Chief Executive's Statement

This has been a year of very significant progress both operationally and financially with new records set for profits, free cashflow, and capital investment. It was particularly pleasing that four of five divisions grew profits, and all five made good strategic progress.

Of course, some of this strong performance was due to a return to something like normality in our markets and supply chains, and by inflation easing which in turn supported a distinct if fragile improvement in consumer behaviour. Self-help contributed too, with our steadily increasing levels of investment funding more research and development, more digital and technology innovation, and more marketing as well as physical capital expenditure in production capacity and efficiencies.

That said, the outturn came with a sting in the tail as the year came to close: short-term volatility in European sugar prices is taking its toll on the profitability of the European sugar industry and we are not exempt from that. We expect this impact to be relatively short-lived and our sugar businesses and the Group as a whole remain very well positioned.

So, Group revenue increased to £20.1bn, 4% higher than the previous year on a constant currency basis. Adjusted operating profit increased to £1,998m, higher by 38% than the previous year. Adjusted earnings per share increased 39% to 196.9p. Gross investment was £1.3bn.

Last year I noted that we had more to do to rebuild Group margins and we have made very good progress. We are now back to margins that are higher than those we saw in pre-pandemic times. It has been a somewhat bumpy road for everyone but the strength of the Group has shown through.

Primark's margin recovery to more normal levels after years of disruption is particularly pleasing, although we never doubted that it would return to these levels. And that despite the fact there was still some volatility in supply chains with the closure of the Suez canal and disruption in some of our sourcing locations such as Bangladesh.

Primark's low-cost model is as strong as ever. We continue to offer the lowest prices to consumers in each of our markets and this remains our core operating principle. With the normalisation of input costs, the era of needing to raise prices to cover inflation is now behind us. Our product ranges, curated by our exceptionally talented buying teams, were characterised by our relentless focus on value and desirability. Our licence and collaboration development continues to grow.

Our opportunity for sustainable compounding growth remains substantial. We are delivering significant growth in our target growth markets such as Spain, Italy, France, Eastern Europe and of course the US. In our 'home' markets of the UK and Ireland we do not expect to grow as fast given their maturity, but they remain hugely important to us and they are where we trial new concepts and test and build innovation in product and technology. We are particularly delighted to celebrate our 50th anniversary in the UK this year, a milestone of real note marked by our intention to invest £100m more in the UK high street. I am very proud of how Primark has developed since 2005 when our acquisition of Littlewoods gave Primark presence and scale. Nearly 20 years on we still have plenty to do in the UK.

More broadly, Primark's strategic development is still exciting. We are focusing on individual country strategies, refreshing our brand and launching brand campaigns in countries where needed for different reasons, namely in Germany to reposition the brand and in the US to increase brand awareness. In Germany it is too early to declare success but the business feels significantly better than it did 12 months ago. Our business in the US now has 27 stores and, more importantly, is profitable.

From a digital perspective, we increased our customer database significantly, which has contributed to a 23% increase in web traffic. This year also saw a significant milestone in our digital deployment with our decision to roll out Click & Collect across Great Britain. And our regions of expansion are increasing, as we add countries in Eastern Europe and new states in the US while we have also announced our intention to open stores in the states that make up the Gulf Cooperation Council. There is a lot of white space to be excited about.

Grocery also had an excellent year and delivered a very strong improvement in financial performance despite significant investment in new product development and targeted marketing campaigns. We directed much of this investment at our International Brands such as Twinings, Ovaltine, Patak's, Blue Dragon, Jordans and Mazzetti and at our US-focused brands such as Mazola and Fleischmann's. Twinings and Mazola, to pick out just two, are clearly benefitting, Twinings in its growth markets and Mazola through a stronger market position and greater consumer affinity.

In general the operating environment has allowed us a welcome return to focusing on long-term growth rather than on inflation and supply chain disruption. Our businesses in Australia and New Zealand have been engaged in some of the most interesting activities. They have also had probably the most challenging consumer conditions this year that we have seen across our markets. However, they also have some of the best long-term fundamentals of any Western markets and so we are investing there for the long-term and have completed, or are in the middle of completing, some of the Group's bigger capital projects. We are also evolving our Australian portfolio through acquisitions.

Ingredients continued to perform very well indeed, with very good growth in sales and profits led by AB Mauri, our yeast and bakery ingredients businesses. To put the performance in context, it feels as though the business is at levels of profitability which are both deserved and sustainable. The business is making great advances on numerous fronts whether it be innovation in bakery ingredients, growth in non-bakers yeast, including through acquisition, or delivery of bespoke customer solutions in the varied markets in which we operate.

ABFI, our portfolio of specialty ingredients businesses, had a mixed year from a short-term trading perspective as it continued to wrestle with customer destocking but that phase looks to be nearing its natural end. We continue to invest in capability with a view to accelerating the long-term growth potential that these businesses undoubtedly have.

We increasingly think of Sugar as two sets of businesses. We have significant growth opportunities in Africa, and a source of cash generation in Europe. There was a third: we sold our remaining sugar factories in North China in the course of the year after some 25 years. Across those years, our China sugar businesses have been very profitable for us.

This was a year when profit improved strongly in the Sugar segment, now the fourth successive year of profitable growth. European sugar initially benefitted from higher prices and good beet crops but as the year progressed it became evident first that sugar prices were falling and then that they were falling significantly. So, we ended the year with lowered expectations and the outlook for next year is challenging. However, we are confident our European businesses will bounce back in the 2026 financial year and we can already see drivers of that improvement.

Our sugar businesses in Africa continue to develop. That continent has and always will be subject to short-term bumps caused by weather and currency, but we are building a great set of businesses there and I have never been more confident in their long-term potential supported by strong fundamentals, great brands and routes to market, and significant improvement opportunities.

Revenues have continued to fall in our Agriculture segment with lower prices and volumes prevalent in our UK and China compound feed markets. The biggest challenge however was the impact of poor weather in the UK which hurt sales at Frontier, our joint venture specialising in arable farm inputs and grain marketing. However, we are making progress on developing a suite of agricultural technology businesses that should operate at better margins. Our dairy business, built around a combination of established and recently acquired businesses, performed well. AB Vista, our international feed additives business, continued to broaden its product range and AB Neo, our animal starter feed business, had a good year. We will continue to build these innovative businesses.

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ESG

This year saw us move towards combined financial and ESG reporting. Our financial and ESG investments have always been closely aligned and it makes sense to report both activities in this way, particularly as providing transparency will require the provision of more data. This Group can be proud of what we are achieving, and we endorse transparency as a means of demonstrating progress while remaining clear that reporting should not become an end in itself nor a distraction from achieving real progress.

We made further progress in decarbonising UK sugar production. British Sugar is the largest contributor to the entire ABF Group Scope 1 footprint. A major energy reduction project at Wissington in the UK has cut onsite energy usage sharply, with emissions reduced by 30,000 tonnes of carbon a year. Further energy-reduction measures have taken place at other sugar sites. Taken together, this work is delivering a substantial reduction in British Sugar's Scope 1 and 2 emissions against our 2017-2018 baseline.

Primark has also made great progress in cutting total GHG emissions. Scope 3 emissions fell year on year by 12% and by 0.6% against the 2018/19 baseline. Primark has been working with its supplier factories on programmes focused on energy use and efficiency to cut Scope 3 emissions. Given Primark is growing sales and activity year-by-year, this year has been one of achievement.Energy-saving measures in store and procurement of renewable and low-carbon electricity meant Scope 1 and 2 (market based) emissions fell by 21% in the year and by 52% against the 2018/19 baseline.

AB Mauri has continued to improve the way it recycles and manages effluent water. The multi-year investment programme for this work reached $120m this year. Some 84% of the water we use in the production of yeast is now treated and returned safely to the environment. Most of this work is done so this project will now progress without needing to be on the Group's list of priority issues.

Looking further ahead, we believe there is a need to prioritise sustainable food production given the need for greater food security, but we have to achieve that sustainable food production while reducing GHG emissions in the agricultural sector and agriculture in turn has to conserve the environment. Our agricultural technology and consulting businesses are acting with these goals in mind.

Investment

As I mentioned, we have stepped up our investment to record levels and we expect it to remain at similar levels in the medium term. This of course includes the continued expansion at Primark but also some very interesting capacity additions in our food businesses. In 2025, we will see the completion of a number of important multi-year projects in our food businesses and I look forward to seeing them contribute to the growth of the Group.

We have also made a set of interesting acquisitions to help develop our food portfolios. Investment remains the priority of our capital allocation policy but we remain diligent about how we deploy that investment.

People

The major part of the year's strong showing is due to the excellent work of our people. They remained disciplined and focused on strong execution and performance improvement, taking full advantage of the more stable environment. Our improvement in Group margins is due in large part to their work.

In a group of this size people inevitably come and go. I'd like to welcome new arrivals and thank those departing for their contribution. In particular I want to single out Fabienne Saadane-Oaks who leaves after nine successful years with us, growing our specialty ingredients division with a clear sense of purpose. I thank her for her considerable contribution delivered with intelligence and energy.

Looking ahead

Looking ahead, the Group is well-positioned. Strong cash flow generation is enabling disciplined capital allocation to growth opportunities across the Group and we have ongoing multi-year projects to deliver our focused sustainability priorities. We believe our long-term, patient investment approach will deliver strong returns and continue to create value for all stakeholders.

George Weston
Chief Executive