

Investing in future growth

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Michael McLintock
Chairman

This year's results reflect a challenging operating context that has been dominated by macroeconomic headwinds, but the Group has made important strategic and operational progress in a number of areas.

Group adjusted operating profit was £1,508m, down 13% at actual exchange rates and 14% at constant currency rates on last year. Adjusted profit before tax was £1,457m, down 14% on last year, and adjusted earnings per share was 156.0p, down 11%. This primarily reflects profit reductions in Retail.

Looking at our divisions in detail, **Primark** sales grew 2% at constant currency and 4% at actual rates, driven by actions to strengthen the customer proposition as well as new stores and the rollout of our franchise model, which contributed 5% to sales growth. Like-for-like sales, however, were down 2.6% for the full year. Adjusted operating profit margin was 10.2%, in line with expectations, and adjusted operating profit was £1,005m, down 12% at constant currency exchange rates and 11% at actual currency rates. This reflects a challenging consumer environment in most of our markets and, while progress has been made in improving the customer proposition in the UK and especially womenswear, there is much more to do in Europe and the US. Looking ahead, Primark has taken important decisions to invest in future growth drivers, expanding its international franchise model and deciding to offer home delivery in Great Britain in the future.

In **Grocery**, revenue was £4.2bn, up 3% at actual rates and 2% at constant currency rates on last year. However, adjusted operating profit was below expectations at £427m, down 11% at actual exchange and constant currency rates, mainly due to a decline in the US oils category, higher cocoa costs and a step-up in technology costs in a number of businesses.

In the UK, we completed the acquisition of Hovis, which gives us the ability to create a sustainably profitable bakeries business, supported by investment in marketing and innovation.

In **Ingredients**, sales were up to £2.1bn, an increase of 3% at actual exchange rates and 2% at constant currency rates. AB Mauri, our yeast and bakery business, saw good sales growth in most markets, and our specialty ingredients portfolio, ABFI, continued to grow well overall. Increased investment and US consumer weakness for bakery ingredients, however, means adjusted operating profit was moderately below last year at £238m, 7% down at actual exchange rates and 8% at constant currency rates, which is in line with our expectations.

This has been another difficult year for **Sugar**, where the adjusted operating loss was £47m. This was driven by lower average prices compared to last year, as well as an increased level of onerous contract provisions taken this year arising from an expected small UK crop in conjunction with inadequate overhead recoveries, continued low European sugar prices and elevated natural gas costs. We are taking action to manage the cost base across the Sugar division, including through the closure of British Sugar's Cantley factory. Early indicators suggest that improved sugar prices will benefit the business in 2028.

In **Agriculture**, adjusted operating profit was broadly flat at £19m, in line with our expectations. We continue to simplify the division and focus on higher growth segments, including through the exit from UK compound feed and a more customer centric operating model and Frontier.

Investment

ABF invests for long-term growth where we are confident projects offer attractive shareholder returns. Group gross investment for the year was £1,433m, up 15% on last year. The increase was driven mainly by acquisitions of £167m, including of Hovis, Elementis, Abe's Bagels and Casa de Bolos. We have also seen the completion of multi-year projects which extend capacity, strengthen capabilities and modernise operations to drive efficiency.

Separation of Retail and Food businesses

The proposed demerger reflects the strength and maturity of two distinctive businesses that have evolved over many decades. While Retail and Food operate in different markets and serve different customers, they have been shaped by a shared approach to governance, disciplined capital allocation and responsible business practices.

These common frameworks have supported strong decision-making, long-term investment and a culture of accountability across the Group. They have helped create businesses with clear market positions, resilient operating models and the capability to succeed independently.

As separate companies, both businesses will retain these foundations while gaining greater strategic focus, oversight and accountability. The Board believes this will position each business to build on its strengths, invest behind its priorities and create long-term value for shareholders and other stakeholders.

Demerger

In April, the Board completed its in-depth review of the Group structure and concluded that a demerger of Primark from the Food business is the best way to maximise long-term returns for shareholders. The decision was reached having looked in detail at the financial, commercial, legal and organisational consequences of the demerger. The demerger is anticipated to be effective in December 2027.

A demerger will deliver a number of benefits to each business - in particular, oversight by boards that are directly aligned to their respective industry dynamics, clearer investment propositions and accountability to shareholders specifically interested in either Food or Primark. The opportunities ahead for both Primark and AB Foods are considerable and the Board firmly believes that each will thrive as an independent entity.

To ensure a smooth transition through the demerger process, I have agreed with the Board that I will continue as Chairman of ABF until the completion of the demerger.

AB Foods is how we will refer to the standalone food business post the demerger of Primark and, in anticipation of that, how we will refer to our group of food businesses going forward.

Capital structure and shareholder returns

We completed our latest £250m share buyback programme in August. Over the past four years, we have returned almost £3.9bn back to shareholders via dividends, special dividends and share buybacks. Our balance sheet, whilst strong, no longer carries what we would consider to be excess capital. The final dividend has therefore been maintained and we have decided not to undertake further share buybacks for the time being as we want the two new standalone businesses to be well capitalised with strong balance sheets.

Board

In March 2026, we announced the appointment of Joana Edwards to the Board as Group Chief Financial Officer. The Board and I were impressed by the capability and strength Joana brought to the interim position, demonstrating both the judgement and the skillset required for the role. We were delighted to welcome her to the Board.

We also announced the appointment of Eoin Tonge as the Primark Chief Executive. Eoin's understanding of the business, combined with his financial acumen and strategic clarity, give him the right breadth of qualities and experience to develop and grow Primark. Eoin remains a member of the Board of ABF.

Work is well underway to appoint a Chair of Primark, after which we will begin to look for non-executive members.

Outlook

We expect the tough operating environment to continue and remain cautious on consumer sentiment and the impact of inflation and higher energy costs. In particular, Sugar remains under pressure and Grocery will incur the costs of the Hovis integration.

Group adjusted operating profit and adjusted EPS are expected to be below this year.

In **Primark**, we expect new space growth in Europe, the US and our franchise markets to contribute around 4% to sales growth. Adjusted operating margin is expected to be approximately 10%, reflecting continued investment in like-for-like sales growth. This does not include the impact of the expected dis-synergy costs as Primark moves towards demerger readiness.

We expect **Grocery** adjusted operating profit to be broadly in line with 2026. While Hovis will be slightly dilutive to Grocery profit in 2027, it is expected to be accretive to profit in subsequent years.

In **Ingredients**, profit is expected to be broadly in line with this year due to start-up costs in our new yeast facility in India. We expect **Agriculture** to grow in 2027.

We remain cautious on the outlook for **Sugar** in 2027. We expect the operating loss to be greater and to be in the range of minus £70m to minus £170m. A number of factors could materially influence the outcome, either positively or negatively, including significantly higher gas costs, production levels in Africa, El Niño weather impacts, and currency movements, notably the Malawian kwacha.

Looking ahead, we have seen a recent turn in European sugar prices. This trend should continue, as European sugar production is estimated to be significantly lower this year and world sugar prices have risen sharply. We expect to see the benefit of higher European market prices in future years.

In a challenging year, the Group has made significant strategic and operational progress that will serve shareholders well when the operating environment starts to improve.

Michael McLintock
Chairman



A selection of grocery products from some of our businesses around the world