



# Review of interim results for 24 weeks ended 28 February 2015



# Financial Highlights

- Group revenue up 1% to £6,248m
- Adjusted operating profit down 5% to £474m
- Adjusted profit before tax down 4% to £450m
- Adjusted earnings per share up 1% to 46.1p
- Interim dividend per share up 3% to 10.0p
- Net debt £801m after net capital investment of £277m
- After profits less losses on sale and closure of businesses and exceptional items, operating profit down 24% to £353m, profit before tax down 51% to £213m and basic earnings per share down 58% to 18.1p

# Business Highlights

- Strong Primark sales growth
- Significant profit progress at Ingredients and Agriculture
- Grocery further margin improvement
- Sugar
  - cost improvement
  - lower EU prices
- Looking ahead – currency

# Income statement

£m	2015	2014	Change	
			actual fx	constant fx
Revenue	6,248	6,206	+1%	+3%
Operating costs	(5,820)	(5,743)		
Exceptional item	(98)	-		
Share of joint ventures and associates	18	(1)		
Profits less losses on disposal of non-current assets	5	1		
Operating profit	353	463		
Adjusted operating profit	474	497	-5%	-2%
Profits less losses on disposal of non-current assets	5	1		
Amortisation of non-operating intangibles	(28)	(35)		
Exceptional item	(98)	-		

# Income statement

£m	2015	2014	Change
Operating profit	353	463	-24%
Profits less losses on sale and closure of businesses	(116)	-	
Net interest expense	(26)	(29)	
Other financial income	2	-	
Profit before tax	213	434	-51%
Tax	(89)	(100)	
Profit after tax	124	334	
Adjusted profit before tax	450	468	-4%

# Tax

£m	2015		2014	
Underlying charge	96	21.3%	110	23.5%
Credit on intangible amortisation	(4)		(10)	
Credit on one-off items	(3)		-	
Reported charge	<u>89</u>	41.8%	<u>100</u>	23.0%

# Earnings and Dividend Per Share

	2015	2014	Change
Adjusted earnings per share	46.1p	45.8p	+1%
Earnings per share	18.1p	43.2p	-58%
Dividend per share	10.0p	9.70p	+3%

# Balance Sheet

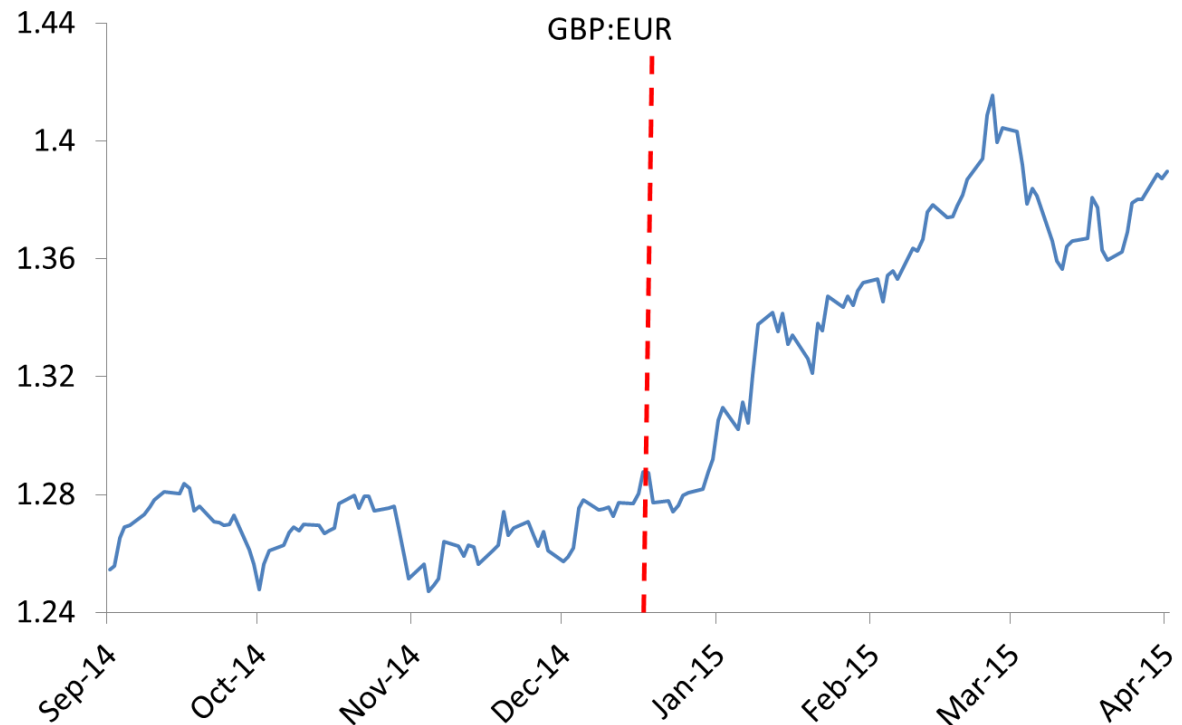
£m	2015	2014
Intangible assets (including goodwill)	1,431	1,484
PP&E and other non-current assets	4,900	4,970
Working capital	1,210	1,103
Biological assets – current	102	98
Current tax	(175)	(164)
Net debt	(801)	(827)
Other net financial assets/(liabilities)	131	(20)
Deferred tax	(113)	(145)
Provisions	(92)	(65)
Net pension liability	(101)	(72)
	<u>6,492</u>	<u>6,362</u>
Equity shareholders' funds	6,210	6,062
Non-controlling interests	282	300
	<u>6,492</u>	<u>6,362</u>



# Currency

- sterling has appreciated against most of our trading currencies
- weakness of euro especially since January
- strength of dollar

- impact of translation
  - £11m in half year
  - £25m in full year



# Currency - transaction

- British Sugar – majority of contracts in euros
- Primark buys substantial proportion of garments in US dollars
- forward cover to August 2015
- work to mitigate
- impact on margins this year, greater impact next year

# Cash Flow

£m	2015	2014
Adjusted operating profit (before joint ventures and associates)	456	498
Depreciation and amortisation of operating intangibles	212	198
Working capital	(365)	(81)
Provisions	(17)	(9)
Capital expenditure - Primark	(152)	(185)
- Food	(137)	(136)
Purchase of intangibles	(17)	(18)
Tax	(102)	(97)
Net interest and other income	(23)	(27)
Pension costs less contributions	6	3
Dividends from joint ventures and associates	30	3
Other	29	7
Free cash flow	(80)	156
Dividends paid (including non-controlling interests)	(200)	(187)
Acquisitions less disposals	(57)	(22)
	<b>(337)</b>	<b>(53)</b>

# Segmental Analysis

## By business

	Revenue		Profit		Margin		ROCE	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 %	2014 %	(annualised) 2015 %	2014 %
Grocery	1,580	1,653	128	123	8.1	7.4	21.4	20.5
Sugar	928	1,027	(3)	64	(0.3)	6.2	(0.4)	7.8
Agriculture	577	625	23	19	4.0	3.0	16.5	14.2
Ingredients	616	623	28	17	4.5	2.7	8.0	5.2
Retail	2,547	2,278	322	298	12.6	13.1	31.2	32.3
Central costs	-	-	(24)	(25)	-	-	-	-
Continuing businesses	6,248	6,206	474	496	7.6	8.0	16.0	17.5
Disposed	-	-	-	1	-	-	-	-
	6,248	6,206	474	497	7.6	8.0	16.0	17.5

# Segmental Analysis

## By geography

	Revenue		Profit		Margin	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 %	2014 %
United Kingdom	2,574	2,603	248	267	9.6	10.3
Europe & Africa	2,077	1,964	142	149	6.8	7.6
The Americas	622	610	73	64	11.7	10.5
Asia Pacific	975	1,029	11	16	1.1	1.6
Continuing businesses	6,248	6,206	474	496	7.6	8.0
Disposed	-	-	-	1	-	-
	6,248	6,206	474	497	7.6	8.0

# Sugar

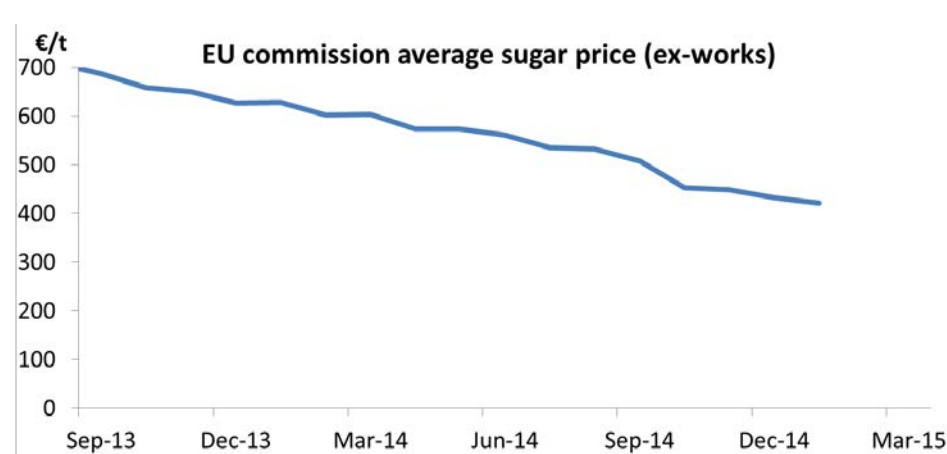
		2015	2014	Change	
				actual fx	constant fx
Revenue	£m	928	1,027	-10%	-6%
Operating profit	£m	(3)	64		
Margin		0.3%	6.2%		
ROCE		(0.4%)	7.8%		

- reduction in EU prices
- excellent European campaigns
- focus on cost improvement
- small profit expected for full year

# Operations

- UK
  - excellent factory performance
  - 1.45 million tonnes highest production since 2006
- Vivergo
  - rated output achieved
  - low bioethanol prices
- Illovo
  - production at 1.76 million tonnes
  - Malawi
  - lower export proceeds
- China
  - good performance from all continuing factories

# Sugar prices



- EU
  - further sharp price fall
  - euro weakness impact on British Sugar
  - quota stock levels reducing
  - euro prices appear to be stabilising
- world prices still low



# Cost update

- delivery from performance improvement programme in all businesses
  - factory efficiencies
  - overhead reductions
- withdrawal from Heilongjiang beet factories
  - all remaining China factories cash generative
- beet and cane
  - this season reduction in China cane cost
  - next year reductions in UK and Spanish beet cost

# Agriculture

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	577	625	-8%	-8%
<b>Operating profit</b>	£m	23	19	+21%	+21%
<b>Margin</b>		4.0%	3.0%		
<b>ROCE</b>		16.5%	14.2%		

- cash margins in UK feed maintained
- continued growth at AB Vista
- growth in Speciality Nutrition
- China feed performed well

# Grocery

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,580	1,653	-4%	-3%
<b>Operating profit</b>	£m	128	123	+4%	+4%
<b>Margin</b>		8.1%	7.4%		
<b>ROCE</b>		21.4%	20.5%		

- 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	1,580	1,653
Operating profit	£m	128	123

## ■ Twinings Ovaltine

- record Twinings market shares in UK and Australia
- improved margin from operating efficiencies
- black tea completely restaged in UK



# Grocery

		2015	2014
Revenue	£m	1,580	1,653
Operating profit	£m	128	123

## ■ Jordans Ryvita

- Dorset trading well, integration on track
- Jordans growth, success in Australia
- Ryvita Thins growth



## ■ Allied Bakeries

- capital investment programme complete
- bread volumes maintained
- intense competition
- lower profit



# Grocery

		2015	2014
Revenue	£m	1,580	1,653
Operating profit	£m	128	123

## ■ Australia

- Tip Top
  - brand price reset
  - market share increase for major brands
- Don KRC
  - increased volumes
  - improved factory efficiencies
  - higher meat cost in first half



# Grocery

		2015	2014
Revenue	£m	1,580	1,653
Operating profit	£m	128	123

- ACH / Stratas
  - Mazola volume growth
    - plant sterol campaign continuing successfully
    - lower corn oils costs
  - Capullo success in Mexico
  - strong volume and profit increase for Stratas



# Ingredients

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	616	623	-1%	+3%
<b>Operating profit</b>	£m	28	17	+65%	+87%
<b>Margin</b>		4.5%	2.7%		
<b>ROCE</b>		8.0%	5.2%		

- AB Mauri
  - yeast and bakery ingredients both ahead
  - supply chain optimisation
  - integration of European bakery ingredients acquisition
- ABF Ingredients
  - excellent sales and profit growth
  - enzyme strength
- strong improvement continues



# Retail

		2015	2014	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	2,547	2,278	+12%	+15%
<b>Operating profit</b>	£m	322	298	+8%	+11%
<b>Margin</b>		12.6%	13.1%		
<b>ROCE</b>		31.2%	32.3%		

- strong trading in first half
  - constant currency sales up 15%
- 11% increase in retail selling space
- very good trading by new stores
- US launch preparations well advanced
- like-for-like sales level

# Retail

		2015	2014
Revenue	£m	2,547	2,278
Operating profit	£m	322	298

- trading
  - strong Christmas
  - recovery from warm autumn
  - UK positive
  - Spain, Portugal, Ireland very strong
- strong market share gains
- modest increase in mark-down

# Spring / summer

DRESS

£13 / €16



SWING GYPSY TOP £5 / €6  
PRINTED PALAZZOS £10 / €12



PRINT GYPSY TOP £6 / €7  
COLD KNEE ACID WASH JEANS  
£13 / €15

GREY PRINTED ANORAK £11 / €13  
CALIFORNIA FLORAL PRINTED TEE £7 / €8  
CORAL DENIM SHORT £10 / €12  
SKATE SHOE £6 / €7



# Denim

SLIM DISTRESSED BOYFRIEND £13 / €15



GREY ACID TEE £6 / €7  
BLACK SUPER SKINNY £10 / €12  
BLACK TRAINER £12 / €15



## Expansion in half year

- 0.5 million sq ft of retail selling space added
- major selling space increase in the Netherlands and Germany
  - four stores in the Netherlands
  - large stores in Dresden, Krefeld and Stuttgart
- open on Rue Neuve in Brussels
- warehouse capacity expansion in Spain and Germany



# The Netherlands

Venlo



Rotterdam



Arnhem



The Hague





# Germany



## Primark – selling space expansion

	HY 15		HY 14	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	164	6,064	162	5,905
Spain	40	1,338	39	1,270
Republic of Ireland	37	1,035	38	1,033
Germany	16	1,014	11	682
Netherlands	12	547	6	240
Portugal	8	267	7	232
France	5	231	2	107
Austria	3	142	3	142
Belgium	2	52	1	34
	287	10,690	269	9,645



# Retail

		2015	2014
Revenue	£m	2,547	2,278
Operating profit	£m	322	298

- like-for-like sales level
  - excluding Netherlands and Germany like-for-like sales growth +3%
  - existing store sales in Netherlands and Germany affected by new stores
- normal pattern of Primark expansion in new markets
- new stores are performing extremely well
  - Berlin-Alexanderplatz, Stuttgart and Cologne all in top 20 by annualised sales

## Further expansion

- stores to open in Germany, Belgium and Austria in second half
- Downtown Crossing, Boston on schedule for autumn opening
- extensive pipeline of new stores
- some 1.5 million sq ft scheduled for next financial year
- new warehouse in Bor, Czech Republic in autumn 2015

# Summary of these results

- Sugar
  - cost improvement
  - lower EU prices
- Significant profit progress at Ingredients and Agriculture
- Grocery further margin improvement
- Strong Primark sales growth and US launch preparations well advanced

# Looking ahead

- Full year expectation of modest decline in adjusted earnings
  - trading outlook unchanged
  - small AB Sugar profit
  - Primark sales growth and expansion continues
  - progress for Grocery, Ingredients and Agriculture
  
- Primark
  - focus on delivering compelling product and maintaining our cost advantage
  - offer the lowest prices and best value on the high street



# Review of interim results for 24 weeks ended 28 February 2015



# Exchange rates

Average rates used to translate the income statement	2015	2014
US\$	1.57	1.63
euro	1.29	1.20
South African rand	17.76	16.96
Australian \$	1.87	1.78

Closing rates used to translate the balance sheet	2015	2014
US\$	1.54	1.67
euro	1.37	1.21
South African rand	17.95	17.88
Australian \$	1.98	1.87

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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.