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Presentation

GEORGE WESTON, CHIEF EXECUTIVE, ASSOCIATED BRITISH FOODS PLC: Good morning, everyone. Thank you for coming along to this annual occasion, to the review of our annual results for the 52 weeks ended September 13, 2014.

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The financial highlights are these, and you will have seen them already. **Group** revenue is GBP12.9b, adjusted operating profit GBP1.163b, adjusted profit before tax up 2% to GBP1.105b. Earnings per share up 6% to 104.1p, and the dividends are proposed to rise by 6% to 34p a share.

Net capital investment in the **Group** remains high, GBP691m, which is close to GBP300m above the depreciation level. Despite that, net debt reduced by -- sorry, reduced to GBP446m, which is a consequence of very strong cash flows that John will take you through in just a moment.

Business highlights are these. Four out of the five **business** segments delivered very significant profit growth. Profit and margin were both well ahead in groceries. There's been a strong turnaround in the year at ingredients, a record year in agriculture and a really amazing year of both trading success and expansion at Primark.

Sugar, we've seen much lower EU and world prices, and we'll go into some detail on our sugar **business** at the moment. There's been a very strong focus on cost improvement. Great strides have been made in the tax -- sorry, in the cost base of our sugar **business** in the year, which will stand us in good stead when prices recover.

Record cash generation for the year just gone too.

John will, in a moment, take you through the financials. Included in that, he'll have a look at the consequences of depreciation of sterling on these **Group** figures. But if I can then pass over now to John to look at the income statement, the balance sheet, the segmental and the cash flow.

JOHN BASON, FINANCE DIRECTOR, ASSOCIATED BRITISH FOODS PLC: Great. Thanks very much, George. So, as George has just given in that introduction, this year sterling strengthened against all of our major trading currencies, and particularly those in emerging markets. A table of average and yearend exchange rates is included, as usual, at the end of your slide pack.

The impact on the income statement this year was to reduce revenue by GBP560m and operating profit by GBP42m, which we calculated by retranslating the 2013 results at 2014 actual exchange rates. Given the scale of this effect, I think it's important to understand the underlying changes in both revenue and profit, and so changes at a **Group** and at a **business** segment level are shown at actual and constant exchange rates.

We adopted revised IAS19 on accounting for employee benefits with effect from the start of this financial year. These changes were only small, but do account for the various references to restated comparatives throughout this presentation. The effect on the income statement and segmental analysis, along with the reclassification of George Weston Foods flour milling **business** from grocery to ingredients is also summarized in your packs.

So, coming onto these numbers, **Group** revenue was GBP12.9b, an increase of 1% at constant currency and a reduction of 3% at actual rates. A key influence on this year's underlying performance has been the impact on our food businesses of price deflation in some of our major commodities.

The prices of wheat, barley and corn oil all fell during the year. World sugar prices have also fallen and, as George will provide in more detail later, we're in the midst of a structural change in EU sugar prices.

Adjusted operating profit was GBP1.163b, up 2% at constant currency and 1% lower at actual rates. Acquisitions and disposals had no material effect on the results this year.

The adjusted profit measure reflects the underlying performance of the business and excludes profits less losses on the disposal of non-current assets and the amortization of non-operating intangibles. This amortization covers those intangible assets acquired since September 2004.

The charge reduced from GBP92m last year to GBP72m this year, and even including the amortization which we'll have from Dorset Cereals and absent any other acquisitions, this charge will fall again in 2015 and will fall more significantly again in 2016, as most of the assets will have been fully amortized by then.

Unadjusted operating profit fell by 1% to GBP1.080b. The income statement this year includes a small loss on the sale and closure of businesses, which compared with last year's loss of GBP128m. As a reminder, last year's charge arose primarily on the disposal of our US whey protein business, the closure of a sugar factory in north China and the discontinuance of yeast extract manufacturing in Harbin, China.

Net interest expense shows a substantial reduction, so it's from GBP87m to GBP58m. This reflects another strong cash flow performance, the redemption in July of the British Sugar debentures and also the repayment of GBP194m of our private placement notes, some of which were repaid during the previous year.

Profit before tax was 18% higher than last year, at GBP1.020b. And adjusting for the items referred to earlier, we delivered a 2% increase from GBP1.088b to GBP1.105b. Profit attributable to non-controlling interests was lower this year, largely as a result of the lower profitability of our African sugar operations.

The tax charge was very similar to last year, despite the higher profit. If we come on to look at that, the main reason for the reduction in the reported charge from 27.6% to 23.2% is that last year's loss on the closure of our yeast extracts business in China attracted no tax relief. The tax credit on the amortization of goodwill and intangibles fell from GBP29m to GBP21m, driven by this year's lower amortization charge.

The underlying tax rate was 23.3%, in line with the 23.5% used at the half year. This year's reduction from 24.2% last year reflects a change in the country mix of profits and the further reduction in the UK corporation tax rate from 23% to 21% with effect from April 1, 2014.

We expect next year's underlying tax rate to fall more significantly, with the combination of a benefit of a further 1% reduction in the UK corporation tax rate to 20% with effect from April 1, 2015 and with a further change in the country mix of profit.

Adjusted earnings per share increased by 6% to 104.1p. Earnings per share were 30% ahead at 96.5p. And a final dividend of 24.3p per share has been proposed, making a total dividend for the year of 34p, a 6% increase. Dividend cover on an adjusted basis remains at just over 3 times.

Turning to the balance sheet, I really would highlight just one or two things here. Net assets were GBP234m higher at GBP6.8b, but would have been GBP250m higher than that but for the impact of sterling strength on the translation of overseas net assets.

Working capital at the yearend was actually GBP164m lower than last year, reflecting the focus by each of our businesses, and especially Primark, on the management of working capital throughout the year and also the effect of lower food commodity prices. Average working capital expressed as a percentage of sales, which is really the management metric to look at, showed a further improvement this year.

Strong cash generation drove net debt GBP358m lower at the yearend to GBP446m. The Group has total committed borrowing facilities of GBP2.2b. A new GBP1.2b revolving credit facility was negotiated during the year with a syndicate of 12 banks with strength in our main countries of operation. This facility matures in July 2019 with an option to extend it by two years, and replaces the previous facility, perhaps not surprisingly, on better financial terms which was -- and the previous one was due to expire in July next year.

Net deferred tax liabilities fell from GBP158m to GBP114m, reflecting the anticipated benefit of overseas tax credits and some reversal of temporary differences between the tax and accounting treatment of depreciation of non-current assets in the year.

The net pension liability increased marginally from last year's restated balance of GBP15m to GBP43m this year, as a result of a fall in bond yields which had an adverse effect on the valuation of pension liabilities.

Coming on to the cash flow, as George has said, look, our cash generating ability is really very clearly demonstrated here. So, free cash flow of GBP639m for me was a high conversion from the EBITDA of some GBP1.5b, and that number was some GBP60m higher than last year.

This year's depreciation charge was in line with last year. And the reduction in the caption that you see here, depreciation and amortization of operating intangibles, reflects the decline in amortization that I referred to earlier.

The most notable change in the cash flow was the working capital inflow of GBP100m. That compares with an outflow in most years, and not least an outflow of GBP97m last year.

Total capital expenditure on Primark and our food businesses was GBP83m higher than last year. I commented last year that GBP228m spent on Primark was an abnormally low figure. As the rate of Primark's expansion quickens, this year's expenditure of GBP378m is much more indicative of the likely level of expenditure on Primark over the next few years. We've completed a number of major projects in our food businesses and the decreasing capital expenditure here reflects this.

The GBP30m reduction in interest paid reflects the lower interest charge in the income statement.

The cash contributions to the pension scheme were much reduced this year. 2013 saw the last of five GBP30m annual deficit contributions to the UK defined benefit scheme. The triennial actuarial revaluation of the UK scheme undertaken in April this year revealed a surplus of GBP78m on our conservative funding basis, and as a result there's no requirement to make any further deficit payments.

All of our defined benefit schemes are closed to new members. Following the implementation of auto-enrolment last year, we've seen a high take up of membership of the UK defined contribution scheme. DC contributions exceeded those made to our DB schemes for the first time this year.

Turning to the **business** segment analysis now, the segmental results for 2013, as I've said, have been restated for the impact of adopting IAS19 revised and the reclassification of the flour milling **business**.

Looking at revenue, the growth in retail was more than offset by revenue declines in all of our food businesses. At constant exchange rates, gross revenues were level and grew by 4% in ingredients. The key influence on revenues at constant exchange rates was the impact of price deflation in some of our major commodities, not least in sugar.

I think it's therefore important to recognize in that context the achievements of grocery, agriculture and ingredients in delivering the higher margins that we see here. Grocery margins benefited by 50 basis points from the reclassification, but I must admit I'**m** pleased to say that they're now over 8%, and that's from big improvements in George Weston Foods in Australia and ACH in the US.

Twinings Ovaltine, remember, a major part of the grocery segment, maintained its high margin, so it got both the top line and the operating profit growth. The increase at AB Agri reflects the rapid growth of AB Vista, our high-margin feed enzyme **business**, and the maintenance of cash margins in UK animal feeds at AB Connect. Ingredients is clearly achieving a strong turnaround.

Primark's margin reached 13.4% this year and probably exceeded expectations. George will spend more time explaining the increase shortly, but the benefit -- but the margin benefited from an unusually low level of markdowns in the year and warehouse and distribution efficiencies. Looking forward, distribution costs in Primark are expected to increase with the addition of, and it has to be said much needed, further capacity in Continental Europe in the coming year.

At a **Group** level, margin increased from 8.8% to 9% from continuing businesses, and return on capital employed increased from 18.3% to 18.9%.

Moving on to the segmental analysis by geography, the decline in EU sugar revenues is partially offset in the UK and more than offset in Europe and Africa by the increases at Primark. The impact of the decline in profit of British Sugar is evident in the fall in UK profit and margins.

Despite the decline in Spanish sugar, European margins held up well, with the benefit of Primark's excellent tradings, and for that matter excellent margins, in Iberia and the non-recurrence of last year's restructuring costs in AB Mauri Italy.

The profit and margin improvements in the Americas were driven by a combination of a strong result from ACH and improvement in AB Mauri's trading performance in that region.

And then finally, just on this page, in Asia Pacific, the move from a loss of GBP27m last year to a profit of GBP40m this year is the result of much improved underlying performances from our businesses in that region. So George Weston Foods in Australia moved into profit, and the profitability of China sugar improved with the benefit of a significant reduction in overhead costs. Last year's result included the one-time cost of GBP22m for mothballing two big sugar factories in China.

Okay. At that point, I'll hand back to George.

GEORGE WESTON: Thanks very much, John. We start with sugar, and within sugar I want to start first with a focus on the cost improvement, which is one of the characteristics of the year, before saluting the good operational performance, both of which lead us to have confidence that we will remain a globally competitive producer.

But it's been a tough marketplace. World market prices are low and the structural reduction in EU prices underway, that adjustment brought earlier and I think more starkly by an oversupply of sugar in the European market, even before regime reform.

The cost improvement, then. We mentioned last time the continuous improvement program across British Sugar. It is across -- sorry, across AB Sugar. It is across all our businesses and it covers all aspects of the cost base, so agriculture, sugar extraction, factory throughput and energy reduction. It is well coordinated across the different geographies and it is well resourced.

If it hadn't been for the significant cost reduction in the business in the year we're reporting on, then the figures would have been significantly worse. The same is true of the year which we're entering. It is a really very major part of the operation.

We've also had a thorough review of overheads in the business. We've reduced overheads both at head office and also essentially in China. And not least learning from the work done there, we've taken a provision for reduction in overhead costs and factory costs in the EU, and we'll see reductions in those costs in this year.

The third part of the cost improvement is beet and cane costs, obviously a large part of our total supply chain costs. You'll have seen we've negotiated a 20% reduction in the UK beet price for 2015, 2016. There are ongoing negotiations and discussions on net beet costs in Spain at the moment, and we expect to see further reductions in China cane costs in 2014, 2015, the harvest that's about to start. The costs really are coming out of this business at a high rate.

Looking then at the actual operations over the last 12 months, the UK performed really well. All the factories performed well and set numerous new records. The 1.32m tonnes of sugar produced was the highest production since 2006, when we had six factories.

The growing conditions for this harvest which is now underway are even -- have been even better. We expect to see something like 1.5m tonnes of sugar produced by four factories. We haven't produced a figure like that for a long, long time, certainly not since the days when we had eight or even nine factories. I think that's testament to the improvement in capacity and capability of the British sugar factories.

Vivergo, the ethanol joint venture with BP which has only ramped up production and commissioned slowly, is now operating much better. It's getting very close to the designed capacity and we're pleased with the improvements that have been made there over the last 12 months.

In Illovo profit proved much more resilient, pricing was more resilient; cost reductions also benefited that company too. It produced 1.7m tonnes. The potable alcohol plant in Tanzania which we've mentioned before, I mention again for two reasons. Firstly, it's operating at above design capacity, and that's great. It has a stable customer base too. And also because I think it also points the way to some of the investments we'll see in Illovo over the next few years in co-product production.

China also had a record campaign in the south. Something like 565,000 tonnes of sugar were produced there, with extraction rates and yields all really good.

This is part then of the sugar pricing story. The other part, of course, is the decline of world market prices. At its height just two years ago or so, we saw sugar prices at $0.36 a pound. We saw them at a low point of just over $0.13 just a few weeks ago, now up to $0.16. That has driven most producers across the world into loss, and I would anticipate that those prices will reduce supply of sugar globally in the future; exactly when is hard to anticipate.

There's been a second price cycle, though, and that's been that in the EU. You can see in 2012, when the EU ran short of sugar for its own reasons, the prices jumped from around EUR500 per tonne to EUR750. And with higher stock levels, though, building over the last couple of years, those prices have come clattering down. Europe has got a lot of sugar, at least going into the last two negotiation rooms had a lot of sugar in stock, and these price reductions I think reflect that. They also reflect to some extent anticipation of the quota removal in 2017.

The negotiation round with customers for 2014, 2015 have been challenging. I anticipate that low prices will remain in Europe until the excess stock, and the EU created something like 3m tonnes of more supply over a two-year period, until those excess stocks have worked their way through the system. At that stage, of course, we'll probably be into the world beyond quotas.

The good news is that with these price reductions in the year that we're reporting on and next year, much of the structural price change that we've been anticipating in 2017 will have been -- will be behind us.

If I move then next on to agriculture, where we had a record year. We made GBP50m for the first time, which is a really splendid performance. The growth came really from three areas; firstly AB Vista, the specialist feed business we've talked about in the portfolio. We've talked about Quantum Blue in the past, feed enzyme, where growth has continued strongly. We've just received a registration for that product in Europe, so the European market now is open to Quantum Blue as well.

Frontier, which is the trading joint venture we have with Cargill, is a business in two parts. We sold a lot more crop inputs into the UK market this year, and that more than compensated for reductions in grain trading profit. You need commodity price volatility, at least it's helpful to have it, to make money out of grain trading. The volatility was reduced. But taken together, Frontier was ahead for the year.

As commodity prices came down, the task of maintaining cash margins in our commodity feed business in the UK was -- that task was a big one. It was -- the job was done really well by the team. Cash margins remained in place, percentage margins increased, as a consequence of the reduction in commodity prices, and I congratulate the team there for that work.

If I next move on to the grocery portfolio, where we've seen a major increase in the operating profit in the year, major increase in profit, major increase in margin. Now, the revenues are down or at best flat. It's a story of two different types of grocery business there.

Where we have heavy commodity exposure, so UK milling, for example, is in the grocery numbers, UK rice production is there and American corn oil is also in these grocery numbers, those products are immediately and properly affected by raw material price reductions. Where we have more branded portfolios, where the read across between price reductions, commodity price reductions are less immediate, we've actually seen good revenue growth, something like between 3% and 4% in the branded portfolios across the UK, Australia and the United States.

Revenue and profit growth at Twinings Ovaltine is also a feature of the year, as it has been over the last 10 years. The recovery in Australia is also well underway, and I'll spend a bit more time on that. And then we had an excellent performance in ACH in the United States.

First to Twinings, then. Of the two brands, Twinings was particularly strong. Excellence in marketing and product development, and I'll show you some examples of that in a second. And a record UK market share.

If you look at the development of value share in the tea category in the UK, you can see a very strong rise in the market share in the last two years. We are now the second largest brand by value in the UK tea market, which for a specialist tea market business is fantastic.

Where did that growth in the UK come from? Well, we relaunched green teas and the herbal and infusions range during the year. This is the new packaging. Consumer insight-led segmentation, good new flavors, great new packaging. We're doing black teas next. In fact, I think you can see examples of the new black tea tea bags upstairs. Excited by all the work that's been done. We also in the year were the fastest growing tea brand in the United States once more.

Ovaltine then trading well in developing markets, as it usually does. The Nigerian packaging line, which is important in that big Ovaltine market, is now fully operational and I'm delighted that that project went very smoothly.

On to Allied Bakeries next, where revenues and profits were ahead. That's really a good -- great achievement in the current trading environment in the UK, but we grew revenues, we grew profits.

The five-year capital investment program is essentially complete. We are commissioning the last plant in that series at Stevenage bakery now. We have a fantastic network of bakeries which are capable of making high quality bread at low costs, and very, very reliably indeed.

The year wasn't just about new kit, though. We also had success with new product launches. Great White, which is the first white bread with as much fiber in it as wholemeal, was successfully launched, as was

Sandwich Thins, which are made up on this bit of kit up in Glasgow bakery. Again, as we'd expect from Allied Bakeries, the installation of that complex piece of equipment went extremely well and the plant's now running to all its design parameters.

Moving on then to Jordans Ryvita, we saw revenue and profit growth in this part of the business too. Particularly of note, the increased demand for Ryvita Thins during the year. We took in-house the manufacture of Thins, and that's great now to be making them as well as selling them.

We also bought Dorset Cereals. That deal was just completed in October, although negotiated in the year in question.

I remind you it's not many years since we bought Jordans and Dorset. We're thrilled to have the leading muesli -- premium muesli brand to go along with the leading premium clusters brand in Jordans. There are cost synergies in the acquisition too. It's a great new addition to the portfolio.

World Foods and Westmill Foods; if it hadn't been for rice price deflation we would have seen revenue and profit growth in both World Foods and Westmill. That has been driven by good performances in Patak's, Blue Dragon, Lucky Boat noodles, which are the largest brand -- which is the largest brand in the Chinese restaurant noodle sector, and Elephant Atta flour which was a business that we bought -- chapatti flour business we bought from Premier Foods a couple of years ago now.

Every great business has its dark clouds, and our UK grocery business that dark cloud was Silver Spoon, where we lost some important granulated sugar contracts during the year. We are committed, of course, to earning them back just as soon as we can.

Turning then to Australia where, the consequence of the best part of three years very hard work, we are seeing a much improved performance. We've seen good progress in the year for the major bread brands. And we've now got the meat factory in Castlemaine in Victoria working well and we're beginning to fill it up, so higher volumes, better productivity in that important meat business.

We've created an operation in the business we call Mauri ANZ. We've merged the yeast and bakery ingredients business in Australia with our flour milling business. That's why flour milling is coming out of the grocery segmental. There is good cost and also revenue synergy available by putting ourselves in a place where we are a full line supplier to the bakery market in Australia.

Although it's not a mainstream part of ABF, John and I are quietly quite proud of the work that's been going on, on the site of our former meat factory in Western Australia, just south of Perth in Fremantle. This is 67 acres. When we shut the meat works there, when we built the Castlemaine factory, we gave ourselves 67 acres of prime residential real estate.

Rather than selling it off for someone else to profit from the redevelopment opportunity, we have put the infrastructure and got the planning permissions ourselves. It's a multi-year project. We are now in the process of selling lots and houses are being built on it. Sadly, the profit from this project, and it is really quite substantial, won't go through the adjusted P&L line, but it's real money nonetheless.

Let me finally, under grocery, go to ACH where profits were well ahead. We have been advertising the fact that corn oil possesses three times the amount of plant sterols as olive oil. Plant sterols are what give health benefits to olive oils. And we've seen good volume growth as well as margin protection, and in fact margin growth, as a consequence of that advertising campaign. We have also undoubtedly benefited from a declining corn oil price through the year.

We relaunched the Mexican oil brand Capullo during the year as well, and we've seen good increases in market share and profitability in Mexico as a direct consequence of that work.

I'm delighted with the progress the ingredients portfolio has made through the year. We've seen a strong turnaround under new management, and I think we will see much more of the same over the next few years.

Starting with Mauri, the improvement has been very broad based and has been both geographically and also in terms of product. So both yeast and bakery ingredients have seen good profitable growth, and of course there's been no recurrence of the 2013 restructuring costs.

At ABF Ingredients, the specialist ingredients part of the ingredients portfolio, we've seen growth in bakery enzymes and also from feed enzymes. While we were at it, we built a new extrusion factory in the Midwest United States, which is an important part of the AB Vista supply chain.

Retail, last but not least. We've described the year just gone as being magnificent, and I think there's good reason for describing it as so with operating profits up 30% and revenue up 17%. Excellent trading performance, higher margins, major expansion in selling space. We've added more space in the year just gone than we possessed in total in 2000.

And we also had a stunningly successful entry into the French market with the first five stores, and lots of excitement and anticipated glory, perhaps, around -- with our announcement of entry into the northeast of the US.

We saw 4% like-for-like growth across the year. We saw the ranges sell extremely well across all times of the year, so autumn, Christmas, Easter and then summer. Christmas and Easter were particularly strong. And although it's invidious to pick out particular markets because they were all good, Spain achieved double-digit like-for-like growth. That's after nine years after entering that market for the first time, so we're still seeing a fantastic performance there.

And then France, with the first five stores. Just to give you some indication of their success, with five stores we are one of the top 20 retailers by volume in the French market already.

Margin improvement was driven certainly not by higher prices but by lower markdowns. The success of the ranges meant that we had to discount less, particularly but not only in Spain. John has mentioned the warehouse and distribution efficiencies. And freight rates, particularly sea freight rates out of Asia, were nicely lower and that helped the margin story as well.

We couldn't talk about Primark without showing you some of the clothes. These are ones in the shop now and they're selling particularly well with the possible exception of that hat, the woolly hat.

Let me go through some of them. The GBP8 formal jog leg, where do we head now, GBP18 jumper dress, GBP20 over-the-knee boots, the denim shirt for then GBP12, the athletic crew sweatshirt for GBP12 and jog leg boys also for GBP12, they're all selling well.

We've taken a huge amount of momentum into the new year out of last year, despite the weather, and of course there's been a weather effect in our first four weeks. In that first four-week period, sales and profits are both up by over 10%.

We are selling fewer hats but we've got, after those four weeks, still 48 weeks to go. If you look back at last year when we grew our profits by 30%, we had eight weeks which were clearly weather affected; we've had six this year. So we're not particularly concerned with what has happened so far.

Moving on to the selling space expansion in the year just gone, we added a gross of 1.4m square feet. We opened 25 new locations. We relocated three stores and extended three others, opened five in Spain and Netherlands we've just about doubled the selling space there.

Important stores in Alexanderplatz in Berlin; we've finally got that one open. Cologne, which is one of the major shopping centers in Germany, we've opened a 19,000 square foot store there and it's trading really well, and also Duesseldorf. The first five stores in France, of course.

But we grew the space in the UK by 5%, which is perhaps more than people might have anticipated. Because it's a slightly poignant moment, we relocated the very first Spanish store in Plenilunio shopping center just outside Madrid and we had to double the size; the sales have almost doubled too on the new space. It's over nine years, as I say, since we opened the first store, and now we need twice the space in the same location.

A chart with more detail on selling space. Overall, 13% growth; Continental Europe 77% growth with 13 new stores, Iberia 18%, and then the UK, as I said, with 5%. We have more space in Iberia and Northern Continental Europe again than we did back -- for the whole **business** back in 2000.

France, let me linger on one of the great glories of Primark's year. We started in Marseilles just before Christmas, we went north east across to Dijon, and then we opened three stores in Paris, all in shopping centers in the periphery of Paris.

I know I've shown you footage of Primark store openings in the past, but I took the following footage myself, standing beside a mannequin which was swaying at me as the people came into the store. This is Creteil. It's a reasonably -- I don't want to call it an average shopping center, but it's 30 years old, in the south of Paris, and let me just show you what it looked like.

(Video playing).

To say that we've been well received so far in France is a bit of an understatement. John and I both very much hope that maybe in 18 months' time we can show you similar footage for Boston, but here's hoping.

We've got a strong pipeline of new stores, as I think we've flagged in the past. Since the beginning of this financial year, we've opened five more stores. We've got an extra five to open by Christmas. That will take us to 0.5m square feet of new space by Christmas.

We then slow down a bit. It's just in the phasing of build projects. So by the end of the financial year, we expect to open just a little less than 1m square feet, but then we have a very, very full program in the autumn of 2015, up to Christmas. There really are a lot of stores, a lot of very significant stores.

Let me give you a couple of examples. Obviously, Downtown Crossing and now King of Prussia, but also Gran Via, which will be something like 130 -- I think it's 132,000 square feet in the center of Madrid. It will be -- and this is interesting for a **business** which is now market leader by volume in the Spanish market; it will be our first high street location in Spain, and it will be an absolutely magnificent store.

Just giving you next an update on the north east of the US, we still expect the first openings in late 2015. That's calendar 2015, not financial. The location strategy is quite clear. We're going to areas in the north east of high urban density and in shopping malls where there is high existing customer footfall. That is important in getting the news of the **brand** out into the American market quickly.

We've now got eight stores confirmed; Downtown Crossing, clearly, but seven leased from Sears. We announced that just about 10 days ago, including -- all in great locations. The highlight of those seven I think is King of Prussia, the store in the King of Prussia, which will be quite large. King of Prussia is one of the top five shopping malls in the United States. We'll have 0.5m square feet open by late 2016, and we will have leased warehousing in the region to support the **business** as it opens in -- begins trading in the States.

Finally then, looking ahead, we expect to see continued progress, continued expansion in Primark. The momentum in the grocery **business**, the ingredients and agriculture is still with us, so we expect to see improvements in those businesses.

We have flagged that there are further falls in EU sugar prices. And as the Chairman remarked in his outlook statement, taking all those together, there's limited opportunity for adjusted earning per share growth in 2015. Beyond that, though, most of the structural change in EU prices will be behind us. That headwind of sugar prices coming down will be done, and that leaves us confident of further good progress for the **Group**.

Thank you very much for your patience, and if we can move on to taking questions from the floor, please.

Questions and Answers

CATHERINE FARRANT, ANALYST, JPMORGANCAZENOVE: Thank you. It's Catherine Farrant from JPMorgan. If I could just clarify some of the moving parts on the Primark commentary that you gave, clearly you have the tailwind from freight costs this year, but we've seen quite a lot of news about cotton prices having come down. Then you've got your distribution costs, as you said, would increase through the year. Can you just give a sense of how comfortable you are with that 13.6% margin in the second half of 2014, as we -- progressing as we go through 2015?

And on the current trading, I understand the whole of the high street has been under pressure because of the slightly warmer weather that we have at the moment. But if you're growing yourselves at about 10% and you've had quite a significant amount of openings earlier in the year, is that a negative like for like at the moment? And within your outlook for the year, do you factor in that bouncing back quite quickly as we get towards the peak Christmas trading period?

JOHN BASON: The first thing to state is that it's not the aim of Primark to increase the net operating profit margin. So I think there are a number of factors that have come into play in delivering that 13.6%, and I do believe that that margin will come down a little in 2015.

We've seen a very, very low level of markdowns. Literally, the range was **sold** out in late July, beginning of August, perhaps possibly even slightly earlier than we would have liked. The other thing is there was no distribution space added, so these things are absolutely full to the gunnels.

And so we've opened -- we've doubled the warehousing space in Northern Spain, which is now open, so the extra cost of that is clearly coming through. And I think we've also made the comment in the statement that we're adding over 50%, about 60% to Moenchengladbach of more space to come through there, so those extra costs will come through.

So it's best, I think, to look at the 2015 year ahead to look at a reversion, if you like, of the level of markdown. Look, if we have a fantastic year, then that will be very evident in the sales numbers, and then that will come through into the margin and we'll actually see it. But I think it's best to expect that as we're going forward.

You mentioned a couple of other factors. There's obviously exchange rates and there's also cotton, and how are those affecting things. I think exchange rate is actually marginally a tailwind for us, so it's a benefit certainly in the clothes that we're selling now. Although the dollar/euro currency pair I think is the one to watch, and obviously that will start to go against us, I think, in the summer of 2015.

Cotton is entirely benign. Cotton, if anything, the prices are going down so we don't see cotton as a particular problem.

So I think, net/net, and it's particularly around the markdowns, it's around the distribution costs. The other thing, by the way, which was in the statement but I think I've made clear is we are adding some costs, clearly, for the startup of the US, because the US stores will not open until the next financial year. So that's broadly where that is. Okay?

Can I just make one comment, just on current trading? We don't -- we won't give you like for likes for these weeks. I've got to say, for the very reason that you get this sort of volatility, I really do believe that we should be looking at it over a long period of time. And I think George made it very clear that the year that's just gone, we had very flat like for likes at the beginning of the current year that we're reporting on, and look at the numbers that we're seeing at the end. So I'll not wander down the rabbit hole of talking specifically about like for likes in that period.

Could I just clarify one thing, Cath? George said that the sales and profit in those first four weeks are ahead of 10%, so don't take it as 10%, okay? So I can tell you that the sales are comfortably ahead of 10%. So, just in case you're trying to work out in your mind just why -- you're trying to validate where the like for likes are there. But it's to give you a feel that clearly the structural growth of Primark is very much intact, which you would expect.

And so I think that's one of the reasons that people like the growth story of Primark. We've got this very high growth, and like for likes will adjust. But it's at this very high level, rather than all of your growth coming from like for likes, which give you much more of a sensitivity to your profit. Is that helpful?

CATHERINE FARRANT: Very helpful. Thank you very much.

JOHN BASON: Warren Ackerman.

WARREN ACKERMAN, ANALYST, SOCIETE GENERALE: Good morning. It's Warren Ackerman, Soc Gen. Can you talk a little bit about the US Primark opening schedule and more about how you mitigate risk in the US? I'**m** thinking about in terms of the warehousing, in terms of sourcing, what you're thinking. And I know it's early days, but what do you anticipate in terms of sales densities in the US relative to Europe? Markdowns, which have been very low in Europe, presumably I guess would be a bit higher. Just a question around risk management on the US.

And then just secondly, on guidance, John, you said operating profits marginally lower in 2015 compared to 2014, because of the sugar drag, and you talked about making some of that up below the line. You told us about tax being lower. But are there any other features below the line on interest, associates, other things that we should be modeling for 2015 in terms of moving parts? Thank you.

GEORGE WESTON: Let me do the Primark risk in the US and something on the opening schedule. We expect at this stage to have three stores open by Christmas and the other five opening through 2016. Two of those three will be King of Prussia and Downtown Crossing, so really important stores for the **brand**.

We have taken, I think, a properly conservative view of the markdown percentage, of the margin and of footfall. So we're anticipating footfalls in the malls in particular to be lower than the European average. We are assuming that the markdown percentage may be significantly higher, both as we learn the specifics of the American ranges that we need to learn. We always do that with new markets.

And thirdly -- where am I headed? So, the markdown percentage there. We will evolve the supply chain to be best placed to supply the US, but the evolution will be over time. And that, because of different duty rates from different countries, will **lead** also I think to, at the gross margin level, us starting with lower margins, marginally lower margins in the US.

So I think John has made this clear in the past. We don't expect to make a lot of money in the first couple of years in the States. What we're desperate to do is to learn how to trade there. That's the most important task for us in the first couple of years.

JOHN BASON: And then, Warren, you asked about some guidance, if you like, below the operating profit. So you can see the track we're on in terms of the interest. So interest will be further reduced in 2015, not by the same quantum that we saw 2014 over 2013, but you can certainly see a good reduction again. So that's a lower level of debt and also the full-year benefit of this lower cost of the term debt, and for that matter the facility that we've got which is lower.

I think tax is important. So 23.3% underlying this year is probably going to more like 22%, I think, for next year. So you'll get a big quantum there.

So I think that's why, in the Chairman's outlook statement, we're trying to say a bit less on the adjusted operating profit, but it's obviously those things that will bring back the earnings per share.

Okay. Great. Shall we try -- yes, please, at the back. I can't quite see who it is.

JAMES TARGETT, ANALYST, BERENBERG BANK: Hi there. It's James Targett from Berenberg. Two questions from me. Firstly, just on sugar and I guess the delta and forecasts, mainly actually looking at **China**. I wonder if you could clarify what the losses were for the reported year and then where you see that developing as we go into next year.

And then secondly on grocery, as you said, it returned to pretty healthy margins there. I just wonder where you see margins in the grocery division heading in the next couple of years and what could be the key drivers of that. Thank you.

JOHN BASON: **China** sugar, yes, a loss in the year which was on an underlying basis lower than the previous year, and that's why we're saying an improvement in profitability, so in other words the loss is less. So I think in the range of GBP20m to GBP30m of a loss in **China** -- in **China** sugar in the year. More of it in the north. The south does remain -- of the two, relatively much more profitable.

I think as we're looking forward into this year, James, it really is dependent on where **China** sugar prices are. They are at a low level, so I don't have literally the last up to date numbers over the last week or so, but just a bit less than RMB4,500 a tonne, if not slightly lower. So I'd still expect a loss in **China**, maybe slightly lower than that number there, but of that order.

GEORGE WESTON: The reduction in cane costs in **China**, which haven't been settled down yet, though, are potentially really quite significant and would be very helpful.

Where are grocery margins going? Well, I think -- I hope that there is more room for improvement. Mix change works in our favor, and I think that there is potential. I think Australia should improve further in the year. ACH is coming off the back of a very good year, but I think there is potential improvement in the medium term in America as well. So I think there's room for growth in margins.

JOHN BASON: Okay. James Grzinic. Jane, just in front.

JAMES GRZINIC, ANALYST, JEFFERIES: Yes. Morning. James Grzinic from Jefferies. Going back on Primark, can you perhaps help understanding the makeup of the LFL in terms of how the UK is doing relative to that fall and how much extension was part of that?

And ultimately, what do you think you're doing in terms of market share in the UK now? Is it important that you drive market share in the UK for Primark, or it's not (multiple speakers) you're focusing on at all?

GEORGE WESTON: Volume market share is important to us. It sits right at the heart of what Primark attempts to do. The market share growth -- sorry, the like-for-like growth in the UK was about on the average of the whole. Across the rest of the piece, Iberia was fantastic and Northern Europe, with all the 70%, 77% extra space growth, which is great in the medium term, in the short run caused (multiple speakers). So UK was on average.

Is there a missing part of the question?

JAMES GRZINIC: It was the extension side of things, how that helped the LFL in the UK, whether (multiple speakers).

GEORGE WESTON: No, we take it -- any space that's been extended, we take it out.

JOHN BASON: It's taken out. They're very, very scrupulous. So any store that's extended by however much, that's out of the like for likes for a year. Okay? So we don't take -- we don't have the benefit of the extensions.

JAMES GRZINIC: Very clear. And in the round, do you think you've grown market share in the UK over the past year?

JOHN BASON: Oh yes. I think there's no doubt about it. I think the Cantor data will give you very clear evidence over monthly, six monthly and yearly, we're seeing growth on all of those fronts.

JAMES GRZINIC: Thank you.

JOHN BASON: The one thing that George did say, and I think it is important just to recognize, I'm always worried talking to analysts about the word cannibalization, but it's worth just pausing for a moment on that.

We are seeing for these very, very high sales densities in Germany, as we're opening up new stores that are close by, there is a cannibalization effect. So, if anything, that has depressed and I think will continue to depress what is actually those for none -- for the stores that haven't got a big new store opening nearby. So I think that's one of the things to look out for, and that's why like for likes in Northern Europe are lower. Okay?

But, do you know, we've been here before, and I look particularly at Warren Ackerman. I remember your question, maybe it was April last year, do you remember, when like for likes since --

WARREN ACKERMAN: In Spain.

JOHN BASON: Do you remember it in Spain? And that's because we'd opened a lot of stores. And here we are, after that, we've just gone through a year where we've had like for likes 10%. It is part of the Primark model, I think, and the journey that even where we're immature, if you've got this very, very high sales densities, opening up the big stores nearby is going to have an impact on them, and I don't think we should be concerned about it.

JAMES GRZINIC: Thank you.

JOHN BASON: I think it's Rosie.

ROSIE EDWARDS, ANALYST, GOLDMAN SACHS: It's Rosie Edwards from Goldman Sachs. Just one question, again on Primark in the US. You talk in the release about a strategy to generate interest and awareness of the brand. I'm just interested in how you propose doing that. And does that mean you're taking a different strategy from Europe, where you don't really spend a lot of money on advertising and such?

GEORGE WESTON: I think there will be more activity around individual store openings in the US than there would have been -- than there has been previously in the UK. So Boston will have a lot -- sorry, in Europe. So Boston will have quite a lot of publicity surrounding the opening of that store.

The main -- I'd go back to a point I made in my presentation. Downtown Crossing, Boston has been chosen for its ability to get messaging -- get the brand known very well. Boston is the right place for an Irish business to go first. And then Boston has a very large young out-of-town student population who we hope will spread the message about Primark quickly.

I think King of Prussia is another example; it's just immense footfalls through King of Prussia. And in the end, it's people's first visit to the store which makes our reputation or breaks it. So if we can get people -- these high density locations first, if we can get people through them, I think the brand will get known, get talked about very quickly. Either that or it won't work in the States. But at least by having these sorts of stores, that will do a bigger job for us than any marketing campaign.

JOHN BASON: Shall we try Audrey at the front?

AUDREY BORIUS, ANALYST, MORGAN STANLEY: Hi. I've got one on Primark and one on sugar. So, first on Primark, given the success that you've got in Germany and Spain in terms of like for like, are you satisfied or disappointed by the rate of openings? And if --

GEORGE WESTON: Sorry, by the rate of --?

AUDREY BORIUS: Of openings. And in terms of your ability to find space, really, what do you see there?

And concerning France, we've seen the clip. What should we expect, because it looks like you're doing very well? So what should we expect in terms of openings, in terms of new warehouse facilities to service the market?

And the final question is on sugar. Could you help us understand what gives you confidence that profits aren't going to turn negative, because clearly it looks like nobody can really call the EU sugar price, and obviously you're the best player in terms of cost structure. But what if things were to go way, way worse? Thank you.

GEORGE WESTON: Okay. The space opening program, I think that the frustration in Spain for some years has been the absence -- our inability to get a high street space. It's very difficult in Spain to get high street, which is one of the reasons why we're so excited by Gran Via. Outside high streets in Spain, I think we have gone at a sensible sort of pace. We've now got 41 stores and pretty good coverage in that market.

Germany, we've had a strong opening program over the last 12 months or so in the north west of Germany. We open Dresden, I think, later this month, on the 20th. That takes us into the east. The German market has perhaps taken more learning about, but I think we're comfortable with the pipeline that we've got in that country. I don't think we would have wanted to go much quicker in Germany than we have gone over the last few years.

France, when we've previously gone into new markets, we've opened some stores and then we've stopped for a while to learn lessons. We did it in Spain, we did it in Germany and we're doing it in France too. Do I wish that the pipeline was fuller, given what we've seen in the first six months in France? Yes, possibly. But I think it's a very good discipline to open some stores and then learn about the market, rather than anticipate success and get ahead of yourself.

The pipeline is filling up nicely, but I don't think that we will have significant store openings. I think we might have one over the -- in this financial year, and then the pipeline looks better in the years before -- years thereafter. So, no, I don't apologize for the fact that we've said we'll open five and see where we are then.

Sorry, sugar. In the medium term, the fact that profits are squeezed for everyone will **lead** to supply being constrained and prices will go up. Quite where the bottom is I think is very hard to predict, and quite when the timing of the price rises will be, that's very hard to predict too. Our imperative is, if we can, to increase the gap in processing efficiency between ourselves and the marginal producer in Europe in particular.

JOHN BASON: Robin Asquith.

ROBIN ASQUITH, ANALYST, JPMORGAN: Yes. Thank you. A question about Primark again in the US, just about your thoughts about the general opportunity in the US. Obviously you've got the seven new stores from Sears, which says a lot in itself. You haven't even opened the first store and yet you are obtaining these new stores, and obviously we're near the process of opening the first store. So, your general thoughts about the opportunity, the confidence that this expansion will be a success. Thank you.

GEORGE WESTON: Yes. We are entering the US market seriously and committedly. I think we've always said that perhaps 10 stores in the north east to begin with, to see where we are, to see how the **brand** is accepted is about right. We know we have a lot to learn about the US market, but equally we know that from everything we've seen on tours of the States that we will be very differentiated from existing US competitors. We also think that we will be very price competitive.

So there's good reason to believe, and on the back of that I think 10 stores is a good number. I think the new news with these seven new stores is just how good that space is. I think to get the right locations, these high density locations, is really important, not least because I think one of the perils of entering the US is lower sales densities. There's a lot of **sale** space there, but there is also lots of very good selling space and I think those first eight stores are all in great locations.

JOHN BASON: Just over here, Jack. Jack Gorman.

JACK GORMAN, ANALYST, DAVY: Thank you. Jack Gorman from Davy. Two questions, please. Firstly, on sugar and switching perhaps to Illovo, in light of where world prices are currently at and in light of the difficulties that other operators may be experiencing and continue to experience, are there opportunities for Illovo to expand in Africa? I know, George, you talked about co-product investments, but perhaps thinking more broadly about sugar **operations** and sugar expansion.

My second question is on grocery, and in particular Twinings, which -- maybe a hidden gem is probably the wrong description for it, but it certainly has been a powerhouse. Where are we at and where are you at in this journey as regards Twinings, as regards the category growth and as regards the opportunity? And I'**m** thinking especially in the US, where you've noted very strong growth again this year. Thanks.

GEORGE WESTON: Okay. Africa remains the largest deficit market in the world for sugar. It imports something like 6m tonnes of sugar annually. Africa grows sugar really well, particularly Sub-Saharan Africa. So I think if you just take those two macro points together, you can see that there is a lot of potential in terms of both market and low cost production for what remains, I think, Africa's best sugar **company**, which is Illovo, to expand into.

I don't think the timing is right, right now, in a world which is oversupplied with sugar, and also in a part of the world which is going to have to readjust, I think, in 2017 to the effective loss of one of its big export markets. So I don't think the timing for expansion of any scale is right, but in the long run, absolutely.

In the meanwhile, particularly as Africa gets wealthier, the market for co-products increases, not just alcohol, obviously, but that's a big one, but also some cane -- downstream cane products.

And the last one then, of course, is energy. If you look at the shape of a Brazilian sugar business, it is in the energy business, not only in ethanol but also in power generation. And I think there's potential for Illovo to improve the energy and the electricity production in a number of its sites too.

So, medium term, that's what we're working on. Longer term, it's a great place to make sugar; it's a great place to sell sugar.

The tea category, particularly the black tea category, globally is declining. The herbal and infusions markets in many places are increasing, and Twinings is very well placed in those growth markets. As the category of black tea declines, though, the premium sector of that, which is particularly led by Twinings, is expanding. I think we're causing our own expansion, actually, in a number of these markets, and I think we've got a long way to go.

In the US, I mentioned outside I think there's a lot of growth in the tea category left for -- in the tea market for Twinings. We have been surprised, I think, at head office, if not down in Andover, by the performance of Twinings in the UK market over the last 12 months.

JOHN BASON: Which is why we showed you those market share figures, which I think are stunning.

GEORGE WESTON: Australia is still growing in a tea market -- sorry, Twinings is still growing in Australia in a tea market which is declining. And that's before you get to really good positions, but some nascent positions in China, in India. And one of the surprises, again, over the last 18 months has been the success of the brand in Brazil, which historically really isn't a black tea market, but where our product range in herbals and infusions has been very, very well received. So, lots of growth in front of us in tea.

JOHN BASON: Great. Charles, at the front.

CHARLES PICK, ANALYST, NUMIS: Charles Pick at Numis. Four fairly general questions. With sugar, in the EU, do you have any quantification or any estimates of what the excess stocks referred to amount to and whether or not your own customers are holding very significant excess stocks as well?

With Primark in the US, is there an aim medium term to move towards owned warehousing as against leased?

With grocery, is it possible to give an indication of the percentage of sales now coming from strongly branded products?

And finally, with the GBP2.2b facilities that were mentioned, are you inclined at some point to move more onto an acquisitive tack as against growing essentially organically?

GEORGE WESTON: Okay. EU sugar stocks are coming down. We don't think customers hold the stocks. We think sugar producers are holding stock. The crop this year is not only magnificent in the UK; it's also really good across northern Europe. So we think that non-quota stocks will rise into 2015. But the stocks of quota sugar, we are gradually munching our way through it.

I'm not sure that we own warehouses anywhere, so to talk about leased warehouses in the States is perhaps to give the wrong impression. The important thing about the warehouse in the US is the break clauses in the lease. We don't want to -- we want a reasonably speedy exit from the market should everything go wrong, which of course we don't anticipate, but we have attempted to put as much flexibility into (multiple speakers).

JOHN BASON: For a shorter break clause than you might expect.

GEORGE WESTON: John, do you want to talk about the facilities and the percentage of sales -- branded sales for grocery?

JOHN BASON: Yes. So let me come onto facilities first. The facilities are important, because it clearly shows that, first of all, certainly covenants are never a problem for ABF. So obviously the size of -- George, I think, always uses the comment about the balance sheet as a servant of the business, and I think that's so important. So it does give us the capability to -- if we're looking at acquisitions in grocery or ingredients or for that matter if there was a big move in Primark, then we have the ability to be able to do that.

Now, I'm saying those, but I'm not giving any indication that any of those are about to happen. So please do not take that as an indication for that. But I think it's our responsibility, at the head of ABF, to make sure that we have that capability should those opportunities present themselves.

GEORGE WESTON: What we describe as bolt-on acquisitions, and I would put Dorset Cereal into that camp, are as important to us as they've ever been. They're an important tool in growing the positions, growing the capabilities and the businesses in the **Group**.

To John's point about the growth of Primark potentially in the US and certainly in Europe, we must have the financial wherewithal to take on lumps of stores should that be an attractive thing to do. So, yes, let's leave it at that.

JOHN BASON: And sorry, the question was what percentage of the grocery portfolio is branded? Certainly well over 80% is (inaudible). So it's very strong there.

Okay. We'll just go -- yes.

JEREMY FIALKO, ANALYST, REDBURN: It's Jeremy Fialko at Redburn. Just a quick question on the UK grocery market. You talk about how that has been performing perhaps in more overall terms and then in reference to your brands. Is it something where you're seeing a little bit of increased pressure now, given what dire straits a number of the retailers are in, and how you can see that panning out over the course of the next year or so? Thanks.

GEORGE WESTON: There's a renewed focus both by the consumer and also the retail customers on price in the UK. I think it's testament to the team, the strength of the team at Allied Bakeries that we've grown sales and profits in that environment in a category like **bread**. That's the most difficult I think of our categories, of our product categories, and we've done fine there, not least because of the capability of that new supply chain in the UK bakery market.

Elsewhere, yes, there are pressures, but the nature of very distinctive brands in good categories I think has put us -- puts us in a fairly strong position. But I wouldn't deny for a moment that the discussions between ourselves and all our customers in the UK have a -- they're focused and intense.

JOHN BASON: Okay. Great. Just given the time, maybe perhaps one more. Yes, please.

ROBERT WALDSCHMIDT, ANALYST, LIBERUM: Hi. It's Robert Waldschmidt here from Liberum. The expansion in the US, with the opportunity to take store leases from Sears, I think is a good partnership for both of you, particularly given Sears' recent troubles. Given they're primarily a mall based situation, but albeit they have a national platform, is that something that you think that you can leverage for future expansion?

And two, once you've proven the concept, hopefully, in the US, what is the plan in terms of expansion versus mall versus high street?

GEORGE WESTON: In the US?

ROBERT WALDSCHMIDT: In the US. And then a second question. Given we've seen improvements in capital efficiency, with working capital coming down, should we be expecting further improvement in that going forward? Thank you.

GEORGE WESTON: Let me just knock off the working capital one first. We've seen this year the benefits from reducing commodity prices. We've also seen benefits from that really -- that exceptional trading year at Primark, where working capital has come out of the system in quite large chunks simply because goods weren't hanging around in warehouses for very long.

There's also been structural improvements to the supply chain in Primark, which I think leads to a structural reduction in working capital requirements in Primark, perhaps not the sort of levels that we've seen this year which we have published but some.

US expansion, you're asking us to cross a lot of bridges in answering your question. I think that we have always believed in the US that the availability of real **estate**, particularly in malls, would be easier in the US market than in the European market, because we always saw that some of the big box -- what I'd describe as the big box retailers were saying themselves that they were over spaced. Sears is obviously one example of it. Perhaps JC Penney is another example and others. So if we succeed then I think, as I say, we will find it easier to find good space in malls in the US.

As for that mix between malls and high streets or city centers, I really don't think we have a view. And other than to say well, I think Downtown Crossing is a great place to start and if there are other Downtown Crossings, great, but they will be harder to come across than the mall space. It may look a little bit more like Spain. Germany has been a high street story. Spain has been a mall story. I think America, if we succeed, will be a hybrid, but malls will be a bigger part of the mix than they are in the UK.

All done? Thank you.

JOHN BASON: Thank you very much.

GEORGE WESTON: Thank you very much indeed.

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