

Interim Report 2005



CONTENTS

| | | |
|--|---|---|
| 01 Financial highlights | 09 Consolidated balance sheet | 11 Reconciliation of movements in consolidated shareholders' funds |
| 02 Chairman's statement | 10 Consolidated cash flow statement | 12 Notes to the interim report |
| 04 Operating review | 11 Consolidated statement of total recognised gains and losses | ibc Independent review report |
| 08 Consolidated profit and loss account | | |

Grocery



Our businesses around the world produce and sell famous brands as well as own label grocery products.

Hot beverages
Vegetable oils
Baked goods & packaged groceries
Herbs & spices
Meat & dairy

Sales
£1,244m

Operating profit
£86m

Primary food & agriculture



We add value to primary products through our sophisticated and efficient processing facilities to produce high quality staple ingredients such as sugar.

Sugar
Animal feed
Seed processing & merchandising

Sales
£736m

Operating profit
£86m

Ingredients



We develop and produce functional ingredients from natural products for use in a diverse range of applications.

Baking & confectionery ingredients
Yeast
Enzymes
Grain based ingredients
Emulsifiers, fractionated fats, sterols & esters
Polyols & antacid ingredients

Sales
£267m

Operating profit
£32m

Retail



Primark has a winning formula for providing quality merchandise at affordable prices.

Fashion retail

Sales
£448m

Operating profit
£59m

Associated British Foods is a diversified international food, ingredients and retail group with annual sales of £5.2bn. The group is one of Europe's largest food companies and has significant businesses in Australasia and the US.

FINANCIAL HIGHLIGHTS for the 24 weeks ended 5 March 2005

Group sales

£ **2,618**m  **10%**

Operating profit* (adjusted)

£ **252**m  **18%**

Profit before tax (adjusted)**

£ **268**m  **16%**

Earnings per share (adjusted)**

24.2p  **16%**

Interim dividend per share

6.0p  **14%**

Net cash funds of

£ **464**m

Profit before tax (unadjusted)

£ **252**m  **15%**

Earnings per share (unadjusted)

22.9p  **16%**

* before amortisation of goodwill

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

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

CHAIRMAN'S STATEMENT



The profit contribution is now more evenly balanced across the four main business areas and the group's operations have a greater geographic spread.

The period has seen sizeable changes in the group due, in particular, to the major investments made at the end of the last financial year. Growth in sales and operating profit has been boosted by these acquisitions and by organic growth in the existing businesses. The profit contribution is now more evenly balanced across the four main business areas and the group's operations have a greater geographic spread.

Operating profit, before amortisation of goodwill, rose by 18% to £252m and the increase in grocery and ingredients reflected the contribution from the new businesses.

Trading conditions continued to be testing in highly competitive markets. A number of key input costs such as energy and packaging increased and, although some commodity costs fell, others rose significantly. Currency fluctuations had varying effects but, including profit translation, the impact was adverse overall.

The acquisitions of the US herbs and spices and consumer yeast businesses and the Capullo oils business in Mexico accounted for a substantial part of the advance in grocery. Further progress by the UK bakery business and improvements at ACH, our US oils business, also contributed to this profit growth.

The contribution from primary food and agriculture showed little change from the same period last year. Despite a good campaign, the profit at British Sugar UK was adversely impacted by an oversupply of sugar in the EU this year, currency and higher energy costs. However, this was more than offset by the benefit of the introduction of the EU sugar regime in Poland, higher volumes in China and an improvement in animal feeds.

In ingredients, the acquisition of the bakers' yeast and yeast extract businesses greatly increased its scale and geographical coverage. Although yeast pricing weakened in North America and Turkey, this was partially

offset by a strong performance from the operations in South America and Eastern Asia.

The acquired businesses have operated in line with our expectations and we are confident that they will make a significant contribution to the group's future performance.

Clothing retailing is as competitive a market as any at the present time. The performance of Primark is therefore particularly satisfying. Sales advanced by 12% and by 6% on a like-for-like basis. Margins showed further improvement and operating profit grew by 18%. Shareholders will probably be aware that Primark has acquired a number of sites formerly traded by the Alders department store chain. These, together with other sites secured as part of Primark's continuing store development programme, will provide substantial additional selling space by the autumn of this year. This continuing increase in floor space will provide the basis for further profitable development in the future.

The group's strategic intent includes broadening the spread of our businesses and their global coverage thereby reducing the proportion of the group's profits earned from sugar production, particularly in the UK. The geographical and segmental analysis together with the comments in the operating review show the extent to which the group has moved in the desired direction. Specifically, given the forthcoming changes to the EU sugar regime, it is significant that the profit contribution from British Sugar in the UK was a little over a quarter of total operating profits compared to around a third a year earlier.

Investment income less interest payable reduced from £14m to £11m. This reduction was less than might have been expected given the major acquisitions made at the end of the previous year and was due to higher interest rates and strong cash generation in the last 12 months.

Profit before taxation, adjusted for profits less losses on the sale of fixed assets and businesses and before amortisation of goodwill, rose by 16% from £232m to £268m. The group's underlying effective rate of taxation was 28.0% as against 28.8% in the last full year. Adjusted earnings per share increased by 16% to 24.2p.

The substantial cash outflow in the period included £630m of acquisition cost, virtually all of which related to the yeast business. Capital expenditure

on fixed assets was also higher than in recent years, influenced by increased expenditure on new Primark stores. Net cash funds amounted to £464m which compared with £1,025m a year earlier. The underlying cash flow remained strong and the group retains the flexibility to invest appropriately in the development of the businesses.

DIVIDENDS

The interim dividend will be 6.0p per share, an increase of 14%, broadly in line with the growth in adjusted earnings per share in the period. The dividend will be paid on 4 July 2005 to shareholders registered at the close of business on 3 June 2005.

BOARD CHANGES

It was announced last autumn that Peter Jackson had decided to retire on 31 March, having been Chief Executive since 1999. He was managing director of British Sugar when it was acquired in 1991 and joined the ABF board in 1992. In his time as Chief Executive great progress was made in operating performance and in the strategic development of the group. Peter's contribution over this period has been critical to our success and has been greatly valued by his colleagues. We wish him the very best for the future.

George Weston has been appointed Chief Executive as successor to Peter Jackson. On taking up this role he ceased to be Deputy Chairman.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

We are required to report our results for the financial year ending in September 2006 in accordance with International Financial Reporting Standards rather than UK GAAP. The results for the year ending 18 September 2005 will be published under UK GAAP in November this year and a restatement of these results under IFRS will be published in December.

OUTLOOK

Although the operating environment will be no less demanding in the second period of the year, we nevertheless expect to report good progress in operating profit for the full year. However, net investment income will be significantly lower than in the corresponding period of the previous year.

Even after the major acquisitions referred to in this statement, our financial resources remain strong and will enable the group to support new investment initiatives. Your group is well placed for further development.

Martin Adamson, *Chairman*
19 April 2005

OPERATING REVIEW



These results reflect the strong contribution from recent acquisitions and good progress from our existing businesses. The integration of the acquisitions is virtually complete and these businesses are performing in line with our expectation.

Group sales increased by 10% to £2,618m and adjusted operating profit increased by 18% to £252m.

All business areas again made progress. In existing businesses, Primark contributed another strong performance and ACH has recovered from the impact of the sharp increase in soy and corn oil costs last year. However, British Sugar UK has been affected by an oversupply of sugar in the EU and increased input costs, and the Australian bread business has been affected by continued competitive pressure.

Acquisitions have significantly contributed to the development of the group in the first half and, less disposals, added £33m to operating profit. Grocery has benefited from the acquisitions of the herbs and spices and consumer yeast businesses in the US, Capullo in Mexico and Billington's in the UK. Ingredients now includes the international yeast and bakery ingredients business, AB Mauri. Each of these has performed to expectation and integration is virtually complete.

GROCERY

| | 2005 | 2004 |
|---------------------|--------------|-------|
| Sales £m | 1,244 | 1,168 |
| Operating profit £m | 86 | 70 |

There was strong growth in our international grocery businesses with sales up 7% to £1,244m and profit up 23% to £86m.

Margins at ACH have benefited from a recovery in the oils business with lower soy and corn oil costs. Further progress was made by Mazola in the US with volumes ahead of last year by 3%. The acquisitions of Capullo in Mexico and the US herbs and spices and consumer yeast businesses are meeting our expectation. The integration of the US businesses with the existing sales, marketing and supply chain infrastructure is well under way and has already provided some cost savings. This combination with our existing retail brands, led by Mazola, has enabled ACH to consolidate its selling and brokerage relationships which will enhance sales coverage and scale with key retailers.

In Mexico, our organisation will be fully staffed by May.

The bread market in Australia continues to experience pressure on volume and price due to strong competition, and margins have suffered as a result. The new Chullora bakery starts production in May with completion scheduled for the summer. In the UK, Allied Bakeries benefited from growth in the Kingsmill brand which has received national television advertising support. Our frozen bakery business, Speedibake, has continued to improve its operational efficiency.

Our international hot beverage brands, Twinings and Ovaltine, have maintained the momentum of strong sales growth reported last year. Twinings sales have grown well in the key UK and US markets with a similar performance from Ovaltine in Asia. Ovaltine has grown market share in Switzerland, China and in its single largest market, Thailand, driven by new product introductions and increased advertising and promotion

spend. We have recently announced the intention to close factories in the US and France with additional investment in the UK and China. A rationalisation charge has been taken to operating profit in these results.

Silver Spoon, our UK retail sugar brand, completed the national roll-out of its reduced calorie 'Light' variety, and the integration of Billington's, the leading supplier of unrefined cane sugars to the UK, is proceeding to plan.

A strong profit performance from Ryvita was fuelled by sales growth in its core crispbread range and the successful launch of the snack version Minis.

The Blue Dragon brand of ethnic foods traded particularly well in the important Chinese New Year period and benefited from national television advertising. The new Manchester factory which produces noodles and a range of microwaveable products is now fully operational.

PRIMARY FOOD & AGRICULTURE

| | 2005 | 2004 |
|---------------------|------|------|
| Sales £m | 736 | 747 |
| Operating profit £m | 86 | 83 |

British Sugar had a good campaign with a crop of 1.39 million tonnes. Excellent agricultural yields from good quality beet offset the effect of a smaller crop area. The UK is now ranked highly in the EU for agricultural productivity as well as being the most efficient processor. Factory performance was excellent with record production from Wissington. However, the UK profit has been affected by an oversupply of sugar in the EU this year as a result of the European Commission's incorrect forecasts of consumption and stocks particularly in the new member states. This is expected to continue to impact the business throughout the second half. In addition, higher energy costs and a weaker euro, compared to last year, have further reduced profit.

Poland has benefited from higher sugar prices following its accession to the EU last year. These prices are

now subject to the same market and currency forces that affect the EU market in general. Our sugar business in China has performed well with a combination of a good campaign, strong sales and firmer pricing.

Reform of the European sugar regime is the most significant strategic issue facing British Sugar. The European Commission made indicative proposals for quota and price reductions in July last year. The Council of Ministers is expected to have considered these proposals by the end of this year. Their final form is expected to take effect from July 2006. Notwithstanding the uncertainties surrounding the outcome, we should expect that the new arrangements will still provide for efficient companies to be able to make an adequate return on the investment they have made in the industry.

The UK animal feeds business continues to present a challenging environment with overcapacity making cost recovery difficult at a time of high energy costs. In April we formed a joint

venture with Banks Cargill Agriculture, trading as Frontier, which combined the UK arable businesses of both partners to create a business of national scale, offering a broader product range to its farming and cereal processing customers. In China, market demand for quality assured feeds is high and has resulted in a strong performance. We purchased the interests of our Chinese joint venture partners in the feed mills in the period.

INGREDIENTS

| | 2005 | 2004 |
|---------------------|------------|------|
| Sales £m | 267 | 133 |
| Operating profit £m | 32 | 15 |

Sales and profit have more than doubled and reflect the recent acquisition of the international yeast and bakery ingredients businesses.

At AB Mauri, the new organisation is well established. Although yeast pricing has weakened in North America and Turkey and higher molasses and energy costs have affected profits in a number

of countries, the operations in South America and Eastern Asia performed strongly. Growth in China has been excellent and a new factory is on target to open in Xinjiang, Western China, later this year. We have announced plans for the construction of a new plant in New Zealand and the rationalisation of plants in India. The integration of our existing bakery ingredients businesses in the UK, US and Australia with those of AB Mauri has made good progress and provides the opportunity for important market and customer synergies.

In the US, our food polyol business has slowed as the trend for low carbohydrate products in the US has weakened but antacid sales and profit have improved. Speciality lipids and emulsifiers benefited from improved operational efficiencies and the introduction of new plant sterol products.

RETAIL

| | 2005 | 2004 |
|---------------------|------------|------|
| Sales £m | 448 | 399 |
| Operating profit £m | 59 | 50 |

Primark's excellent performance saw sales increase by 12% to £448m and profit by 18% to £59m. The sales increase was driven by 6% growth in like-for-like sales, maintaining the momentum of the last financial year, and an increase in retail selling space. The like-for-like value growth was achieved against a background of 5% price deflation. The margin improvement reflected better purchasing and the benefit of the weaker US dollar.

Three new stores opened in the period in Lincoln, Sunderland and Dundrum. Smaller stores in Glengormley and Dundrum were closed. Extensions to Watford, Drogheda and Cork were completed.

At the end of the period we were trading from 121 stores and 2.4 million sq ft of selling space.

We continue to place great priority on the expansion of Primark. Through a combination of store refurbishments, extensions to selling space and acquisitions of new sites and re-sitings

we have spent a total of £70m in capital expenditure over the period.

We now have an extensive programme of new store openings which include the recently announced acquisition of stores which had previously traded as Alders. We expect that Kingston and a larger store in Mullingar will commence trading by the end of this financial year with a further six stores, in Leicester, Bromley, Hull, Leeds, Cardiff and Dundalk, opening in time for Christmas. Oxford is scheduled to open next year and we are evaluating the redevelopment of the Coventry store.

SUMMARY

These results reflect the strong contribution from recent acquisitions and good progress from our existing businesses. The integration of the acquisitions is virtually complete and these businesses are performing in line with our expectation.

George Weston, *Chief Executive*

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | NOTE | CONTINUING | | TOTAL 24 WEEKS ENDED 5 MARCH 2005 | 24 WEEKS ENDED 28 FEBRUARY 2004 (RESTATED) £M | 53 WEEKS ENDED 18 SEPTEMBER 2004 £M |
|--|------|---|--|---|--|---|
| | | ONGOING 24 WEEKS ENDED 5 MARCH 2005 £M | ACQUISITIONS 24 WEEKS ENDED 5 MARCH 2005 £M | | | |
| Turnover of the group including its share of joint ventures | | 2,433 | 195 | 2,628 | 2,380 | 5,181 |
| Less share of turnover of joint ventures | | (4) | (6) | (10) | (8) | (16) |
| Group turnover | 1 | 2,429 | 189 | 2,618 | 2,372 | 5,165 |
| Operating costs | | (2,227) | (177) | (2,404) | (2,187) | (4,744) |
| Group operating profit | | 202 | 12 | 214 | 185 | 421 |
| Share of operating results of – joint ventures | | – | 1 | 1 | 6 | 8 |
| – associates | | 2 | – | 2 | 2 | 3 |
| Total operating profit | 1 | 204 | 13 | 217 | 193 | 432 |
| Operating profit before amortisation of goodwill | | 226 | 26 | 252 | 213 | 478 |
| Amortisation of goodwill | | (22) | (13) | (35) | (20) | (46) |
| Profits less losses on sale of fixed assets | | | | 19 | (1) | 8 |
| Profits less losses on sale of businesses | | | | – | 8 | 7 |
| Investment income | | | | 25 | 24 | 59 |
| Profit on ordinary activities before interest | | | | 261 | 224 | 506 |
| Interest payable | | | | (14) | (10) | (23) |
| Other financial income | | | | 5 | 5 | 11 |
| Profit on ordinary activities before taxation | | | | 252 | 219 | 494 |
| Adjusted profit before taxation | | | | 268 | 232 | 525 |
| Profits less losses on sale of fixed assets | | | | 19 | (1) | 8 |
| Profits less losses on sale of businesses | | | | – | 8 | 7 |
| Amortisation of goodwill | | | | (35) | (20) | (46) |
| Tax on profit on ordinary activities | 2 | | | (69) | (63) | (146) |
| Profit on ordinary activities after taxation | | | | 183 | 156 | 348 |
| Minority interests – equity | | | | (2) | – | (6) |
| Profit for the financial period | | | | 181 | 156 | 342 |
| Dividends | | | | (47) | (41) | (129) |
| Transfer to reserves | | | | 134 | 115 | 213 |
| Basic and diluted earnings per ordinary share | 3 | | | 22.9p | 19.8p | 43.3p |
| Adjusted earnings per ordinary share | 3 | | | 24.2p | 20.9p | 46.6p |

The results of acquisitions shown separately above are those of the US herbs and spices business and the international yeast and bakery ingredients business recently acquired from Burns Philp.

The group has discontinued no operations within the meaning of the Financial Reporting Standards during either 2005 or 2004.

The results for the 24 weeks ended 28 February 2004 have been restated to reflect the adoption of FRS 17 – Retirement Benefits in the group's 2004 financial statements. The impact of this change is detailed in note 8.

CONSOLIDATED BALANCE SHEET

| | AT 5 MARCH 2005 | AT 28 FEBRUARY 2004 (RESTATED) | AT 18 SEPTEMBER 2004 |
|---|-----------------------|---|----------------------------|
| | £M | £M | £M |
| Fixed assets | | | |
| Intangible assets – goodwill | 1,036 | 475 | 593 |
| Tangible assets | 1,644 | 1,371 | 1,459 |
| | 2,680 | 1,846 | 2,052 |
| Interest in net assets of – joint ventures | 15 | 13 | 12 |
| – associates | 13 | 11 | 11 |
| Other investments | 1 | 1 | 1 |
| Total fixed asset investments | 29 | 25 | 24 |
| | 2,709 | 1,871 | 2,076 |
| Current assets | | | |
| Stocks | 841 | 755 | 496 |
| Debtors | 672 | 567 | 600 |
| Investments | 905 | 1,305 | 1,547 |
| Cash at bank and in hand | 164 | 158 | 136 |
| | 2,582 | 2,785 | 2,779 |
| Creditors amounts falling due within one year | | | |
| Short-term borrowings | (102) | (89) | (68) |
| Other creditors | (918) | (744) | (829) |
| | (1,020) | (833) | (897) |
| Net current assets | 1,562 | 1,952 | 1,882 |
| Total assets less current liabilities | 4,271 | 3,823 | 3,958 |
| Creditors amounts falling due after one year | | | |
| Loans | (503) | (349) | (357) |
| Other creditors | (2) | (7) | (8) |
| | (505) | (356) | (365) |
| Provisions for liabilities and charges | (171) | (144) | (155) |
| Net assets excluding pension asset | 3,595 | 3,323 | 3,438 |
| Pension asset | 44 | 33 | 58 |
| Net assets | 3,639 | 3,356 | 3,496 |
| Capital and reserves | | | |
| Called up share capital | 47 | 47 | 47 |
| Revaluation reserve | 3 | 3 | 3 |
| Other reserves | 173 | 173 | 173 |
| Profit and loss reserve including pension reserve | 3,392 | 3,111 | 3,246 |
| Equity shareholders' funds | 3,615 | 3,334 | 3,469 |
| Minority interests in subsidiary undertakings – equity | 24 | 22 | 27 |
| | 3,639 | 3,356 | 3,496 |

The balance sheet at 28 February 2004 has been restated to reflect the adoption of FRS 17 – Retirement Benefits in the group's 2004 financial statements. The impact of this change is detailed in note 8.

CONSOLIDATED CASH FLOW STATEMENT

| | NOTE | 24 WEEKS ENDED 5 MARCH 2005 £M | 24 WEEKS ENDED 28 FEBRUARY 2004 £M | 53 WEEKS ENDED 18 SEPTEMBER 2004 £M |
|---|------|--|--|---|
| Cash flow from operating activities | 4 | 71 | 16 | 631 |
| Dividends from joint ventures | | – | 1 | 4 |
| Dividends from associates | | – | 1 | 2 |
| Return on investments and servicing of finance | | | | |
| Investment income | | 27 | 25 | 55 |
| Interest paid | | (13) | (13) | (23) |
| Dividends paid to minorities | | (2) | – | (1) |
| | | 12 | 12 | 31 |
| Taxation | | (72) | (65) | (128) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (142) | (96) | (223) |
| Sale of tangible fixed assets | | 31 | 5 | 29 |
| | | (111) | (91) | (194) |
| Acquisitions and disposals | | | | |
| Purchase of subsidiary undertakings | | (630) | (33) | (229) |
| Sale of joint ventures and associates | | 1 | 1 | 1 |
| Sale of subsidiary undertakings | | 1 | 19 | 24 |
| | | (628) | (13) | (204) |
| Equity dividends paid | | (88) | (78) | (119) |
| Net cash (outflow)/inflow before use of liquid funds and financing | | (816) | (217) | 23 |
| Management of liquid resources | 6 | 641 | 223 | (18) |
| Financing | 5 | 200 | (5) | (28) |
| Increase/(decrease) in cash | 6 | 25 | 1 | (23) |

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 24 WEEKS ENDED 5 MARCH 2005 | 24 WEEKS ENDED 28 FEBRUARY 2004 (RESTATED) | 53 WEEKS ENDED 18 SEPTEMBER 2004 |
|---|--------------------------------------|--|---|
| | £M | £M | £M |
| Profit for the financial period | 181 | 156 | 342 |
| Actuarial gains on net pension assets | – | – | 43 |
| Deferred tax associated with net pension assets | – | – | (13) |
| Currency translation differences on foreign currency net assets | 10 | (77) | (75) |
| Tax on currency translation differences | – | (1) | 1 |
| Total recognised gains and losses relating to the period | 191 | 78 | 298 |

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

| | 24 WEEKS ENDED 5 MARCH 2005 | 24 WEEKS ENDED 28 FEBRUARY 2004 (RESTATED) | 53 WEEKS ENDED 18 SEPTEMBER 2004 |
|--|--------------------------------------|--|---|
| | £M | £M | £M |
| Opening shareholders' funds | 3,469 | 3,304 | 3,304 |
| Profit for the financial period | 181 | 156 | 342 |
| Dividends | (47) | (41) | (129) |
| Goodwill written back | – | (3) | (3) |
| Net decrease/(increase) in own shares held | 2 | (4) | (1) |
| Other recognised gains and losses relating to the period | 10 | (78) | (44) |
| Closing shareholders' funds | 3,615 | 3,334 | 3,469 |

These statements have been restated to reflect the adoption of FRS 17 – Retirement Benefits in the group's 2004 financial statements.

NOTES TO THE INTERIM REPORT

1. SEGMENTAL ANALYSIS

| | GROUP TURNOVER | | | OPERATING PROFIT | | |
|--|--------------------------------------|--|---|--------------------------------------|--|---|
| | 24 WEEKS ENDED 5 MARCH 2005 | 24 WEEKS ENDED 28 FEBRUARY 2004 (RESTATED) | 53 WEEKS ENDED 18 SEPTEMBER 2004 | 24 WEEKS ENDED 5 MARCH 2005 | 24 WEEKS ENDED 28 FEBRUARY 2004 (RESTATED) | 53 WEEKS ENDED 18 SEPTEMBER 2004 |
| | £M | £M | £M | £M | £M | £M |
| Analysis by business | | | | | | |
| Grocery | 1,244 | 1,168 | 2,446 | 86 | 70 | 160 |
| Primary food & agriculture | 736 | 747 | 1,682 | 86 | 83 | 189 |
| Ingredients | 267 | 133 | 294 | 32 | 15 | 36 |
| Retail | 448 | 399 | 858 | 59 | 50 | 108 |
| Inter company sales | (77) | (116) | (160) | – | – | – |
| Central costs | – | – | – | (11) | (9) | (19) |
| | 2,618 | 2,331 | 5,120 | 252 | 209 | 474 |
| Businesses disposed: | | | | | | |
| Grocery | – | 19 | 22 | – | – | 1 |
| Primary food & agriculture | – | 22 | 23 | – | 4 | 3 |
| | 2,618 | 2,372 | 5,165 | 252 | 213 | 478 |
| Amortisation of goodwill | – | – | – | (35) | (20) | (46) |
| | 2,618 | 2,372 | 5,165 | 217 | 193 | 432 |
| Analysis by geography (by origin and destination) | | | | | | |
| United Kingdom | 1,390 | 1,343 | 2,952 | 140 | 140 | 298 |
| Rest of Europe | 303 | 250 | 526 | 36 | 21 | 59 |
| The Americas | 519 | 386 | 865 | 51 | 33 | 66 |
| Australia, Asia & Rest of World | 439 | 387 | 834 | 25 | 15 | 51 |
| Inter company sales | (33) | (35) | (57) | – | – | – |
| | 2,618 | 2,331 | 5,120 | 252 | 209 | 474 |
| Businesses disposed: | | | | | | |
| United Kingdom | – | 23 | 26 | – | – | – |
| Rest of Europe | – | 4 | 5 | – | – | – |
| Australia, Asia & Rest of World | – | 14 | 14 | – | 4 | 4 |
| | 2,618 | 2,372 | 5,165 | 252 | 213 | 478 |
| Amortisation of goodwill | – | – | – | (35) | (20) | (46) |
| | 2,618 | 2,372 | 5,165 | 217 | 193 | 432 |

The composition of our geographic segments was revised in the financial statements for the year ended 18 September 2004 to reflect the increasingly international breadth of our businesses. The segmental analysis for the 24 weeks ended 28 February 2004 has been restated to reflect these changes and the adoption of FRS 17 – Retirement Benefits, the impact of which is detailed in note 8.

1. SEGMENTAL ANALYSIS CONTINUED**Segmental analysis of acquisitions for the 24 weeks ended 5 March 2005:**

| | SALES £M | OPERATING PROFIT BEFORE GOODWILL £M |
|---------------------------------|-------------|---|
| By business | | |
| Grocery | 58 | 9 |
| Ingredients | 131 | 17 |
| | 189 | 26 |
| By geography | | |
| United Kingdom | 6 | 1 |
| Rest of Europe | 29 | 5 |
| The Americas | 122 | 16 |
| Australia, Asia & Rest of World | 32 | 4 |
| | 189 | 26 |

Goodwill amortisation of £13m, relating to these acquisitions, was charged in the period.

| | CAPITAL EMPLOYED | | |
|---------------------------------|-----------------------------|---|----------------------------------|
| | AT 5 MARCH 2005 £M | AT 28 FEBRUARY 2004 (RESTATED) £M | AT 18 SEPTEMBER 2004 £M |
| Analysis by business | | | |
| Grocery | 832 | 738 | 767 |
| Primary food & agriculture | 885 | 901 | 690 |
| Ingredients | 319 | 127 | 125 |
| Retail | 392 | 317 | 338 |
| Central capital employed | (55) | (29) | (24) |
| | 2,373 | 2,054 | 1,896 |
| Businesses disposed: | | | |
| Grocery | – | 2 | – |
| Primary food & agriculture | – | 5 | – |
| | 2,373 | 2,061 | 1,896 |
| Analysis by geography | | | |
| United Kingdom | 1,373 | 1,359 | 1,169 |
| Rest of Europe | 310 | 196 | 193 |
| The Americas | 313 | 184 | 255 |
| Australia, Asia & Rest of World | 377 | 315 | 279 |
| | 2,373 | 2,054 | 1,896 |
| Businesses disposed: | | | |
| United Kingdom | – | 7 | – |
| | 2,373 | 2,061 | 1,896 |

NOTES TO THE INTERIM REPORT CONTINUED

1. SEGMENTAL ANALYSIS CONTINUED

Capital employed comprises tangible fixed assets, interests in joint ventures and associates, current assets (excluding deferred taxation, cash and investments), creditors (excluding borrowings, tax and dividends) and provisions for liabilities and charges excluding deferred taxation.

Capital employed is reconciled to net assets as follows:

| | AT 5 MARCH 2005 £M | AT 28 FEBRUARY 2004 (RESTATED) £M | AT 18 SEPTEMBER 2004 £M |
|-------------------------------|-----------------------------|---|----------------------------------|
| Capital employed | 2,373 | 2,061 | 1,896 |
| Goodwill | 1,036 | 475 | 593 |
| Other fixed asset investments | 1 | 1 | 1 |
| Net funds | 464 | 1,025 | 1,258 |
| Tax and dividends | (279) | (239) | (310) |
| Pension asset | 44 | 33 | 58 |
| Net assets | 3,639 | 3,356 | 3,496 |

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 24 WEEKS ENDED 5 MARCH 2005 £M | 24 WEEKS ENDED 28 FEBRUARY 2004 (RESTATED) £M | 53 WEEKS ENDED 18 SEPTEMBER 2004 £M |
|---|--|--|---|
| Tax charge comprises: | | | |
| UK corporation tax at 30% | 39 | 37 | 94 |
| Overseas income and corporation tax | 26 | 18 | 30 |
| Joint ventures and associates | 1 | 1 | 2 |
| Current tax charge | 66 | 56 | 126 |
| UK deferred taxation | 2 | 3 | 7 |
| Overseas deferred taxation | 1 | 4 | 13 |
| Total tax charge | 69 | 63 | 146 |
| Add back: | | | |
| Tax credit on goodwill amortisation | 6 | 4 | 9 |
| Tax credit on sale of fixed assets and businesses | - | - | (4) |
| Underlying tax charge | 75 | 67 | 151 |

3. EARNINGS PER ORDINARY SHARE

| | PENCE | PENCE | PENCE |
|--------------------------------------|-------|-------|-------|
| Adjusted earnings per ordinary share | 24.2 | 20.9 | 46.6 |
| Earnings per ordinary share on: | | | |
| Sale of fixed assets | 2.4 | (0.1) | 1.0 |
| Sale of businesses | - | 0.9 | 0.9 |
| Tax effect on above | - | 0.1 | (0.5) |
| Amortisation of goodwill | (4.4) | (2.5) | (5.8) |
| Tax credit on goodwill amortisation | 0.7 | 0.5 | 1.1 |
| Earnings per ordinary share | 22.9 | 19.8 | 43.3 |

4. CASH FLOW FROM OPERATING ACTIVITIES

| | 24 WEEKS ENDED 5 MARCH 2005 £M | 24 WEEKS ENDED 28 FEBRUARY 2004 £M | 53 WEEKS ENDED 18 SEPTEMBER 2004 £M |
|---|---|--|---|
| Operating profit | 214 | 185 | 421 |
| Amortisation of goodwill | 35 | 20 | 46 |
| Depreciation | 79 | 72 | 139 |
| (Increase)/decrease in working capital | | | |
| – stocks | (314) | (259) | 30 |
| – debtors | (15) | (28) | (39) |
| – creditors | 52 | 15 | 16 |
| Other provisions | 13 | 3 | 4 |
| Pension cost less contributions | 7 | 8 | 13 |
| Other movement in own shares held reserve | – | – | 1 |
| Net cash from operating activities | 71 | 16 | 631 |

5. ANALYSIS OF CHANGES IN FINANCING

| | £M | £M | £M |
|--|--------------|------|------|
| Repayment of short-term loans | (9) | (61) | (97) |
| Issue of short-term loans | 40 | 65 | 81 |
| Repayment of loans over one year | (199) | (6) | (6) |
| Issue of loans over one year | 366 | 1 | 2 |
| Decrease in bank borrowings | – | – | (6) |
| Net decrease/(increase) in cost of own shares held | 2 | (4) | (2) |
| | 200 | (5) | (28) |

6. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | £M | £M | £M |
|---|--------------|-------|-------|
| Increase/(decrease) in cash | 25 | 1 | (23) |
| Management of liquid resources | (641) | (223) | 18 |
| Net (increase)/decrease in borrowings | (198) | 1 | 26 |
| Change in net funds resulting from cash flows | (814) | (221) | 21 |
| Effect of currency changes | 24 | 17 | 8 |
| On acquisition of subsidiary undertakings | (4) | (9) | (9) |
| Movement in net funds | (794) | (213) | 20 |
| Opening net funds | 1,258 | 1,238 | 1,238 |
| Closing net funds | 464 | 1,025 | 1,258 |

NOTES TO THE INTERIM REPORT CONTINUED

7. ANALYSIS OF NET FUNDS

| | AT 18 SEPTEMBER 2004 £M | CASH FLOW £M | ACQUISITION OF SUBSIDIARY UNDERTAKINGS £M | EXCHANGE ADJUSTMENTS £M | AT 5 MARCH 2005 £M |
|--------------------------|----------------------------------|--------------------|--|-------------------------------|-----------------------------|
| Cash at bank and in hand | 136 | 25 | – | 3 | 164 |
| Short-term borrowings | (68) | (31) | (5) | 2 | (102) |
| Investments | 1,547 | (641) | 1 | (2) | 905 |
| Loans over one year | (357) | (167) | – | 21 | (503) |
| | 1,258 | (814) | (4) | 24 | 464 |

8. BASIS OF PREPARATION

The figures shown for the financial year ended 18 September 2004, which have been abridged from the group's 2004 financial statements, are not the group's statutory accounts. Those accounts have been reported on by the auditors and delivered to the Registrar of Companies.

The report of the auditors was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The figures for the 24 weeks ended 5 March 2005 and 28 February 2004 are unaudited.

The interim financial information has been prepared on the basis of the accounting policies set out in the group's 2004 statutory accounts.

The adoption of FRS 17 in the 2004 statutory accounts required a change to the accounting treatment of defined benefit pension arrangements such that the group now includes the assets and liabilities of these arrangements

in the consolidated balance sheet. Current service costs, curtailments and settlement gains and losses and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The following table sets out the impact of adopting FRS 17 on the affected line items in the group profit and loss account and balance sheet at 28 February 2004.

| | OPERATING PROFIT £M | PROFIT ON SALE OF BUSINESSES £M | OTHER FINANCIAL INCOME £M | TAX ON PROFIT ON ORDINARY ACTIVITIES £M | PROFIT FOR THE FINANCIAL PERIOD £M |
|--------------------------------|---------------------------|--|------------------------------------|---|--|
| Profit and loss account | | | | | |
| As previously reported | 204 | 6 | – | (64) | 159 |
| Adoption of FRS 17 | (11) | 2 | 5 | 1 | (3) |
| As restated | 193 | 8 | 5 | (63) | 156 |

| | OTHER CREDITORS DUE WITHIN ONE YEAR £M | PROVISION FOR LIABILITIES AND CHARGES £M | NET PENSION ASSETS £M | PROFIT & LOSS RESERVE £M |
|------------------------|--|---|--------------------------------|-----------------------------------|
| Balance sheet | | | | |
| As previously reported | (746) | (147) | – | 3,073 |
| Adoption of FRS 17 | 2 | 3 | 33 | 38 |
| As restated | (744) | (144) | 33 | 3,111 |

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

INTRODUCTION

We have been engaged by the company to review the financial information set out on pages 8 to 16 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with 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 Listing Rules of the Financial Services Authority. 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, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information, issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the

financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 24 weeks ended 5 March 2005.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB
19 April 2005

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

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA

Auditors

KPMG Audit Plc
Chartered Accountants

Bankers

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

Brokers

Hoare Govett
250 Bishopsgate
London EC2M 4AA

Panmure Gordon
50 Stratton Street, London W1J 8LL

Website

<http://www.abf.co.uk>

Directors

Martin G Adamson Chairman
George G Weston Chief Executive
John G Bason

WG Galen Weston OC
The Rt. Hon. Lord MacGregor
of Pulham Market, OBE[†]
Michael R Alexander[†]
Timothy Clarke[†]
Jeffery F Harris[†]
Peter J Jackson (retired 31 March 2005)

[†]Independent non-executive director

Rt. Hon. Lord MacGregor is the senior independent director.

Martin G Adamson, Rt. Hon. Lord MacGregor, Michael R Alexander, Jeffery F Harris and Timothy Clarke are members of the Remuneration and Nomination committees.

Rt. Hon. Lord MacGregor, Michael R Alexander, Jeffery F Harris and Timothy Clarke are members of the Audit committee.

Associated British Foods plc

Weston Centre, 10 Grosvenor Street, London W1K 4QY

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For more information please refer to our Annual Report
and Accounts 2004 available online at www.abf.co.uk