

Turning investment into advantage

The Group made significant strategic progress in a difficult year. Although financial performance was frustrating in the year, we took significant steps to strengthen our businesses.

Last year we identified three key areas where self-help could improve performance and we continued that work this year. In Grocery, we acquired Hovis and integration is underway to establish a sustainably profitable UK bakery business. In Sugar, we continued to rationalise our footprint and will move from four to three factories in the UK, enabling us to meet customer demand more efficiently. We are now doing similar in Agriculture, where we are freeing up low-returning capital and concentrating operations on the areas with the strongest growth prospects. And in Primark, our strategy to drive like-for-likes has been successful in the UK and womenswear.

Operationally, the year was rather better. Amidst global supply chain instability, ABF demonstrated once again its resilience by consistently delivering safe, affordable and nutritious food and great value clothing to our customers. It has been harder to do our job this year, but we have done it well.

The context has been challenging. Macroeconomic volatility and external cost pressures reduced profits. Conflict in the Middle East affected the Group through higher energy, freight and other input costs, and extreme weather disrupted some of our operations and agricultural supply chains. Economic insecurity weakened consumer confidence.

Group adjusted operating profit was £1,508m, 14% lower than last year, principally driven by lower profit at Primark. Adjusted earnings per share were down 11%. EPS benefitted from share buybacks. I'm pleased to say that the dividend will be maintained, reflecting the underlying strength of the Group and the Board's confidence in the long-term prospects of the business.

I was heartened by the way we responded to our challenges.

"Amidst global supply chain instability, ABF once again demonstrated its resilience. It has been harder to do our job this year, but we have done it well."

George Weston
Chief Executive

Separation of Retail and Food businesses

The proposed demerger will create two focused businesses, each with the capability, investment capacity and strategic flexibility to accelerate its own growth agenda.

Across Retail and Food, years of disciplined investment have created strong foundations for future success. These capabilities extend beyond physical assets to include the people, expertise, technology and operational excellence that differentiate our businesses in their markets.

As independent companies, both businesses will be better positioned to allocate capital, pursue growth opportunities and respond to changing customer and consumer needs.

Retail	Food
Revenue	**Revenue**
£9.8bn	£9.3bn
Adjusted operating profit	**Adjusted operating profit**
£1,005m	£637m
Number of employees	**Number of employees**
81,358	57,713
Number of stores*	**Number of manufacturing sites**
508	178

* includes 4 franchise stores

Find out more online at abf.co.uk

Demerger

The most important strategic decision of the year was to demerge Primark from our Food business. ABF has been a brilliant parent to Primark for almost 60 years. In that period Primark has grown into a multi-market business with a powerful global brand, a successful store model, growing digital capabilities and opportunities for further international growth. It will now benefit from having its own governance. For our Food business, separation will enable greater investor understanding of the breadth and strengths of our differentiated portfolio.

We anticipate that Primark and AB Foods will both become FTSE 100 companies and expect the demerger to become effective in December 2027. There is a substantial amount of work underway among central teams and so this will be of little distraction to our businesses.

Primark

Primark has spent the year re-energising its customer proposition and improving its internal organisation. This is important both for future growth and its transition to becoming an independent business.

At last year's full-year results we set out a strategy for driving sustainable like-for-like sales growth based on improving price and price perception, product, customer engagement and digital capabilities. Fundamentally, this is about concentrating on what Primark does best. We have made good progress.

We have unapologetically focused on Primark's largest market and its biggest category: the UK and womenswear. Primark delivered like-for-like sales growth and gained share in the UK, despite a declining market. In womenswear, we have delivered strong sales by investing in better design, improved quality and new ranges, supported by more effective marketing.

Primark is reasserting its position as the leader in disruptive value. Its global 'Iconic Value' campaign reduced prices on hundreds of products while improving style and quality and initial results have been encouraging.

Marketing is becoming more focused and is supported by stronger digital capabilities, including the introduction of the app in several markets and the rollout of Click & Collect across Great Britain. Underpinning this is a clearer understanding of the Primark customer in each of its markets, enabling propositions to be tailored.

The next stage in Primark's digital strategy will be to offer home delivery in Great Britain. We now see this as an incremental profitable opportunity, following developments in the online marketplace and the growing maturity of Primark's digital capabilities. Importantly, this will complement rather than undermine our stores, which remain at the heart of the business. Primark opened its 500th store this year in Pompei, Italy – evidence of its enduring global appeal.

In Europe, we are in the process of rolling out the improvements to our proposition that are in place in the UK, but we have seen an even more challenging consumer environment. Where we have launched initiatives the response has been positive, but much remains to be done. In the US, we are making progress. We opened our flagship Manhattan store, which will accelerate increased brand awareness and is performing well. We know we must do more to localise our offer.

Elsewhere, international expansion remains a substantial opportunity. Primark's first franchise store opened in Kuwait in October last year and I saw for myself queues of more than a thousand customers. Despite the regional conflict, three stores opened as planned in Dubai in the spring, followed by, just after the end of the financial year, stores in Bahrain and Qatar. The performance of franchise stores has been positive and I look forward to the launches in Saudi Arabia and Mexico next year.

We have also concentrated on giving Primark the right leadership team. We ran an international search process for the CEO position and met a strong range of candidates, so I was pleased to be able to appoint Eoin Tonge as Chief Executive in March. As interim CEO, Eoin demonstrated the leadership, judgement and understanding of the consumer that Primark needs.

We then created the new position of Chief Commercial Officer, bringing together the principal consumer-facing functions into a single role, and Filip Ekvall joined in September, bringing extensive experience of international retail. Eoin has also appointed Lucy Slinger as Chief Financial Officer, who has considerable financial and commercial experience.

Eoin has worked hard this year to improve internal processes, efficiency of decision-making and team structures. Primark is making great progress towards being ready to become a successful standalone business.

"We remain committed to the approach that has served ABF well: investing patiently with discipline and supporting long-term performance."

Food

The food sector never stands still and this year has been no different. Science and technology are reshaping food production and consumption, while consumer preferences continue to evolve.

Our diverse food Group is well placed to navigate this changing landscape. Optionality gives us resilience and greater opportunity to participate in fast growing sectors within food. Our deliberately devolved operating model, where authority is pushed down close to the customer, gives us the agility to adapt to new trends. This is supported by strong central oversight, a network of connections across the businesses and the expertise that comes from operating across multiple parts of the food supply chain.

This year, we continued to invest in the drivers of our future growth. We expanded capacity through capital projects, accelerated category reach through targeted acquisitions, invested in technology and developed new products in response to changing consumer needs.

First, **Grocery**. The Grocery portfolio is a broad set of distinctive businesses built around strong brands and market positions where manufacturing capability, routes to market, customer relationships and category expertise give us competitive advantage. We complement established positions with earlier-stage businesses and we have a wide range of opportunities ahead.

This year, performance has been mixed but underlying progress in many of the businesses was good.

In July, we completed the acquisition of Hovis. We expect the integration of its production and distribution facilities will deliver significant synergies that will enable investment in the segments of the UK bakery category that are growing as a result of changing consumer tastes, including healthier options.

On a personal note, having started my career around bakeries, I have enjoyed visiting the Hovis sites and meeting our new colleagues. The Hovis brand is a national treasure which has not received the investment it deserves. We have the opportunity to restore it.

Twinings was affected by unusually hot weather, which reduced demand over the summer, but the business remains strong. It delivered good volume-led growth, supported by product innovation, growing demand for wellness products and success in its e-commerce channel.

Jordans Cereals showed good growth and continued to innovate in response to consumers' growing focus on nutrition. Smaller brands in niche categories also performed well, such as our Sports Nutrition business, which showed impressive double digit growth.

AB World Foods and Westmill both achieved record profits, responding to growing demand for Asian food.

Grocery profit was reduced primarily due to higher IT investments, higher cocoa costs and lower sales in US cooking oil. We will not allow short-term pressures in US oil to lead to long-term damage in this important business.

Turning to **Ingredients**, our division which brings together two international B2B platforms with distinct opportunities for growth.

AB Mauri, our global yeast and bakery ingredients business, combines large-scale yeast production with a portfolio of specialised bakery ingredients. Its scale and established routes to market provide opportunities to broaden its offering and build specialist categories within large markets.

The business grew well in most of its markets this year, though profit was hit by US consumer weakness. Good progress was made on multi-year capital projects.

ABFI brings together specialist ingredients businesses across food and beverage, health and nutrition and pharmaceuticals. We see significant potential for growth by taking proven science and technology into new applications, customers and geographies.

ABFI sales grew this year and we increased both our geographic reach and commercial capability. The acquisition of Elementis strengthens our position in the growing digestive health market, while the expansion of Ohly's Hamburg plant provides additional capacity and capability.

Results in **Sugar** were again disappointing. Higher gas prices, surplus supply and low prices in Europe, together with operational and regulatory difficulties in Africa, contributed to a loss this year and a negative outlook for next year.

We are addressing factors within our control. Our Sugar businesses are becoming fitter and more efficient. The factories in Malawi and Zambia achieved record production and in the UK and Spain we continue to improve efficiency.

The longer-term fundamentals of our Sugar businesses remain attractive. In Europe, there is strong cash generation potential, despite gentle long-term industry volume decline, and in Africa our businesses benefit from growing populations, high market shares and well-branded businesses with good routes to market.

We are well positioned, therefore, to take advantage of a market that is turning. Lower European sugar production and higher global prices should benefit us after 2027.

Like Sugar, **AB Agri** gives us direct exposure to primary food production. Our Agribusiness actually has its roots in finding markets for British Sugar's beet pulp as animal feed and today uses its expertise in animal nutrition to help make the most of co-products from food production. Agri performed in line with our expectations. We see growth potential in the business continuing to develop higher-value animal nutrition and integrated services for farmers and we are adjusting the operating footprint accordingly.

Investment

In 2026, gross investment was £1.4bn, 15% more than last year. Capital expenditure was £1.2bn and we invested £167m in acquisitions. We have passed the peak of the current investment programme in Food and many of the projects completed in the year should from now on contribute meaningfully over many years.

The Twazabuka packing facility in Zambia and the new factory in Tanzania will help our Sugar businesses serve growing demand in both markets. Ovaltine's new manufacturing facility in Lagos, its first in Africa, gives the business a stronger base from which to supply Nigeria and the wider West African market.

AB Mauri's new sourdough facility in Northampton will help meet growing demand for specialist bakery products and the recently-completed fresh yeast plant in India will help capture growth in a large market.

George Weston Foods' new bakery in Western Australia and the completed Ballarat flour mill will strengthen capacity and support growth. I'm pleased to see the business continuing to invest in modern, efficient milling capacity.

We have invested extensively in technology and operating efficiency, including enterprise resource planning systems at AB World Foods, ACH, Stratas and Twinings. Although at times expensive and painful to implement, these systems are a prerequisite for our businesses if they are to be efficient. They also allow us to more easily adopt AI tools.

Primark continued to expand and improve its estate while modernising its supply chain. It opened 37 stores and completed refits in 33. The new distribution centre in Newbridge, Republic of Ireland represents an investment of €75m to strengthen Penneys' supply chain. Primark also acquired a highly automated fulfilment centre to support the expansion of Click & Collect and the future introduction of home delivery in Great Britain, so a very significant investment indeed.

Responsible business

Our commitment to responsible business is an integral part of our approach to building sustainable, long-term value. At a time of geopolitical uncertainty, investment in resilient operations, safer workplaces, secure supply chains and the responsible use of resources is increasingly important.

During the year, we strengthened our governance of material ESG matters, made progress in reducing our Group Scope 1 and 2 market-based greenhouse gas emissions and ABF Sugar rebuilt or upgraded a significant number of homes in our African businesses.

Severe weather affected several of our businesses and supply chains during the year, reinforcing the importance of our work to strengthen resilience across our operations. We are reviewing our material climate risks and the actions being taken to manage them.

Primark has been reviewing its Sustainability Strategy, working closely with the central ABF ESG team.

Looking ahead, the demerger will not change our businesses' commitment to operating responsibly, but it may alter the relative materiality of some issues in Primark and AB Foods as standalone businesses. We are reviewing this and will have more to say on this next year.

People and leadership

In March, Joana Edwards was appointed as Group Chief Financial Officer and a full-time member of the ABF Board. As interim CFO, Joana demonstrated a clear understanding of ABF's business and operating model, rigour in the execution of her role as custodian of the Group's finances and a passion for building great teams. Her experience is invaluable.

Looking ahead

The immediate operating environment remains challenging, but we have good reasons to be confident. Across the Group, the investments and decisions made this year are strengthening our competitive positions and preparing the businesses for the future. We remain committed to the approach which has served ABF well: taking a long-term view, investing patiently with discipline and devolving responsibility to capable management teams. Notwithstanding the financial challenges of the year, both Primark and AB Foods are well positioned for the future.

George Weston
Chief Executive