

25 May 2021

**Resilient H1 performance in challenging trading conditions**  
**Well positioned as food to go volumes rebound in a reopening UK economy**

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience food in the UK, today issues interim results for the 26 weeks ending 26 March 2021.

**PERFORMANCE<sup>1</sup>**

- Group Revenue declined 19.0% to £577.1m, driven by the reduction in consumer mobility as a result of tiered restrictions and lockdowns in the UK
- Adjusted Operating Profit of £0.2m and Adjusted Loss per share of 1.4 pence
- Net Debt (excluding lease liabilities) of £271.3m at 26 March 2021, a reduction of £79.2m since the end of FY20 and underpinned by an equity placing in November 2020 raising gross proceeds of £90m
- Strong liquidity position with cash and undrawn committed debt facilities of £302.0m at period end, and H1 21 Net Debt: EBITDA covenant waived

**STRATEGIC DEVELOPMENTS**

- Working with several key customers to renew and extend relationships with near term investments in capabilities, capital, and commercial terms that secure and support growth in new and existing categories and formats
- Recent revenue momentum supported by new business wins secured during the last 12 months representing annualised pre-COVID revenues of approximately £175m, facilitated in part by a two year capital investment of approximately £30m across three manufacturing sites
- A pipeline of further new business opportunities being actively pursued
- Comprehensive range of pledges launched as part of the Group's sustainability strategy

**OUTLOOK<sup>1</sup>**

- Encouraging revenue momentum in the first seven weeks of H2 21, with pro forma revenue in food to go categories running at approximately 123% above prior year levels and approximately 14% below the equivalent pre-COVID levels in FY19. For this period the Group's pro forma revenue was approximately 64% above prior year levels and approximately 5% below equivalent pre-COVID levels in FY19
- The Group anticipates that a continued reopening of the UK in line with the current roadmap and a consequential rebuild of Group Revenue would be expected to generate a FY21 Adjusted Operating Profit outturn above FY20 levels
- Net Debt (excluding lease liabilities) is expected to reduce further in the second half of the year, from H1 21 levels
- The Group is now focused on rebuilding profitability and cash flow momentum to pre-COVID levels, supported by the revenue rebuild, the unwind of COVID-19 operating constraints, and effective execution against new business opportunities

**SUMMARY FINANCIAL PERFORMANCE<sup>1</sup>**

	H1 21 £m	H1 20 £m	Change
Group Revenue	577.1	712.7	-19.0%
Pro Forma Revenue Growth			-18.6%
Adjusted EBITDA	26.5	63.8	-58.5%
Group Operating Profit	3.9	35.6	-89.0%
Adjusted Operating Profit	0.2	38.3	-99.5%
Adjusted Operating Margin	0.0%	5.4%	-540bps
Group (Loss)/Profit Before Tax	(1.8)	27.3	-106.6%
Adjusted (Loss)/Profit Before Tax	(7.9)	31.1	-125.4%
Basic EPS (pence)	0.0	5.3	-100.0%
Group Exceptional Items (after tax)	9.9	0.4	
Adjusted EPS (pence)	(1.4)	5.8	-124.1%
Interim dividend per share (pence)	-	-	
Free Cash Flow	(23.6)	2.6	-£26.2m
Net Debt	332.1	374.4	
Net Debt (excluding lease liabilities)	271.3	311.1	
Net Debt:EBITDA as per financing agreements	7.2x	2.1x	

Return on Invested Capital ("ROIC")

(0.6)%

12.3%

**Commenting on the results, Patrick Coveney, Chief Executive Officer, said:**

*"This has been a challenging period for Greencore, but the consistent build in our revenues since early March as lockdown measures have eased and COVID-19 cases have fallen give us real cause for optimism. Our focus now is on rebuilding revenue, profitability and cash flow momentum as the UK economy reopens. Our recent business wins are a great endorsement of our continuing relevance in the UK convenience food landscape. Underpinned by the quality of our people, our new sustainability strategy and the strength of our long-standing customer relationships, we are confident of being able to build back the business rapidly and profitably, and are optimistic about the medium-term prospects for Greencore."*

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<sup>1</sup> The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Appendix to the Interim Financial Report.

**COVID-19 UPDATE<sup>1</sup>**

In H1 21 the Group continued to manage through the challenging trading environment focused on three key priorities – keeping our people safe, feeding the UK, and protecting our business. These priorities are aligned with the Group's purpose and its distinctive, repeatable 'Greencore Way' of working.

The food industry has continued to play an essential role in the UK throughout the pandemic and Greencore recognises, and is proud of, its own important responsibilities in this regard. The organisation, supply chain and production network all functioned well in the first half, enabling the Group to maintain its high levels of customer service and satisfaction in this hugely challenging operating environment.

**Keeping our people safe**

Greencore's people are at the core of its purpose and its success, and keeping colleagues safe has remained a key priority through COVID-19. The increasing number of cases and the severity of the new virus strains during H1 21 required the Group to take incremental safety actions to ensure that all is being done within the business to mitigate the impact of the virus and to keep colleagues safe.

In addition to undertaking COVID-19 risk assessments and site-specific action plans across every manufacturing location and distribution facility, the Group also worked with the UK Department of Health and Social Care to implement weekly lateral flow testing across seven manufacturing sites and one Direct-to-Store depot providing access to testing for over half of Group employees.

**Feeding the UK**

The Group's priority to feed the UK is underpinned by intensive and collaborative engagement with customers and is also aligned with our purpose that includes the commitment to producing Great Food. In H1 21 the Group once again responded rapidly to the volatile demand patterns associated with the changing mobility restrictions and lockdowns that were introduced across the UK during the period. The principal focus remains working with existing customers on driving category growth and range launches as the economy reopens, as well as onboarding new business successfully.

The Group also continued to take a purposeful and community-led approach to supporting initiatives at local, regional and national levels to help vulnerable people and those in need of quality food all over the UK.

**Protecting our business**

In H1 21 the Group implemented a comprehensive set of actions to alleviate the material short term impact on the business as a result of COVID-19, and to build back the business profitably as the pandemic eases. The Group's purpose underpins this through both an aspiration for excellence in all that it does, and a desire to continuously improve the sustainability of the business. As such the Group is well positioned to be one of the longer term winners in UK convenience food.

Cost mitigants to protect the business in H1 21 include the continued use of furlough supports, pay freezes, and the elimination of discretionary spending. The outcome of these, and other measures, in H1 21 was the delivery of positive Adjusted Operating Profit in the period, notwithstanding the significant reduction in Group revenues and ongoing COVID-19 related operating costs.

The Group managed cash flow in the period through reducing planned levels of capital expenditure, deferring cash contributions to defined benefit pension schemes, and suspending dividend payments, while continuing to execute disciplined investment in automation and to support future growth in the business. These measures, combined with the proceeds from the equity placing in November 2020 and from the sale of the Group's molasses businesses in December 2020, resulted in a £79.2m reduction in Net Debt (excluding lease liabilities) in the first half of the year.

The Group's balance sheet and liquidity position strengthened, with cash and undrawn committed bank facilities of £302.0m at 26 March 2021. Committed debt facilities totalled £570.7m at period end, with a weighted average maturity of 3.2 years.

## **SUSTAINABILITY**

The Group's sustainability strategy was launched in November 2020 and was presented in detail at a seminar for the investment community in February 2021. The strategy is grounded in both aspiration and substance, is reflective of the Group's specific business context, and is embedded in the business model and culture.

The Group's sustainability strategy is built around three pillars: Sourcing with Integrity, Making with Care, and Feeding with Pride. Each pillar contains a set of priorities – an aspirational goal supported by specific milestone targets and short term actions that relate to the most material sustainability challenges, risks and opportunities facing the business. The Group is also implementing measures to ensure sustainability becomes embedded in its accountabilities and disclosure practices.

Good progress has been made on the Group's short term actions in H1 21. The Group is developing a fully recyclable sandwich skillet to offer to customers in FY21 and is currently assessing the whole life sustainability impacts of the various options under review. A carbon reduction target is being developed that will be approved externally by the Science Based Target initiative in FY21, for both the Group's direct greenhouse gas emissions (Scope 1 and 2), as well as the indirect emissions that come from the supply chain (Scope 3). The Group has also rolled out specific community engagement plans across a number of sites and is on track to implement this across all production sites by the end of FY21.

Notable sustainability pledges that the Group has made include:

- All packaging will be recyclable or reusable by 2025
- Food waste will be reduced by 50% by 2030
- The Group will operate with net zero emissions by 2040
- A fully recyclable sandwich skillet will be developed and brought to market in FY21
- A deforestation-free supply chain by 2025
- All raw materials will be sustainably sourced by 2030
- All surplus product will be donated to local communities by 2022
- Product development will be equally split between animal protein versus plant-rich alternatives by 2030

## **CURRENT TRADING AND OUTLOOK<sup>1</sup>**

The UK Government has established a clear roadmap out of lockdown and the first phase commenced on 8 March 2021. Since 17 May 2021 there has been a further easing of limits on social gatherings and most businesses in all but the highest risk sectors have been permitted to reopen in some form.

Consumer demand, in particular in the Group's food to go categories, is responding positively as these mobility restrictions have eased. In the first seven weeks of H2 21 pro forma revenue in the Group's food to go categories was approximately 123% above prior year levels, while demand in the Group's other convenience categories was approximately 12% above prior year levels. As a result the Group's pro forma revenue was approximately 64% above prior year levels. When compared to the equivalent pre-COVID levels in FY19, in the first seven weeks of H2 21 pro forma revenue in the Group's food to go categories was approximately 14% below equivalent pre-COVID levels, while demand in the Group's other convenience categories was approximately 14% above pre-COVID levels. For this period the Group's pro forma revenue was approximately 5% below equivalent pre-COVID levels in FY19.

The ongoing uncertainty regarding the duration and impact of COVID-19 on the Group's trading environment continues to make FY21 forecasting difficult, with limited visibility of Q4 demand patterns. However, a continued reopening of the UK in line with the current roadmap and a consequential rebuild of Group Revenue would be expected to generate a FY21 Adjusted Operating Profit outturn above FY20 levels. Net Debt (excluding lease liabilities) is expected to reduce further from H1 21 levels under this scenario.

New business wins already secured have supported the revenue build back and there remains a pipeline of exciting opportunities being actively pursued. In addition, the Group is working with key customers to renew and extend commercial relationships. This will result in near term investment in capabilities, capital, and commercial terms that secure and support growth in key categories and open up growth opportunities with these customers in additional categories and formats.

The Group is confident in its ability to rebuild its economic model notwithstanding the uncertainties and challenges of FY21 and remains fully focused on optimising its growth potential in UK convenience food markets. This recovery will be led by volume growth, with the pace of profit conversion and operating efficiencies building over time. The Group also remains highly vigilant around the potential for further disruption to demand if mobility restrictions are re-implemented, and remains well prepared for such an eventuality.

## **Forward-looking statements**

Certain statements made in this document are forward-looking. These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as 'will', 'aims', 'anticipates', 'continue', 'could', 'should', 'expects', 'is expected to', 'may', 'estimates', 'believes', 'intends', 'projects', 'targets', or the negative thereof, or similar expressions.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. A number of material factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this announcement. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements other than as required by law.

## CONFERENCE CALL

A conference call for investors and analysts will be held at 8.30am today. Registration and dial in details are available at [www.greencore.com/investor-relations/](http://www.greencore.com/investor-relations/)

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## About Greencore

We are a leading manufacturer of convenience food in the UK and our purpose is to make every day taste better. We supply foodservice, grocery and other retailers, including all of the major UK supermarkets. We have strong market positions in a range of categories including sandwiches, salads, sushi, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

In FY20 we manufactured 619m sandwiches and other food to go products, 116m chilled prepared meals, and 264m bottles of cooking sauces, pickles and condiments. We carry out more than 10,000 direct to store deliveries each day. We have 16 world-class manufacturing sites in the UK, with industry-leading technology and supply chain capabilities. We generated revenues of £1.3bn in FY20 and employ approximately 12,200 people. We are headquartered in Dublin, Ireland.

For further information go to [www.greencore.com](http://www.greencore.com) or follow Greencore on social media.

## OPERATING REVIEW<sup>1</sup>

### Convenience Foods UK & Ireland

	H1 21 £m	H1 20 £m	Change (As reported)	Change (Pro Forma basis)
Revenue	577.1	712.7	-19.0%	-18.6%
Group Operating Profit	3.9	35.6	-89.0%	
Adjusted Operating Profit	0.2	38.3	-99.5%	
Adjusted Operating Margin %	0.0%	5.4%	-540bps	

	Pro Forma Revenue Growth (versus FY20)		
	Q1 21	Q2 21	H1 21
Group	-15%	-22%	-19%
Food to go categories	-22%	-30%	-26%
Other convenience food categories	-2%	-9%	-6%

	Pro Forma Revenue Growth (versus FY20)			
	March 2021	April 2021	May 2021	H2 21 (seven weeks)
Group	-17%	+66%	+61%	+64%
Food to go categories	-19%	+129%	+115%	+123%
Other convenience food categories	-14%	+13%	+10%	+12%

	Pro Forma Revenue Growth (versus FY19)
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	March 2021	April 2021	May 2021	H2 21 (seven weeks)
Group	-21%	-7%	-4%	-5%
Food to go categories	-29%	-16%	-11%	-14%
Other convenience food categories	-5%	+14%	+13%	+14%

### Strategic developments

The Group made good progress against its key strategic objectives in H1 21, notwithstanding the challenges of COVID-19. This has underpinned the Group's ability to build back the business rapidly as the UK economy has started to reopen.

There was extensive engagement and collaboration with customers throughout the first half of the year, initially focusing on effective range management during the periods of mobility restrictions and subsequently working closely with customers to build back rapidly in affected categories as mobility was restored to the market. The Group designed and implemented growth programmes with customers to reactivate product ranges and formats as the market started to reopen and in preparation for summer trading.

The Group's new business initiatives have supported the diversification of its product and channel footprint. New business wins representing annualised pre-COVID revenues of approximately £175m have been secured during the last 12 months. Multiple new customers were secured in the first half of the year and the Group is managing the complexities and costs of onboarding these customers alongside the rebuilding of core business volumes. In addition, the Group has committed to invest approximately £30m over the next two years across three manufacturing sites to support the delivery of this new business.

In H1 21 the Group continued to expand its product offering and to drive category extensions with existing customers, in particular in the salads and fresh meals categories. The Group is also working with key customers to renew and extend commercial relationships. This will result in near term investment in capabilities, capital, and terms that secure and support growth in key categories and open up growth opportunities with these customers in additional categories and formats.

Following a protracted period of COVID-19 disruption that removed its ability to safely deliver these continuous improvement initiatives, in H2 21 the Group is renewing its focus on its Greencore Excellence agenda across its commercial, purchasing and operational capabilities. The full benefits of these programmes will only begin to materialise as volume rebuilds across the network and will help to mitigate some of the current lower levels of overhead absorption and operating efficiency.

The Group continued to invest in its automation programme in H1 21 and extended the rollout of robotic solutions to its three largest food to go manufacturing units. Early progress is encouraging and as volumes rebuild the programme will drive production efficiencies to help offset labour inflation, manage labour availability, reduce waste, and to support social distancing across the Group's production network as required.

The Group also advanced its culinary capabilities and technical activities in the period, delivering on its commitment to Great Food. More than 700 SKUs were introduced or refreshed in H1 21, and approximately 40% of these new products were vegetarian, vegan or meat-free. The Group also continued to evolve its technical and food safety programme in H1 21, with a particular focus on reinforcing governance, continued innovation and ongoing engagement with, and management of, the Group's supplier base.

### Performance

The Group's reported revenue decreased by 19.0% to £577.1m in H1 21. On a pro forma basis revenue decreased by 18.6%, after adjusting for the disposal of the molasses businesses in Q1 21 and adjusting for any movement in foreign exchange. Group Operating Profit was £3.9m compared to £35.6m in H1 20. Adjusted Operating Profit fell by 99.5% to £0.2m and Adjusted Operating Margin fell by 540bps to 0.0%.

The UK trading environment remained very challenging and volatile in the period. This was most marked in the Group's food to go categories, driven by the demand impact of a pronounced reduction in mobility due to extensive lockdowns and tiered restrictions across the UK for most of the first half. This was balanced to some degree by the Group's strong market position in supplying grocery retailers, the only channel to remain substantially open in the period. New business contributed modestly to Group revenue performance in the period.

In the Group's food to go categories (comprising sandwiches, salads, sushi and chilled snacking) reported revenue was £339.2m in H1 21, a decrease of 25.6% on both a reported and pro forma basis. The impact was most marked in Q2 21 when the most severe mobility restrictions were imposed. Pro forma revenue for food to go categories was approximately 30% below prior year levels in Q2, compared to a 22% reduction in Q1. This revenue trajectory improved towards the end of Q2 as the economy started to reopen, with March levels approximately 19% below prior year levels.

Revenue for the distribution of third party products accounted for approximately 8% of Group revenue in H1 21, supported by the impact of the Group's new business activity that is expected to contribute more meaningfully in future periods.

The Group's other convenience categories comprise activities in the chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Pudding categories, as well as Irish ingredients trading businesses. Reported revenue across these businesses decreased by 7.4% to £237.9m in H1 21. Pro forma revenue decreased by 5.6%, after adjusting for movements in foreign exchange and for the disposal of the Group's molasses businesses in Q1 21. This was driven by a reduction in ready meals revenue, notably in Q2 when compared to the increased COVID-19 related demand in the prior year. Revenue in the Group's remaining Irish ingredients trading business also declined in H1 21, reflecting lower volumes.

Inflation trends in the Group's main UK cost components were as anticipated. Raw material and packaging costs inflation was approximately 1% in H1 21. Direct labour inflation was approximately 4%.

Overall, Group Operating Profit decreased from £35.6m to £3.9m for the period. Adjusted Operating Profit declined by £38.1m to £0.2m. This decline was driven by the significant revenue reduction in food to go categories as outlined above, which was only partly offset by associated cost mitigating measures. Underlying profitability in the Group's other convenience categories was broadly unchanged in H1 21.

Adjusted Operating Profit is after charging £4.8m of COVID-19 related operating costs. These operating costs primarily comprise £2.9m of incremental costs relating to furloughed colleagues, and £1.9m of other costs including those incurred to reconfigure production areas and implement measures to ensure safe working and social distancing.

In H1 21 the Group received UK Government assistance of £7.1m under the Coronavirus Job Retention Scheme.

## Brexit

The Trade and Cooperation Agreement negotiated between the EU and the UK was applied provisionally from 1 January 2021 and entered into force from 1 May 2021. The operational and financial impact on the Group in H1 21 was minimal and is anticipated to remain so in the second half of the year.

## Group Cash Flow and Returns

	H1 21 £m	H1 20 £m	Change (as reported)
Free Cash Flow	(23.6)	2.6	-£26.2m
Net Debt	332.1	374.4	
Net Debt (excluding lease liabilities)	271.3	311.1	
Net Debt:EBITDA as per financing agreements	7.2x	2.1x	
ROIC	(0.6)%	12.3%	

## Strategic developments

The Group implemented a comprehensive suite of operational, debt and equity measures in H1 21 that are designed to protect and support the business as it moves into future growth. As a result, in H1 21 the Group's liquidity position has strengthened and Net Debt has decreased.

The Group applied a range of mitigating actions to manage cash outflows during the period, including a reduction in budgeted capital expenditure, a further deferral of cash contributions to the Group's defined benefit pension schemes, and the suspension of dividend payments.

As previously announced, the Group also secured agreement with its bank lending syndicate in May 2020 and its Private Placement Note Holders in July 2020 to waive the Net Debt: EBITDA covenant condition for the September 2020 and March 2021 test periods. In November 2020 the Group secured further support from its bank lending syndicate and its Private Placement Note holders. Of the key features, the Group:

- Extended the maturity of its £75m revolving credit bank facility by two years to March 2023;
- Refinanced the Group's £50m bilateral loan for a new three year term maturing in January 2024;
- Amended the EBITDA: Interest covenant condition for the March 2021 test period from 3.0x to 2.0x;
- Amended the Net Debt: EBITDA covenant test at June 2021 from 4.25x to 5.0x;
- Reduced the minimum liquidity requirement on cash and undrawn facilities to £70m for FY21, from a range of £100m-£125m; and
- Increased the maximum net debt requirement to £550m to May 2021, and £500m to September 2021, from a range of £450m-£550m.

In November 2020 the Group completed an equity placing of 80,357,142 new ordinary shares at 112 pence per share, to raise net proceeds of £87.1m.

In December 2020 the Group also completed the sale of its interests in its molasses trading businesses for a final cash consideration of £16.3m. The profit on disposal of £11.3m was reported as an exceptional item in H1 21. The cash proceeds were used to further strengthen the Group's balance sheet.

As a result of all these measures, in particular the successful completion of the equity placing, the Group has had sufficient financial flexibility to navigate through a volatile trading period while continuing to invest to support future growth in the business.

At 26 March 2021 the Group had cash and undrawn committed bank facilities of £302.0m, comfortably above minimum liquidity requirements as stipulated in the conditions of the Group's covenant waivers.

The Group's initiatives continue to be informed by modelling a set of scenarios that reflect the Group's considered and conservative view on short and medium term trading, and ensuring the Group is efficiently and effectively funded through any of these scenarios.

## **Performance**

Free Cash Flow was a £23.6m outflow in H1 21 compared to an inflow of £2.6m in H1 20. The decrease primarily reflected reduced profitability in the period, partly offset by lower pension cash contributions, lower maintenance capex and lower cash tax. Several other factors contributed to a reduction in the Group's Net Debt in H1 21, principally the equity placing in November 2020, the sale of the Group's molasses businesses in December 2020, and the decision not to pay a final FY20 dividend.

The Group's Net Debt at 26 March 2021 was £332.1m, a reduction of £42.3m compared to 27 March 2020. Net Debt excluding lease liabilities reduced to £271.3m from £311.1m at the end of H1 20 and from £350.5m at the end of FY20. The Group's Net Debt: EBITDA leverage as measured under financing agreements was 7.2x at period end, compared to 2.1x at the end of March 2020 and 4.4x at the end of September 2020. As at 26 March 2021, the Group had committed debt facilities of £570.7m with a weighted average maturity of 3.2 years.

ROIC was -0.6% for the 12 months ended 26 March 2021, compared to 12.3% for the 12 months ended 27 March 2020. The decrease was primarily driven by reduced profitability in the period. Average invested capital also increased from £695.9m to £758.6m, reflecting primarily the impact of the recognition of right-to-use assets under IFRS 16 Leases which was adopted in H1 20.

## **FINANCIAL REVIEW<sup>1</sup>**

### **Revenue and Operating Profit**

Reported revenue in the period was £577.1m, a decrease of 19.0% compared to H1 20, primarily reflecting the impact of COVID-19 on demand in food to go categories. Pro Forma Revenue decreased by 18.6%.

Group Operating Profit decreased from £35.6m to £3.9m as a result of significantly lower revenue in H1 21 that was partially offset by a net exceptional gain. Adjusted Operating Profit of £0.2m was 99.5% lower than in H1 20 with lower profits in food to go categories in H1 21 partly offset by an improved underlying performance in the Group's other convenience categories. Adjusted Operating Margin was 0.0%, 540 basis points lower than the prior year.

Adjusted Operating Profit is after charging £4.8m of COVID-19 related operating costs. These operating costs primarily comprise £2.9m of incremental costs relating to furloughed colleagues, and £1.9m of other costs including those incurred to reconfigure production areas and implement measures to ensure safe working and social distancing.

In H1 21 the Group received UK Government assistance of £7.1m under the Coronavirus Job Retention Scheme.

### **Net finance costs**

The Group's net bank interest payable was £7.4m in H1 21, an increase of £0.2m versus H1 20. The increase was driven by higher debt levels in the period. The Group also recognised a £0.7m interest charge relating to the unwinding of the IFRS 16 lease liability in the period.

The Group's non-cash finance charge in H1 21 was £1.6m (H1 20: £1.0m). The change in foreign exchange and the fair value of derivatives and related debt adjustments in the period was a £0.7m charge (H1 20: nil). The non-cash pension financing charge of £0.9m was £0.1m lower than the H1 20 charge of £1.0m.

### **Profit/(Loss) before taxation**

The Group's Profit Before Tax decreased from £27.3m in H1 20 to a loss of £1.8m in H1 21, driven by lower Group Operating Profit, slightly higher finance costs and partly offset by the exceptional net gain reported in H1 21. Adjusted Loss Before Tax in the period was £7.9m (H1 20: profit of £31.1m), primarily driven by a reduction in Adjusted Operating Profit.

### Taxation

The Group's effective tax rate in H1 21 (including the tax impact associated with pension finance items) was 18% (H1 20: 13%). In March 2021, the UK Government announced a change to the corporation tax rate which is set to increase to 25% from 1 April 2023. As this was not substantively enacted by 26 March 2021, this had no impact on the half year charge.

### Exceptional items

The Group recognised a pre-tax exceptional gain of £9.7m in H1 21, and an after tax gain of £9.9m. The items are detailed in Note 4 to the condensed Group Financial Statements, and are comprised as follows:

Exceptional Items	£m
Profit on disposal of Molasses trading businesses	11.3
Defined benefit pension schemes restructuring	(2.6)
Legacy businesses provisions	1.0
<b>Exceptional items (before tax)</b>	<b>9.7</b>
Tax on exceptional items	0.2
<b>Exceptional items (after tax)</b>	<b>9.9</b>

### Earnings per share

The Group's basic loss per share in H1 21 of 0.0 pence compared to basic earnings per share in H1 20 of 5.3 pence. This was driven by a £23.2m reduction in Earnings and an increase in the number of shares in issue following the equity placing in November 2020. The weighted average number of shares in issue in H1 21 was 498.0m (H1 20: 443.3m).

Adjusted Earnings were negative £6.8m in the period, £32.7m behind prior year levels largely due to a reduction in Adjusted Operating Profit. The Group's Adjusted loss per share of 1.4 pence in H1 21 compared to Adjusted earnings per share of 5.8 pence in H1 20.

### Cash Flow and Net Debt

Adjusted EBITDA was £37.3m lower in H1 21 at £26.5m. The Group incurred a net working capital outflow of £21.2m (2020: £ 21.8m outflow). Maintenance capital expenditure of £7.9m was incurred in the period (H1 20: £11.2m). The cash outflow in respect of exceptional charges was £2.4m (H1 20: £2.6m), of which £2.1m related to prior year exceptional charges.

Interest paid in the period, including interest on lease liabilities, was £9.2m (H1 20: £7.5m). The increase reflected higher average debt levels in H1 21 and incremental interest costs incurred following the covenant amendments agreed in FY20. These amendments required the Group to recognise a debt modification charge in FY20. Cash tax decreased by £4.2m to Nil due to lower profitability in the period. The cash tax rate for the Group is expected to rise towards the Group's effective rate over time as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year. The Group's cash funding for defined benefit pension schemes was £3.0m (H1 20: £7.8m), reflecting the decision to defer cash contributions in the first half of this year.

These movements resulted in a Free Cash outflow of £23.6m compared to an inflow of £2.6m in H1 20 driven primarily by the lower EBITDA performance.

In addition to this Free Cash outflow, in H1 21 the Group incurred strategic capital expenditure of £8.6m (H1 20: £9.9m). The Group did not make any equity dividend cash payments (H1 20: £16.7m) and in November 2020 the Group completed an equity placing of 80,357,142 new ordinary shares at 112 pence per share, to raise net proceeds of £87.1m. In December 2020 the Group also completed the sale of its interests in its molasses trading businesses for a final cash consideration of £16.3m.

The Group's Net Debt at 26 March 2021 was £332.1m, a reduction of £42.3m compared to the prior year period and a reduction of £79.1m since the end of FY20, driven primarily by the cash proceeds from the equity placing in November 2020 and the sale of the Group's molasses businesses in December 2020 and partially offset by the free cash outflows as described previously.

### Financing

The Group had total committed debt facilities of £570.7m at 26 March 2021 and a weighted average maturity of 3.2 years. This comprised:

- A £340m revolving credit bank facility with a maturity date of January 2025;
- A £50m bilateral bank facility with a maturity date of January 2024;
- £105.7m of outstanding Private Placement notes with maturities ranging between October 2021 and June 2026; and
- A revolving credit bank facility of £75m, with a maturity date of March 2023.

The Group had cash and undrawn committed facilities of £302.0m at 26 March 2021, compared to £232.0m as at 25 September 2020.

### Pensions



All legacy defined benefit pension schemes are closed to future accrual. The net pension deficit relating to legacy defined pension schemes, before related deferred tax, at 26 March 2021 was £71.9m, £10.2m lower than the position at 25 September 2020. The net pension deficit after related deferred tax was £55.7m (FY20: £63.8m). The decrease in net pension deficit was driven principally by an actuarial gain on liabilities arising from an increase in the discount rates used to value these liabilities. The movement in the discount rate is driven by the corporate bond rate.

In H1 21 the Group entered a formal agreement with the Trustees of the legacy defined benefit pension scheme in the UK to defer cash contributions to the pension for a further period of six months which resulted in a reduction of cash contributions in H1 21 of £3.4m. Since the beginning of the pandemic to the date of this announcement, the Group has deferred cash contributions totalling £10.3m.

The valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant trustees. The next assessment for the Group's principal UK defined benefit pension scheme is expected to conclude in H2 21.

In H1 21 the Group and trustees of all three Irish schemes agreed a restructuring of its Irish pension schemes which included the agreement to wind up the two smaller schemes and to transfer certain assets and liabilities from those schemes to the principal scheme. Details of the restructuring are detailed in Note 13 to the Interim Financial Report.

#### Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. The Board considers the risks and uncertainties as described in detail in the Risks and Risk Management section in the Annual Report and Financial Statements for the year ended 25 September 2020 issued on 23 November 2020, to remain applicable in the second half of the year.

A description of the risks and uncertainties are set out in the Appendix to the Interim Financial Report.

#### Responsibility Statement

Each of the Directors of Greencore Group plc confirm that, to the best of each person's knowledge and belief as required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('FCA'):

- The Financial Statements, prepared in accordance with IFRS as adopted by the EU and the Company Financial Statements prepared in accordance with FRS 101: *Reduced Disclosure Framework*, give a true and fair view of the assets, liabilities, financial position of the Group and Company at 26 March 2021 and the profit/loss of the Group for the 26 weeks ending 26 March 2021; and
- The Financial Statements include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

**P.F. Coveney**  
Chief Executive Officer  
Date: 24 May 2021

**E. Hynes**  
Chief Financial Officer  
Date: 24 May 2021

#### CONDENSED GROUP INCOME STATEMENT for the half year ended 26 March 2021

	Notes	Half year ended 26 March 2021			Half year ended 27 March 2020		
		Pre- exceptional £m	(Unaudited) Exceptional (Note 4) £m	Total £m	Pre- exceptional* £m	(Unaudited) Exceptional (Note 4)* £m	Total* £m
Revenue	2	577.1	–	577.1	712.7	–	712.7
Cost of sales		(393.0)	–	(393.0)	(475.7)	(1.1)	(476.8)
<b>Gross profit</b>		<b>184.1</b>	<b>–</b>	<b>184.1</b>	<b>237.0</b>	<b>(1.1)</b>	<b>235.9</b>
Operating costs, net		(183.9)	5.7	(178.2)	(198.7)	1.1	(197.6)
<b>Group operating profit before acquisition related amortisation</b>							
Amortisation of acquisition related intangibles	2	0.2	5.7	5.9	38.3	–	38.3
		(2.0)	–	(2.0)	(2.7)	–	(2.7)
<b>Group operating (loss)/profit</b>		<b>(1.8)</b>	<b>5.7</b>	<b>3.9</b>	<b>35.6</b>	<b>–</b>	<b>35.6</b>
Finance income	5	0.4	–	0.4	0.5	–	0.5

Finance costs	5	(10.1)	–	(10.1)	(9.2)	–	(9.2)
Share of profit of associates after tax		–	–	–	0.4	–	0.4
Profit on disposal of associates	14	–	4.0	4.0	–	–	–
<b>(Loss)/profit before taxation</b>		<b>(11.5)</b>	<b>9.7</b>	<b>(1.8)</b>	<b>27.3</b>	<b>–</b>	<b>27.3</b>
Taxation	6	2.0	0.2	2.2	(3.5)	0.4	(3.1)
<b>Result for the financial period</b>		<b>(9.5)</b>	<b>9.9</b>	<b>0.4</b>	<b>23.8</b>	<b>0.4</b>	<b>24.2</b>
<b>Attributable to:</b>							
Equity shareholders		(9.8)	9.9	0.1	22.9	0.4	23.3
Non–controlling interests		0.3	–	0.3	0.9	–	0.9
		(9.5)	9.9	0.4	23.8	0.4	24.2
<b>Earnings per share (pence) – total</b>							
Basic earnings per share	8			0.0			5.3
Diluted earnings per share	8			0.0			5.2

\* Re-presented to reflect the change in presentation on a basis consistent with the current year as set out in Note 1

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME for the half year ended 26 March 2021

	Half year ended 26 March 2021 (Unaudited) £m	Half year ended 27 March 2020 (Unaudited) £m
<b>Items of income and expense taken directly to equity</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gain on Group legacy defined benefit pension schemes	12.6	32.0
Deferred tax on Group legacy defined benefit pension schemes	(2.3)	(2.7)
	10.3	29.3
<b>Items that may subsequently be reclassified to profit or loss:</b>		
Currency translation adjustment	(3.4)	1.0
Translation reserve transferred to Income Statement on disposal of subsidiary	(1.0)	–
Non–controlling interest transferred to Income Statement on disposal of subsidiary	(5.8)	–
Cash flow hedges:		
fair value movement taken to equity	(0.8)	2.4
transfer to Income Statement for the period	0.6	0.1
	(10.4)	3.5
Net income recognised directly within equity	(0.1)	32.8
Result for the financial period	0.4	24.2
<b>Total comprehensive income for the financial period</b>	<b>0.3</b>	<b>57.0</b>
<b>Attributable to:</b>		
Equity Shareholders	6.0	56.1
Non–controlling interests	(5.7)	0.9
<b>Total comprehensive income for the financial period</b>	<b>0.3</b>	<b>57.0</b>

## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION as at 26 March 2021

	Notes	March 2021 (Unaudited) £m	September 2020 (Audited) £m	March 2020 (unaudited)* £m
<b>ASSETS</b>				
<b>Non–current assets</b>				
Goodwill and intangible assets	9	475.6	478.5	480.9

Property, plant and equipment	9	310.1	313.2	333.3
Right-of-use assets	9	56.6	55.6	57.0
Investment property	9	5.9	6.1	5.8
Investment in associate		–	–	1.3
Retirement benefit assets	13	39.8	42.9	49.3
Derivative financial instruments	11	–	3.0	6.5
Deferred tax assets		44.6	46.1	32.5
Trade and other receivables		0.5	–	–
<b>Total non-current assets</b>		<b>933.1</b>	945.4	966.6
<b>Current assets</b>				
Inventories		49.3	44.7	48.0
Trade and other receivables		153.9	157.7	171.3
Cash and cash equivalents		48.4	267.0	272.6
Derivative financial instruments	11	–	0.6	–
Current tax receivable		–	0.5	0.5
Assets held for sale		–	11.2	–
<b>Total current assets</b>		<b>251.6</b>	481.7	492.4
<b>Total assets</b>		<b>1,184.7</b>	1,427.1	1,459.0
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		5.3	4.5	4.5
Share premium		89.6	0.4	0.4
Reserves		275.6	271.6	331.7
		370.5	276.5	336.6
Non-controlling interests		–	5.7	4.9
<b>Total equity</b>		<b>370.5</b>	282.2	341.5
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	11	240.7	397.5	345.6
Lease liabilities		45.6	46.6	49.0
Other payables		3.7	3.7	3.7
Derivative financial instruments	11	3.1	2.5	2.8
Provisions	12	6.0	5.4	5.1
Retirement benefit obligations	13	111.7	125.0	101.6
Deferred tax liabilities		10.8	11.5	6.4
<b>Total non-current liabilities</b>		<b>421.6</b>	592.2	514.2
<b>Current liabilities</b>				
Borrowings	11	79.0	220.0	238.1
Trade and other payables		282.2	302.0	335.5
Lease liabilities		15.2	14.1	14.3
Derivative financial instruments	11	4.2	–	0.2
Provisions	12	2.2	4.5	3.7
Current tax payable		9.8	10.4	11.5
Liabilities held for sale		–	1.7	–
<b>Total current liabilities</b>		<b>392.6</b>	552.7	603.3
<b>Total liabilities</b>		<b>814.2</b>	1,144.9	1,117.5
<b>Total equity and liabilities</b>		<b>1,184.7</b>	1,427.1	1,459.0

\* The reported comparatives for March 2020 have been restated to reflect a change in the presentation of cash at bank and bank overdrafts as set out in Note 1

## CONDENSED GROUP STATEMENT OF CASH FLOWS

### for the half year ended 26 March 2021

	Notes	Half year ended 26 March 2021 (Unaudited) £m	Half year ended 27 March 2020 (Unaudited) £m
Loss/(profit) before taxation		(1.8)	27.3
Finance income		(0.4)	(0.5)

Finance costs		10.1	9.2
Share of profit of associates after tax		–	(0.4)
Exceptional items		(9.7)	–
<b>Operating (loss)/profit (pre-exceptional)</b>		<b>(1.8)</b>	<b>35.6</b>
Depreciation		24.8	22.9
Amortisation of intangible assets		3.5	5.3
Employee share-based payment expense		1.0	0.9
Contributions to Group legacy defined benefit pension schemes		(3.0)	(7.8)
Working capital movement		(21.1)	(21.8)
Other movements		0.4	–
<b>Net cash inflow from operating activities before exceptional items</b>		<b>3.8</b>	<b>35.1</b>
Cash outflow related to operating activities exceptional items		(2.4)	(2.6)
Interest paid (including lease liability interest)		(9.2)	(7.5)
Tax paid		–	(4.2)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(7.8)</b>	<b>20.8</b>
<b>Cash flow from investing activities</b>			
Dividends received from associates		–	0.3
Purchase of property, plant and equipment		(15.0)	(19.3)
Purchase of intangible assets		(1.5)	(1.8)
Disposal of undertakings	14	16.3	–
<b>Net cash outflow from investing activities</b>		<b>(0.2)</b>	<b>(20.8)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares		87.1	0.3
(Repayment)/drawdown of bank borrowings		(100.9)	16.8
Repayment of lease liabilities		(7.9)	(4.9)
Dividends paid to equity holders of the Company		–	(16.7)
Dividends paid to non-controlling interests		–	(2.4)
<b>Net cash outflow from financing activities</b>		<b>(21.7)</b>	<b>(6.9)</b>
<b>Net decrease in cash and cash equivalents and bank overdrafts</b>		<b>(29.7)</b>	<b>(6.9)</b>
<b>Reconciliation of opening to closing cash and cash equivalents and bank overdrafts</b>			
Cash and cash equivalents and bank overdrafts at beginning of period	10	47.0	41.6
Translation adjustment		(0.3)	(0.2)
Decrease in cash and cash equivalents and bank overdrafts		(29.7)	(6.9)
<b>Cash and cash equivalents and bank overdrafts at end of period</b>	10	<b>17.0</b>	<b>34.5</b>

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the half year ended 26 March 2021

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
<b>At 25 September 2020</b>	<b>4.5</b>	<b>0.4</b>	<b>123.9</b>	<b>147.7</b>	<b>276.5</b>	<b>5.7</b>	<b>282.2</b>
<b>Items of income and expense taken directly to equity</b>							
Currency translation adjustment	–	–	(3.2)	–	(3.2)	(0.2)	(3.4)
Translation reserve transferred to Income Statement on disposal of subsidiary	–	–	(1.0)	–	(1.0)	–	(1.0)
Non-controlling interest transferred to Income Statement on disposal of subsidiary	–	–	–	–	–	(5.8)	(5.8)
Cashflow hedge fair value movement taken to equity	–	–	(0.8)	–	(0.8)	–	(0.8)
Cashflow hedge transferred to Income Statement	–	–	0.6	–	0.6	–	0.6
Actuarial gain on Group legacy defined benefit pension schemes	–	–	–	12.6	12.6	–	12.6
Deferred tax on Group legacy defined benefit pension schemes	–	–	–	(2.3)	(2.3)	–	(2.3)
Profit for the financial period	–	–	–	0.1	0.1	0.3	0.4

<b>Total comprehensive income for the financial period</b>	–	–	(4.4)	10.4	6.0	(5.7)	0.3
Employee share-based payment expense	–	–	1.0	–	1.0	–	1.0
Exercise, lapse or forfeit of share-based payments	–	–	(2.1)	2.1	–	–	–
Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust	–	–	1.1	(1.1)	–	–	–
Shares issued in the period	0.8	89.2	–	–	90.0	–	90.0
Transaction costs of share issue	–	–	–	(3.0)	(3.0)	–	(3.0)
<b>At 26 March 2021</b>	<b>5.3</b>	<b>89.6</b>	<b>119.5</b>	<b>156.1</b>	<b>370.5</b>	<b>–</b>	<b>370.5</b>

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
<b>At 27 September 2019</b>	4.5	0.1	116.8	178.0	299.4	6.4	305.8
IFRS 16 <i>Leases</i> transition adjustment	–	–	–	(3.4)	(3.4)	–	(3.4)
<b>At 28 September 2019</b>	4.5	0.1	116.8	174.6	296.0	6.4	302.4
<b>Items of income and expense taken directly to equity</b>							
Currency translation adjustment	–	–	1.0	–	1.0	–	1.0
Cashflow hedge fair value movement taken to equity	–	–	2.4	–	2.4	–	2.4
Cashflow hedge transferred to Income Statement	–	–	0.1	–	0.1	–	0.1
Actuarial gain on Group legacy defined benefit pension schemes	–	–	–	32.0	32.0	–	32.0
Deferred tax on Group legacy defined benefit pension schemes	–	–	–	(2.7)	(2.7)	–	(2.7)
Profit for the financial period	–	–	–	23.3	23.3	0.9	24.2
<b>Total comprehensive income for the financial period</b>	–	–	3.5	52.6	56.1	0.9	57.0
Employee share-based payment expense	–	–	0.9	–	0.9	–	0.9
Exercise, lapse or forfeit of share-based payments	–	0.3	(2.6)	2.6	0.3	–	0.3
Shares acquired by Employee Benefit Trust	–	–	(0.1)	0.1	–	–	–
Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust	–	–	5.0	(5.0)	–	–	–
Dividends	–	–	–	(16.7)	(16.7)	(2.4)	(19.1)
<b>At 27 March 2020</b>	4.5	0.4	123.5	208.2	336.6	4.9	341.5

## OTHER RESERVES

	Share options £m	Own shares £m	Undenominated capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
<b>At 25 September 2020</b>	3.9	(2.9)	120.4	0.5	2.0	123.9
<b>Items of income and expense taken directly to equity</b>						
Currency translation adjustment	–	–	–	–	(3.2)	(3.2)
Translation reserve transferred to Income Statement on disposal of subsidiary	–	–	–	–	(1.0)	(1.0)
Cash flow hedge fair value movement taken to equity	–	–	–	(0.8)	–	(0.8)
Cash flow hedge transferred to Income Statement	–	–	–	0.6	–	0.6
<b>Total comprehensive income for the financial period</b>	–	–	–	(0.2)	(4.2)	(4.4)
Employee share-based payment expense	1.0	–	–	–	–	1.0
Exercise, lapse or forfeit of share-based payments	(2.1)	–	–	–	–	(2.1)
Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust	–	1.1	–	–	–	1.1
<b>At 26 March 2021</b>	<b>2.8</b>	<b>(1.8)</b>	<b>120.4</b>	<b>0.3</b>	<b>(2.2)</b>	<b>119.5</b>

Share options	Own shares	Undenominated capital reserve	Hedging reserve	Foreign currency translation reserve	Total
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	£m	£m	£m	£m	£m	£m
<b>At 27 September 2019</b>	<b>4.8</b>	<b>(8.2)</b>	<b>120.4</b>	<b>(1.0)</b>	<b>0.8</b>	<b>116.8</b>
<b>Items of income and expense taken directly to equity</b>						
Currency translation adjustment	–	–	–	–	1.0	1.0
Cash flow hedge fair value movement taken to equity	–	–	–	2.4	–	2.4
Cash flow hedge transferred to Income Statement	–	–	–	0.1	–	0.1
<b>Total comprehensive income for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.5</b>	<b>1.0</b>	<b>3.5</b>
Employee share-based payment expense	0.9	–	–	–	–	0.9
Exercise, lapse or forfeit of share-based payments	(2.6)	–	–	–	–	(2.6)
Shares acquired by Employee Benefit Trust	–	(0.1)	–	–	–	(0.1)
Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust	–	5.0	–	–	–	5.0
<b>At 27 March 2020</b>	<b>3.1</b>	<b>(3.3)</b>	<b>120.4</b>	<b>1.5</b>	<b>1.8</b>	<b>123.5</b>

## NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

### 1. Basis of preparation

The Condensed Group Financial Statements of Greencore Group Plc (the 'Group'), which are presented in sterling and expressed in millions, unless otherwise indicated, have been prepared as at, and for the 26 week period ended, 26 March 2021, and have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('FCA') and IAS 34 *Interim Financial Reporting* as adopted by the European Union.

These Condensed Group Financial Statements do not comprise statutory accounts within the meaning of Section 340 of the Companies Act 2014. The condensed Group financial information for the year ended 25 September 2020 represents an abbreviated version of the Group Financial Statements for that year. Those financial statements, upon which the auditor issued an unqualified audit report and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, have been filed with the Registrar of Companies.

#### Comparative period presentation

For the period ended 27 March 2020, the Group has re-presented certain income statement items on a basis consistent with the current year. The change impacted the presentation of finance income and finance expense and the presentation of exceptional items between cost of sales and operating costs. There was no impact to previously reported profit.

For the year ended 25 September 2020, the Group amended the presentation of cash at bank and in hand and bank overdrafts for the Group's cash pooling arrangement. While the Group has the legal right to offset under the arrangement, it was determined that a more appropriate presentation of cash at bank and in hand and bank overdrafts is on a gross basis in line with the requirements of IAS 32 *Financial Instruments: Presentation* and therefore prior period comparatives have been restated accordingly. The impact of this change is to increase both cash at bank and in hand and bank overdrafts within borrowings as at 27 March 2020 by £238.1m in the Condensed Group Statement of Financial Position. There is no impact on net assets.

#### Going concern

The Directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue operating as a going concern for the foreseeable future.

The Group's performance continued to be materially impacted by the mobility restrictions imposed by the UK Government due to COVID-19 in H1 FY21, as the Group managed through volatile demand patterns arising from lockdowns and changing mobility restrictions in place for almost all of the first half. The impact of this was most evident on consumer demand patterns in the Group's food to go categories.

As the UK began to ease mobility restrictions in March 2021, consumer demand in food to go categories has responded positively. In the first seven weeks of H2 FY21, demand in the Group's food to go categories was 14 % below the comparative period in FY19. Despite this recent positive trajectory in revenue, the Group continues to expect ongoing uncertainty regarding the duration and impact of COVID-19 on the Group's trading environment.

Accordingly, the Directors have considered a number of scenarios for the next 18 months. These scenarios consider the estimated potential impact of COVID-19 on the business as the pandemic eases and mobility restrictions are removed. Based on current levels of trading, the impact on revenue, profit and cashflows are modelled, including the consequential impact on working capital. These scenarios assume costs and cashflow mitigating actions, including utilisation of the Coronavirus Job Retention Scheme and disciplined management of business expenditure. The Group has assumed that no significant structural changes to the business will be needed in any of the scenarios modelled.

The Group's scenarios assume:

- A base case projection, which assumes a continuation of the current volume trajectory through H2 FY21, with volumes in food to go categories expected to approach FY19 levels by the end of FY21.
- A downside scenario is also applied to the base case, which assumes a slower recovery of food to go categories reflecting extended mobility restrictions. In this scenario current volumes continue for H2 FY21 with no further recovery in food to go categories, gradually recovering thereafter but not reaching FY19 levels until the second half of FY22.
- A severe downside scenario is also applied to the downside. In this scenario, volumes are assumed to be at a lower rate in H2 FY21, in addition to a two month lockdown assumed in the winter of FY22, resulting in food to go categories volumes not reaching FY19 levels until the end of FY22.

The Group retains financial strength and flexibility at reporting date, with cash and undrawn committed bank facilities of £302.0m at 26 March 2021 (September 2020: £232.0m). The Directors have taken steps to ensure adequate liquidity is available to the Group in light of the uncertainty surrounding the ongoing impact of COVID-19.

In November 2020, the Group completed an equity placing of 80,357,142 new ordinary shares at 112 pence per share, to raise net proceeds of £87.1m. The Group also extended the maturity of its £75m committed bank facility by two years to March 2023 and refinanced its £50m bilateral loan for a new three-year term maturing in January 2024.

As previously announced, the Group has secured agreement with its bank lending syndicate and its Private Placement Note holders amending covenant conditions. The key features of the amendments include:

- EBITDA: Interest covenant condition for March 2021 test period is 2.0x;
- Net Debt: EBITDA covenant test at June 2021 is 5.0x;
- Minimum liquidity requirement on cash and undrawn facilities is £70m for FY21;
- Maximum net debt requirement of £550m to May 2021 and £500m to September 2021;
- Agreement not to proceed with dividends for the duration of the waiver period; and
- Restricted acquisitions with an aggregate consideration of £25m for the duration of the waiver period.

Based on these scenarios and the resources available to the Group, the Directors believe the Group has sufficient liquidity to manage through a range of different cashflow scenarios over the next 18 months. Accordingly, the Directors adopt the going concern basis in preparing the Condensed Group Financial Statements.

### **Accounting Policies**

The accounting policies and methods of computation adopted in the preparation of the Condensed Group Financial Statements are consistent with those applied in the Annual Report for the financial year ended 25 September 2020 and are as set out in those financial statements.

### **Critical Accounting Estimates and Judgements**

The preparation of the Condensed Group Financial Statements requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based or as a result of new information or more experience. Such changes are reflected in the period in which the estimate was revised.

In preparing the Condensed Group Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the 52 weeks ended 25 September 2020.

### **COVID-19 impact**

COVID-19 continues to impact the Group, with the UK Government enforcing local and nationwide lockdowns and restrictions on movement throughout the interim reporting period. The results for the period have been significantly impacted by these measures, particularly impacting volumes in food to go categories. The Group continued to incur costs in relation to ensuring safe working and social distancing in its manufacturing facilities. The Group also availed of the Government funded furlough scheme and incurred incremental costs related to furloughed colleagues in the period.

The UK Government has established a clear roadmap out of lockdown with the first phase commencing on 8 March 2021. Since 17 May 2021 there has been a further easing of limits on social gatherings and most businesses in all but the highest risk sectors have been permitted to reopen in some form. The Group has considered the impact of these changes with respect to all judgements and estimates it makes in the application of the Group's accounting policies at the reporting date and the impact has been factored into the Group's financial statements at 26 March 2021.

The Group has carried out impairment testing of assets including goodwill at the reporting date and no impairment was identified.

## **2. Segment Information**

Convenience Foods UK & Ireland is the Group's operating segment, which represents its reporting segment. This reflects the Group's organisational structure and the nature of the financial information reported to and assessed by the Chief Operating Decision Maker ('CODM') as defined by IFRS 8 *Operating Segments*. The CODM has been identified as the Group's Chief Executive Officer. The segment incorporates many UK convenience food categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles and frozen Yorkshire Puddings as well as the Irish ingredients trading business.

	<b>Convenience Foods UK &amp; Ireland</b>	
	<b>Half year 2021</b>	<b>Half year 2020</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	<b>577.1</b>	<b>712.7</b>
<b>Group operating profit before acquisition related amortisation and exceptional items</b>	<b>0.2</b>	<b>38.3</b>
Amortisation of acquisition related intangible assets	(2.0)	(2.7)
<b>Group operating (loss)/profit (pre-exceptional)</b>	<b>(1.8)</b>	<b>35.6</b>
Finance income	0.4	0.5
Finance costs	(10.1)	(9.2)
Share of profit of associates after tax	–	0.4
Exceptional items	9.7	–
Taxation	2.2	(3.1)
<b>Result for the period</b>	<b>0.4</b>	<b>24.2</b>

The following table disaggregates revenue by product categories in the Convenience Foods UK and Ireland reporting segment.

	<b>Half year 2021</b>	<b>Half year 2020</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue</b>		
Food to go categories	339.2	455.8
Other convenience categories	237.9	256.9
<b>Total revenue for Convenience Foods UK &amp; Ireland</b>	<b>577.1</b>	<b>712.7</b>

Food to go categories include sandwiches, salads, sushi and chilled snacking while the other convenience categories include chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings as well as the Irish ingredients trading business.

### 3. Seasonality

The Group's convenience foods sales portfolio has historically been second half weighted. This historical weighting has been primarily driven by weather and seasonal buying patterns. Over the first half of FY21, the extensive restrictions on mobility implemented by the UK Government including two nationwide lockdowns have had a pronounced impact on volumes particularly in food to go categories. The UK Government has established a clear roadmap out of lockdown with the first phase commencing on 8 March 2021 and second half volumes are expected to benefit as the restrictions on movement ease.

### 4. Exceptional Items

		<b>Half Year 2021</b>	<b>Half Year 2020</b>
		<b>£m</b>	<b>£m</b>
Profit on disposal of Molasses trading businesses	(a)	11.3	–
Defined benefit pension schemes restructuring	(b)	(2.6)	–
Legacy businesses provisions	(c)	1.0	2.2
Impact of COVID-19 pandemic	(d)	–	(1.7)
Integration costs	(e)	–	(0.5)
		9.7	–
Tax credit on exceptional items		0.2	0.4
<b>Total exceptional items</b>		<b>9.9</b>	<b>0.4</b>

#### (a) Profit on disposal of Molasses trading businesses

On 2<sup>nd</sup> December 2020, the Group completed the disposal of its interest in the Molasses trading businesses recognising a profit on disposal of £7.3m for Premier Molasses Company Limited within operating profit, and £4.0m for United Molasses (Ireland) Limited, which has been recognised within profit on disposal of associates. Details of the disposal are set out at Note 14.



**(b) Defined benefit pension schemes restructuring**

During the period, the Group reached agreement with the Trustees of its three Irish legacy defined benefit pension schemes to wind up the two smaller schemes and transfer deferred beneficiaries to the larger scheme. The execution of the agreement triggered a settlement in the period, as deferred beneficiaries can either transfer out of the scheme or avail of a cash transfer value which would settle and extinguish all further obligations of the scheme to those members. At 26 March 2021, the wind up process had not yet been completed and therefore the Group has estimated a settlement charge of £1.4m based on the expected number of members that will transfer out of the scheme. The Group also incurred £1.2m of costs associated with the restructure. Details of the restructure are set out at Note 13.

**(c) Legacy businesses provisions**

In the current period, the Group recognised a net credit of £1.0m relating to legacy provisions on discontinued operations. This related to a legacy US legal case which settled in the period resulting in a provision release. In addition the Group recognised charges for legacy legal matters and remediation costs relating to non-core properties.

In the prior period, the Group recognised a credit of £2.2m on the settlement of a legacy US legal case.

**(d) Impact of COVID-19 pandemic**

In the prior period, the Group recognised a charge of £1.7m relating to inventory impairment and costs relating to the COVID-19 pandemic following the introduction by the UK Government of a nationwide lockdown in March 2020.

**(e) Integration costs**

In the prior period, the Group recognised a charge of £0.5m, comprising integration costs in relation to the acquisition of Freshtime UK Limited in September 2019.

**Cash Flow on Exceptional Items**

The total net cash outflow during the period in respect of operating activities exceptional items was £2.4m (H1 FY20: £2.6m), of which £2.1m was in respect of prior year exceptional charges. The net proceeds from the disposal of the Molasses trading businesses of £16.3m have been recognised separately on the Group Condensed Statement of Cash Flows within investing activities.

**5. Finance income and finance costs**

	Half year 2021 £m	Half year 2020 £m
<b>Finance income</b>		
Interest on bank deposits	–	0.1
Change in fair value of derivatives and related debt adjustments	–	0.4
Foreign exchange on inter-company and external balances where hedge accounting is not applied	0.4	–
<b>Total finance income recognised in the Income Statement</b>	<b>0.4</b>	<b>0.5</b>
<b>Finance costs</b>		
Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs	(7.4)	(7.3)
Net pension financing charge	(0.9)	(1.0)
Change in fair value of derivatives and related debt adjustments	(1.1)	–
Foreign exchange on inter-company and external balances where hedge accounting is not applied	–	(0.4)
Interest on lease obligations	(0.7)	(0.5)
<b>Total finance expense recognised in the Income Statement</b>	<b>(10.1)</b>	<b>(9.2)</b>

**6. Taxation**

Interim period tax is accrued using the tax rate that is estimated to be applicable to expected total annual earnings in the financial year based on tax rates that were enacted or substantively enacted for the period ended 26 March 2021.

In March 2021, the UK Government announced a change to the corporation tax rate which is set to increase to 25% from 1 April 2023 however as this is not substantively enacted by 26 March 2021, this has had no impact on the half year charge. The tax rate applicable for the period ended 26 March 2021 is 18%.

**7. Dividends Paid and Proposed**

The Group will not be proceeding with a final FY20 dividend or an interim FY21 dividend payment as announced in FY20.

## 8. Earnings per Ordinary Share

The Group raised £90.0m by way of an equity placing completed on 26 November 2020. The Group issued 80,357,142 Ordinary Shares in the Company on the London Stock Exchange, at a placing price of 112 pence per Ordinary Share. The effect of this on the half year weighted average number of ordinary shares was an increase of 53,132,318 shares. The total number of Ordinary Shares in issue as at 26 March 2021 was 526,537,891.

### Numerator for earnings per share calculations

	Half year 2021 £m	Half year 2020 £m
<b>Profit attributable to equity holders of the Company</b>	<b>0.1</b>	23.3

### Denominator for earnings per share calculations

	Half year 2021 '000	Half year 2020 '000
Shares in issue at the beginning of the period	446,157	446,007
Effect of shares held by Employee Benefit Trust	(1,243)	(2,779)
Effect of shares issued in equity raising in the period	53,132	–
Effect of shares issued in the period	2	76
<b>Weighted average number of Ordinary Shares in issue during the period</b>	<b>498,048</b>	443,304
Dilutive effect of share schemes	152	1,752
<b>Weighted average number of Ordinary Shares for diluted earnings per share</b>	<b>498,200</b>	445,056

A total of 19,394,264 ( 2020: 6,022,833) unvested shares were excluded from the diluted earnings per share calculation as they were either antidilutive or contingently issuable Ordinary Shares which had not satisfied the performance conditions attaching at 26 March 2021.

### Earnings per Share Calculations

	Half year 2021 pence	Half year 2020 pence
<b>Basic earnings per Ordinary Share</b>	<b>0.0</b>	5.3
<b>Diluted earnings per Ordinary Share</b>	<b>0.0</b>	5.2

## 9. Intangible Assets, Property, Plant and Equipment, Right-of-use assets, Investment Property, Capital Expenditure and Commitments

During the six-month period to 26 March 2021, the operations of the Group made £15.8m of additions to property, plant and equipment and intangible assets through ongoing capital expenditure. A total depreciation and amortisation charge of £21.1m was recognised, £0.1m of assets were disposed of, £0.4m of assets were impaired and an FX loss of £0.4m was incurred, including £0.2m FX loss on investment property. In addition, the Group made £8.8m of additions to right-of-use assets and £0.6m of assets were disposed of. A depreciation charge of £7.2m was recognised on right-of-use assets in the period.

During the prior six-month period to 27 March 2020, the Group made £21.1m of additions to property, plant and equipment, investment property and intangible assets through ongoing capital expenditure. A total depreciation and amortisation charge of £22.2m was recognised, £0.2m of assets were disposed of and an FX gain of £0.1m was incurred. In addition, the Group made £13.1m of additions to right-of-use assets and £0.1m of assets were disposed of. A depreciation charge for right-of-use assets of £6.0m was recognised in the period.

At 26 March 2021, the Group had capital expenditure commitments that had been contracted but not yet provided for amounting to £13.8m (H1 20: £10.0m).

## 10. Cash and cash equivalents and bank overdrafts

March 2021	September 2020	March 2020
---------------	-------------------	---------------

	£m	£m	(restated) £m
<b>Cash at bank and in hand</b>	<b>48.4</b>	267.0	272.6

As disclosed in Note 1, the Group's cash and cash equivalents have been re-presented and comparative information for the period ended 27 March 2020 has increased cash at bank and in hand from £34.5m to £272.6m and bank overdraft from £nil to £238.1m. This has no impact on the Group's net assets.

For the purposes of the Condensed Group Cash Flow Statement, cash and cash equivalents and bank overdrafts are presented net as follows:

	<b>March 2021 £m</b>	September 2020 £m	March 2020 (restated) £m
Cash at bank and in hand	<b>48.4</b>	267.0	272.6
Bank overdraft (Note 11)	<b>(31.4)</b>	(220.0)	(238.1)
<b>Total cash and cash equivalents and bank overdrafts</b>	<b>17.0</b>	47.0	34.5

#### 11. Borrowings and Derivatives

	<b>March 2021 £m</b>	September 2020 £m	March 2020 (restated) £m
<b>Current</b>			
Bank overdrafts	<b>(31.4)</b>	(220.0)	(238.1)
Private placement notes	<b>(47.6)</b>	–	–
<b>Total current borrowings</b>	<b>(79.0)</b>	(220.0)	(238.1)
<b>Non-current</b>			
Bank borrowings	<b>(181.7)</b>	(283.5)	(230.7)
Private placement notes	<b>(59.0)</b>	(114.0)	(114.9)
<b>Total non-current borrowings</b>	<b>(240.7)</b>	(397.5)	(345.6)
<b>Total borrowings</b>	<b>(319.7)</b>	(617.5)	(583.7)

The maturity profile of the Group's borrowings is as follows:

	<b>March 2021 £m</b>	September 2020 £m	March 2020 (restated) £m
<b>Borrowings</b>			
Less than one year	<b>(47.6)</b>	–	–
Between one and two years	–	(101.7)	(102.1)
Between two and five years	<b>(226.1)</b>	(280.2)	(212.1)
Over five years	<b>(14.6)</b>	(15.6)	(31.4)
<b>Total borrowings</b>	<b>(288.3)</b>	(397.5)	(345.6)
<b>Bank overdrafts</b>			
Less than one year	<b>(31.4)</b>	(220.0)	(238.1)
<b>Total bank overdrafts</b>	<b>(31.4)</b>	(220.0)	(238.1)
<b>Total borrowings and bank overdrafts</b>	<b>(319.7)</b>	(617.5)	(583.7)

#### Bank overdrafts

As disclosed in Note 1, the Group's bank overdrafts for the period ended 27 March 2020 have been re-presented to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative information for the period ended 27 March 2020 has increased from £nil to £238.1m. This has no impact on the Group's net assets.

Uncommitted facilities undrawn at 26 March 2021 amounted to £6.4m (September 2020: £7.0m).

#### Bank Borrowings

The Group's bank borrowings net of finance fees comprised of £181.7m at 26 March 2021 (September 2020: £283.5m) with maturities ranging from March 2023 to January 2025, the earliest of which is the Group's £75m revolving credit facility which matures in March 2023. The Group had £285m (September 2020: £185m) of undrawn committed bank facilities in respect of which all conditions

precedent had been met.

In November 2020, the Group announced the extension of the maturity of its £75m committed bank facility by two years to March 2023 and refinanced its £50m bank bilateral facility for a new three year term ending in January 2024.

#### Private Placement Notes

The Group's outstanding Private Placement Notes net of finance fees comprised of £106.6m (denominated as \$120.9m and £18m) at 26 March 2021 (September 2020: £114.0m, denominated as \$120.9m and £18m). These were issued as fixed rate debt in October 2013 (\$65m) and June 2016 (\$74.5m and £18m) with maturities ranging between October 2021 and June 2026.

The Group has swapped the \$120.9m Private Placement Notes from fixed rate US Dollar to fixed rate sterling using cross-currency interest rate swaps. The fixed rate US dollar to fixed rate sterling swaps are designated as cash flow hedges.

#### Revisions to financing agreements

In November 2020, the Group secured further amendments with its bank lending syndicate and its Private Placement Note holders to its covenant conditions. The key features of the amendments include:

- EBITDA: Interest covenant condition for March 2021 test period is 2.0;
- Net Debt: EBITDA covenant test at June 2021 is 5.0x;
- Minimum liquidity requirement on cash and undrawn facilities is £70m for FY21;
- Maximum net debt requirement of £550m to May 2021 and £500m to September 2021;
- Agreement not to proceed with dividends for the duration of the waiver period; and
- Restriction on acquisitions with an aggregate consideration of £25m for the duration of the waiver period.

In the prior financial year, the Group recognised a debt modification charge of £5.9m in line with the Group's accounting policy as a result of covenant waivers secured during the period. The charge reflected the incremental costs that will be incurred by the Group in future periods as a result of the covenant waivers. The covenant waivers secured in November 2020 were assessed in line with debt modification requirements under IFRS 9 *Financial Instruments* and no further charges were required to be recognised as a result of these amendments.

#### Fair Value of financial instruments at amortised cost

Except as set out below, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated interim financial statements approximate their fair values:

	March 2021		September 2020		March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
Bank borrowings*	(181.7)	(183.9)	(283.5)	(283.5)	(230.7)	(234.6)
Private Placement Notes	(106.6)	(111.2)	(114.0)	(114.0)	(114.9)	(118.4)

\*excludes bank overdrafts

#### Derivatives Fair value hierarchy – IFRS 13 (level 2 inputs)\*\*

	March 2021 Level 2* £m	September 2020 Level 2* £m	March 2020 Level 2* £m
<b>Assets carried at fair value</b>			
Cross-currency interest rate swaps – cash flow hedges	–	2.9	6.5
Forward foreign exchange contracts – not designated as hedges	–	0.7	–
	–	3.6	6.5
<b>Liabilities carried at fair value</b>			
Interest rate swaps – cash flow hedges	(1.5)	(2.5)	(2.8)
Cross-currency interest rate swaps – cash flow hedges	(5.4)	–	–
Forward foreign exchange contracts – not designated as hedges	(0.4)	–	(0.2)
	(7.3)	(2.5)	(3.0)

\*\* For definition of level 2 inputs please refer to the 2020 Annual Report.

## 12. Provisions

	Half year March 2021 £m
At beginning of period	9.9
Provided in period	1.6
Utilised in period	(1.5)
Released in period	(1.8)
<b>At end of period</b>	<b>8.2</b>

  

	March 2021 £m	September 2020 £m
<b>Analysed as:</b>		
Non-current liabilities	6.0	5.4
Current liabilities	2.2	4.5
	<b>8.2</b>	<b>9.9</b>

## 13. Retirement Benefit Obligations

The Group operates three legacy defined benefit pension schemes in the Republic of Ireland (the Irish schemes) and one legacy defined benefit pension scheme and one legacy defined benefit commitment in the UK (the UK schemes). These are all closed to future accrual and there is an assumption applied in the valuation of the schemes that there will be no discretionary increases in pension payments. The scheme assets are held in separate Trustee administered funds. The Group continues to seek ways to reduce its liabilities through various restructuring initiatives in co-operation with the respective schemes.

In consultation with the independent actuaries to the scheme, the valuation of pension obligations have been updated to reflect current market discount rates, rates of increase in salaries, pension payments and inflation, current market values of investments and actual investment returns.

The Group's retirement benefit obligations moved from a net liability of £82.1m at 25 September 2020 to a net liability of £71.9m at 26 March 2021. This movement was primarily driven by an actuarial gain on liabilities arising from an increase in the discount rates used to value these liabilities. The movement in the discount rate is driven by the corporate bond rate.

In October 2020, the Trustees of two of the smaller Irish schemes purchased an insurance policy to cover the scheme liabilities for pensioner members. The insurance policy is treated as a plan asset and the fair value of the policy is deemed to be the present value of the related obligations.

In January 2021, the Group and the Trustees of all three Irish schemes reached agreement to wind up the two smaller schemes and transfer deferred beneficiaries to the larger scheme. The execution of the agreement triggered a settlement in the period, as a number of deferred beneficiaries can accept transfer values in lieu of their pension benefit and transfer out of the scheme as a result of the wind up. At 26 March 2021, the wind up process has not yet completed and therefore the Group has estimated the settlement charge of £1.4m based on the expected number of members that will transfer out of the scheme. The Group has exercised judgement in estimating the charge, based on the likely acceptance rate having consideration for the level of funding and experience from comparable transfer value exercises.

In protecting the business and liquidity in response to the COVID-19 pandemic, the Group entered a formal agreement with the Trustees of the legacy defined benefit pension scheme in the UK to defer cash contributions to the pension for a further period of six months, which resulted in a reduction of cash contributions of £3.4m in H1 FY21, which results in a total of £8.7m of deferred cash contributions to reporting date.

An actuarial funding valuation of the UK legacy defined benefit scheme, with a valuation date of March 2020, is ongoing and expected to complete in the current financial year.

The principal actuarial assumptions are as follows:

	March 2021		September 2020	
	UK	Ireland	UK	Ireland
Rate of increase in pension payments *	2.85%	0.00%	2.85%	0.00%
Discount rate	2.00%	1.13%	1.70%	0.95%
Inflation rate	3.25%	1.50%	2.95%	1.50%

\* The pension increase rate shown above applies to the majority of the liability base. However there are certain categories within the Group that have an entitlement to pension indexation and this is allowed for in the calculation.

The financial position of the schemes was as follows:

	March 2021			September 2020		
	UK	Irish		UK	Irish	
	Schemes	Schemes	Total	Schemes	Schemes	Total
	£m	£m	£m	£m	£m	£m
Fair value of plan assets	235.2	239.8	475.0	232.8	270.0	502.8
Present value of scheme liabilities	(345.9)	(201.0)	(546.9)	(356.7)	(228.2)	(584.9)
(Deficit)/surplus in schemes	(110.7)	38.8	(71.9)	(123.9)	41.8	(82.1)
Deferred tax asset/(liability)	21.0	(4.8)	16.2	23.5	(5.2)	18.3
<b>Net (liability)/asset at end of the period</b>	<b>(89.7)</b>	<b>34.0</b>	<b>(55.7)</b>	<b>(100.4)</b>	<b>36.6</b>	<b>(63.8)</b>

**Presented as:**

Retirement benefit asset**	39.8	42.9
Retirement benefit obligation	(111.7)	(125.0)

\*\* The value of a net pension benefit asset is the value of any amount the Group reasonably expects to recover by way of a refund of a surplus from the remaining assets of a plan at the end of the plan's life.

**Sensitivity of pension liability to judgemental assumptions**

		Increase in Scheme Liabilities		
		UK	Irish	
Assumption	Change in assumption	Schemes	Schemes	Total
Discount rate	Decrease by 0.5%	31.8	12.8	44.6
Rate of inflation	Increase by 0.5%	24.3	4.6	28.9
Rate of mortality	Members assumed to live 1 year longer	11.2	8.2	19.4

**Sensitivity of pension scheme assets to yield movements**

		Increase in Scheme Assets		
		UK	Irish	
Assumption	Change in assumption	Schemes	Schemes	Total
Change in bond yields	Decrease by 0.5%	23.0	11.3	34.3

**14. Disposal of undertakings**

**Molasses trading businesses**

On 28 July 2020, the Group announced that it had entered into a conditional agreement to sell its interest in its molasses trading businesses to United Molasses Marketing (Ireland) Limited and United Molasses Marketing Limited which includes Premier Molasses Company Limited ('Premier Molasses') and United Molasses (Ireland) Limited ('UMI').

At 25 September 2020, the disposal met the recognition criteria to be classified as held for sale under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The businesses are not considered to be either separate major lines of business or geographical areas of operation and therefore do not constitute discontinued operations as defined in IFRS 5. Greencore's molasses trading businesses are included within the Convenience Foods UK and Ireland reporting segment.

On 25 November 2020, the Group received the final approval of the relevant anti-trust authorities and the transaction settled on 2 December 2020.

**Effect of disposal on the financial statements**

	Half Year 2021		
	Premier	UMI	Total
	Molasses		
	£m	£m	£m
Property, plant and equipment	(3.3)	–	(3.3)
Right-to-use assets	(0.7)	–	(0.7)
Investment in Associate	–	(1.5)	(1.5)
Inventories	(4.3)	–	(4.3)
Trade and other receivables	(3.7)	–	(3.7)
Cash and cash equivalents	(1.5)	–	(1.5)
Trade and other payables	0.8	–	0.8
Deferred tax liability	0.4	–	0.4
Lease liabilities	0.7	–	0.7

<b>Net assets and liabilities disposed of</b>	<b>(11.6)</b>	<b>(1.5)</b>	<b>(13.1)</b>
<b>Disposal consideration</b>			
Total consideration	10.8	4.7	15.5
Working capital settlement	1.9	0.8	2.7
<b>Total net consideration</b>	<b>12.7</b>	<b>5.5</b>	<b>18.2</b>
Disposal related costs	(0.6)	–	(0.6)
Translation reserve classification to Income Statement on disposal	1.0	–	1.0
Non-controlling interest classification to Income Statement on disposal	5.8	–	5.8
<b>Profit on disposal</b>	<b>7.3</b>	<b>4.0</b>	<b>11.3</b>

#### Reconciliation of consideration to cash received

	Half Year 2021		
	Premier Molasses	UMI	Total
	£m	£m	£m
Total consideration	10.8	4.7	15.5
Cash received in respect of working capital settlement	1.9	0.8	2.7
Transaction costs paid	(0.3)	(0.1)	(0.4)
<b>Net consideration received on completion</b>	<b>12.4</b>	<b>5.4</b>	<b>17.8</b>
Cash and cash equivalents disposed of	(1.5)	–	(1.5)
<b>Net cash inflow arising on disposal</b>	<b>10.9</b>	<b>5.4</b>	<b>16.3</b>

#### 15. Contingencies

The Company and certain subsidiaries have given guarantees in respect of borrowings and other obligations arising in the ordinary course of business of the Company and other Group undertakings. The Company and other Group undertakings consider these guarantees to be insurance contracts and account for them as such. The Company treats these guarantee contracts as contingent liabilities until such time as it becomes probable that a payment will be required under such guarantees.

The Group and certain of its subsidiaries continue to be subject to various legal proceedings relating to its current and former activities. Provisions for anticipated settlement costs and associated expenses arising from legal and other disputes are made where a reliable estimate can be made of the probable outcome of the proceedings.

The Group has provided bank guarantees to the Group's insurance providers for an amount of £5.8m (Sept 2020: £8.2m).

#### 16. Information

Copies of the Interim Financial Report are available for download from the Group's website at [www.greencore.com](http://www.greencore.com).

### APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole: Pro Forma Sales Growth, Adjusted EBITDA, Adjusted Operating Profit, Adjusted Operating Margin, Adjusted Profit before Tax ('PBT'), Adjusted Earnings, Adjusted Earnings per Share, Maintenance and Strategic Capital Expenditure, Free Cash Flow, Free Cash Flow Conversion, Net Debt, Net Debt excluding lease liabilities and Return on Invested Capital ('ROIC'). There have been no adjustments made to existing APMs being reported and no new APMs have been included in this report. Free Cashflow Conversion is measured and reported on an annual basis at year end. The APMs used provide a fair review of the development and performance of the business and of the position regarding the financial position, cash flows and financial performance.

#### PRO FORMA REVENUE GROWTH

The Group uses Pro Forma Revenue Growth as a supplemental measure of its performance. The Group believes that Pro Forma Revenue Growth provides a more accurate guide to underlying revenue performance.

Pro Forma Revenue Growth adjusts reported revenue to reflect the disposal of Premier Molasses Company Limited for the six-month period to 27 March 2020 and revenue in FY21 up to the date of disposal. It also presents the revenue on a constant currency basis.

	Half year 2021 Convenience Foods UK & Ireland %
Reported revenue	(19.0%)
Impact of disposals	0.5%
Impact of currency	(0.1%)
<b>Pro Forma Revenue Growth (%)</b>	<b>(18.6%)</b>

The table below shows the Pro Forma Revenue split by food to go categories and other convenience categories. This is in line with the disclosure requirements in IFRS 15 *Revenue from Contracts with Customers* requiring revenue to be disaggregated.

	Half year 2021	
	Food to go categories %	Other convenience categories %
Reported revenue	(25.6%)	(7.4%)
Impact of disposals	–	2.1%
Impact of currency	–	(0.3%)
<b>Pro Forma Revenue Growth (%)</b>	<b>(25.6%)</b>	<b>(5.6%)</b>

#### ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN

Adjusted EBITDA, Adjusted Operating Profit and Adjusted Operating Margin are used by the Group to measure the underlying and ongoing operating performance of each business and of the Group as a whole.

The Group calculates Adjusted Operating Profit as operating profit before acquisition related amortisation and exceptional charges. Adjusted EBITDA is calculated as Adjusted Operating Profit plus depreciation and amortisation of intangible assets. Adjusted Operating Margin is calculated as Adjusted Operating Profit divided by reported revenue.

The following table sets forth a reconciliation from the Group's profit for the financial year to Adjusted Operating Profit, Adjusted EBITDA and Adjusted Operating Margin:

	Half Year 2021 £m	Half Year 2020 £m
<b>Profit for the financial year</b>	<b>0.4</b>	24.2
Taxation <sup>(A)</sup>	(2.2)	3.1
Net finance costs <sup>(B)</sup>	9.7	8.7
Share of profit of associates after tax	–	(0.4)
Profit on disposal of associates (exceptional)	(4.0)	–
<b>Group operating (loss)/profit</b>	<b>3.9</b>	35.6
Exceptional items	(5.7)	–
Amortisation of acquisition related intangibles	2.0	2.7
<b>Adjusted Operating Profit</b>	<b>0.2</b>	38.3
Depreciation and amortisation <sup>(C)</sup>	26.3	25.5
<b>Adjusted EBITDA</b>	<b>26.5</b>	63.8
<b>Adjusted Operating Margin (%)</b>	<b>0.0%</b>	5.4%

(A) Includes tax credit on exceptional items of £0.2m (2020: £0.4m)

(B) Finance costs less finance income

(C) Excludes amortisation of acquisition related intangibles

#### ADJUSTED PROFIT BEFORE TAX ('PBT')

Adjusted PBT is used as a measure by the Group to measure overall performance before associated tax charge and exceptional items.



The Group calculates Adjusted PBT as profit before taxation, excluding tax on share of profit of associates and before exceptional items, pension finance items, amortisation of acquisition related intangibles, FX on inter-company and certain external balances and the movement on the fair value of all derivative financial instruments and related debt adjustments.

The following table sets out the calculation of Adjusted PBT:

	Half year 2021 £m	Half year 2020 £m
<b>(Loss)/profit before taxation</b>	<b>(1.8)</b>	27.3
Taxation on share of profit of associates	–	0.1
Exceptional items	<b>(9.7)</b>	–
Pension finance items	<b>0.9</b>	1.0
Amortisation of acquisition related intangibles	<b>2.0</b>	2.7
FX and fair value movements <sup>(A)</sup>	<b>0.7</b>	–
<b>Adjusted (Loss)/Profit Before Tax</b>	<b>(7.9)</b>	31.1

(A) FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments

#### ADJUSTED EARNINGS PER SHARE ('EPS')

The Group uses Adjusted Earnings and Adjusted EPS as key measures of the overall underlying performance of the Group and returns generated for each share.

Adjusted Earnings is calculated as Profit attributable to equity holders (as shown on the Group's Income Statement) adjusted to exclude exceptional items (net of tax), the effect of foreign exchange (FX) on inter-company and external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the interest expense relating to legacy defined benefit pension liabilities (net of tax). Adjusted EPS is calculated by dividing Adjusted Earnings by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares purchased by Greencore and held in trust in respect of the Annual Bonus Plan and the Performance Share Plan. Adjusted EPS described as an APM here is Adjusted Basic EPS.

The following table sets forth a reconciliation of the Group's Profit attributable to equity holders of the Company to its Adjusted Earnings for the financial years indicated.

	Half year 2021 £m	Half year 2020 £m
<b>Profit attributable to equity holders of the Company</b>	<b>0.1</b>	23.3
Exceptional items (net of tax)	<b>(9.9)</b>	(0.4)
FX effect on inter-company and external balances where hedge accounting is not applied	<b>(0.4)</b>	0.4
Movement in fair value of derivative financial instruments and related debt adjustments	<b>1.1</b>	(0.4)
Amortisation of acquisition related intangible assets (net of tax)	<b>1.6</b>	2.2
Pension financing (net of tax)	<b>0.7</b>	0.8
<b>Adjusted (Loss)/Earnings</b>	<b>(6.8)</b>	25.9

	Half year 2021 '000	Half year 2020 '000
<b>Weighted average number of ordinary shares in issue during the year</b>	<b>498,048</b>	443,304
	<b>Pence</b>	Pence
<b>Adjusted (Loss)/Earnings Per Share</b>	<b>(1.4)</b>	5.8

#### CAPITAL EXPENDITURE

##### MAINTENANCE CAPITAL EXPENDITURE

The Group defines Maintenance Capital Expenditure as the expenditure required for the purpose of sustaining the operating capacity and asset base of the Group, and to comply with applicable laws and regulations. It includes continuous improvement projects of less than £1m that will generate additional returns for the Group.

##### STRATEGIC CAPITAL EXPENDITURE

The Group defines Strategic Capital Expenditure as the expenditure required for the purpose of facilitating growth and developing and enhancing relationships with existing and new customers. It includes continuous improvement projects of greater than £1m that will generate additional returns for the Group. Strategic Capital Expenditure is generally expansionary expenditure creating additional capacity beyond what is necessary to maintain the Group's current competitive position and enables the Group to service new customers and/or contracts or to enter into new categories and/or new manufacturing competencies.

The following table sets forth the breakdown of the Group's purchase of property, plant and equipment and purchase of intangible assets between Strategic Capital Expenditure and Maintenance Capital Expenditure:

	Half year 2021 £m	Half year 2020 £m
Purchase of property, plant and equipment	15.0	19.3
Purchase of intangible assets	1.5	1.8
<b>Net cash outflow from capital expenditure</b>	<b>16.5</b>	<b>21.1</b>
Strategic Capital Expenditure	8.6	9.9
Maintenance Capital Expenditure	7.9	11.2
<b>Net cash outflow from capital expenditure</b>	<b>16.5</b>	<b>21.1</b>

## FREE CASH FLOW

The Group uses Free Cash Flow to measure the amount of underlying cash generation and the cash available for distribution and allocation.

The Group calculates the Free Cash Flow as the net cash inflow/outflow from operating and investing activities before Strategic Capital Expenditure, acquisition and disposal of undertakings and adjusting for lease payments and dividends paid to non-controlling interests.

The following table sets forth a reconciliation from the Group's net cash inflow from operating activities and net cash outflow from investing activities to Free Cash Flow:

	Half year 2021 £m	Half year 2020 £m
Net cash (outflow)/inflow from operating activities	(7.8)	20.8
Net cash outflow from investing activities	(0.2)	(20.8)
<b>Net cash outflow from operating and investing activities</b>	<b>(8.0)</b>	<b>–</b>
Strategic Capital Expenditure	8.6	9.9
Disposal of undertakings	(16.3)	–
Repayment of lease liabilities	(7.9)	(4.9)
Dividends paid to non-controlling interests	–	(2.4)
<b>Free Cash Flow</b>	<b>(23.6)</b>	<b>2.6</b>

## NET DEBT AND NET DEBT EXCLUDING LEASE LIABILITIES

Net Debt is used by the Group to measure overall cash generation of the Group and to identify cash available to reduce borrowings. Net Debt comprises current and non-current borrowings less net cash and cash equivalents.

Net Debt excluding Lease Liabilities is a measure used by the Group to measure Net Debt excluding the impact of IFRS 16 *Leases*. Net Debt excluding Lease Liabilities is used for the purpose of calculating leverage under the Group's financing agreements.

The following table sets out the calculation of Net Debt and Net Debt excluding lease liabilities:

	Half year 2021 £m	Half year 2020 £m
Cash and cash equivalents and bank overdrafts	17.0	34.5
Bank borrowings	(181.7)	(230.7)
Private Placement Notes	(106.6)	(114.9)
<b>Net debt excluding lease liabilities</b>	<b>(271.3)</b>	<b>(311.1)</b>
Lease Liabilities	(60.8)	(63.3)
<b>Net Debt</b>	<b>(332.1)</b>	<b>(374.4)</b>

## RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit, along with the measurements of potential new investments.

The Group uses invested capital as a basis for this calculation as it reflects the tangible and intangible assets the Group has added through its capital investment programme, the intangible assets the Group has added through acquisition, as well as the working capital requirements of the business. Invested Capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the carrying value of derivatives not designated as fair value hedges, it also excludes retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding together the invested capital from the opening and closing balance sheet and dividing by two.

The Group calculates ROIC as Net Adjusted Operating Profit After Tax ('NOPAT') divided by average Invested Capital for continuing operations. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement.

The following table sets forth the calculation of Net Operating Profit After Tax ('NOPAT') and invested capital used in the calculation of ROIC for the financial years.

	12 months to March 2021 £m	12 months to March 2020 £m
<b>Adjusted Operating (Loss)/Profit</b>	<b>(5.6)</b>	99.1
Share of profit of associates before tax	<b>0.3</b>	0.9
Taxation at the effective tax rate <sup>(A)</sup>	<b>0.7</b>	(14.2)
<b>Group NOPAT</b>	<b>(4.6)</b>	85.8

  

	Half year 2021 £m	Half year 2020 £m
<b>Invested Capital</b>		
Total assets	<b>1,184.7</b>	1,459.0
Total liabilities	<b>(814.2)</b>	(1,117.5)
Net Debt	<b>332.1</b>	374.4
Derivatives not designated as fair value hedges	<b>7.3</b>	(3.5)
Retirement benefit obligation (net of deferred tax asset)	<b>55.7</b>	39.2
<b>Invested Capital for the Group <sup>(B)</sup></b>	<b>765.6</b>	751.6
<b>Average Invested Capital for ROIC calculation for the Group</b>	<b>758.6</b>	695.9
<b>ROIC (%) for the Group</b>	<b>(0.6%)</b>	12.3%

(A) The effective tax rates for the financial period ended 26 March 2021 and 25 September 2020, were 18% and 13% respectively

(B) The invested capital for the Group in March 2019 was £640.1m

## APPENDIX: PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are reported annually within the Annual Report and Financial Statements and are summarised below. Continuing consideration of Brexit risks has been incorporated into the Group's principal risks as appropriate.

COVID-19 has had an unpredictable impact on all businesses and is still playing a big part in how our risks are managed. At the start of the pandemic in the early part of 2020 Greencore management performed a detailed assessment of the risks faced specifically in relation to COVID-19, and defined strategies for mitigating these risks and the specific actions for achieving these have been implemented and now form a part of normal operations.

Detailed below are the key principal risks with a summary by risk area.

### Strategic

**Competitor activity:** The Group operates in highly competitive markets. Significant product innovations, technical advances and/or the intensification of price competition by competitors, both direct manufacturing competitors and competitors of our customers, could adversely affect the Group's results.

*Growth and change:* The Group is pursuing a strategy of growth and expansion in the UK. Delivery of our stated strategy will necessitate organisational change and investment, major capital investments and exploiting corporate development opportunities. Major capital investments and corporate development opportunities are often high cost and may involve significant change including the addition of a material number of new employees. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, this risk increased primarily due to the impact of the COVID-19 pandemic delaying our plans for growth.

## **Commercial**

*Changes in consumer behaviour and demand:* In common with other food industry manufacturers, unforeseen changes in food consumption patterns or in weather patterns may impact the Group. In addition, demand for a number of the Group's products can be adversely affected by fluctuations in the economy. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, this risk has been heightened by the COVID-19 pandemic principally as a result of associated changes in working patterns which continues to impact consumer demand for some of our products.

*Key customer relationships and grocery industry structure:* The Group benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, tightening of commercial terms, or brand or reputational damage associated with such supply could result in a material impact on the Group's results. The Group is also exposed to poor performance and execution by the customers in the categories it supplies. Changes to the grocery industry structure may also adversely affect performance.

*Raw material and input cost inflation:* The Group's cost base and margin can be affected by fluctuating raw material and energy prices and changes in cost and price profile. The Group also relies on a concentrated number of key suppliers for certain materials. A loss or interruption of supply from a key supplier could cause short term disruption to the operational ability of the Group and adversely affect its results. The risk associated with the implementation of Brexit trade negotiations, as outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, no longer applies while the risk associated with the continuing impact of COVID-19 on supply continues to apply.

## **Operational**

*Food industry and environmental regulations:* As a producer of convenience food and ingredients, Greencore is subject to rigorous and constantly evolving laws and regulations, particularly in the areas of food safety and environmental protection. Failure to comply with such regulations may lead to serious financial, reputational and/or legal risk.

*Product contamination:* The Group produces a large volume of food annually and there are risks of product contamination through either accidental or deliberate means. This may lead to products being withdrawn or recalled, or causing harm to customers. As well as being a significant draw on resources, product contamination could result in a financial, reputational and/or legal impact on the Group.

*Disruption to day-to-day group operations:* The Group is at risk of disruption to its day-to-day operations from the breakdown of key manufacturing equipment or the loss of part or all of a significant facility. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, the risk associated with business disruption has been particularly heightened as a result of COVID-19 and in particular as it relates to ongoing social distancing requirements at our sites, potential colleague self-isolation and the likelihood of colleague absences

*IT systems and cyber risk:* The Group relies heavily on information technology and requires continuous investment in systems to support our business. In common with most large companies, the Group is susceptible to cyber security attacks with the threat to the confidentiality, integrity and availability of such systems. Losses caused by accidental or malicious actions, including those resulting from a cyber security attack, could have a significant impact on the Group. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, the COVID-19 pandemic has seen an increased risk in relation to cyber-attacks as a result of intensifying global cyber activity.

## **People**

*Health and safety:* In addition to the obvious human cost, a serious workplace injury or fatality could inevitably carry serious financial, reputational and/or legal risk. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, the risk has increased principally due to the continuing health impacts associated with the COVID-19 pandemic.

*Labour availability and cost:* Due to political and economic uncertainty and change, there is a risk that labour cost and availability may be affected and this could have a detrimental impact on the Group. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, the potential impact from reduced immigration and retention of existing EU colleagues following Brexit, along with the COVID-19 impact on our colleagues, has increased the risks associated with labour availability

*Recruitment and retention of key personnel:* The ongoing success of the Group is dependent on attracting and retaining high quality senior management who can effectively implement the Group's strategy. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, the risk has increased principally due to the uncertainties associated with EU employee movement rights associated with Brexit and the impact of COVID-19 related travel restrictions.

#### **Financial**

*Interest rates, foreign exchange rates, liquidity and credit:* There are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. In addition, the Group's credit rating and overall credit profile impacts its ability to obtain funding for future development and expansion. As outlined in the Risks and Risk Management section of the Annual Report and Financial Statements for FY20, the level of risk has increased principally due to global uncertainty associated with Brexit and the impact of COVID-19. There has been significant impact on the capital markets globally which may continue to impact various elements of our financial instruments.

*Employee retirement obligations:* The Group's defined benefit pension schemes are exposed to the risk of changes in interest rates and the market values of investments, as well as inflation and the increasing longevity of scheme members. Volatility in worldwide equity and bond markets can impact the risk of employee retirement obligations.