

Chief Executive's statement



We have the people and the cash resources to seize the opportunities ahead and look to the future with confidence.

I am proud of how we responded to the many challenges presented by COVID-19 this year. All of our people demonstrated care, good judgement and immense hard work.

Our financial performance this year more than ever demonstrates the resilience of the Group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking.

Group revenue was in line with last year at £13.9bn at constant currency, with the reduction compared to pre-pandemic levels driven by the loss of sales for the periods in which Primark's stores were closed. Adjusted operating profit of £1,011m was broadly in line with last year, which was also impacted by lost sales during the closures of Primark stores.

Our food businesses delivered another strong performance this year and throughout the pandemic we have provided safe, nutritious food under the most extraordinary conditions, proving the value and resilience of our supply chains. The adjusted operating profit of Grocery, Sugar, Agriculture and Ingredients combined increased by 10%, building on an increase of 26% last year, at constant currency.

Sugar delivered another year of very strong improvement with profit margin reaching 9.2% and a 75% increase in adjusted operating profit at constant currency. Our focus in this business has been to deliver an acceptable shareholder return on capital over the cycle and return on average capital employed reached 10.2% this year. The profit improvement was underpinned by significant savings from our ongoing cost improvement and efficiency programmes. Notably, after a disappointing performance last year, Illovo recovered strongly, benefiting from higher sales as a consequence of our long-term drive to develop African domestic and regional volumes.

Grocery revenues were 3% ahead of last year at constant currency. This was achieved despite a small decline in some retail volumes this year compared to the elevated levels seen last year. Twinings Ovaltine delivered strong sales growth, supported by increased marketing investment and driven by Ovaltine growth in emerging markets and a programme of new product development

in existing markets. The international development of a number of our brands, notably Patak's and Mazzetti, continued. The adjusted operating profit for Grocery declined marginally, mainly due to weaker corn oil margins at ACH. The development of our brands over the medium term is demonstrated by an increase in adjusted operating profit of 12% over the pre-COVID levels of 2019, following a very strong profit increase of 15% last year, at constant currency.

AB Agri performed well with progress in both revenue and adjusted operating profit. Growth was notable in China, our UK feed business AB Connect and in AB Neo, which specialises in feed for animals in the early stages of life, driven by higher volumes and commodity prices. Ingredients' sales were 4% ahead, and adjusted operating profit was 8% ahead of last year at constant currency driven by strong trading at AB Mauri.

Primark

As we look back on two years of disruption to Primark trading caused by the COVID-19 pandemic, our confidence in the Primark business model is unaltered.

There is no doubt that Primark, with its reliance on a highly efficient store retail model, has been seen to be vulnerable to the pandemic. The closure of its stores for long periods and restrictions on trading inevitably led to significant loss of sales and profit.

We believe that Primark's proposition of providing customers with a wide selection of products at great value prices is highly sustainable. The low-cost retailing model is driven by structural advantages: purchasing quantities on a large scale leads to efficient production; a broad supplier base with long-term relationships; very low distribution costs throughout the supply chain from supplier to store; and high store sales densities. These characteristics provide Primark with a differentiated business model with real competitive advantage.

Primark is a compelling brand proposition. It offers customers a wide selection of products, from everyday essentials to the latest trends, for all age groups and at prices everyone can afford, ranged across attractive up-to-date stores. There is strong supporting evidence that, for a substantial share of customers, the in-store shopping experience will have enduring appeal. Primark is uniquely

placed on the High Street to take advantage of this as it continually evolves its store design and in-store services and expands into new product ranges attracting existing and new customers to the business.

At the time of writing, all our stores have reopened and are trading with only limited restrictions in some countries. There has been an extensive roll-out of vaccinations against COVID-19 in all the markets where Primark operates, and customers have returned to our stores in large numbers. A post-pandemic equilibrium has not yet been reached. However, like-for-like sales, compared to pre-COVID levels, are steadily improving as customers' appetite to return to shopping and city centres increases and, over the medium term, as foreign and domestic tourism recovers.

Next year, we expect Primark to increase sales significantly along with a sharp improvement in adjusted operating margin, recovering to above 10%, absent the reimposition of further restrictions on store trading. We see opportunities to reduce costs further, with lower operating costs from reduced lease costs and the harnessing of technology in our warehouses and stores. Additionally, Primark is investing to upgrade its digital presence and online visibility and is on track to launch a redesigned customer facing website in the UK in the first quarter of 2022. In September, Primark launched a wide-reaching new sustainability strategy aiming to position the business as a pioneer for making more sustainable fashion affordable for all, engaging a new generation of customers. We believe this strategy can be implemented without any significant movements in the Primark profit margin over the longer term.

Primark sees further growth potential in all of its existing markets, and in some new markets besides. In particular, it will accelerate the expansion of its selling space in the major markets of the US, France, Italy and Iberia, building on its established brand recognition, proven track record of successful store openings and strengthening relationships with key landlords.

George Weston
Chief Executive