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ABF to acquire Hovis Group, following review of strategic options for Allied Bakeries

As stated at the interim results, Associated British Foods plc ("ABF") has been evaluating a range of strategic options for Allied Bakeries, its UK bakery business. Profitability at Allied Bakeries has been increasingly challenged in recent years by a decline in demand for pre-sliced, packaged bread and a loss of scale in Allied Bakeries' nationwide distribution network serving the major retailers with daily delivery of bread and bakery goods.

Following this review, ABF announces today that it has reached an agreement to acquire Hovis Group Limited ("Hovis Group") from Endless LLP. Hovis Group is an integrated bakery business, engaged in the production and distribution of bread and bakery products in the UK.

The acquisition will combine the production and distribution activities of the two businesses, driving significant costs synergies and efficiencies, to create a profitable UK bread business that is sustainable over the long term. The combined business will be better placed to compete effectively and to establish a stable platform for product innovation in the segments of the UK bakery category that are growing as a result of changing consumer tastes and needs. This will include improvement in existing products and expansion into new product ranges.

The completion of the transaction is subject to regulatory approval.

George Weston, Chief Executive of Associated British Foods, said:

"This transaction will create a UK bakeries business that is both profitable and sustainable over the long term. Supporting the Hovis and Kingsmill brands with well-invested and efficient operations will also enable innovation and growth. This solution will create value for shareholders, provide greater choice for consumers and increase efficiencies for customers."

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