin for the full year to be only a small reduction on that achieved this year. Margin comparisons are on a lease-adjusted basis.

Our businesses have completed all practical preparations for Brexit and contingency plans are in place should our businesses experience some disruption at the time of exit.

Taking these factors into account, at this early stage, we expect progress, on both a reported and an IFRS 16 adjusted basis, in adjusted earnings per share for the group for the coming year.

Michael McLintock
Chairman