



# Review of annual results for 52 weeks ended 12 September 2015

3 November 2015

## Financial Headlines

- Group revenue £12.8bn
- Adjusted operating profit £1,092m
- Adjusted profit before tax £1,034m
- Adjusted earnings per share 102.0p
- Dividends per share up 3% to 35.0p
- Gross capital investment of £613m
- Net debt reduced to £194m

## Business Highlights

- A strong performance despite currency and commodity challenges
- Primark expansion
- Sugar
  - cost improvement
  - lower EU prices
- Significant profit progress at Ingredients and Agriculture
- Further margin improvement for Grocery

# Income statement

£m	2015	2014	Change	
			actual fx	constant fx
Revenue	12,800	12,943	-1%	+2%
Operating costs	(11,811)	(11,865)		
Exceptional item	(98)	-		
Share of joint ventures and associates	48	13		
Profits less losses on disposal of non-current assets	8	(11)		
Operating profit	947	1,080		
Adjusted operating profit	1,092	1,163	-6%	-4%
Profits less losses on disposal of non-current assets	8	(11)		
Amortisation of non-operating intangibles	(55)	(72)		
Exceptional item	(98)	-		

## Income statement

£m	2015	2014	Change
Operating profit	947	1,080	-12%
Loss on disposal of businesses	(172)	(2)	
Net interest expense	(53)	(58)	
Other financial expense	(5)	-	
Profit before tax	717	1,020	-30%
Tax	(193)	(237)	
Profit after tax	524	783	
Non-controlling interests	8	(21)	
Attributable to equity shareholders	532	762	
Adjusted profit before tax	1,034	1,105	-6%

# Tax

£m	2015		2014	
Underlying charge	220	21.3%	257	23.3%
Credit on goodwill & intangible amortisation	(8)		(21)	
Charge on disposal of businesses and PP&E	3		1	
Credit on exceptional item	(22)		-	
Reported charge	<u>193</u>	26.9%	<u>237</u>	23.2%

## Earnings and Dividends Per Share

	2015	2014	Change
Adjusted earnings per share	102.0p	104.1p	-2%
Earnings per share	67.3p	96.5p	-30%
Dividends per share	35.0p	34.0p	+3%

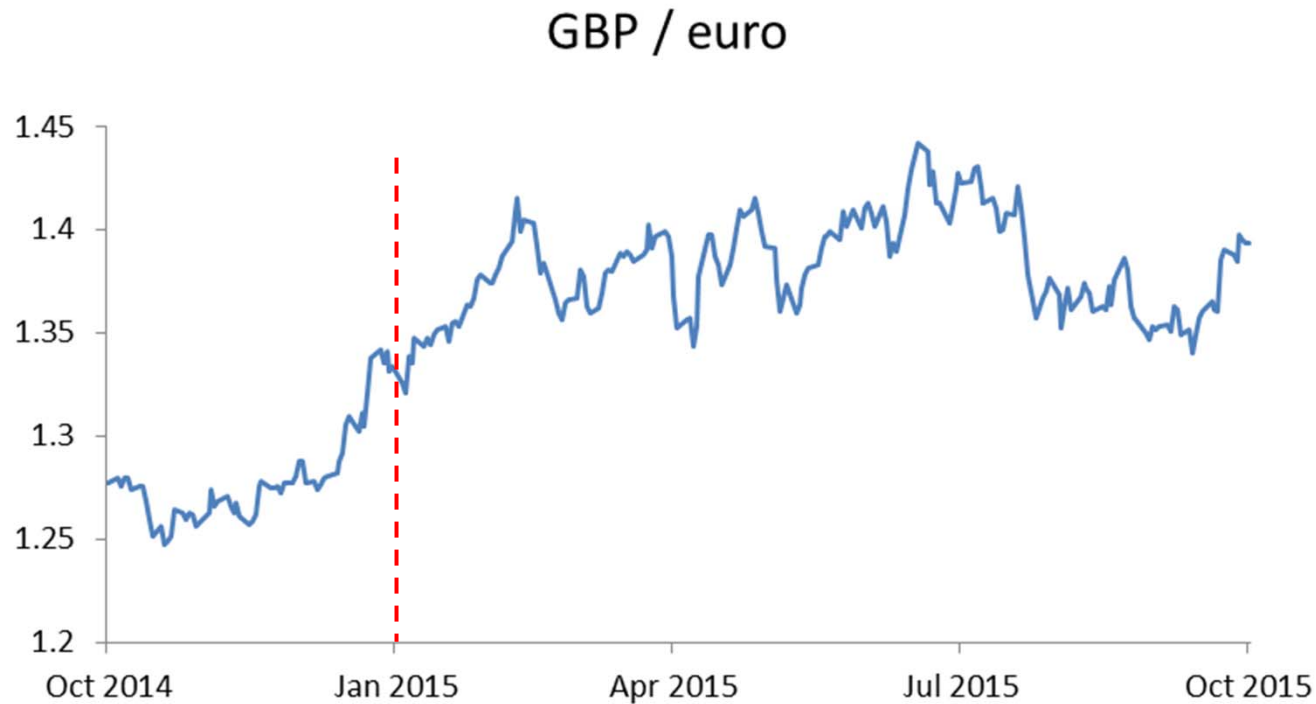
# Balance Sheet

£m	2015	2014
Intangible assets (including goodwill)	1,367	1,467
PP&E and other non-current assets	4,806	5,137
Working capital	777	878
Biological assets – current	70	109
Current tax	(126)	(193)
Net debt	(194)	(446)
Other net financial assets	41	59
Deferred tax	(108)	(114)
Provisions	(66)	(101)
Net pension liability	(16)	(43)
Net assets	<u>6,551</u>	<u>6,753</u>
Equity shareholders' funds	6,336	6,437
Non-controlling interests	215	316
	<u>6,551</u>	<u>6,753</u>



## Currency

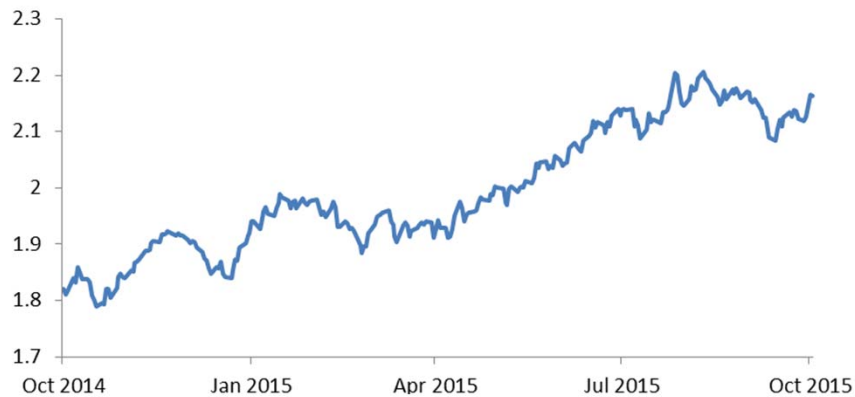
- Sterling has appreciated against our major trading currencies except the US dollar
- Weakness of euro since January



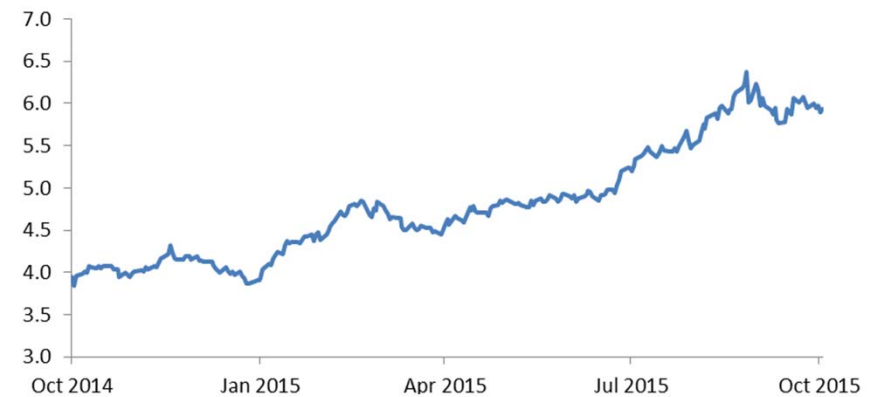
# Currency

- Weakness in currencies of commodity exporting countries

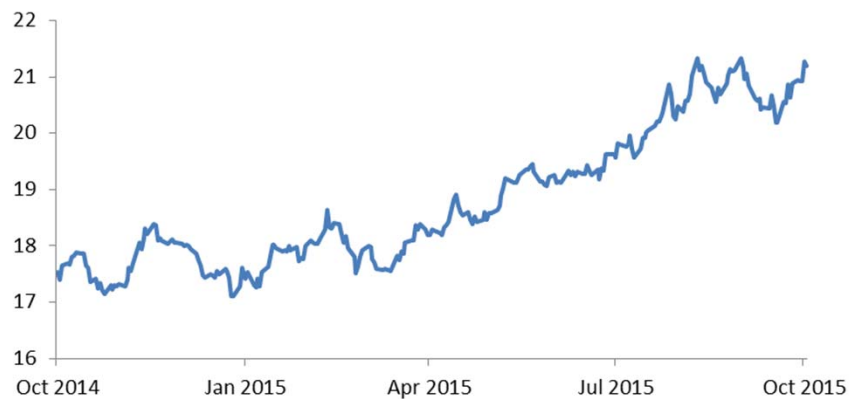
GBP / Australian \$



GBP / Brazilian real



GBP / SA rand

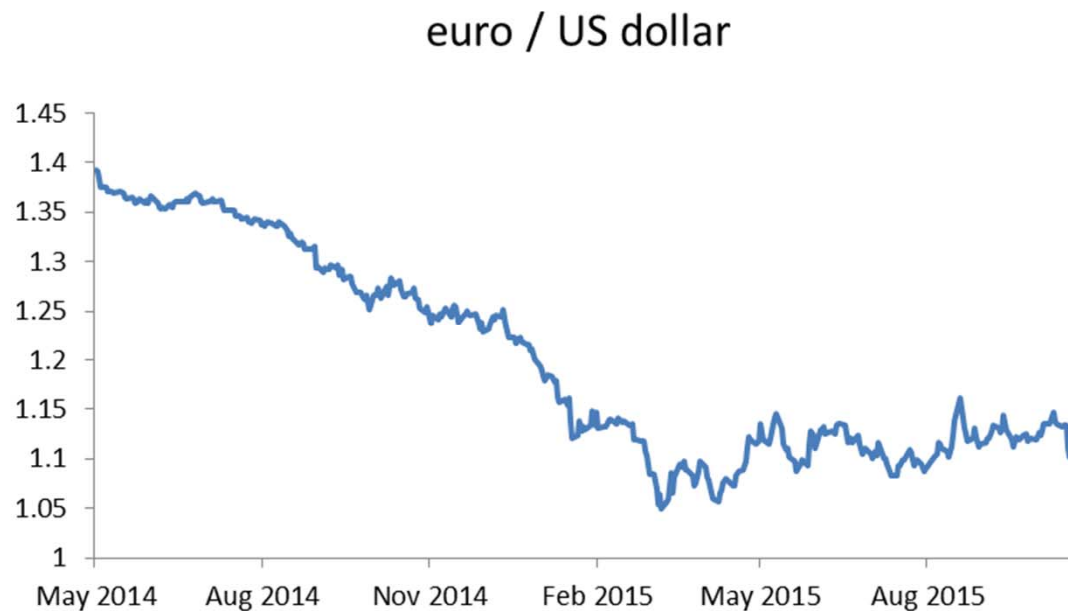


GBP / Zambian kwacha



- £31m total impact of translation this year
- Similar total impact next year if all current rates persist

## Currency - Primark



- Substantial proportion of garments sourced in US dollars
- More than half of potential currency impact mitigated by buying teams
- Adverse effect on margins next year – higher impact in first half

## Cash Flow

£m	2015	2014
Adjusted operating profit (before joint ventures and associates)	1,044	1,150
Depreciation and amortisation of operating intangibles	427	424
Working capital	(66)	100
Provisions	(28)	13
Capital expenditure - Primark	(306)	(378)
- Food	(276)	(298)
Purchase of intangibles	(31)	(32)
Sale of property, plant and equipment	72	17
Tax	(230)	(246)
Net interest and other income	(57)	(67)
Pension costs less contributions	6	7
Other	62	(51)
Free cash flow	617	639
Dividends paid (including minorities)	(287)	(277)
(Acquisitions)/disposals including loans to joint ventures	(54)	(8)
Net cash flow before financing	276	354

# Segmental Analysis

## By business

	Revenue		Profit		Margin		ROCE	
	2015	2014	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	%	%	%	%
Grocery	3,177	3,337	285	269	9.0	8.1	22.5	20.8
Sugar	1,818	2,083	43	189	2.4	9.1	2.4	10.5
Agriculture	1,211	1,312	60	50	5.0	3.8	19.2	17.3
Ingredients	1,247	1,261	76	41	6.1	3.3	11.1	5.8
Retail	5,347	4,950	673	662	12.6	13.4	31.1	33.2
Central costs	-	-	(45)	(49)	n/a	n/a	n/a	n/a
Continuing businesses	12,800	12,943	1,092	1,162	8.5	9.0	17.6	18.9
Disposed	-	-	-	1	-	-	-	-
	12,800	12,943	1,092	1,163	8.5	9.0	17.6	18.9

# Segmental Analysis

## By geography

	Revenue		Profit		Margin	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 %	2014 %
United Kingdom	5,444	5,631	535	602	9.8	10.7
Europe & Africa	4,080	3,924	335	393	8.2	10.0
The Americas	1,269	1,211	148	127	11.7	10.5
Asia Pacific	2,007	2,177	74	40	3.7	1.8
Continuing businesses	12,800	12,943	1,092	1,162	8.5	9.0
Disposed businesses	-	-	-	1	-	-
	12,800	12,943	1,092	1,163	8.5	9.0

# Sugar

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,818	2,083	-13%	-9%
<b>Operating profit</b>	£m	43	189	-77%	-76%
<b>Margin</b>		2.4%	9.1%		
<b>ROCE</b>		2.4%	10.5%		

- cost reduction
- EU price reduction this year – but now stabilised
- euro weakness
- Vivergo Fuels

# Cost improvement programme

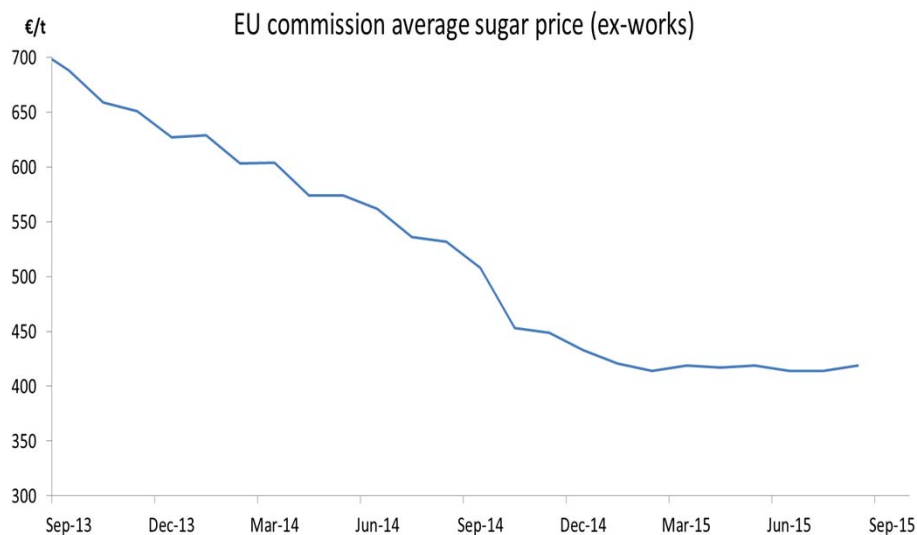
- third year of ongoing programme
- sustainable cost reduction in all businesses
  - sugar extraction
  - factory efficiencies
  - energy reduction
  - overhead reductions
  - agricultural productivity
- beet cost reduction
  - 2015/16 and 2016/17 in UK
  - 2015/16 in Spain



# Production

- UK
  - high beet yields delivered 1.45 million tonnes
  - less than 1.0 million tonnes expected in 2015/16
  - 2015/16 campaign progressing well
- Spain
  - production ahead at 0.71 million tonnes
  - all factories performed well
- Illovo
  - South Africa drought
  - production at 1.64 million tonnes
- China
  - good factory performances, especially two remaining beet factories

# Sugar prices



- EU
  - prices now stabilised
  - much reduced quota stock levels
- some recovery in world prices

# Agriculture

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,211	1,312	-8%	-8%
<b>Operating profit</b>	£m	60	50	+20%	+18%
<b>Margin</b>		5.0%	3.8%		
<b>ROCE</b>		19.2%	17.3%		

- profit, margin and ROCE achievement
- China feed performed well
- growth in Speciality Nutrition
- strong growth at AB Vista

[illegible]

# Grocery

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	3,177	3,337	-5%	-3%
<b>Operating profit</b>	£m	285	269	+6%	+5%
<b>Margin</b>		9.0%	8.1%		
<b>ROCE</b>		22.5%	20.8%		

- strong profit growth at Twinings Ovaltine and ACH
- food commodity price deflation
- competition in bread markets
- further margin improvement
- Dorset Cereals

# Grocery

		2015	2014
Revenue	£m	3,177	3,337
Operating profit	£m	285	269

## ■ Twinings Ovaltine

- strong profit growth
- record Twinings market shares in UK, Australia and Italy
- new range of black teas in UK
- more difficult in emerging markets for Ovaltine
- strong factory performances





# Grocery

		2015	2014
<b>Revenue</b>	£m	3,177	3,337
<b>Operating profit</b>	£m	285	269

## ■ Allied Bakeries

- capital investment programme complete
- bread volumes increased
- Sandwich Thins success
- lower margins



## ■ Jordans Dorset Ryvita

- Jordans performed well
- Dorset Cereals
- Ryvita crispbread lower, Ryvita Thins growing strongly



# Grocery

		2015	2014
Revenue	£m	3,177	3,337
Operating profit	£m	285	269

## ■ Westmill / AB World Foods

- UK ethnic restaurant and takeaway trade improved
- Patak's and Blue Dragon maintain leading positions
- export volumes increasing

## ■ ACH / Stratas

- advertising drives Mazola volume
- exceptional Stratas profit growth





# Grocery

		2015	2014
Revenue	£m	3,177	3,337
Operating profit	£m	285	269

## ■ Australia

- Tip Top
  - price
  - market share increase for major brands
- Don KRC
  - increased volumes
  - improved factory efficiencies
  - higher bought-in meat cost in first half
  - substantially better second half



# Ingredients

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,247	1,261	-1%	+3%
<b>Operating profit</b>	£m	76	41	+85%	+100%
<b>Margin</b>		6.1%	3.3%		
<b>ROCE</b>		11.1%	5.8%		

Second year of significant profit recovery

- AB Mauri
  - all regions ahead
  - supply chain efficiencies
  - integration of European bakery ingredients acquisition
- ABF Ingredients
  - highly successful year for enzymes
  - profit improvement for yeast extracts, cereal extrusion and speciality lipids

# Retail

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	5,347	4,950	+8%	+13%
<b>Operating profit</b>	£m	673	662	+2%	+5%
<b>Margin</b>		12.6%	13.4%		
<b>ROCE</b>		31.1%	33.2%		

- expansion – constant currency sales up 13%
- very high sales densities in new stores
- like-for-like sales ahead 1%
- markdowns returned to normal level
- investment in warehouse infrastructure
- first store opened in the US
- 41<sup>st</sup> store in Spain, still queueing!

## Retail

		2015	2014
<b>Revenue</b>	£m	5,347	4,950
<b>Operating profit</b>	£m	673	662

- over the year
  - warm 2014 autumn
  - very good Christmas
  - strong finish
- like-for-like sales up 1%, up 4% excluding Netherlands and Germany
- by country
  - Spain, Portugal, Ireland well ahead
  - UK positive
  - France continues to excite
- first US store, Boston, trading well

## Autumn/winter 2015



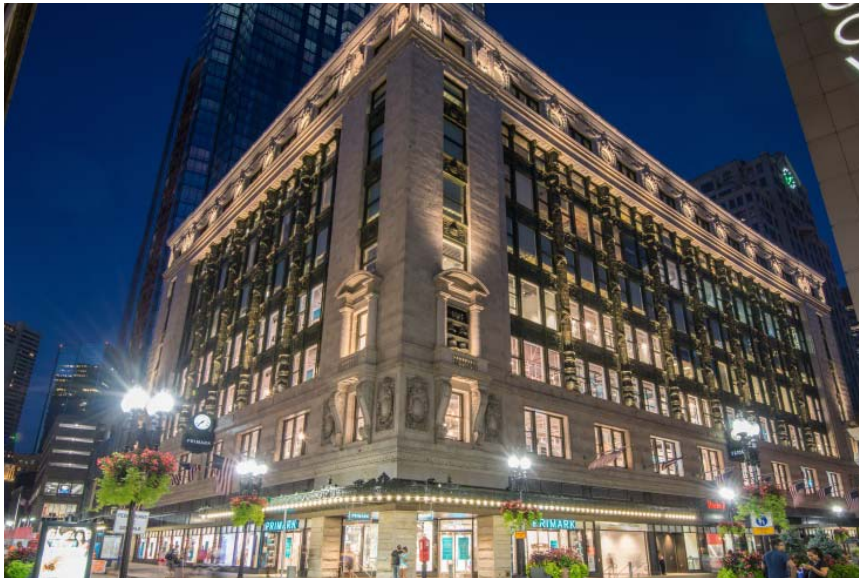


## Store experience - Denim





# Boston





# Madrid Gran Via





## Selling space expansion

- Addition of 0.9 million sq ft
  - opened in 20 new locations
  - relocated two stores
  - closed three stores
  - extended four stores
- Significant new space added in Germany, Netherlands, Belgium
- Large stores:
  - Dresden, Braunschweig, Krefeld, Weiterstadt
  - Arnhem, The Hague

## Primark – selling space expansion

	2015		2014	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	164	6,083	164	6,039
Spain	40	1,369	40	1,338
Germany	19	1,194	13	829
Republic of Ireland	36	1,028	37	1,035
Netherlands	12	547	8	346
Portugal	8	267	7	232
France	5	231	5	231
Austria	4	193	3	142
Belgium	4	166	1	34
USA	1	77	-	-
	293	11,155	278	10,226

## Further expansion

- 1.5 million sq ft to open in 2015/16
- Significant European expansion
  - France, UK and Spain
  - first store in Italy
- Seven stores in north-east US

## Warehouse expansion

- Capacity doubled since September 2013
  - Torija, Spain doubled
  - Mönchengladbach, Germany 60% increase
  - Bethlehem, Pennsylvania opened this summer
  - Bor, Czech Republic opened in September
  - Magna Park, UK to be relocated to larger site at Islip, Northamptonshire
  - Roosendaal, Netherlands late next year

## Summary of these results

- A strong operational performance
- Sugar
  - cost improvement
  - lower EU prices
- Significant profit progress at Ingredients and Agriculture
- Further margin improvement for Grocery
- Primark expansion

## Looking ahead

- Good underlying trading
- Expect currency pressures to lead to modest decline in adjusted eps
- EU sugar prices have stabilised, cost improvement programme continues
- Further progress for Ingredients
- Momentum for Grocery and Agriculture
- Accelerating Primark expansion



# Review of annual results for 52 weeks ended 12 September 2015


3 November 2015

## Exchange rates

Average rates used to translate the income statement	2015	2014
US\$	1.55	1.66
euro	1.34	1.22
South African rand	18.42	17.43
Australian \$	1.96	1.80

Closing rates used to translate the balance sheet	2015	2014
US\$	1.54	1.62
euro	1.37	1.25
South African rand	20.99	17.86
Australian \$	2.18	1.80





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## Notes

Adjusted operating profit is shown before amortisation of non-operating intangibles, profits less losses on the disposal of non-current assets, and exceptional items.

Adjusted profit before tax is shown before amortisation of non-operating intangibles, profits less losses on the disposal of non-current assets, profits less losses on the sale and closure of businesses, and exceptional items.