



Michael McLintock
Chairman

OUR CULTURE CARRIED US THROUGH

I will never be able to thank our people enough for their extraordinary efforts this year. I am proud to be able to represent such a group.

To say that this has been an extraordinary year would be something of an understatement. The rapid spread of COVID-19 across the globe has affected everyone in ways which we could not have imagined a year ago.

When we first heard of COVID-19 our business concerns were around the disruption to the supply chain of goods coming from China. However, as the virus rapidly spread around the world it was clear that its effect would be more profound. For our group, we were required to close all Primark stores in Europe and the US in just 12 days in March. This was not something that we had ever envisaged.

Unable to sell anything, Primark moved from profit to loss in a few short days, with no visibility as to how long these conditions would persist. Closure for six months seemed plausible, with the possibility of it being significantly longer. These monthly operating losses, together with the need to pay for goods in transit, would place a severe strain on the group's cash reserves and necessitated immediate management action.

Measures to mitigate the cash outflow included cutting back on discretionary spend and non-essential capital expenditure across the group. Primark instigated a major cost-reduction exercise that included stopping further orders and accessing government job retention schemes across Europe. I must emphasise that at a time of such uncertainty, these job retention schemes provided critical support and enabled us to preserve the jobs of some 68,000 employees. In total we received some £98m and we are grateful for this support. Most Primark employees not covered by government schemes agreed to a temporary reduction in salary. These actions reduced Primark's operating costs by 50%, but the cash outflow was still some £100m per month.

At the same time, our food businesses faced operational challenges of their own. Consumer demand switched from eating out to eating at home and in

particular, demand for home cooking and baking products soared. At each of our food production sites, working practices were adapted to protect our workforce and production was increased, in some cases substantially, even with higher absenteeism due to shielding or isolation. It was of vital importance that food businesses such as ours continued to produce food safely, and in sufficient quantities, to meet the exceptional demand in retail.

At the half year, the Board decided not to declare an interim dividend. The directors considered that this was prudent given the focus on managing the group's cash flow in the second half with, at that time, no prospect for the reopening of stores.

As events transpired, we were able to reopen Primark stores much earlier than envisaged. The Primark team performed a remarkable job in ensuring the rapid reopening of so many stores, including 153 stores in one day in England, in a way that was both welcoming and appealing to customers while also incorporating the health and safety measures required for customers and colleagues alike.

We did not know how quickly, and in what numbers, customers would return. In the event, there were queues outside most of our stores on reopening days. We were very encouraged by the strength of our sales across all markets for the period since reopening. Primark returned to profitability and the timing of reopening from early May allowed us to sell down the majority of spring/summer stock on hand with minimal markdowns, and so generated significant cash in the fourth quarter. Although later than usual, we were pleased to be able to place substantial orders for autumn/winter stock.

Primark still suffered a cash outflow of some £800m while the stores were closed after making supplier payments and incurring the net operating losses.

When the majority of the Primark stores had reopened, we stopped claiming support from UK and European government job retention schemes. Furthermore, when the UK Government announced a job retention bonus in July, we felt it would be unnecessary to claim as we were trading profitably.

With Primark opening earlier and trading more strongly than we had expected, and sales and cash flow from our food businesses in the second half well ahead of our expectations, our cash reserves built quickly.

The year end net cash balance before lease liabilities was £1.56bn, a position we could not have possibly predicted back in March. This outcome was driven not only by the better trading in the fourth quarter, but also by a much lower level of working capital across the group than is usual at this time of year. In particular, it reflected later than normal timing of orders for Primark's autumn/winter ranges and lower food inventories, a consequence of higher consumer demand. These working capital benefits will reverse in the first half of the 2020/21 financial year.

Results

Revenue for the group was £13.9bn, 12% lower than last year on a reported basis. These financial statements adopt IFRS 16 *Leases* in the current year and under our chosen transition option the prior year has not been restated. Adjusted operating profit this year of £1,024m was lower than the £1,421m reported last year. Inclusion of lease interest expense in the income statement this year was the major driver of the increase in the charge for net finance expense and other financial income from £15m last year to £110m. A lower proportion of the group's profit was generated in the UK and Ireland and consequently the group's adjusted effective tax rate increased from 21.5% to 28.8% this year. Adjusted earnings per share reduced by 41% to 81.1p.

The full year decline in group revenue was mainly seen in the third quarter, driven by the total loss of sales for the period in which Primark's stores were closed. The decline in the full year adjusted operating profit for the group was a consequence of this. We estimate that Primark lost £2bn of sales and some £650m of profit as a result of COVID-19.

The increase in adjusted operating profit for Grocery, Sugar, Ingredients and Agriculture combined was a very strong 26% at constant currency with growth in all business segments.

Chairman's statement

continued

Grocery delivered another year of strong profit and margin improvement. In the second half of the year this included higher retail sales which more than offset a decline in foodservice as a result of COVID-19. A significant improvement in the profits of our European and Chinese sugar businesses more than offset a disappointing result for Illovo. The improvement in Ingredients was driven by substantially higher demand for AB Mauri's yeast and bakery ingredients.

Statutory operating profit for the year reduced to £810m from £1,282m last year, driven by the reduction in adjusted operating profit and an increase in the net exceptional charges to £156m this year from £79m last year. The decline in the statutory profit before tax was broadly in line with the decline in statutory operating profit. Basic earnings per share were 57.6p, a reduction from the reported 111.1p last year.

Leadership

COVID-19 has made the task of leadership significantly more challenging and I have seen so many examples of outstanding leadership in the group over the last six months.

I would like to pay particular tribute to George Weston and John Bason for their tireless commitment to the task of navigating the group through the unprecedented circumstances that we faced. They led from the front and agreed to reduce their base pay temporarily by 50% from the beginning of April and to forgo any bonus for this financial year. The reduction in base pay ran until the end of the financial year.

Paul Marchant, CEO of Primark, and his leadership team deserve a special mention. They demonstrated tremendous energy and professionalism throughout a succession of challenges.

I also want to thank the chief executives and managing directors of all our businesses, and the group senior management team, for their selfless dedication. They calmly got on with enabling and motivating their teams to adapt to the new conditions and challenges and collaborated in support of each other.

Thank you too to my non-executive colleagues on the Board for their invaluable counsel. They agreed to reduce their fees by 25% from April to the end of the financial year.

Corporate responsibility

Our purpose to provide safe, nutritious, affordable food and clothing that is great value for money has never been more relevant. We are committed to being a good neighbour and supporting the communities in which we operate. Our four group-wide values: acting with integrity, respecting everyone's dignity, progressing through collaboration and pursuing with rigour have proved to be critical in determining our responses to the challenges posed by COVID-19. The strong culture of the group, which has been established and then embedded in each of our businesses over many years, provided the firm foundation for the ways in which decisions were implemented.

Our businesses have always aimed to make a lasting positive contribution to society. Our 2020 Responsibility Update details the actions we continue to take to invest in our people, support society, strengthen supply chains and respect our environment. To see how we make a difference, please download this Update, at www.abf.co.uk/responsibility.

Dividends

Your Board is acutely aware of the importance of dividends to shareholders. Following the decision not to declare an interim dividend, and in the light of our subsequent profitable trading and the group's net cash balance at the end of the year, the Board has given much consideration to the payment of a dividend for this financial year. Our experience of the cash outflow following government restrictions that required us to close all of our stores in March and, at the time of writing, the increasing restrictions in a number of Primark's major markets, lead us to be cautious. On balance, we have elected not to propose a final dividend for the year whilst we monitor the impact of further COVID-19 restrictions on Primark during this important trading season.

Outlook

We suspended earnings guidance for the group on 16 March due to significantly increased uncertainty concerning the impact of COVID-19 on business performance. We have reported on a profitable financial year with strong cash flow and we started our new financial year with good sales and cash flow across the group. However, the impact on Primark of the increasing number of government restrictions in the markets in which it operates is significant.

Notwithstanding the currently announced periods of restriction, we expect Primark full year sales and profit to be higher next year. There will be a sales decline in the first half compared to last year but higher sales in the second half, reflecting the period of store closures in the third quarter of this financial year. We will continue to expand retail selling space. Sugar is expected to deliver a higher profit next year with improvements in Europe and in the performance of Illovo.

Following the UK's exit from the EU, our businesses have completed all practical preparations for the end of the transition period and contingency plans are in place should our businesses experience some disruption at that time.

Thank you to our employees

The strength of our culture shone through this year and I am proud to be able to represent such a group. Our operating model of devolved decision making to each business and market enabled us to respond very quickly and most appropriately to local challenges. The responses are a testament to the dedication, skills and ingenuity of our people. Most of our employees have had to adapt to new ways of working and on top of that many found the time to support important community work. I will never be able to thank all of them enough for their extraordinary efforts during this time.

Michael McLintock
Chairman

OUR CULTURE IN ACTION



During the COVID-19 pandemic, employees across the group rose to the challenge.

When all our stores were forced to close, Primark CEO, Paul Marchant (pictured above), with Gillian Duggan (above left) and Kelly-Ann Carroll (above right) and many others, including Olivia Kelly (pictured left), took to the stores to collate 450,000 care packs for health workers in the Republic of Ireland, UK, Europe and in the US.

When our Grocery businesses had to produce more volumes with less people to meet significantly higher demand, people like Katie Davill and Jim O'Kane (pictured top and top left respectively) went beyond the call of duty to provide for our customers.

See how they, and many others, rose to the challenge in our video stories at https://www.abf.co.uk/media/video_library.