

# Review of annual results for 53 weeks ended 17 September 2016



# Financial Highlights

<b>Group revenue</b>	<b>up 5%</b>	<b>£13.4bn</b>
<b>Adjusted operating profit</b>	<b>up 3%</b>	<b>£1,118m</b>
<b>Adjusted profit before tax</b>	<b>up 5%</b>	<b>£1,071m</b>
<b>Adjusted earnings per share</b>	<b>up 5%</b>	<b>106.2p</b>
<b>Dividends per share</b>	<b>up 5%</b>	<b>36.75p</b>
<b>Gross investment</b>		<b>£1bn</b>
<b>Net debt</b>		<b>£315m</b>

# Business Highlights

- Progress at all our businesses
- Primark
  - market share growth
  - selling space expansion
  - good mitigation of euro/dollar exchange impact
- Delivered structural changes at AB Sugar
- Significant profit progress at Ingredients
- Grocery and Agriculture margin improvement

# Implications of EU referendum

- ABF business model
  - food production aligned with end markets
  - Primark discrete supply chains
  - natural currency hedges
- Potential benefits and challenges for ABF
- Engaging with UK government departments

# Income statement

£m	2016	2015 restated	Change	
			actual fx	constant fx
Revenue	13,399	12,800	+5%	+4%
Operating costs	(12,359)	(11,821)		
Exceptional item	(5)	(98)		
Share of joint ventures and associates	57	48		
Profits less losses on disposal of non-current assets	11	8		
Operating profit	1,103	937		
Adjusted operating profit	1,118	1,082	+3%	+3%
Profits less losses on disposal of non-current assets	11	8		
Amortisation of non-operating intangibles	(21)	(55)		
Exceptional item	(5)	(98)		

# Income statement

£m	2016	2015	Change
		restated	
Operating profit	1,103	937	+18%
Loss on disposal of businesses	(14)	(172)	
Net interest expense	(50)	(53)	
Other financial income/(expense)	3	(5)	
Profit before tax	1,042	707	+47%
Tax	(221)	(191)	
Profit after tax	821	516	
Non-controlling interests	(3)	12	
Attributable to equity shareholders	818	528	
Adjusted profit before tax	1,071	1,024	+5%

# Currency effects

- 2015/16 financial year
  - adverse transaction effect on Primark margin from decline in euro US\$ rate
  - adverse transaction effect on British Sugar margin from weaker average euro sterling rate
  
- 2016/17 financial year, lower sterling exchange rate
  - translation benefit
  - British Sugar transaction margin increase
  - Primark transaction margin reduction

# Tax

£m	2016		2015 restated	
Underlying charge	227	21.2%	218	21.3%
Credit on goodwill & intangible amortisation	(5)		(8)	
(Credit)/charge on disposal of businesses and PP&E	(1)		3	
Credit on exceptional item	-		(22)	
Reported charge	<u>221</u>	21.2%	<u>191</u>	27.0%



# Earnings and Dividends Per Share

	2016	2015 restated	Change
Adjusted earnings per share	106.2p	101.5p	+5%
Earnings per share	103.4p	66.8p	+55%
Dividends per share	36.75p	35.0p	+5%

# Balance Sheet

£m	2016	2015
		restated
Intangible assets (including goodwill)	1,348	1,367
PP&E and other non-current assets	5,446	4,753
Working capital	819	777
Biological assets – current	86	70
Current tax	(138)	(126)
Net debt	(330)	(194)
Other net financial assets	32	41
Deferred tax	-	(95)
Provisions	(88)	(66)
Net pension liability	(290)	(16)
Net assets classified as held for sale	237	-
Net assets	<u>7,122</u>	<u>6,511</u>
Equity shareholders' funds	7,054	6,321
Non-controlling interests	68	190
	<u>7,122</u>	<u>6,511</u>

# Business disposals

- Sale of US herbs and spices
  - anti-trust clearance received
  - completion mid-November
  - cash consideration \$365m
  - after overhead rationalisation, minimal operating profit effect
- Sale of China South cane sugar
  - regulatory approval awaited
  - completion expected by year end
  - gross proceeds some £300m
- Total net proceeds over £0.5bn

# Cash Flow

£m	2016	2015
		restated
Adjusted operating profit (before joint ventures and associates)	1,061	1,034
Depreciation and amortisation of operating intangibles	465	434
Working capital	(10)	(66)
Provisions	5	(28)
Capital expenditure - Primark	(434)	(306)
- Food	(332)	(276)
Purchase of intangibles	(30)	(31)
Sale of property, plant and equipment	27	72
Tax	(211)	(230)
Net interest and other income	(56)	(57)
Pension costs less contributions	7	6
Other	(9)	65
Free cash flow	483	617
Dividends paid (including minorities)	(289)	(287)
(Acquisitions)/disposals including loans to joint ventures	(262)	(54)
Net cash flow before financing	(68)	276

# Segmental Analysis

## By business

	Revenue		Profit		Margin		ROCE	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 %	2015 %	2016 %	2015 %
				restated		restated		restated
Grocery	3,274	3,177	304	285	9.3	9.0	24.2	22.5
Sugar	1,798	1,818	34	33	1.9	1.8	2.1	1.9
Agriculture	1,084	1,211	58	60	5.4	5.0	17.7	19.2
Ingredients	1,294	1,247	93	76	7.2	6.1	13.1	11.1
Retail	5,949	5,347	689	673	11.6	12.6	30.2	31.1
Central costs	-	-	(60)	(45)	n/a	n/a	n/a	n/a
Continuing businesses	<u>13,399</u>	<u>12,800</u>	<u>1,118</u>	<u>1,082</u>	<u>8.3</u>	<u>8.5</u>	<u>18.1</u>	<u>17.6</u>

# Segmental Analysis

## By geography

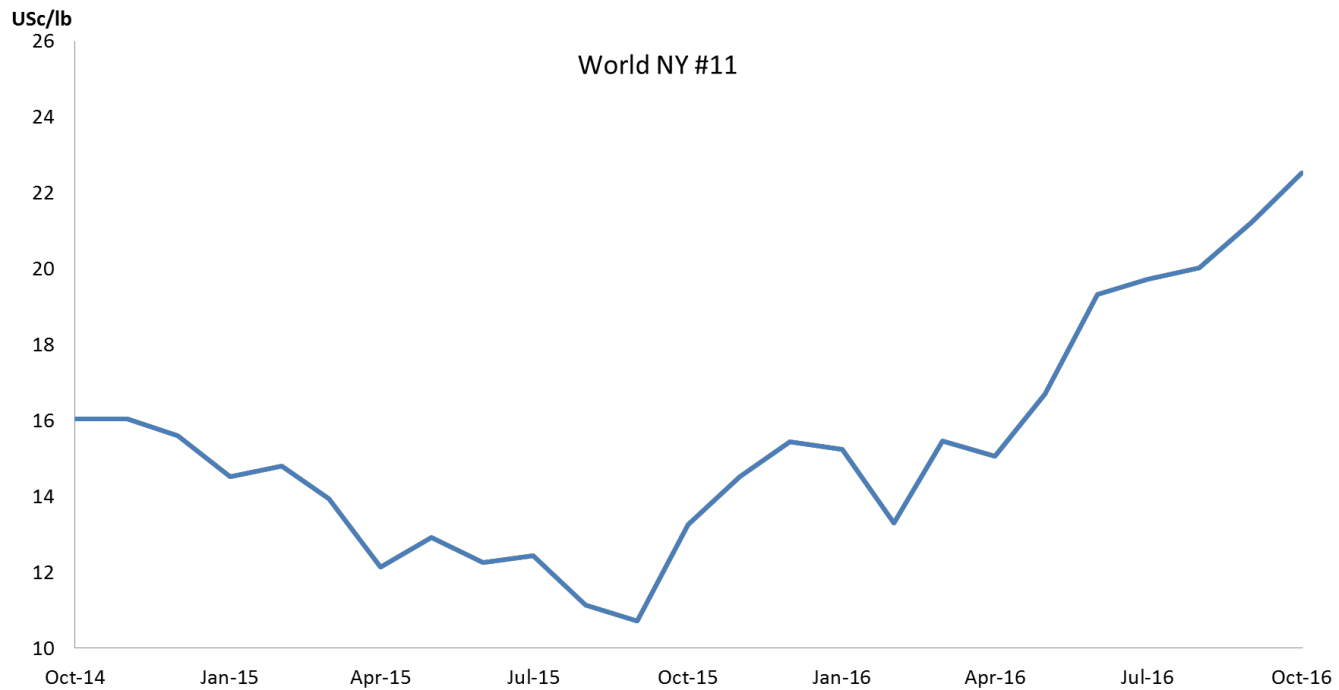
	Revenue		Profit		Margin	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 %	2015 %
			restated		restated	
United Kingdom	5,375	5,444	484	535	9.0	9.8
Europe & Africa	4,564	4,080	364	325	8.0	8.0
The Americas	1,403	1,269	168	148	12.0	11.7
Asia Pacific	2,057	2,007	102	74	5.0	3.7
Continuing businesses	13,399	12,800	1,118	1,082	8.3	8.5

# Sugar

		2016	2015	Change	
			restated	actual fx	constant fx
Revenue	£m	1,798	1,818	-1%	+5%
Operating profit	£m	34	33	+3%	+55%
Margin		1.9%	1.8%		
ROCE		2.1%	1.9%		

- turning point for AB Sugar
- performance improvement benefits
- buyout of Illovo minority interests
- sale of China South cane sugar business
- higher EU, Chinese and world prices

# Sugar prices



- EU stock levels significantly lower
- second year of lower world sugar stocks



# Performance improvement

- fourth year of ongoing programme
- substantial benefits each year
- delivery by all businesses
  - agricultural productivity
  - sugar extraction
  - energy reduction
  - overhead reduction



# Reshaping the business

- Buyout of Illovo South African minorities
  - low production cost
  - growing domestic markets
  - accelerate cost reduction and commercial development
  
- Sale of China South cane sugar
  - subject to regulatory approval
  - consolidation of industry

# Operations

## ■ UK

- much reduced beet costs
- 15/16 production just short of 1.0 million tonnes
- 16/17 lower production
- looking ahead, multi-year contracts with beet growers

## ■ Spain

- lower beet cost, higher beet sugar production

## ■ Illovo

- drought effects
- South Africa cost reduction
- Zambia refinery commissioned

# Nakambala including the new refinery



# Agriculture

		2016	2015	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,084	1,211	-10%	-11%
<b>Operating profit</b>	£m	58	60	-3%	-6%
<b>Margin</b>		5.4%	5.0%		
<b>ROCE</b>		17.7%	19.2%		

- lower commodity prices reduce revenue
- profit held back by smaller sugar beet crop
- strong growth from AB Vista
- business development in specialist proteins
- progress in China

# Grocery

		2016	2015	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	3,274	3,177	+3%	+2%
<b>Operating profit</b>	£m	304	285	+7%	+4%
<b>Margin</b>		9.3%	9.0%		
<b>ROCE</b>		24.2%	22.5%		

- Twinings Ovaltine strong profit growth
- continued recovery at George Weston Foods
- sale of US herbs and spices business

# Grocery

		2016	2015
Revenue	£m	3,274	3,177
Operating profit	£m	304	285

## ■ Twinings Ovaltine

- Ovaltine progress in Thailand
- ‘Crunchy Cream’ wider distribution
- Twinings record market shares in UK, US and Australia
- ‘Tealand’ advertising success in many markets





# Grocery

		2016	2015
Revenue	£m	3,274	3,177
Operating profit	£m	304	285

## ■ Allied Bakeries

- continued margin pressure
- Kingsmill substantial volume increase
- second Sandwich Thins line
- Kingsmill, Allinson redesigns well received

## ■ Jordans Dorset Ryvita

- delivery of Dorset integration benefits
- Jordans and Dorset international growth
- Ryvita crispbread decline slows





# Grocery

		2016	2015
Revenue	£m	3,274	3,177
Operating profit	£m	304	285

## ■ AB World Foods / Westmill

- Patak's and Blue Dragon domestic and international success
- Lucky Boat noodle growth



## ■ North America

- Mazola distribution gains, margin pressure
- strong performance by Stratas Foods



# Grocery

		2016	2015
Revenue	£m	3,274	3,177
Operating profit	£m	304	285

## ■ Australia

- Tip Top relaunch
- Don KRC delivered profit
  - higher volumes
  - production efficiencies
  - reduced meat cost
  - further efficiency opportunities



# Ingredients

		2016	2015	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	1,294	1,247	+4%	+5%
<b>Operating profit</b>	£m	93	76	+22%	+24%
<b>Margin</b>		7.2%	6.1%		
<b>ROCE</b>		13.1%	11.1%		

- AB Mauri
  - significant profit improvement
  - major contribution from Americas
  - China further progress
  
- ABF Ingredients
  - management changes
  - excellent year for speciality lipids
  - enzyme growth

# Autumn Winter 2016



Knitted check sweater €14/\$16/£12  
Check formal trouser €14/\$16/£12



Denim shirt €17/\$19/£13  
Check back pack €12/\$15/£9  
Long sleeve stripe crew €4/\$5/£3.50

Beanie hat €2.50/\$3/£2  
Varsity jacket €30/\$35/£25  
Striped dress €9/\$10/£7



Denim borg lined jacket €28/\$32/£23  
Coloured skinny jeans €13/\$15/£10  
Check baseball cap €5/\$6/£4

# Retail

		2016	2015	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	5,949	5,347	+11%	+9%
<b>Operating profit</b>	£m	689	673	+2%	+1%
<b>Margin</b>		11.6%	12.6%		
<b>ROCE</b>		30.2%	31.1%		

- 2% like-for-like decline
- terrible weather
- UK
  - total market value down
  - like-for-like decline of 2%
  - sales and market share up
- Ireland very strong
- Spain and Austria trading well
- increased market share in the Netherlands and Germany
- Italy and France very exciting
- US progressing well

		2016	2015	Change	
				actual fx	constant fx
<b>Revenue</b>	£m	5,949	5,347	+11%	+9%
<b>Operating profit</b>	£m	689	673	+2%	+1%
<b>Margin</b>		11.6%	12.6%		
<b>ROCE</b>		30.2%	31.1%		

- euro US\$ exchange rate impacted 2015/16 buying margin
- good buying, tight stock management mitigation
- £ US\$ exchange rate to impact 2016/17
- Primark committed to price leadership

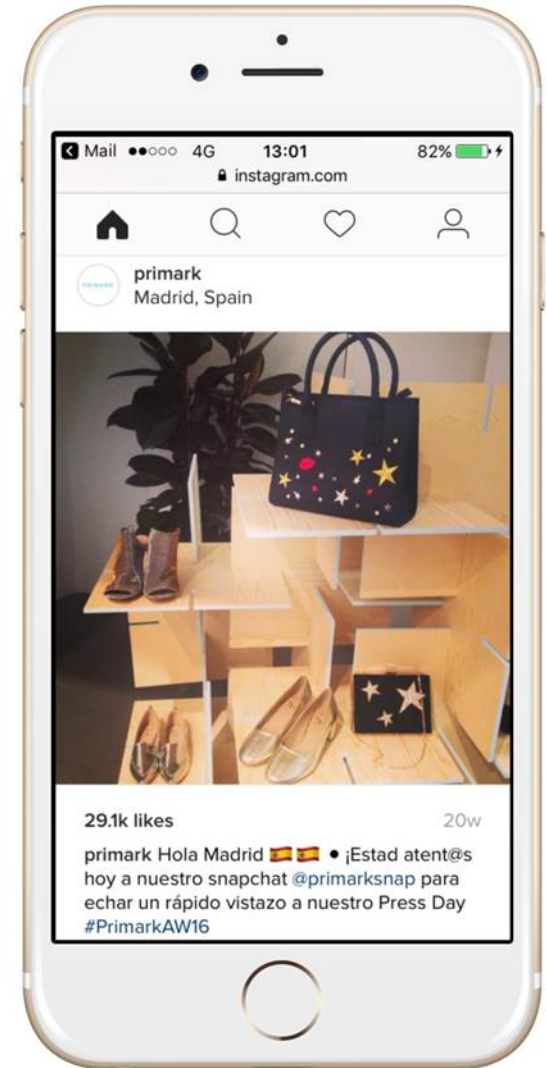
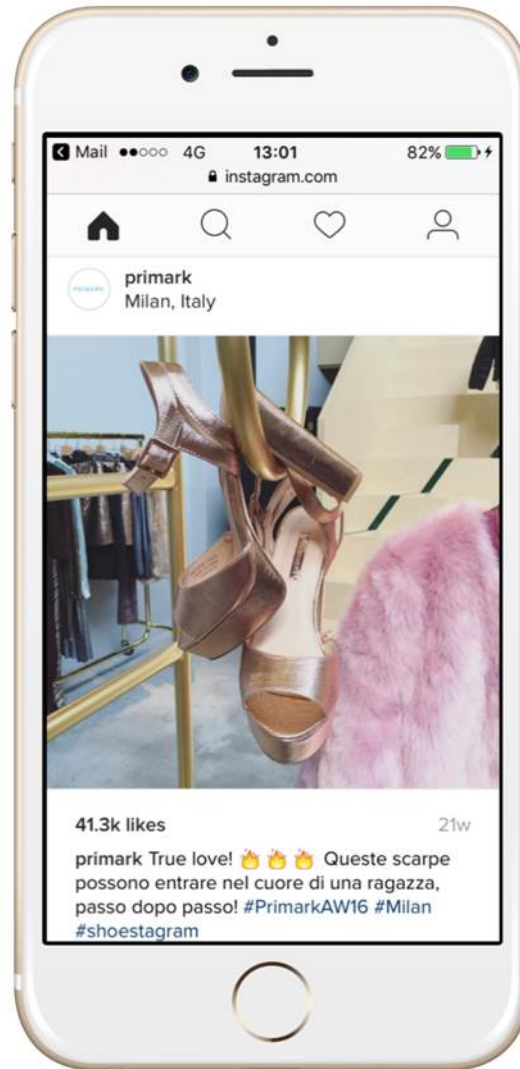
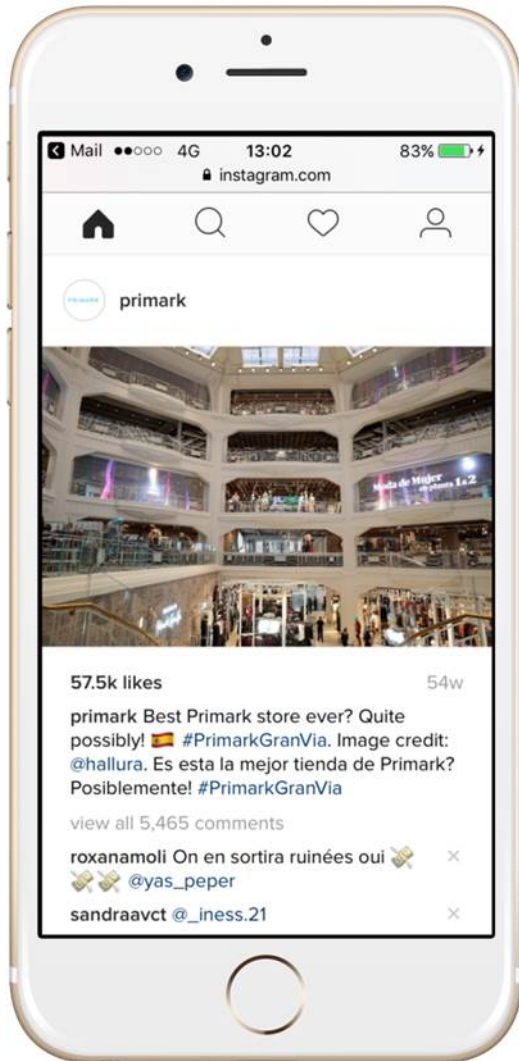
# Digital and social media

- total following now 8.6 million people
- following growing by 100,000 per month
- across all geographies and languages
- mobile device led strategy
- multi-channels
- Primark website 8 million visits in September 2016



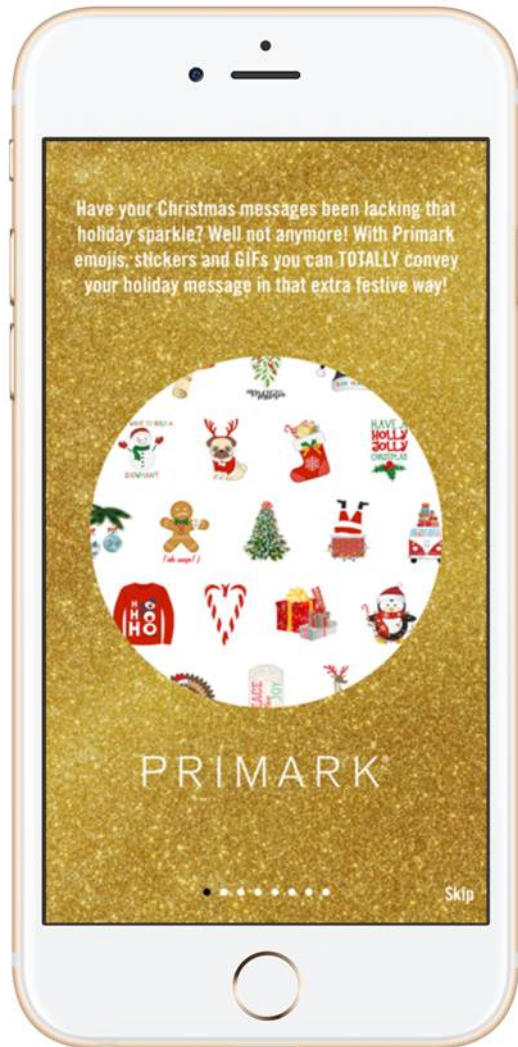


# Instagram





# Christmas emojis



## EMOJIS



# Digital strategy

- engaging with customer base
- driving to website
- brand and relationship building
- gaining market share
- others can't compete at our price points
- Primark approach successful and sustainable

# Stunning stores



Gran Via, Madrid



Arese, Milan



Broughton Park,  
Chester



# In-store experience



Gran Via, Madrid



Linz



Freehold, NJ



# Staff



# Selling space expansion

- 1.2 million sq ft added
- 9% weighted average increase in space
- 22 new stores, 2 relocated, 4 extended
- first store in Italy
- flagship on Gran Via in Madrid
- 4 stores in north east of US

## Primark – selling space expansion

	2016		2015	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	171	6,362	164	6,083
Spain	41	1,503	40	1,369
Germany	20	1,272	19	1,194
Republic of Ireland	36	1,032	36	1,028
Netherlands	15	679	12	547
France	8	407	5	231
USA	5	322	1	77
Portugal	9	300	8	267
Austria	5	243	4	193
Belgium	4	166	4	166
Italy	1	56	-	-
	315	12,342	293	11,155

## Further expansion

- 1.3 million sq ft to open
- UK - 0.4 million sq ft including Oxford Street East extension
- Burlington MA, South Shore MA, Staten Island, Boston extension in US
- Germany and France
- Brescia, Florence in Italy
- 89,000 sq ft flagship in central Amsterdam

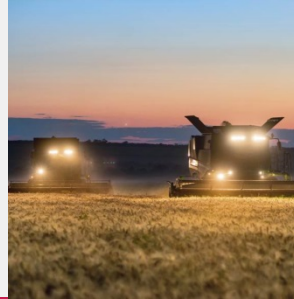


# Summary of these results

- Progress at all our businesses
- Primark
  - market share growth
  - selling space expansion
  - good mitigation of euro/dollar exchange impact
- Delivered structural changes at AB Sugar
- Significant profit progress at Ingredients
- Grocery and Agriculture margin improvement

# Looking ahead

- AB Sugar to benefit substantially from sugar price increases
- Translation benefit of sterling exchange rate
- Well placed to build Primark market position
- Primark expansion to continue in all our markets
- Potential for UK food manufacturing from lower exchange rates
- Progress in adjusted operating profit and earnings in coming year



# Review of annual results for 53 weeks ended 17 September 2016



# Exchange rates

Average rates used to translate the income statement	2016	2015
US\$	1.43	1.55
euro	1.29	1.34
South African rand	21.17	18.42
Australian \$	1.96	1.96

Closing rates used to translate the balance sheet	2016	2015
US\$	1.31	1.54
euro	1.17	1.37
South African rand	18.74	20.99
Australian \$	1.75	2.18

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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.