

**Review of annual results  
for 53 weeks ended  
18 September 2010**



9 November 2010



# Financial Highlights

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- Group revenue up 10% to £10.2bn
- Adjusted operating profit up 26% to £909m\*
- Adjusted profit before tax up 26% to £825m \*\*
- Adjusted earnings per share up 25% to 72.2p\*\*
- Dividends per share up 13% to 23.8p
- Net capital investment of £699m
- Net debt of £816m
- Operating profit up 31% at £819m, profit before tax up 54% to £763m and basic earnings per share up 52% at 69.3p

\* and \*\* - see notes at end

# Business Highlights

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- A record year
  - revenue over £10bn
  - adjusted earnings up 25%
  - much improved margin and returns
  - EBITDA over £1.2bn
  
- Strong underlying trading
  
- Investment delivering returns
  - Azucarera, Zambia sugar, Primark
  
- Benefit of restructuring
  - US and UK grocery
  
- Recovery
  - UK sugar, China sugar, US vegetable oils

# Income Statement

£m	2010	2009	Change
Revenue	10,167	9,255	+10%
Operating costs	(9,355)	(8,639)	
Share of joint ventures and associates	16	10	
Profits less losses on disposal of non-current assets	(9)	(1)	
Operating profit	<u>819</u>	<u>625</u>	
Adjusted operating profit*	909	720	+26%
Profits less losses on disposal of non-current assets	(9)	(1)	
Amortisation of non-operating intangibles	(81)	(82)	
Inventory fair value adjustment	-	(12)	

# Income Statement

Associated  
British Foods  
plc

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£m	2010	2009	Change
Operating profit	819	625	+31%
Profit/(loss) on sale/closure of businesses	28	(65)	
Net interest expense	(76)	(78)	
Other financial (expense)/income	(8)	13	
Profit before tax	<u>763</u>	<u>495</u>	+54%
Tax	(194)	(112)	
Profit after tax	<u>569</u>	<u>383</u>	
Non-controlling interests	(23)	(24)	
Attributable to equity shareholders	<u>546</u>	<u>359</u>	
Adjusted profit before tax**	<u>825</u>	<u>655</u>	+26%

# Tax

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	2010		2009	
	£m		£m	
Underlying charge	221	26.8%	166	25.3%
Credit on goodwill & intangible amortisation	(27)		(25)	
Credit on disposal of businesses/non-current assets	-		(25)	
Credit on inventory fair value adjustment	-		(4)	
Reported charge	<u>194</u>	25.4%	<u>112</u>	22.6%

# Earnings and Dividends Per Share

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	2010	2009	Change
Adjusted earnings per share *	72.2p	57.7p	+25%
Earnings per share	69.3p	45.5p	+52%
Dividends per share	23.8p	21.0p	+13%

# Balance Sheet

Associated  
British Foods  
plc

£m	2010	2009
Intangible assets (including goodwill)	1,925	1,913
PP&E and other non-current assets	4,388	3,905
Net assets classified as held for sale	-	102
Working capital	826	970
Biological assets - current	100	101
Current tax	(132)	(113)
Net debt	(816)	(999)
Other financial liabilities	(5)	(64)
Deferred tax	(238)	(212)
Provisions	(205)	(421)
Net pension liability	(99)	(106)
	<u>5,744</u>	<u>5,076</u>
Equity shareholders' funds	5,293	4,748
Non-controlling interests	451	328
	<u>5,744</u>	<u>5,076</u>



# Cash Flow

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£m	2010	2009
Adjusted operating profit (before joint ventures and associates)	893	710
Depreciation and amortisation of operating intangibles	332	293
Working capital	193	46
Provisions	(57)	(20)
Capital expenditure - Primark	(207)	(173)
- Food	(487)	(372)
Purchase of intangibles	(32)	(24)
Tax	(155)	(135)
Net interest and other income	(73)	(77)
Pension cost less contributions	(34)	(40)
Other	33	(8)
Free cash flow	<u>406</u>	<u>200</u>
Dividends paid (incl minorities)	(200)	(184)
Quota renunciation compensation	-	101
(Acquisitions)/disposals including loans to joint ventures	<u>(120)</u>	<u>(179)</u>
Net cash flow before financing	<u>86</u>	<u>(62)</u>

# Segmental Analysis

## By business

	Revenue		Profit*		Margin		ROCE	
	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	%	%	%	%
Grocery	3,406	3,188	229	191	6.7	6.0	19.7	17.9
Sugar	1,941	1,475	240	168	12.4	11.4	14.0	11.8
Agriculture	954	913	33	34	3.5	3.7	18.1	21.3
Ingredients	1,067	989	104	88	9.8	8.9	16.5	16.0
Retail	2,730	2,314	341	252	12.5	10.9	23.5	17.8
Central costs	-	-	(42)	(34)	n/a	n/a	n/a	n/a
Continuing businesses	10,098	8,879	905	699	9.0	7.9	17.7	15.2
Businesses disposed	69	376	4	21	n/a	n/a	n/a	n/a
	<u>10,167</u>	<u>9,255</u>	<u>909</u>	<u>720</u>	<u>8.9</u>	<u>7.8</u>	<u>17.8</u>	<u>15.4</u>

# Segmental Analysis

## By geography

	Revenue		Profit*		Margin	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	%	%
United Kingdom	4,411	4,049	480	354	10.9	8.7
Europe & Africa	2,495	1,927	219	198	8.8	10.3
The Americas	1,120	1,068	121	85	10.8	8.0
Asia Pacific	2,072	1,835	85	62	4.1	3.4
Continuing businesses	10,098	8,879	905	699	9.0	7.9
Businesses disposed	69	376	4	21	n/a	n/a
	<u>10,167</u>	<u>9,255</u>	<u>909</u>	<u>720</u>	<u>8.9</u>	<u>7.8</u>

# Sugar

		2010	2009	Change
Revenue	£m	1,941	1,475	+31%
Operating profit	£m	240	168	+42%
Margin		12.4%	11.4%	
ROCE		14.0%	11.8%	

- step change in profitability
- recovery
  - UK margin
  - China sugar prices
- investment
  - Azucarera contribution
  - Zambia capacity expansion



Sugar	2010	2009	Change
Revenue £m	1,941	1,475	+31%
Operating Profit £m	240	168	+42%



### EU sugar

- stable market, strong euro
- UK profit and margin well ahead
  - 1.3 million tonnes sugar
  - excellent factory performance
  - non-quota world exports
- first major Azucarera contribution
  - 394,000 tonnes beet sugar, 145,000 tonnes cane sugar
  - heavy rains affected north and south campaigns



### Vivergo wheat bioethanol plant

- full operation scheduled summer 2011



Sugar	2010	2009	Change
Revenue £m	1,941	1,475	+31%
Operating Profit £m	240	168	+42%



### Illovo

- profit adversely affected
  - lower volumes
  - rand strength on world exports
  - euro weakness on EU exports
- drought in South Africa
- longer term development continuing
- good progress with capacity expansion
  - Zambia, Mozambique factory complete
  - Swaziland ready for next season



Sugar	2010	2009	Change
Revenue £m	1,941	1,475	+31%
Operating Profit £m	240	168	+42%



## China

- financial results much improved
  - higher prices
  - factory efficiencies in north
  - good cane sugar production
- progress in agricultural development in north
  - local government support
  - improved farming techniques
  - higher beet volumes expected
- sugar prices now at record levels



# Agriculture

		2010	2009	Change
Revenue	£m	954	913	+4%
Operating profit	£m	33	34	-2%
Margin		3.5%	3.7%	
ROCE		18.1%	21.3%	

- another strong year
- UK feed ahead
- growth in Premier Nutrition and speciality feed enzymes
- lower demand for pig and poultry feed in China
- good result from Frontier trading activities





		2010	2009	Change
Revenue	£m	3,406	3,188	+6%
Operating profit	£m	229	191	+19%
Margin		6.7%	6.0%	
ROCE		19.7%	17.9%	

- margin improvement even after £29m charge in 2010 for rationalisation
- restructuring
  - ACH, Silver Spoon, Jordans Ryvita, AB World Foods
- recovery
  - US vegetable oils, UK bread
- Twinings Ovaltine strong growth



Grocery	2010	2009	Change
Revenue £m	3,406	3,188	+6%
Operating Profit £m	229	191	+19%



## Twinnings Ovaltine

- consistent delivery of international growth
- track record of marketing excellence, product innovation
- Twinnings progress in North America, UK
- Ovaltine in developing markets



UK



Thailand



North America



Grocery	2010	2009	Change
Revenue £m	3,406	3,188	+6%
Operating Profit £m	229	191	+19%



## UK Grocery

- Allied Bakeries
  - margins improved but now pressure from rising wheat costs
  - Little Big Loaf success
  - competitive market, high levels of promotion
  - capital investment accelerating
- successful relaunch of Patak's by AB World Foods
- Westmill beats decline in ethnic restaurant trade
- Jordans Ryvita improving, further progress to come
- better margin at Silver Spoon



Grocery	2010	2009	Change
Revenue £m	3,406	3,188	+6%
Operating Profit £m	229	191	+19%



### ACH/Stratas

- profit well ahead with absence of last year's hedge loss
- completion of commodity product transfer to Stratas
- Champaign and Jacksonville closed
- Mazola, Capullo margins tighter with vegetable oil cost increase



### Australia

- strong result in bakery
  - premium bread launch
  - improvement in operations
- meat business
  - difficult trading with lower volumes, margin
  - new Castlemaine factory fully open summer 2011



# Ingredients

		2010	2009	Change
Revenue	£m	1,067	989	+7%
Operating profit	£m	104	88	+18%
Margin		9.8%	8.9%	
ROCE		16.5%	16.0%	

## AB Mauri

- strong performance by bakery ingredients
- capital investment
  - Harbin expansion complete
  - further expansions planned

## ABF Ingredients

- much better year
- enzymes and US speciality lipids well ahead
- yeast extracts capacity expansion commissioning



# Retail

		2010	2009	Change
Revenue	£m	2,730	2,314	+17%
Operating profit	£m	341	252	+35%
Margin		12.5%	10.9%	
ROCE		23.5%	17.8%	

- like-for-like sales up 6%
  - strong in UK
  - weaker in Ireland
  - excellent performance in continental Europe
- selling space increase of 10%
- margin substantially ahead



# Primark margins

- improvement this year from 10.9% to 12.5%
  - volume increases
  - continental Europe performance
  - sterling relative strength against US dollar
- some erosion of this year's margin improvement in coming financial year
  - cotton price increases hit spring 2011
  - VAT increases
  - further volume increases
- price leadership on the high street will be maintained



# Primark - selling space expansion

	UK		Republic of Ireland		Iberia		Other		Total	
	sq ft '000	stores	sq ft '000	stores	sq ft '000	stores	sq ft '000	stores	sq ft '000	stores
September 2009	4,380	136	970	38	450	15	80	2	5,880	191
September 2010	4,720	143	1,010	38	570	19	180	4	6,480	204
	+8%		+4%		+27%		+125%		+10%	



# Primark merchandising



# Primark awards

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## Retail Week Awards 2010

- Retailer of the Year
- Store design of the Year for Bristol
- Lifetime Achievement Award for Arthur Ryan

## Multi Market Retailer of the Year

# Primark expansion

- capital investment accelerating
- at least 0.5m sq ft additional selling space in financial year
- significant further store openings by Christmas 2011
- extensions and refits



# Looking ahead...

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- Group financial strength
- A number of long-term projects completing soon
- Impact of commodity cost increases

# Group financial strength

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- Cash generating ability - EBITDA over £1.2bn
  
- Net debt at £816m
  
- Bank credit facility renewed
  - £1.15bn maturity July 2015
  - support of 12 banks

# Major long-term projects completing soon

Sugar

Tomato glasshouse

Vivergo biofuels



Expansion in Swaziland





# Major long-term projects completing soon

## Grocery

### Castlemaine factory



## Retail

### Store expansion across Europe

Blackburn



Elche



# Commodity cost increases

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Sugar	Higher selling prices for Sugar businesses
Wheat	UK and Australia bread margins and pricing Vivergo margin Frontier trading Animal feed margins and pricing
Cotton	Margin pressure for Primark



- A record year
  - revenue over £10bn
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  - much improved margin and returns
  - EBITDA over £1.2bn
  
- Strong underlying trading
  
- Investment delivering returns
  
- Benefit of restructuring
  
- Recovery
  
- Continuing to invest for sustainable growth

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# Exchange rates

<b>Average rates used to translate the income statement</b>	<b>2010</b>	<b>2009</b>
US\$	1.56	1.56
euro	1.15	1.15
South African rand	11.68	14.09
Australian \$	1.74	2.15
<b>Rates at year end used to translate the balance sheet</b>	<b>2010</b>	<b>2009</b>
US\$	1.56	1.67
euro	1.20	1.14
South African rand	11.17	12.39
Australian \$	1.67	1.93

This presentation pack is directed only at investment professionals falling within article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and to other persons to whom the presentation pack may lawfully be promoted.

## Notes

- \* before amortisation of non-operating intangibles and profits less losses on disposal of non-current assets
- \*\* before amortisation of non-operating intangibles, profits less losses on disposal of non-current assets, and profits less losses on the sale and closure of businesses

All figures stated after amortisation of non-operating intangibles, profits less losses on disposal of non-current assets and profits less losses on the sale and closure of businesses are shown on the face of the consolidated income statement.