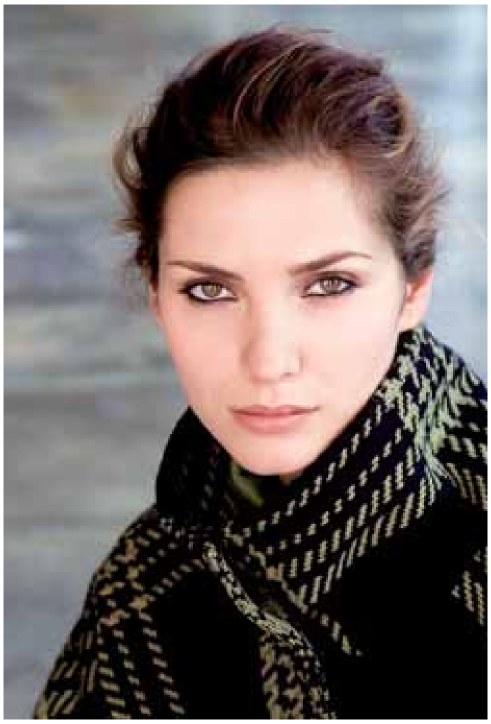
Associated British Foods plc

Interim Report 2008



At a glance

Sugar & Agriculture

Revenue £963m
(2007 – £901m)

Adjusted operating profit £77m
(2007 – £94m)

% of total revenue 26%
(2007 – 28%)

Sugar: Europe, China, Southern Africa, Agriculture

Associated British Foods is a diversified international food, ingredients and retail group with global sales of £6.8bn, and 85,000 employees in 44 countries.

Our aim is to achieve strong, sustainable leadership positions in markets that offer potential for 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.

Retail

Revenue £899m
(2007 – £721m)

Adjusted operating profit £111m
(2007 – £91m)

% of total revenue 24%
(2007 – 23%)

Primark, Penneys, Primark Tiendas

Grocery

Revenue £1,438m
(2007 – £1,226m)

Adjusted operating profit £88m
(2007 – £64m)

% of total revenue 39%
(2007 – 38%)

Hot beverages, sugars & sweeteners, vegetable oils, bread and baked goods, ethnic foods, herbs and spices, meat and dairy

Ingredients

Revenue £406m
(2007 – £345m)

Adjusted operating profit £35m
(2007 – £33m)

% of total revenue 11%
(2007 – 11%)

Yeast and bakery ingredients, speciality ingredients

Financial highlights 2008

For the 24 weeks ended 1 March 2008

- Group revenue up 15% to £3,706m
- Adjusted operating profit up 9% to £296m*
- Adjusted profit before tax up 5% to £282m**
- Adjusted earnings per share up 8% to 25.2p**
- Interim dividend per share up 4% to 6.75p
- Net investment in capital and acquisitions of £363m
- Net debt of £848m
- Operating profit up 17% to £281m, profit before tax up 35% to £267m and basic earnings per share up 33% to 25.6p

* before amortisation of non-operating intangibles, profits less losses on the sale of PP&E and exceptional items
** before amortisation of non-operating intangibles, profits less losses on the sale of PP&E, profits less losses on the sale and closure of businesses and exceptional items

All figures stated after amortisation of non-operating intangibles, profits less losses on the sale of PP&E, profits less losses on the sale and closure of businesses and exceptional items are shown on the face of the consolidated income statement.

Contents

Chairman's statement

Our interim results show an increase of 9% in the group's adjusted operating profit over the same period last year.

The first half of the year saw a strong performance by most of our businesses in an environment of rising commodity prices and volatile currencies. This was partially offset by the impact on our European sugar businesses of the increased restructuring levy and quota cut arising from the reform of the EU sugar regime.

In our interim management statement issued on 17 January 2008 we reported that trading in the first 16 weeks had been fully up to our expectations. This trend continued and our interim results show an increase of 9% in the group's adjusted operating profit over the same period last year. Strong growth in Grocery, Agriculture and Primark more than offset the previously reported decline in Sugar.

Recent investments, higher working capital and higher interest rates have increased the group's net financing costs. However, this impact is largely offset by the lower underlying tax rate of 25.5% compared with 26.9% in the first half last year. Adjusted earnings show good progress, ahead by 8%.

The European Commission announced in February that a total of 2.6 million tonnes of sugar quota had been permanently renounced across the EU in the first phase of its enhanced restructuring scheme. This brought the total quota for sugar, inulin and isoglucose renounced to 4.8 million tonnes. The income statement includes an exceptional gain of £17m following our decision to renounce permanently 191,000 tonnes of UK and Polish sugar quota from October 2008 as part of this first phase. The gain comprises the compensation receivable from the EU restructuring fund less both the write-off of the unamortised cost of quota purchased in 2006 and costs relating to the closure of the York and Ostrowite factories. The European Commission is expected to confirm that a further 0.8 million tonnes of quota has been permanently renounced in the second, and final, phase of restructuring. The total quota renounced would then substantially achieve the target set by the Commission to balance the consumption and production of sugar within the EU.

Sugar results were sharply down due to not only the anticipated negative impact of regime reform in Europe but also adverse weather conditions. The very good improvement in Agriculture experienced in the second half of last year continued into this year. Grocery performed well with Allied Bakeries delivering a major improvement. It is also encouraging that the integration of the recently acquired Patak's business with Blue Dragon is proceeding on schedule with good underlying operational performance. Further excellent results from Primark reflected the benefit of a substantial increase in retail selling space and good like-for-like sales growth. We continue to develop a pipeline for new store openings in all of the countries in which we operate although openings over the next year are likely to be at a slower rate than in 2006 and 2007.

During the half year we have spent £125m on acquisitions, primarily on establishing a major presence in the beet sugar industry in north east China and on certain of the European assets of Gilde Bakery Ingredients for AB Mauri. Investment in existing businesses continued at a rate similar to last year with net capital expenditure of £238m, of which £64m was spent on new stores and refits for Primark. At the half year the group's net debt was substantially ahead of the corresponding period last year at £848m. This reflects these investments, a £48m payment for the additional sugar quota acquired in 2006 and considerably higher working capital as a consequence of substantially higher commodity prices. The higher level of net debt was financed by use of our existing $1.2bn syndicated loan facility which we negotiated last year in anticipation of further investment.

Board changes

In the annual report and accounts last year I noted that two of our non-executive directors had indicated that they would not seek reappointment at the annual general meeting. Accordingly John MacGregor and Mike Alexander left the Board. Lord MacGregor was succeeded as senior non-executive director by Tim Clarke.

Dividends

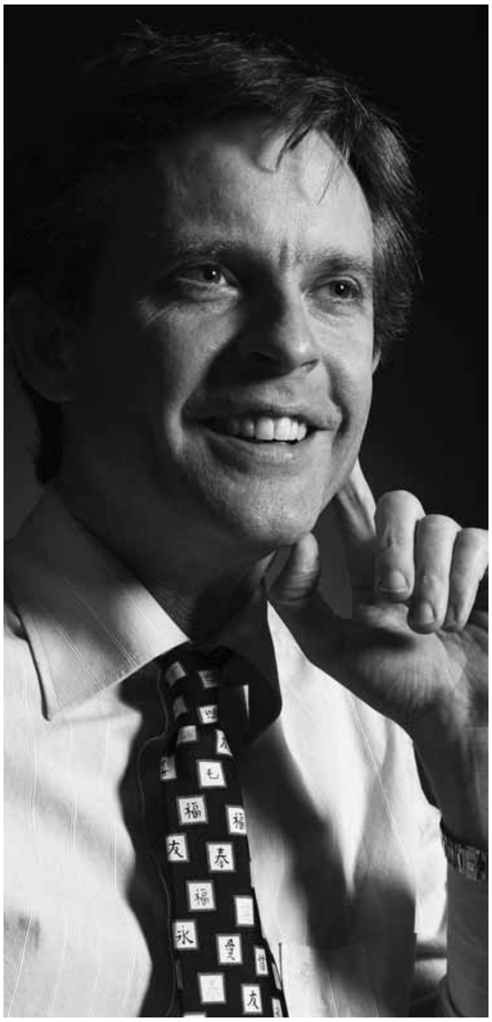
The Board has decided that the interim dividend will be 6.75p, an increase of 4% on last year. This dividend will be paid on 3 July 2008 to shareholders registered at the close of business on 6 June 2008.

Outlook

The trading environments of many of our businesses are being affected by an unusual degree of economic uncertainty. Rising commodity prices and energy costs as well as volatile currencies affect our businesses directly and these and other economic factors impact on consumers. The increased restructuring levy and quota cut will continue to have a negative effect on this year's sugar profit. However, the process of reform of the EU sugar regime is now essentially complete and sets the scene for a return to market equilibrium. We expect profit for the rest of the group to show progress in the second half despite the difficult economic conditions.

Martin Adamson
Chairman
22 April 2008

Operating review



These good results demonstrate that the group remains on track... During the half year the development of our businesses continued apace.

These good results demonstrate that the group remains on track. Revenue increased by 15% to £3,706m and adjusted operating profit by 9% to £296m. Despite the challenge of rapidly rising commodity and energy costs faced by many of our businesses, revenue and profit from Grocery, Ingredients and Agriculture all grew strongly. Primark produced another set of excellent results particularly against a background of difficult trading for UK clothing retailers.

The rise in commodity prices, mainly cereals and soy, has had a significant and varying impact on the different sectors of UK agriculture. Our Agriculture business benefited from firmer pricing in animal feed and from the supply of crop inputs and grain trading at Frontier. A much improved performance at Allied Bakeries contributed to strong profit growth in Grocery which also saw excellent contributions from Twinings and Ovaltine and from our business in Australia. Progress in a number of key markets by our yeast and bakery ingredients business, AB Mauri, was the driver behind the growth in Ingredients.

In Sugar, profit from our EU operations suffered from the well-documented impact of regime reform, and adverse weather prevented the realisation of the full potential of the crop.

During the half year the development of our businesses continued apace. Highlights include the establishment of a major beet sugar business in China, sugar capacity expansion in Zambia, the integration of Patak's and Blue Dragon to create World Foods, the expansion of our European presence in yeast and further new stores for Primark in Ireland, UK and Spain.

Sugar & Agriculture

Sugar

Revenue – £567m
(2007 – £579m)

Operating profit – £58m
(2007 – £87m)

Sugar profit in the UK and Poland was much lower than last year mainly as a result of the further effects of the EU sugar regime changes. The restructuring levy per tonne has been increased from €126 last year to €173 this year and the temporary reduction of quota increased from 152,000 tonnes to 191,000 tonnes. As a consequence of the acceptance of our renunciation applications the renounced quota will not be subject to the restructuring levy in the 2007/8 marketing year. This benefit had been anticipated in our expectation for the current year. Profit in the UK was also impacted by higher energy costs and a smaller crop of 1.05 million tonnes which was affected by heavy mid-summer rains. Poland had an exceptionally good campaign with production of 227,000 tonnes and Glinojeck again set new operating records. The strengthening of the euro has benefited the UK business.

British Sugar received confirmation in February that its application to renounce permanently 191,000 tonnes of UK and Polish sugar quota from October 2008, in the first phase of the enhanced restructuring scheme to enable EU reform, had been accepted. An application to renounce a further 15,000 tonnes of Polish quota has been made as part of the second phase.

Wissington is now fully operational in the production of bioethanol with yields ahead of our expectation. In Vivergo Fuels the detailed design of the world-scale bioethanol plant, using wheat as feedstock, is nearing completion.

At Illovo, profits were lower than the same period last year. Sugar production was affected by very high rainfall making it impossible to harvest all available cane at the end of the season. Volumes in both South Africa and Zambia were lower than previously forecast although the total sugar production estimate of 1.8 million tonnes is still above the previous year. Operating performance was positive with good plant availability and sugar extraction in most areas. The major expansion programme at the Nakambala mill in Zambia is well under way which will nearly double its capacity to 440,000 tonnes of sugar. This major project involves not only expansion of the mill but also investment in the irrigation systems necessary to support the larger cane growing area required.

Operating review continued

As in Africa the market for sugar in China is growing significantly and consumption now exceeds domestic supply. Since August last year, when we announced our initial investment in beet sugar production in north east China, we have made a further substantial investment in acquiring another seven factories bringing the total to 11. This year's beet processing campaign progressed well with 245,000 tonnes of sugar produced. Plans are being developed to increase production significantly over the coming years. BoTian has already started a major expansion of the Yi'an factory in Heilongjiang province.

In southern China an unusually late frost has reduced our expectation of sugar production to 500,000 tonnes and production next year will be lower again because of the damage to the cane. However, further growth can be expected following the construction of a new cane sugar mill in Jianchenjiang, with a capacity of 120,000 tonnes, completion of which is expected at the end of this calendar year.

Agriculture

Revenue £396m
(2007 – £322m)

Operating profit £19m
(2007 – £7m)

Agriculture performed extremely well with revenue and profit sharply ahead of last year. Strong trading in the markets for cereals, nitrogen-based fertilisers and other crop inputs led to an excellent result from Frontier. Volatility is now an established feature of cereal markets and Frontier is benefiting from a unique position with its investment in systems, a low cost base, national trading and strong financial resources. Further investment enabled KW Trident to benefit from high demand for sugar beet feed and co-products from the cereal, distilling and brewing sectors. However, in China, recovery of the dramatic increase in the cost of raw materials and energy has proved challenging. Our feed ingredients business, AB Vista, has continued to develop. It now operates in 35 countries and combines the provision of new generation micro-ingredients for the animal feed industry with respected technical expertise in optimising livestock development.

Grocery

Revenue £1,438m
(2007 – £1,226m)

Operating profit £88m
(2007 – £64m)

Grocery revenue increased by 17% to £1,438m and profit was up 38% to £88m. This strong growth was primarily a result of a recovery and substantial improvement by Allied Bakeries and excellent performances by Twinings, Ovaltine and our business in Australia.

As expected, profit at ACH has been impacted by the effects of the sharp increases in the cost of corn, soy and canola oils. These commodities more than doubled in cost over the year. Price increases have now been achieved, although delayed until after the high demand period running up to Christmas, but volumes have been affected. Foodservice margins continued to be impacted by the market turmoil arising from changes to formulations containing no trans fatty acids and also from the steep commodity price increases. Spices, however, continued to perform well following last year's introduction of new products with a new packaging format, grinders, and a new line of gourmet grilling spices under the licensed Weber Grill brand.

Allied Bakeries in the UK benefited from higher volumes, continued improvement in operational performance and increased bread prices in the autumn which recovered the higher wheat costs. Volumes have responded to the Kingsmill relaunch in February last year, particularly in the products with improved recipes: Great Everyday white and 50/50, a white bread with wholemeal flour.

Our international hot beverages business had a very good half year. Twinings delivered strong sales growth particularly in the UK where Everyday Tea, infusions, speciality and green teas performed well and contributed to the achievement of a record UK market share. Market share continued to increase in the US benefiting from increased distribution and the new packaging launched last year. Our everyday proposition was launched in Australia as 'Simply Twinings' and has been well received. New product launches and strong demand for Ovaltine in Thailand resulted in sales being well ahead. The developing markets of Brazil and Nigeria delivered good growth following improved distribution.

In World Foods the combination of the businesses of Patak's and Blue Dragon is proceeding to plan and full integration of the retail sales force, distribution and administration will be completed by the end of this financial year. The new Blue Dragon factory in Poland is operational and the closure of the two factories in Wales now completed. The Grocery result includes a charge for these closures. Trading for both the Blue Dragon and Patak's brands has been strong and prices have been increased to recover ingredient cost increases, particularly wheat and certain spices.

Profit was strongly ahead at Westmill Foods, the leading supplier of ethnic foods to the UK ethnic wholesale channel. Price increases have recovered the sharp rise in the cost of commodities, particularly basmati rice and soy oil. The business has been further strengthened by the addition of the foodservice sales of the Patak's brand.

Ryvita benefited from increased sales of premium varieties, such as Wholeseed and Muesli Crunch, and from Snack packs. Growth was also achieved in international markets. The UK retail sugar market continued to be intensely competitive but Silver Spoon was able to offset some of the pressure on margins by supply chain efficiencies. Speciality sugars performed well with strong sales by Billington's and significant listings achieved for Fairtrade sugars produced by Illovo.

In Australia, milling and baking performed well with the successful recovery of higher wheat costs and further improvements in efficiencies at the flagship bakery in Sydney. Profitability improved in the meat business, which will be further strengthened by the acquisition of KR Castlemaine which completed at the end of March. The acquired business brings a modern, low-cost factory at Castlemaine, Victoria, and the regional KR brand.

Ingredients

Revenue £406m
(2007 – £345m)

Operating profit £35m
(2007 – £33m)

Ingredients achieved a revenue increase of 18% over last year to £406m. This growth was largely driven by the yeast business which benefited from a combination of organic growth in all regions and the acquisition of the Gilde business in Italy. Profit was up 6% to £35m with lower prices for lactose, a protein co-product, adversely impacting margin.

Very good progress was made in our yeast and bakery ingredients business, AB Mauri. There was further recovery in North America, a substantial improvement in Brazil, which benefited from lower operating and molasses costs, and growth in the China and Pacific region. Signficant investments include expansion of the Argentinian plant, which has created one of our lowest cost plants, further additional capacity being added in north east China and a yeast and bakery ingredients plant has been completed in Mexico. The newly acquired plant in Italy is now our largest. Competition clearance on the acquisition of some of the remaining European assets of Gilde Bakery Ingredients is awaited.

At ABF Ingredients, growth in enzymes was achieved by an increase in sales resource, with a wider geographical reach, and the introduction of new products. However, the protein business was adversely affected by much lower prices for the co-product lactose. Increased demand has led to further investment in additional enzyme capacity in Finland and the building of a new yeast extract plant alongside our yeast facility in north east China. We sold our small UK-based emulsifier business at the beginning of February with completion being subject to competition clearance.

Retail

Revenue £899m
(2007 – £721m

Operating profit £111m
(2007 – £91m)

Primark's results were excellent with a revenue increase of 25% to £899m and profits ahead 22% to £111m.

There was a substantial increase in retail selling space during the first half of last year when a large number of the former Littlewoods stores were opened. Since then there has been a steady stream of new store openings in the UK, Ireland and Spain. At the half year we were operating from 173 stores and 5 million sq ft of selling space. Since last year end we have opened new stores in Jerez and Madrid, bringing the number of stores in Spain to four. In Ireland we opened in the Wilton Shopping Centre in Cork and relocated to a larger store in Tralee. In the UK we opened a new, larger store in Brighton and extended our Manchester store by the opening of another floor. We continue to develop a pipeline for new store openings in all of the countries in which we operate and expect to open a further eight stores in the second half including four in Spain which, with store extensions, will add a further 300,000 sq ft of retail selling space.

Revenues over Christmas were ahead of our expectations and against a background of tough trading for UK clothing retailers we achieved a 4% increase in like-for-like sales for the first half. We are very encouraged by the performance of our stores in Spain which have already achieved sales densities ahead of the average for the UK and Ireland.

Latest UK market share data shows that Primark now has over 10% of the market by volume, ranking it the second largest clothing retailer.

George Weston
Chief Executive

Consolidated income statement

Continuing operations	Note	Before exceptional items 24 weeks ended 1 March 2008 £m	Exceptional item 24 weeks ended 1 March 2008 £m	Total 24 weeks ended 1 March 2008 £m	24 weeks ended 3 March 2007 £m	52 weeks ended 15 September 2007 £m
Revenue	1	3,706	–	3,706	3,220	6,800
Operating costs before exceptional items		(3,450)	–	(3,450)	(2,994)	(6,262)
Renunciation of sugar quota	2	–	17	17	–	–
		256	17	273	226	538
Share of profit after tax from joint ventures and associates		7	–	7	3	10
Profits less losses on sale of property, plant & equipment		1	–	1	12	8
Operating profit		264	17	281	241	556
Adjusted operating profit	1	296	–	296	272	622
Profits less losses on sale of property, plant & equipment		1	–	1	12	8
Amortisation of non-operating intangibles		(33)	–	(33)	(43)	(74)
Exceptional item		–	17	17	–	–
Profits less losses on sale of businesses		–	–	–	(39)	(39)
Profit before interest		264	17	281	202	517
Finance income		11	–	11	8	20
Finance expense		(35)	–	(35)	(23)	(55)
Other financial income		10	–	10	11	26
Profit before taxation		250	17	267	198	508
Adjusted profit before taxation		282	–	282	268	613
Profits less losses on sale of property, plant & equipment		1	–	1	12	8
Amortisation of non-operating intangibles		(33)	–	(33)	(43)	(74)
Exceptional item		–	17	17	–	–
Profits less losses on sale of businesses		–	–	–	(39)	(39)
Taxation – UK		(20)	3	(17)	(25)	(46)
– Overseas		(42)	–	(42)	(18)	(62)
	3	(62)	3	(59)	(43)	(108)
Profit for the period		188	20	208	155	400
Attributable to:						
Equity shareholders		182	20	202	152	369
Minority interests		6	–	6	3	31
Profit for the period		188	20	208	155	400
Basic and diluted earnings per ordinary share (pence)	4			25.6	19.2	46.7
Dividends per share for the period (pence)	5			6.75	6.50	19.50

Consolidated balance sheet

	Note	At 1 March 2008 £m	At 3 March 2007 £m	At 15 September 2007 £m
Non-current assets				
Intangible assets		1,629	1,454	1,570
Property, plant & equipment		2,817	2,548	2,642
Biological assets		48	46	48
Investments in joint ventures		53	39	46
Investments in associates		36	18	33
Employee benefits assets		337	193	308
Deferred tax assets		63	87	70
Other receivables		105	5	2
Total non-current assets		5,088	4,390	4,719
Current assets				
Assets classified as held for sale	6	59	3	48
Inventories		1,102	895	765
Biological assets		55	52	53
Trade and other receivables		1,055	781	967
Other financial assets		66	36	17
Cash and cash equivalents		309	364	411
Total current assets		2,646	2,131	2,261
TOTAL ASSETS		7,734	6,521	6,980
Current liabilities				
Liabilities classified as held for sale	6	(10)	–	(7)
Interest-bearing loans and overdrafts		(239)	(80)	(125)
Trade and other payables		(1,173)	(991)	(1,167)
Other financial liabilities		(40)	(25)	(26)
Income tax		(107)	(71)	(82)
Provisions		(46)	(42)	(36)
Total current liabilities		(1,615)	(1,209)	(1,443)
Non-current liabilities				
Interest-bearing loans		(921)	(654)	(598)
Provisions		(22)	(26)	(14)
Deferred tax liabilities		(434)	(407)	(430)
Employee benefits liabilities		(33)	(41)	(31)
Total non-current liabilities		(1,410)	(1,128)	(1,073)
TOTAL LIABILITIES		(3,025)	(2,337)	(2,516)
NET ASSETS		4,709	4,184	4,464
Equity				
Issued capital		47	47	47
Other reserves		173	173	173
Translation reserve		70	(58)	(49)
Hedging reserve		16	(5)	(1)
Retained earnings		4,169	3,819	4,074
		4,475	3,976	4,244
Minority interests		234	208	220
TOTAL EQUITY	9	4,709	4,184	4,464

Consolidated cash flow statement

	Note	24 weeks ended 1 March 2008 £m	24 weeks ended 3 March 2007 £m	52 weeks ended 15 September 2007 £m
Cash flow from operating activities				
Profit before taxation		267	198	508
Profits less losses on sale of property, plant & equipment		(1)	(12)	(8)
Profits less losses on sale of businesses		–	39	39
Exceptional items		(17)	–	–
Finance income		(11)	(8)	(20)
Finance expense		35	23	55
Other financial income		(10)	(11)	(26)
Share of profit from joint ventures and associates		(7)	(3)	(10)
Amortisation		33	43	79
Depreciation		114	109	214
Change in the fair value of biological assets		(58)	(54)	(59)
Share-based payment expense		3	3	6
Pension cost less contributions		(17)	(14)	(14)
Increase in inventories		(229)	(170)	(38)
(Increase)/decrease in receivables		(56)	108	(58)
(Decrease)/increase in payables		(2)	51	151
Increase/(decrease) in provisions		8	(18)	(17)
Cash generated from operations		52	284	802
Income taxes paid		(29)	(48)	(106)
Net cash from operating activities		23	236	696
Cash flows from investing activities				
Dividends received from joint ventures		–	–	1
Dividends received from associates		–	–	2
Purchase of property, plant & equipment		(193)	(227)	(420)
Purchase of intangibles		(60)	(7)	(7)
Sale of property, plant & equipment		15	22	30
Purchase of subsidiaries, joint ventures and associates		(116)	(1)	(150)
Sale of subsidiaries		–	60	58
Purchase of minority interests		(9)	–	–
Interest received		8	7	20
Net cash from investing activities		(355)	(146)	(466)
Cash flows from financing activities				
Dividends paid to minorities		(8)	(9)	(26)
Dividends paid to equity shareholders		(103)	(99)	(150)
Interest paid		(34)	(24)	(58)
(Increase)/decrease in other current investments		(2)	32	52
Financing				
Decrease in short-term loans		(62)	(360)	(307)
Increase in long-term loans		278	479	417
Increase in own shares held		(3)	(9)	(9)
Net cash from financing activities		66	10	(81)
Net (decrease)/increase in cash and cash equivalents		(266)	100	149
Cash and cash equivalents at the beginning of the period		349	198	198
Effect of movements in foreign exchange		(2)	(1)	2
Cash and cash equivalents at the end of the period	8	81	297	349

Consolidated statement of recognised income and expense

	24 weeks ended 1 March 2008 £m	24 weeks ended 3 March 2007 £m	52 weeks ended 15 September 2007 £m
Actuarial (losses)/gains on defined benefit schemes	(1)	–	110
Deferred tax associated with defined benefit schemes	–	–	(25)
Effect of movements in foreign exchange	142	(40)	(32)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	(27)	1	4
Movement in cash flow hedging position			
– effective portion of gains or losses on hedging instruments	24	(10)	(20)
– gains or losses on hedging instruments transferred to the income statement within sales/operating expenses	(2)	10	19
– gains or losses on hedging instruments transferred to inventory	3	1	8
Deferred tax associated with movement in cash flow hedging position	(8)	–	(2)
Net gain/(loss) recognised directly in equity	131	(38)	62
Profit for the period	208	155	400
Total recognised income and expense for the period	339	117	462
Attributable to:			
Equity shareholders	337	124	439
Minority interests	2	(7)	23
	339	117	462

Notes to the interim report

1. Segmental analysis

Business segments	Revenue 24 weeks ended 1 March 2008 £m	Revenue 24 weeks ended 3 March 2007 £m	Revenue 52 weeks ended 15 September 2007 £m	Adjusted operating profit 24 weeks ended 1 March 2008 £m	Adjusted operating profit 24 weeks ended 3 March 2007 £m	Adjusted operating profit 52 weeks ended 15 September 2007 £m
Grocery	1,438	1,226	2,605	88	64	153
Sugar	567	579	1,151	58	87	199
Agriculture	396	322	687	19	7	18
Ingredients	406	345	728	35	33	75
Retail	899	721	1,602	111	91	200
Central	–	–	–	(15)	(13)	(26)
	3,706	3,193	6,773	296	269	619
Businesses disposed:						
Grocery	–	7	7	–	–	–
Ingredients	–	20	20	–	3	3
	–	27	27	–	3	3
	3,706	3,220	6,800	296	272	622
Geographical segments						
United Kingdom	1,745	1,503	3,216	152	114	255
Europe, Middle East & Africa	708	614	1,251	60	62	158
The Americas	581	544	1,142	44	58	113
Asia Pacific	672	532	1,164	40	35	93
	3,706	3,193	6,773	296	269	619
Businesses disposed:						
Europe, Middle East & Africa	–	7	7	–	–	–
The Americas	–	20	20	–	3	3
	–	27	27	–	3	3
	3,706	3,220	6,800	296	272	622

1. Segmental analysis – 24 weeks ended 1 March 2008

Business segments

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing businesses	1,442	603	396	424	899	–	(58)	3,706
Internal revenue	(4)	(36)	–	(18)	–	–	58	–
Revenue from external customers	1,438	567	396	406	899	–	–	3,706
Adjusted operating profit	88	58	19	35	111	(15)	–	296
Exceptional items	–	17	–	–	–	–	–	17
Amortisation of non-operating intangibles	(8)	(12)	–	(13)	–	–	–	(33)
Profits less losses on sale of property, plant & equipment	1	–	–	–	–	–	–	1
Profit before finance income, finance expense, other financial income and taxation	81	63	19	22	111	(15)	–	281
Finance income						11	–	11
Finance expense						(35)	–	(35)
Other financial income						10	–	10
Taxation						(59)	–	(59)
Profit for the period	81	63	19	22	111	(88)	–	208
Segment assets (excluding investments in associates and joint ventures)	2,115	1,983	206	1,150	1,457	22	–	6,933
Investments in associates and joint ventures	27	11	36	15	–	–	–	89
Segment assets	2,142	1,994	242	1,165	1,457	22	–	7,022
Cash and cash equivalents						309	–	309
Employee benefits assets						337	–	337
Deferred tax assets						63	–	63
Other current investments						3	–	3
Segment liabilities	(416)	(436)	(73)	(137)	(196)	(28)	–	(1,286)
Interest-bearing loans and overdrafts						(1,160)	–	(1,160)
Income tax						(107)	–	(107)
Deferred tax liabilities						(438)	–	(438)
Employee benefits liabilities						(34)	–	(34)
Net assets	1,726	1,558	169	1,028	1,261	(1,033)	–	4,709
Capital additions	35	76	4	16	61	–	–	192
Depreciation	38	27	3	13	33	–	–	114
Amortisation	8	12	–	13	–	–	–	33

Geographical segments

	United Kingdom £m	Europe, Middle East & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	1,745	708	581	672	–	3,706
Segment assets	3,356	1,579	941	1,146	–	7,022
Capital additions	48	106	11	27	–	192
Depreciation	67	18	10	19	–	114
Amortisation	4	16	10	3	–	33

Notes to the interim report continued

1. Segmental analysis – 24 weeks ended 3 March 2007

Business segments

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing businesses	1,231	624	323	368	721	–	(74)	3,193
Businesses disposed	7	–	–	20	–	–	–	27
Internal revenue	(5)	(45)	(1)	(23)	–	–	74	–
Revenue from external customers	1,233	579	322	365	721	–	–	3,220
Adjusted operating profit from continuing businesses	64	87	7	33	91	(13)	–	269
Businesses disposed	–	–	–	3	–	–	–	3
Adjusted operating profit	64	87	7	36	91	(13)	–	272
Amortisation of non-operating intangibles	(6)	(24)	–	(13)	–	–	–	(43)
Profits less losses on sale of property, plant & equipment	4	–	–	–	8	–	–	12
Profits less losses on sale of businesses	6	–	–	(39)	(6)	–	–	(39)
Profit before finance income, finance expense, other financial income and taxation	68	63	7	(16)	93	(13)	–	202
Finance income						8	–	8
Finance expense						(23)	–	(23)
Other financial income						11	–	11
Taxation						(43)	–	(43)
Profit for the period	68	63	7	(16)	93	(60)	–	155
Segment assets (excluding investments in associates and joint ventures)	1,804	1,497	184	949	1,352	14	–	5,800
Investments in associates and joint ventures	9	7	28	13	–	–	–	57
Segment assets	1,813	1,504	212	962	1,352	14	–	5,857
Cash and cash equivalents						364	–	364
Employee benefits assets						193	–	193
Deferred tax assets						87	–	87
Other current investments						20	–	20
Segment liabilities	(339)	(339)	(54)	(130)	(190)	(38)	–	(1,090)
Interest-bearing loans and overdrafts						(734)	–	(734)
Income tax						(71)	–	(71)
Deferred tax liabilities						(407)	–	(407)
Employee benefits liabilities						(35)	–	(35)
Net assets	1,474	1,165	158	832	1,162	(607)	–	4,184
Capital additions	38	48	3	18	94	–	–	201
Depreciation	36	30	3	13	27	–	–	109
Amortisation	6	24	–	13	–	–	–	43

Geographical segments

	United Kingdom £m	Europe, Middle East & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	1,503	621	564	532	–	3,220
Segment assets	2,705	1,398	936	818	–	5,857
Capital additions	125	39	19	18	–	201
Depreciation	66	15	12	16	–	109
Amortisation	2	27	12	2	–	43

1. Segmental analysis – 52 weeks ended 15 September 2007

Business segments

	Grocery £m	Sugar £m	Agriculture £m	Ingredients £m	Retail £m	Central £m	Eliminations £m	Total £m
Revenue from continuing businesses	2,616	1,250	689	775	1,602	–	(159)	6,773
Businesses disposed	7	–	–	20	–	–	–	27
Internal revenue	(11)	(99)	(2)	(47)	–	–	159	–
Revenue from external customers	2,612	1,151	687	748	1,602	–	–	6,800
Adjusted operating profit from continuing businesses	153	199	18	75	200	(26)	–	619
Businesses disposed	–	–	–	3	–	–	–	3
Adjusted operating profit	153	199	18	78	200	(26)	–	622
Amortisation of non-operating intangibles	(14)	(32)	–	(28)	–	–	–	(74)
Profits less losses on sale of property, plant & equipment	–	–	–	–	8	–	–	8
Profits less losses on sale of businesses	7	–	1	(40)	(7)	–	–	(39)
Profit before finance income, finance expense, other financial income and taxation	146	167	19	10	201	(26)	–	517
Finance income						20	–	20
Finance expense						(55)	–	(55)
Other financial income						26	–	26
Taxation						(108)	–	(108)
Profit for the period	146	167	19	10	201	(143)	–	400
Segment assets (excluding investments in associates and joint ventures)	1,949	1,609	172	924	1,436	21	–	6,111
Investments in associates and joint ventures	25	10	31	13	–	–	–	79
Segment assets	1,974	1,619	203	937	1,436	21	–	6,190
Cash and cash equivalents						411	–	411
Employee benefits assets						308	–	308
Deferred tax assets						70	–	70
Other current investments						1	–	1
Segment liabilities	(391)	(427)	(56)	(119)	(217)	(35)	–	(1,245)
Interest-bearing loans and overdrafts						(723)	–	(723)
Income tax						(82)	–	(82)
Deferred tax liabilities						(434)	–	(434)
Employee benefits liabilities						(32)	–	(32)
Net assets	1,583	1,192	147	818	1,219	(495)	–	4,464
Capital additions	85	113	6	44	139	–	–	387
Depreciation	75	52	7	24	56	–	–	214
Amortisation	14	37	–	28	–	–	–	79

Geographical segments

	United Kingdom £m	Europe, Middle East & Africa £m	The Americas £m	Asia Pacific £m	Eliminations £m	Total £m
Revenue from external customers	3,216	1,258	1,162	1,164	–	6,800
Segment assets	2,858	1,601	905	826	–	6,190
Capital additions	230	79	37	41	–	387
Depreciation	124	33	23	34	–	214
Amortisation	10	39	25	5	–	79

Notes to the interim report continued

2. Exceptional items

In February 2008, British Sugar received confirmation that its application to renounce permanently 191,000 tonnes of UK and Polish sugar quota from October 2008 had been accepted. Compensation receivable of £82m (£75m on a discounted basis) is offset by the impact of writing off the unamortised cost of the additional 83,000 tonnes of quota purchased in 2006 of £43m. The compensation debtor is included within non-current other receivables. Restructuring costs of £15m have been provided for relating to the closure of the York and Ostrowite sugar factories.

3. Income tax expense

	24 weeks ended 1 March 2008 £m	24 weeks ended 3 March 2007 £m	52 weeks ended 15 September 2007 £m
Current tax expense			
UK – corporation tax	12	15	37
Overseas – corporation tax	42	20	71
Over-provided in prior periods	–	–	(7)
	54	35	101
Deferred tax expense			
UK deferred tax	5	10	14
Overseas deferred tax	–	(2)	(12)
Under-provided in prior periods	–	–	5
Total income tax expense in income statement	59	43	108
Reconciliation of effective tax rate			
Profit before taxation	267	198	508
Less share of profit from joint ventures and associates	(7)	(3)	(10)
Profit before taxation excluding share of profit from joint ventures and associates	260	195	498
Nominal tax charge at UK corporation tax rate (29%/30%/30%)	76	59	149
Lower tax rates on overseas earnings	(16)	(17)	(46)
Expenses not deductible for tax purposes	8	5	7
Utilisation of losses	(9)	(4)	–
Adjustments in respect of prior periods	–	–	(2)
	59	43	108

4. Earnings per ordinary share

	24 weeks ended 1 March 2008 Pence	24 weeks ended 3 March 2007 Pence	52 weeks ended 15 September 2007 Pence
Adjusted earnings per share	25.2	23.3	52.9
Earnings per share on:			
Sale of property, plant & equipment	0.1	1.5	1.0
Sale of businesses	–	(4.9)	(4.9)
Exceptional items	2.2	–	–
Tax effect on above	0.4	2.0	1.9
Amortisation of non-operating intangibles	(4.2)	(5.4)	(9.4)
Tax credit on non-operating intangibles amortisation and goodwill	1.3	1.6	3.8
Minority share of amortisation of non-operating intangibles net of tax	0.6	1.1	1.4
Earnings per ordinary share	25.6	19.2	46.7

5. Dividends

	2008 Pence	2007 Pence	2007 Pence
Per share			
2006 final	–	12.50	12.50
2007 interim	–	–	6.50
2007 final	13.00	–	–
	13.00	12.50	19.00
	£m	£m	£m
Total			
2006 final	–	99	99
2007 interim	–	–	51
2007 final	103	–	–
	103	99	150

The 2007 final dividend of 13.0p per share was approved on 7 December 2007 and totalled £103m when paid on 11 January 2008. The 2008 interim dividend of 6.75p per share will be paid on 3 July 2008 to shareholders on the register on 6 June 2008.

6. Assets held for sale

The acquisition of certain of the European assets of Gilde Bakery Ingredients ('Gilde'), and the disposal of the group's existing German yeast business, were agreed on 2 October 2007. Certain elements of the acquisition are conditional on clearances by the relevant competition authorities. The existing German yeast business is classified as a disposal group held for sale and the disposal was completed on 31 March 2008. The disposal of Abitec Limited ('Abitec') was agreed on 22 January 2008, is conditional on the approval of the relevant competition authorities, and it is classified as a disposal group held for sale. The existing German yeast business and Abitec are included in the Ingredients and Europe, Middle East & Africa segments. The disposal of neither business constitutes a discontinued operation.

	At 1 March 2008 £m
Assets classified as held for sale	
Intangible assets	34
Property, plant & equipment	16
Inventories	3
Trade and other receivables	6
	59
Liabilities classified as held for sale	
Trade and other payables	5
Deferred tax	4
Employee benefits liability	1
	10

Notes to the interim report continued

7. Acquisitions and disposals

During the period the group acquired 11 beet sugar factories in north east China and completed part of the acquisition of the European assets of Gilde. Costs associated with these acquisitions are included within cash consideration.

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

	Pre-acquisition carrying amounts £m	Recognised values on acquisition £m
Net assets		
Intangible assets	3	26
Property, plant & equipment	56	44
Inventories	28	29
Trade and other receivables	15	14
Cash and cash equivalents	2	2
Trade and other payables	(18)	(18)
Interest-bearing loans and borrowings	(30)	(30)
Taxation	(1)	(4)
Net identifiable assets and liabilities	55	63
Goodwill on acquisitions		59
Minority interests acquired		(4)
Total consideration		118
Satisfied by		
Cash consideration		89
Deferred consideration		8
Interest in subsidiary		21
Net cash		
Cash consideration		89
Cash acquired		(2)
Cash consideration in respect of prior year acquisitions		5
		92

There were no material differences between pre-acquisition carrying amounts and amounts recognised on acquisition, which include provisional fair value adjustments to the assets and liabilities acquired, with the exception of £23m of intangibles, a £12m downward adjustment to property, plant & equipment and a £3m adjustment to deferred tax.

Goodwill arising on the acquisitions is attributable to the anticipated profitability from the sale of the group's existing products in new markets, and the anticipated future technological and operational synergies from the combinations.

The acquisitions contributed revenue of £53m but no profit before tax for the periods between the dates of acquisition and 1 March 2008.

Contributions to revenue and profit before tax had the acquisitions occurred at the beginning of the period have not been disclosed, as appropriately consolidated financial information prepared under IFRS is not available.

The net cash of £92m in the acquisition table above differs from the cash flow on purchase of subsidiaries, joint ventures and associates shown in the cash flow statement by £24m. This difference relates to the Gilde businesses in Spain, Portugal and Germany, which require competition clearance before completion can take place. The assets and liabilities of those businesses are not included in the table above. The amounts paid for these businesses are included within non-current other receivables in the consolidated balance sheet.

8. Analysis of net debt

	At 15 September 2007 £m	Cash flow £m	Acquisitions £m	Exchange adjustments £m	At 1 March 2008 £m
Cash at bank and in hand, cash equivalents and overdrafts	349	(266)	–	(2)	81
Short-term borrowings	(63)	62	(8)	(2)	(11)
Investments	1	2	–	–	3
Loans over one year	(598)	(278)	(22)	(23)	(921)
	(311)	(480)	(30)	(27)	(848)

Cash and cash equivalents comprise cash balances, call deposits and investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Investments comprise current asset investments which are included within other financial assets in the consolidated balance sheet.

9. Summary of movements in equity

	24 weeks ended 1 March 2008 £m	24 weeks ended 3 March 2007 £m	52 weeks ended 15 September 2007 £m
Opening equity	4,464	4,182	4,182
Total recognised income and expense for the period	339	117	462
Dividends paid to shareholders	(103)	(99)	(150)
Net increase in own shares held	–	(7)	(3)
Minority interests acquired/(disposed)	17	–	(1)
Dividends paid to minorities	(8)	(9)	(26)
Closing equity	4,709	4,184	4,464
Attributable to:			
Equity shareholders	4,475	3,976	4,244
Minority interests	234	208	220
	4,709	4,184	4,464

10. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Full details of the group's other related party relationships, transactions and balances are given in the group's financial statements for the year ended 15 September 2007. There have been no material changes in these relationships in the 24 weeks ended 1 March 2008 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.

11. Basis of preparation

This financial information has been prepared in accordance with the accounting policies set out in the group's statutory financial statements for the year ended 15 September 2007, and in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

In the current financial year, the group will adopt International Financial Reporting Standard 7 *Financial Instruments*: *Disclosures* ('IFRS 7') for the first time. As this is a disclosure standard, the change in accounting policy has no impact on this financial information. Full details of the change will be disclosed in the group's annual report for the year ending 13 September 2008.

Notes to the interim report continued

11. Basis of preparation continued

The interim results are unaudited but have been subject to an independent review by the auditors, and were approved by the board of directors on 22 April 2008. They do not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. The comparative figures for the financial year ended 15 September 2007 have been abridged from the group's 2007 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 auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

This interim report 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 report should not be relied upon by any other party or for any other purpose.

12. Subsequent events

The group completed the sale of its existing German yeast business on 31 March (see note 6 for details) and also completed the acquisition of a meat business in Australia, KR Castlemaine, on 31 March.

Cautionary statements

This interim 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.

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include, but are not limited to, competitor activity and competition risk, commercial relationships with customers and suppliers, changes in foreign exchange rates and commodity prices. Details of the key risks facing the group's businesses at an operational level are included on pages 36 to 39 of the group's statutory financial statements for the year ended 15 September 2007, as part of the Corporate governance report. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Chairman's statement and the Operating review as appropriate.

Responsibility statement

The directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34;
- this interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first half and description of principal risks and uncertainties for the remaining half of the year); and
- this interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

George Weston
Chief Executive
22 April 2008

John Bason
Finance Director
22 April 2008

Martin Adamson
Chairman
22 April 2008

On behalf of the board

Independent review report by KPMG Audit Plc to Associated British Foods plc

Introduction

We have been engaged by the Company to review the financial information in the interim report for the period ended 1 March 2008 which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of recognised income and expense and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the DTR of the UK FSA. The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The financial information included in this interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of 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 Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim report for the period ended 1 March 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

22 April 2008

Directory

Associated British Foods plc
Registered office
Weston Centre
10 Grosvenor Street
London W1K 4QY

Company registered in England,
number 293262

Company secretary
Paul Lister

Registrars and transfer office
Equiniti
Aspect House
Spencer Road
Lancing BN99 6DA

Auditors
KPMG Audit Plc
Chartered Accountants

Bankers
Barclays Bank plc
Lloyds TSB Bank plc
The Royal Bank of Scotland plc

Brokers
Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Panmure Gordon & Co
Moorgate Hall
155 Moorgate
London EC2M 6XB

Website
www.abf.co.uk

Directors
Martin G Adamson, Chairman*√
George G Weston, Chief Executive
John G Bason, Finance Director
WG Galen Weston
Timothy Clarke‡√†
Lord Jay of Ewelme, GCMG‡√†
Javier Ferrán*√†
Peter Smith*‡†

† independent non-executive director
* member of the Remuneration committee
‡ member of the Audit committee
√ member of the Nomination committee

Timothy Clarke is the senior independent director

Design & Production
35 Communications

Printed by
St Ives Westerham Press

Printed on REVIVE 50:50 Silk. 250gsm cover, 150gsm inner. FSC 100% recycled product, supporting responsible use of forest resources. NAPM Approved Recycled grade. Produced at a mill that is certified to the ISO14001 Environmental Management Standard.

FSC Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. SGS-COC-1732
© 1996 Forest Stewardship Council

Associated British Foods plc
Weston Centre
10 Grosvenor Street
London W1K 4QY
T 020 7399 6500
F 020 7399 6580

abf.co.uk