# INTERIM FINANCIAL REPORT
# For the half year ended 25 March 2022

**24 May 2022**

**Significant improvement in year on year profitability; full year guidance unchanged; intention to recommence value return of up to £50m over next two years**

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience food in the UK, today issues its results for the 26 weeks ended 25 March 2022.

## PERFORMANCE [1]

- Group Revenue up 33.6% to £770.8m, driven by strong growth in food to go and other convenience categories
- Pro forma revenue in food to go categories increased by 48.0% year on year and was approximately 8% above equivalent pre-COVID levels in H1 19
- Adjusted Operating Profit of £17.2m (H1 21: £0.2m), with Adjusted Operating Margin of 2.2% (H1 21: 0.0%)
- Adjusted EPS of 1.8p (H1 21: Adjusted Loss of 1.4p)
- Net Debt (excluding lease liabilities) of £219.3m at 25 March 2022, with 12-month free cashflow conversion of 71%. Net Debt: EBITDA of 2.1x as measured under financing agreements, in line with end FY21 levels, with substantial undrawn headroom on debt facilities
- Group ROIC of 6.3%, compared to 4.5% at the end of FY21 and (0.6)% at H1 21
- Intention to recommence value return of up to £50m over the next two years, initially in the form of a share buyback programme and consistent with the Group's capital management policy

## STRATEGIC DEVELOPMENTS [1]

- Continued to onboard new business wins effectively in H1 22, expanding its product ranges and channel reach, with revenue from these wins representing just over one-third of the Group's pro forma revenue growth in the period
- Strategic capital investment programme of approximately £30m to support the delivery of previously announced business wins has proceeded to plan and is expected to complete in Q4 22
- Better Greencore, the Group's profit improvement programme, was launched in H1
    - Its first phase is targeted to deliver annual recurring benefits of approximately £30m in FY24
    - The Group will invest a total of approximately £24m during FY22 and FY23 to unlock these improvements, some £8m of which was incurred as an exceptional cost in H1 22
    - Further phases of the Better Greencore programme are being developed that will deliver additional benefits to the Group
- Continued progress on sustainability agenda in H1, with an ongoing focus on developing the necessary data and systems framework to measure performance effectively. The Group also introduced a new share ownership scheme for all colleagues
- On 13 May 2022 the Group announced the appointment of Dalton Philips as Chief Executive Officer and Executive Director. He will join the Group and the Board on 26 September 2022

## OUTLOOK [1,2]

- The Group is encouraged by the momentum in revenue and profit conversion in the first seven weeks of H2, in what continues to be a challenging environment and as the Group enters its period of peak seasonal trading
- The Group has now substantially recovered the significant input cost and other inflation incurred during Q1 and early Q2 through explicit price recovery mechanisms, constructive dialogue with customers, and operational efficiencies. The Group is fully committed to recovery of the additional inflationary challenges that have materialised since March 2022, and is progressing well in this regard. Profit conversion is also underpinned by its Better Greencore programme
- Though the inflationary environment remains volatile, the Group expects to generate an FY22 outturn in line with current market expectations

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# For the half year ended 25 March 2022

## SUMMARY FINANCIAL PERFORMANCE [1]

| | H1 22 £m | H1 21 £m | Change |
|---|---|---|---|
| Group Revenue | 770.8 | 577.1 | +33.6% |
| Pro Forma Revenue Growth | | | +34.9% |
| Adjusted EBITDA | 43.8 | 26.5 | +65.3% |
| Group Operating Profit | 7.2 | 3.9 | +84.6% |
| Adjusted Operating Profit | 17.2 | 0.2 | +£17.0m |
| Adjusted Operating Margin | 2.2% | 0.0% | +220bps |
| Group Profit/(Loss) Before Tax | 1.0 | (1.8) | |
| Adjusted Profit/(Loss) Before Tax | 11.7 | (7.9) | |
| | | | |
| Basic EPS (pence) | 0.2 | 0.0 | |
| Group Exceptional Items (after tax) | (6.5) | 9.9 | |
| Adjusted EPS (pence) | 1.8 | (1.4) | +3.2p |
| Interim dividend per share (pence) | - | - | |
| | | | |
| Free Cash Flow | (17.8) | (23.6) | £5.8m |
| Net Debt | 272.3 | 332.1 | £59.8m |
| Net Debt (excluding lease liabilities) | 219.3 | 271.3 | £52.0m |
| Net Debt:EBITDA as per financing agreements | 2.1x | 7.2x | |
| Return on Invested Capital ("ROIC") | 6.3% | (0.6)% | |

**Commenting on the results, Gary Kennedy, Executive Chair, said:**

*"We are very pleased to have delivered H1 revenues that are back above pre-Covid levels, which is a great achievement against a backdrop of mobility restrictions, supply challenges and emerging inflation. There has been encouraging momentum in revenue and profit conversion in the first seven weeks of H2, and we are confident in our ability to navigate our way through the current well-publicised macro challenges as we enter our peak seasonal trading period. Our strong market positions, close customer relationships and intense focus on efficiencies mean that we look to the future with optimism, and we expect to deliver a full year out-turn in line with market expectations."*

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[1] 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.

[2] Consensus FY22 market expectations of mean Adjusted Operating Profit of £77.7m, mean Adjusted EPS of 9.5p, and mean Net Debt (excluding lease liabilities) of £204.2m, as compiled by Greencore from available analyst estimates on 18 May 2022 and as reported in the Investor Relations section of the Group website.

### Forward-looking statements

Certain statements made in this document are, or may be deemed to be, 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 based on information currently available to the Group. The forward-looking statements contained in this document include statements relating to the financial condition, results of operations, business, viability and future performance of the Group and certain of the Group's plans and objectives. These forward-looking statements include all statements that do not relate only to historical or current facts and may generally, but not always, be identified by the use of words such as 'will', 'aims', achieves', 'anticipates', 'continue', 'could', 'develop', 'should', 'expects', 'is expected to', 'may', maintain', 'grow', 'estimates', 'ensure', 'believes', 'intends', 'projects', 'sustain', 'targets', or the negative thereof, or similar future or conditional expressions, but their absence does not mean that a statement is not forward-looking.

By their nature, forward-looking statements are prospective and 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. Investors should read 'Principal Risks and Uncertainties' as set out in the Appendix to the Interim Financial Report and also the discussion of risk in the Group's Annual Report and Financial Statements for the year ended 24 September 2021 issued on 30 November 2021. There may be risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. None of the Company or any of its associates or Directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. 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, whether as a result of new information, future events or otherwise, other than as required by law.

### Conference Call

A webcast presentation of the results for analysts and institutional investors will take place at 8.00am on 24 May 2022. The presentation slides will be available on the Investor Relations section on www.greencore.com from 7.00am on 24 May 2022.

This presentation can also be accessed live from the Investor Relations section on www.greencore.com or alternatively via conference call. Registration and dial in details are available at www. greencore.com/investor-relations/

### For further information, please contact:


| | | |
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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 all of the major supermarkets in the UK. We also supply convenience and travel retail outlets, discounters, coffee shops, foodservice and other retailers. We have strong market positions in a range of categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

In FY21 we manufactured 645m sandwiches and other food to go products, 117m chilled prepared meals, and 256m bottles of cooking sauces, pickles and condiments. We carry out more than 10,500 direct to store deliveries each day. We have 21 world-class manufacturing units across 16 locations in the UK, with industry-leading technology and supply chain capabilities. We generated revenues of £1.3bn in FY21 and employ approximately 13,000 people. We are headquartered in Dublin, Ireland.

For further information go to greencore.com or follow Greencore on social media.

### OPERATING REVIEW [1]

#### Strategic developments

The Group progressed well against its strategic objectives in H1 22, underpinned by close customer engagement in what remained a very challenging trading environment for the food industry. The Group improved output and service levels across all operational areas during the period.

The onboarding of new business wins, across food to go and other convenience categories and customers, progressed to plan. This is supporting the diversification of the Group's product and channel footprint. Revenue from these wins represented just over one-third of the Group's pro forma revenue growth in the period.

As previously announced the Group is investing approximately £30m, across three existing Greencore manufacturing sites, to support the delivery of previously announced new business over the course of FY22. This investment programme is on track and is expected to complete in Q4 22.

The return to pre-COVID manufacturing volume levels has enabled the Group to revitalise its Excellence cost efficiency programmes. These programmes are executed across the business, most notably in its manufacturing, purchasing, engineering and commercial functions. They form a critical element of the Group's planned recovery in profit conversion in H2 22 and future years. The Group also advanced its automation initiatives in the period with further progress anticipated in H2 22.

In H1 22 the Group launched its Better Greencore programme, that will augment the revitalisation of its Excellence cost efficiency initiatives. There are three areas of focus across multiple workstreams – organisation model and overheads, output optimisation and technology enabled efficiencies. The first phase of the programme will deliver an annual recurring benefit of approximately £30m in FY24. The Group will invest a total of approximately £24m during FY22 and FY23, including capital spend of approximately £8m, to unlock these improvements. An exceptional cost of £8.0m was incurred in H1 22 in this regard.

Further phases of the Better Greencore programme are being developed and further detail will be provided as these are launched, with the expectation that these phases will deliver additional benefits to the Group.

#### Trading Performance

| | H1 22<br>£m | H1 21<br>£m | Change<br>(As reported) | Change<br>(Pro Forma basis) |
|---|---|---|---|---|
| Revenue | 770.8 | 577.1 | 33.6% | +34.9% |
| Group Operating Profit | 7.2 | 3.9 | +84.6% | |
| Adjusted Operating Profit | 17.2 | 0.2 | +£17.0m | |
| Adjusted Operating Margin % | 2.2% | 0.0% | +220bps | |

| | Pro Forma Revenue Growth (versus FY21) | | |
|---|---|---|---|
| | Q1 22 | Q2 22 | H1 22 |
| Group | +26% | +45% | +35% |
| Food to go categories | +35% | +65% | +48% |
| Other convenience food categories | +13% | +19% | +16% |

| | Pro Forma Revenue Growth (versus FY19) | | |
|---|---|---|---|
| | Q1 22 | Q2 22 | H1 22 |
| Group | +8% | +12% | +10% |
| Food to go categories | +6% | +10% | +8% |
| Other convenience food categories | +10% | +17% | +14% |

Reported Group revenue increased by 33.6% to £770.8m in H1 22. On a pro forma basis, revenue increased by 34.9%, after adjusting for the disposal of the molasses businesses in Q1 21 and for movements in foreign exchange. On a pro forma basis, Group revenue was approximately 10% above the equivalent pre-COVID levels in H1 19.

### Trading Performance (continued)

Adjusted Operating Profit rose from £0.2m to £17.2m and Adjusted Operating Margin advanced by 220bps to 2.2%. Group Profit Before Tax was £1.0m in H1 22, compared to a Loss Before Tax of £1.8m in H1 21.

The UK trading environment, especially in food to go categories, continued to recover in H1 22 notwithstanding some demand volatility caused by mobility restrictions associated with the emergence of the Omicron COVID-19 variant during December 2021 and January 2022.

In addition to the underlying market recovery, the Group benefitted from its strong market position in the grocery retail channel, its expanded customer and format mix, and its portfolio across food to go and other convenience categories. New business contributed meaningfully to Group revenue performance, representing just over one-third of pro forma growth in the period.

The Group managed a very active commercial agenda with customers in H1 22 to drive recovery in its core food to go categories. It worked closely with customers to optimise output through a combination of careful range management and selective new product development activity. In H1 22 the Group launched over 600 new or reformulated products with our customers, within the Group's total Stock Keeping Unit (SKU) range of approximately 2,000 products. Examples of launches with key customers this year include fresh meals in food to go categories, fresh noodle pots, new plant based ready meals, and an extended range of 'dine-at-home' meal boxes.

In H1 22, the Group also expanded its product offering and extended its category reach with existing customers, in the salads and fresh meals categories. Towards the end of the period, the Group worked closely with one of its key food to go customers to extend its offering into the store network of a leading UK coffee shop retailer. The Group is encouraged by the early progress in this initiative.

H1 22 revenue in the Group's food to go categories (comprising sandwiches, salads, sushi and chilled snacking) totalled £502.1m and accounted for approximately 65% of reported revenue. Reported and pro forma revenues increased by 48.0% in these categories, driven by a recovery in underlying demand as the year progressed and by strong execution on new business wins. Revenue for the distribution of third party products accounted for approximately 8% of Group revenue in H1 22 (H1 21: 8%).

On a pro forma basis, revenue in food to go categories was approximately 8% above the equivalent pre-COVID levels in H1 19. Pro forma revenue growth accelerated during the period. In Q2 22, pro forma revenue in food to go categories increased by approximately 65% year on year and was approximately 10% above the equivalent pre-COVID levels in Q2 19.

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 an Irish ingredient trading business. Reported revenue across these businesses increased by 12.9% to £268.7m in H1 22. Adjusting for movements in foreign exchange and the disposal of the Irish molasses businesses in Q1 21, pro forma revenue increased by 15.8%. This was driven by strong growth in the Group's ready meals business through the period, and increased revenue in the Group's Irish ingredients trading business. H1 22 revenue in the Group's cooking sauce business decreased modestly against tough prior year comparatives.

Operationally, the Group has worked with its customers and supply partners to manage effectively through a period of intensive supply-side challenges across the industry, in particular tight labour availability. Whilst the Group's ability to meet demand and the pace of profit conversion were both impacted during the period by the emergence of the Omicron COVID-19 variant, the Group worked to tighten and manage its network use and configuration to maximise output, with operational service levels improving across the business as H1 22 progressed.

There was a substantial increase in inflation in the Group's main cost components in H1 22, which led to a high single-digit rate of inflation for the period.

### Trading Performance (continued)

In H1 22 the Group received no UK Government assistance under the Coronavirus Job Retention Scheme (H1 21: £7.1m). In the prior year the Group incurred £4.8m of operating costs relating to COVID-19. In H1 22 the Group recognised net costs of £2.6m incurred as a result of a cyber security incident that occurred in December 2021. The Group responded rapidly and proactively to restore IT systems and applications used by the business in this incident and the relevant authorities have been notified in this regard.

Overall, Group Operating Profit in H1 22 increased to £7.2m (H1 21: £3.9m). Adjusted Operating Profit increased to £17.2m (H1 21: £0.2m). The increase in Adjusted Operating Profit was driven by a return to profitability in the Group's food to go categories as profit conversion improved on an increased revenue base. Underlying profitability in the Group's other convenience categories was below H1 21 levels, impacted by the timing of inflation recovery.

### Group Cash Flow and Returns

| | H1 22 £m | H1 21 £m | Change (as reported) |
|---|---|---|---|
| Free Cash Flow | (17.8) | (23.6) | £5.8m |
| Net Debt | 272.3 | 332.1 | £59.8m |
| Net Debt (excluding lease liabilities) | 219.3 | 271.3 | £52.0m |
| Net Debt:EBITDA as per financing agreements | 2.1x | 7.2x | |
| ROIC | 6.3% | (0.6)% | |

The Group continued to manage cashflows and leverage carefully in H1 22 in the context of recovering profitability, seasonal working capital outflows, and its capital investment programme to support future growth in the business.

Free Cash Flow was an outflow of £17.8m in H1 22 compared to an outflow of £23.6m in H1 21, the reduction primarily reflecting improved profitability, partly offset by seasonally higher working capital outflows. Several other factors also contributed to the net cash outflow in H1 22, principally higher strategic capex. Free cash flow conversion was 71.2% compared with (117.2)% in the 12 months to H1 21.

The Group's Net Debt at 25 March 2022 was £272.3m, a decrease of £59.8m compared to 26 March 2021. Net Debt excluding lease liabilities decreased to £219.3m from £271.3m at the end of H1 21. Net Debt excluding lease liabilities increased from £183.1m at the end of FY21 due to seasonal working capital outflows. The Group's Net Debt:EBITDA leverage as measured under financing agreements was 2.1x at period end, compared to 7.2x at the end of March 2021.

In November 2021, the Group further strengthened its balance sheet when it extended the maturity on its £340m revolving credit facility by one year to January 2026. As at 25 March 2022, the Group had total committed debt facilities of £570.4m and a weighted average maturity of 3.1 years. At 25 March 2022 the Group had cash and undrawn committed bank facilities of £349.5m.

ROIC increased to 6.3% for the 12 months ended 25 March 2022, compared to (0.6)% for the 12 months ended 26 March 2021 and 4.5% for the 12 months ended 24 September 2021. The year on year increase was driven primarily by increased profitability in the period. Average invested capital decreased modestly year on year from £758.6m to £743.5m.

### Better Future Plan

Greencore's sustainability strategy, the 'Better Future Plan', was launched in November 2021 and is built around three pillars and aspirations:

- Sourcing with Integrity: By 2030 we will source our priority ingredients from a sustainable and fair supply chain
- Making with Care: By 2040 we will operate with net zero emissions
- Feeding with Pride: By 2030 we will have increased our positive impact on society through our products

At the start of FY22 the Group set out several new commitments and action points under its Better Future Plan. In FY22, the Group will transparently share data on the health and sustainability profile of its products with its stakeholders and will also ensure all the Group's food surplus goes to feed those in need. By 2030 the Group also commits to reduce the average meat content across the Group's product portfolio by 30%, in line with the recommendations of the UK Government's National Food Strategy.

**Better Future Plan (continued)**

The Group advanced this sustainability agenda in H1 22, with an ongoing focus on building the necessary data and systems framework to measure performance effectively. The Group is building a substantial body of data on the nutritional profile of its portfolio and is working with a number of customers to develop trials in product eco-footprinting. The Group's energy management strategy is being enhanced at factory level, and work has commenced on conducting climate change scenario analysis that will be used as part of the Group's disclosures on the Taskforce on Climate-related Financial Disclosures (TCFD) this year. In January 2022 the Group also introduced a new share ownership scheme for all colleagues.

Challenges in the Group's operating environment, including supply chain disruption and labour availability, have continued to have an impact on key performance measures and the Group is mitigating these impacts through ongoing efficiency improvements and other measures.

### FINANCIAL REVIEW [1]

**Revenue and Operating Profit**

Reported revenue in the period was £770.8m, an increase of 33.6% compared to H1 21, primarily reflecting the recovery in demand in food to go categories and the impact of new business wins. Pro Forma Revenue increased by 34.9%.

Group Operating Profit increased from £3.9m to £7.2m as a result of an improved revenue outturn in H1 22 and notwithstanding the movement from a net exceptional gain to a net exceptional charge in H1 22. Adjusted Operating Profit of £17.2m compared to £0.2m in H1 21, driven by an improvement in profits in food to go categories partly offset by a lower underlying performance in the Group's other convenience categories. Adjusted Operating Margin was 2.2%, 220 basis points higher than H1 21.

**Net finance costs**

The Group's net bank interest payable was £4.9m in H1 22, a decrease of £2.5m versus H1 21. The decrease was driven by lower debt levels during H1 22. The Group also recognised a £0.6m interest charge relating to the interest payable on lease liabilities in the period (H1 21: £0.7m).

The Group's non-cash finance charge in H1 22 was £0.7m (H1 21: £1.6m). The change in the fair value of derivatives and related debt adjustments including foreign exchange in the period was a £0.1m charge (H1 21: £0.7m charge) and the non-cash pension financing charge of £0.6m was £0.3m lower than the H1 21 charge of £0.9m.

**Profit before taxation**

The Group's Profit before taxation increased from a loss of £1.8m in H1 21 to a profit of £1.0m in H1 22, driven by higher Group Operating Profit and lower finance costs. Adjusted Profit Before Tax in the period was £11.7m compared to an Adjusted Loss Before Tax of £7.9m in H1 21, primarily driven by an improvement in Adjusted Operating Profit.

**Taxation**

The Group's effective tax rate in H1 22 (adjusting pre-exceptional profit for the change in fair value of derivatives) was 19% (H1 21: 18%). In March 2021, the UK Government announced an increase in the UK rate of corporation tax from 19% to 25%, to be effective from 1 April 2023.

**Exceptional items**

The Group had a pre-tax exceptional charge of £8.0m in H1 22, and an after-tax charge of £6.5m, comprised as follows:

| **Exceptional Items** | **£m** |
|---|---:|
| Reorganisation costs | (8.0) |
| **Exceptional items (before tax)** | **(8.0)** |
| Tax on exceptional items | 1.5 |
| **Exceptional items (after tax)** | **(6.5)** |

In H1 22 the Group commenced a Better Greencore programme to support the revitalisation of its Excellence cost efficiency programmes and to unlock further cost efficiencies by reducing organisational complexity. The Group recognised a charge of £8.0m in respect of work carried out in the period.

**Earnings per share**

The Group's basic earnings per share for H1 22 was 0.2 pence compared to 0.0 pence in H1 21. This was driven by a £0.7m increase in profit attributable to equity holders in H1 22, partially offset by an increase in the weighted average number of shares in issue in H1 22 to 524.8m (H1 21: 498.0m).

Adjusted Earnings were £9.4m in the period, £16.2m ahead of prior year levels largely due to an increase in Adjusted Operating Profit. Adjusted earnings per share of 1.8 pence compared to an adjusted loss per share of 1.4 pence in H1 21.

**Cash Flow and Net Debt**

Adjusted EBITDA was £17.3m higher in H1 22 at £43.8m. The Group incurred a seasonal net working capital outflow of £34.8m. Maintenance capital expenditure of £6.0m was incurred in the period (H1 21: £7.9m). The cash outflow in respect of exceptional charges was £0.3m (H1 21: £2.4m), all of which related to prior year exceptional charges.

**Cash Flow and Net Debt (continued)**

Interest paid in the period was £9.6m (H1 21: £9.2m), including interest of £0.6m on lease liabilities, an increase on FY21 primarily reflecting the impact of higher debt costs associated with higher leverage during the year. The Group recognised a cash tax credit of £1.9m reflecting a refund received in the period. The cash tax rate for the Group is expected to rise towards the Group's effective rate in the medium term as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year. Cash repayments on lease liabilities increased to £8.7m (H1 21: £7.9m). The Group's cash funding for defined benefit pension schemes was £5.8m (H1 21: £3.0m), reflecting the restoration of cash contributions after an agreement with Trustees to defer cash contributions for a period in FY21.

These movements resulted in a free cash outflow of £17.8m compared to an outflow of £23.6m in H1 21, the improvement driven primarily by higher profitability.

In H1 22, the Group incurred strategic capital expenditure of £12.6m (H1 21: £8.6m).

The Group did not make any equity dividend cash payments in either period. The Group made net share purchases of £3.0m as part of the new employee share ownership scheme introduced in the period. This compared to net equity proceeds of £87.1m in H1 21 when the Group completed an equity placing. 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 excluding lease liabilities at 25 March 2022 was £219.3m, a decrease of £52.0m compared to the end of H1 21 but an increase of £36.2m since the end of FY21. This increase on FY21 levels was driven primarily by the seasonal free cash outflows as described previously and higher strategic capex spending.

**Financing**

In November 2021 the Group further strengthened its balance sheet when it extended the maturity on its £340m revolving credit facility by one year to January 2026. As at 25 March 2022, the Group had total committed debt facilities of £570.4m and a weighted average maturity of 3.1 years. These facilities comprised:

- A £340m revolving credit bank facility with a maturity date of January 2026
- A £75m revolving credit bank facility with a maturity date of March 2023
- A £50m bilateral bank facility with a maturity date of January 2024
- A £45m bank term loan facility with a maturity date of June 2024
- £18m and $55.9m of outstanding Private Placement Notes with maturities ranging between June 2023 and June 2026

At 25 March 2022 the Group had cash and undrawn committed bank facilities of £349.5m.

**Pensions**

All of the Group's 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 25 March 2022 was £18.2m, £27.8m lower than the position at 24 September 2021. The net pension deficit after related deferred tax was £8.7m (FY21: £29.3m), comprising a net deficit on UK schemes of £43.3m (H1 21: £65.3m) and a net surplus on Irish schemes of £34.6m (H1 21: £36.0m). The decrease in the Group's net pension deficit was driven principally by an actuarial gain on UK scheme 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.

Separate to this IAS 19 *Employee Benefits* valuation, the valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant Trustees. During H2 21 the Group concluded the latest assessment of the valuation and funding plan for its principal UK legacy defined benefit pension scheme. The Group expects the annual cash funding requirement for all schemes to be modestly below previously guided levels of £15m.

**Dividends**

The Group did not pay dividends to shareholders in the period (H1 21: £0.0m).

The Group intends to recommence value return to shareholders of up to £50m over the next two years, initially in the form of a share buyback programme and consistent with the Group's capital management policy.

**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 24 September 2021 issued on 30 November 2021, to remain applicable in the second half of the year.

A description of the risks and uncertainties, including any updates since the issuance of the Annual Report and Financial Statements for the year ended 24 September 2021, 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 have been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union;
- The Interim Management Report includes a fair review of important events that have occurred during the first six months of the financial year, and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- The Interim Management Report includes a fair review of the related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

G. Kennedy
Executive Chair
Date: 23 May 2022

E. Hynes
Chief Financial Officer
Date: 23 May 2022

# INTERIM FINANCIAL REPORT
# For the half year ended 25 March 2022

## CONDENSED GROUP INCOME STATEMENT
### for the half year ended 25 March 2022

| | | **Half year ended 25 March 2022 (Unaudited)** | | | Half year ended 26 March 2021 (Unaudited) | | |
|---|---|---|---|---|---|---|---|
| | Notes | **Pre–exceptional £m** | **Exceptional (Note 5) £m** | **Total £m** | Pre–exceptional £m | Exceptional (Note 5) £m | Total £m |
| Revenue | 2 | **770.8** | **–** | **770.8** | 577.1 | – | 577.1 |
| Cost of sales | | **(540.3)** | **–** | **(540.3)** | (393.0) | – | (393.0) |
| **Gross profit** | | **230.5** | **–** | **230.5** | 184.1 | – | 184.1 |
| Operating costs, net | 4 | **(212.4)** | **(8.0)** | **(220.4)** | (183.9) | 5.7 | (178.2) |
| Impairment of trade receivables | | **(0.9)** | **–** | **(0.9)** | – | – | – |
| **Group operating profit before acquisition related amortisation** | 2 | **17.2** | **(8.0)** | **9.2** | 0.2 | 5.7 | 5.9 |
| Amortisation of acquisition related intangibles | | **(2.0)** | **–** | **(2.0)** | (2.0) | – | (2.0) |
| **Group Operating Profit/Loss)** | | **15.2** | **(8.0)** | **7.2** | (1.8) | 5.7 | 3.9 |
| Finance income | 6 | **–** | **–** | **–** | 0.4 | – | 0.4 |
| Finance costs | 6 | **(6.2)** | **–** | **(6.2)** | (10.1) | – | (10.1) |
| Profit on disposal of associates | | **–** | **–** | **–** | – | 4.0 | 4.0 |
| **Profit/(loss) before taxation** | | **9.0** | **(8.0)** | **1.0** | (11.5) | 9.7 | (1.8) |
| Taxation | 7 | **(1.7)** | **1.5** | **(0.2)** | 2.0 | 0.2 | 2.2 |
| **Profit/(loss) for the financial period** | | **7.3** | **(6.5)** | **0.8** | (9.5) | 9.9 | 0.4 |
| | | | | | | | |
| **Attributable to:** | | | | | | | |
| Equity shareholders | | **7.3** | **(6.5)** | **0.8** | (9.8) | 9.9 | 0.1 |
| Non–controlling interests | | **–** | **–** | **–** | 0.3 | – | 0.3 |
| | | **7.3** | **(6.5)** | **0.8** | (9.5) | 9.9 | 0.4 |
| | | | | | | | |
| **Earnings per share (pence)** | | | | | | | |
| Basic earnings per share | 9 | | | **0.2** | | | 0.0 |
| Diluted earnings per share | 9 | | | **0.2** | | | 0.0 |

# INTERIM FINANCIAL REPORT
# For the half year ended 25 March 2022

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
## for the half year ended 25 March 2022

| | **Half year ended 25 March 2022 (Unaudited) £m** | Half year ended 26 March 2021 (Unaudited) £m |
|---|---|---|
| **Items of income and expense taken directly to equity** | | |
| | | |
| **Items that will not be reclassified to profit or loss:** | | |
| Actuarial gain on Group legacy defined benefit pension schemes | **23.6** | 12.6 |
| Deferred tax on Group legacy defined benefit pension schemes | **(6.0)** | (2.3) |
| | **17.6** | 10.3 |
| **Items that may subsequently be reclassified to profit or loss:** | | |
| Currency translation adjustment | **(0.9)** | (3.4) |
| 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 | **2.5** | (0.8) |
| transfer to Income Statement for the period | **(0.9)** | 0.6 |
| | **0.7** | (10.4) |
| Net income recognised directly within equity | **18.3** | (0.1) |
| Profit for the financial period | **0.8** | 0.4 |
| **Total comprehensive income for the financial period** | **19.1** | 0.3 |
| | | |
| **Attributable to:** | | |
| Equity Shareholders | **19.1** | 6.0 |
| Non–controlling interests | **–** | (5.7) |
| **Total comprehensive income for the financial period** | **19.1** | 0.3 |

# INTERIM FINANCIAL REPORT
# For the half year ended 25 March 2022

## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
## as at 25 March 2022

| | Notes | **March 2022 (Unaudited) £m** | September 2021 (Audited) £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non–current assets** | | | |
| Goodwill and intangible assets | 10 | **470.5** | 473.3 |
| Property, plant and equipment | 10 | **309.8** | 307.4 |
| Right-of-use assets | 10 | **48.5** | 54.1 |
| Investment property | 10 | **3.0** | 3.0 |
| Retirement benefit assets | 14 | **40.4** | 42.1 |
| Derivative financial instruments | 12 | **2.5** | – |
| Deferred tax assets | | **39.3** | 48.1 |
| Trade and other receivables | | **0.4** | 0.4 |
| **Total non-current assets** | | **914.4** | 928.4 |
| **Current assets** | | | |
| Inventories | | **52.5** | 47.7 |
| Trade and other receivables | | **220.9** | 196.3 |
| Cash and cash equivalents | 11 | **82.3** | 119.1 |
| **Total current assets** | | **355.7** | 363.1 |
| **Total assets** | | **1,270.1** | 1,291.5 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **5.3** | 5.3 |
| Share premium | | **89.7** | 89.7 |
| Reserves | | **345.6** | 328.2 |
| **Total equity** | | **440.6** | 423.2 |
| **LIABILITIES** | | | |
| **Non–current liabilities** | | | |
| Borrowings | 12 | **268.8** | 209.1 |
| Lease liabilities | | **38.2** | 42.0 |
| Other payables | | **3.8** | 3.7 |
| Derivative financial instruments | 12 | **1.8** | 2.7 |
| Provisions | 13 | **5.3** | 5.5 |
| Retirement benefit obligations | 14 | **58.6** | 88.1 |
| Deferred tax liabilities | | **17.1** | 18.2 |
| **Total non–current liabilities** | | **393.6** | 369.3 |
| **Current liabilities** | | | |
| Borrowings | 12 | **32.8** | 93.1 |
| Trade and other payables | | **374.7** | 375.8 |
| Lease liabilities | | **14.8** | 17.6 |
| Derivative financial instruments | 12 | **0.5** | 2.9 |
| Provisions | 13 | **5.1** | 2.1 |
| Current tax payable | | **8.0** | 7.5 |
| **Total current liabilities** | | **435.9** | 499.0 |
| **Total liabilities** | | **829.5** | 868.3 |
| **Total equity and liabilities** | | **1,270.1** | 1,291.5 |

## CONDENSED GROUP STATEMENT OF CASH FLOWS
**for the half year ended 25 March 2022**

| | Notes | **Half year ended 25 March 2022 (Unaudited) £m** | Half year ended 26 March 2021 (Unaudited) £m |
|---|---|---|---|
| Profit/(loss) before taxation | | **1.0** | (1.8) |
| Finance income | 6 | **–** | (0.4) |
| Finance costs | 6 | **6.2** | 10.1 |
| Exceptional items | 5 | **8.0** | (9.7) |
| **Operating profit/(loss) (pre–exceptional)** | | **15.2** | (1.8) |
| Depreciation of property, plant and equipment and right-of use assets | 10 | **25.1** | 24.8 |
| Amortisation of intangible assets | 10 | **3.5** | 3.5 |
| Employee share–based payment expense | | **1.3** | 1.0 |
| Contributions to Group legacy defined benefit pension schemes | | **(5.8)** | (3.0) |
| Working capital movement | | **(34.8)** | (21.1) |
| Other movements | | **0.4** | 0.4 |
| **Net cash inflow from operating activities before exceptional items** | | **4.9** | 3.8 |
| Cash outflow related to exceptional items | 5 | **(0.3)** | (2.4) |
| Interest paid (including lease liability interest) | | **(9.6)** | (9.2) |
| Tax repaid | | **1.9** | – |
| **Net cash outflow from operating activities** | | **(3.1)** | (7.8) |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **(17.8)** | (15.0) |
| Purchase of intangible assets | | **(0.8)** | (1.5) |
| Disposal of undertakings | | **–** | 16.3 |
| **Net cash outflow from investing activities** | | **(18.6)** | (0.2) |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of shares | | **–** | 87.1 |
| Ordinary shares purchased – own shares | | **(3.0)** | – |
| Drawdown/(repayment) of bank borrowings | 12 | **59.6** | (100.9) |
| Repayment of Private Placement Notes | 12 | **(47.3)** | – |
| Settlement of swaps on maturity of Private Placement Notes | 12 | **(2.6)** | – |
| Repayment of lease liabilities | | **(8.7)** | (7.9) |
| **Net cash outflow from financing activities** | | **(2.0)** | (21.7) |
| **Net decrease in cash and cash equivalents and bank overdrafts** | | **(23.7)** | (29.7) |
| | | | |
| **Reconciliation of opening to closing cash and cash equivalents and bank overdrafts** | | | |
| Cash and cash equivalents and bank overdrafts at beginning of period | 11 | **73.6** | 47.0 |
| Translation adjustment | | **(0.4)** | (0.3) |
| Decrease in cash and cash equivalents and bank overdrafts | | **(23.7)** | (29.7) |
| **Cash and cash equivalents and bank overdrafts at end of period** | 11 | **49.5** | 17.0 |

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
**for the half year ended 25 March 2022**

| | Share capital £m | Share premium £m | Other reserves £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **At 24 September 2021** | **5.3** | **89.7** | **121.4** | **206.8** | **423.2** |
| **Items of income and expense taken directly to equity** | | | | | |
| Currency translation adjustment | **–** | **–** | **(0.9)** | **–** | **(0.9)** |
| Cash flow hedge fair value movement taken to equity | **–** | **–** | **2.5** | **–** | **2.5** |
| Cash flow hedge transferred to Income Statement | **–** | **–** | **(0.9)** | **–** | **(0.9)** |
| Actuarial gain on Group legacy defined benefit pension schemes | **–** | **–** | **–** | **23.6** | **23.6** |
| Deferred tax on Group legacy defined benefit pension schemes | **–** | **–** | **–** | **(6.0)** | **(6.0)** |
| Profit for the financial period | **–** | **–** | **–** | **0.8** | **0.8** |
| **Total comprehensive income for the financial period** | **–** | **–** | **0.7** | **18.4** | **19.1** |
| Employee share–based payment expense | **–** | **–** | **1.3** | **–** | **1.3** |
| Exercise, lapse or forfeit of share–based payments | **–** | **–** | **(1.5)** | **1.5** | **–** |
| Shares acquired by Employee Benefit Trust | **–** | **–** | **(3.0)** | **–** | **(3.0)** |
| Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust | **–** | **–** | **0.2** | **(0.2)** | **–** |
| **At 25 March 2022** | **5.3** | **89.7** | **119.1** | **226.5** | **440.6** |

| | Share capital £m | Share premium £m | Other reserves £m | Retained earnings £m | Total £m | Non–controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| **At 25 September 2020** | 4.5 | 0.4 | 123.9 | 147.7 | 276.5 | 5.7 | 282.2 |
| **Items of income and expense taken directly to equity** | | | | | | | |
| 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) |
| Cash flow hedge fair value movement taken to equity | – | – | (0.8) | – | (0.8) | – | (0.8) |
| Cash flow 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 |
| **Total comprehensive income for the financial period** | – | – | (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) |
| **At 26 March 2021** | 5.3 | 89.6 | 119.5 | 156.1 | 370.5 | – | 370.5 |

### CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY *(continued)*
### for the half year ended 25 March 2022

**OTHER RESERVES**

| | Share options £m | Own shares £m | Undenominated capital reserve £m | Hedging reserve £m | Foreign currency translation reserve £m | Total £m |
|---|---|---|---|---|---|---|
| **At 24 September 2021** | **3.6** | **(1.8)** | **120.4** | **1.2** | **(2.0)** | **121.4** |
| **Items of income and expense taken directly to equity** | | | | | | |
| Currency translation adjustment | – | – | – | – | **(0.9)** | **(0.9)** |
| Cash flow hedge fair value movement taken to equity | – | – | – | **2.5** | – | **2.5** |
| Cash flow hedge transferred to Income Statement | – | – | – | **(0.9)** | – | **(0.9)** |
| **Total comprehensive income for the financial period** | – | – | – | **1.6** | **(0.9)** | **0.7** |
| Employee share–based payment expense | **1.3** | – | – | – | – | **1.3** |
| Exercise, lapse or forfeit of share–based payments | **(1.5)** | – | – | – | – | **(1.5)** |
| Shares acquired by Employee Benefit Trust | – | **(3.0)** | – | – | – | **(3.0)** |
| Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust | – | **0.2** | – | – | – | **0.2** |
| **At 25 March 2022** | **3.4** | **(4.6)** | **120.4** | **2.8** | **(2.9)** | **119.1** |

| | Share options £m | Own shares £m | Undenominated capital reserve £m | Hedging reserve £m | Foreign currency translation reserve £m | Total £m |
|---|---|---|---|---|---|---|
| **At 25 September 2020** | 3.9 | (2.9) | 120.4 | 0.5 | 2.0 | 123.9 |
| **Items of income and expense taken directly to equity** | | | | | | |
| 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 |
| **Total comprehensive income for the financial period** | – | – | – | (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 |
| **At 26 March 2021** | 2.8 | (1.8) | 120.4 | 0.3 | (2.2) | 119.5 |

### 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 25 March 2022, 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 Statement for the year ended 24 September 2021 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.

**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.

In the current period, the Group's performance continued to be impacted by COVID-19. This was particularly evident during the winter with restrictions in place and additional absenteeism through colleagues contracting the Omicron COVID-19 variant. As the UK began to ease restrictions in Q2 FY22, consumer demand has continued to respond positively versus FY21. Although we expect to see continued recovery, the Group continues to operate in a complex trading environment linked to ongoing challenges with inflation, disruption within the supply chain and economic factors linked to the ongoing conflict in Ukraine.

Accordingly, the Directors have considered a number of scenarios for the next 18 months from the half year end date. These scenarios consider the potential impact of inflation on consumer spending, along with consideration of inflation under recovery, supply chain disruption and further restrictions arising from COVID-19. The impact on revenue, profit and cashflow are modelled, including the consequential impact on working capital.

The Group is satisfied that there is sufficient headroom in the financial covenants under current facilities under each scenario.

The scenarios assumed by the Group are as follows:

- A base case assuming internally approved forecast and strategic plans;
- A downside scenario which assesses the potential impact of inflation on consumer spending and corresponding impact on revenue with a 5% reduction in total sales, along with inflation under recovery of 15%, supply chain disruption and further restrictions arising from COVID-19; and
- A severe downside scenario which includes the further impact of inflation under recovery by 25%, along with a further reduction in sales by 12.5% to reflect the impact of supply chain disruption and further labour challenges.

In each scenario, the Group would employ mitigants within its control, which would include a reduction in non-business critical capital projects and other discretionary cash flow items.

The Group retained financial strength and flexibility at H1 FY22, with cash and undrawn committed bank facilities of £349.5m at 25 March 2022 (March 2021: £302.0m).

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 from the half year end date. If the Group were not to achieve these scenarios, the Group would consider further engagement with lenders. Accordingly, the directors adopt the going concern basis in preparing these 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 24 September 2021 and are as set out in those financial statements.

The following amendments to IFRS became effective during the period but did not result in material changes to the Condensed Group Financial Statements:

- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16)

The Group has not yet applied certain new standards, amendments and interpretations to existing standards that have been issued but are not yet effective. They are either not expected to have a material impact on the Condensed Group Financial Statements or they are currently not relevant for the Group.

### NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

**1. Basis of Preparation (continued)**

**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. 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. Estimates, underlying assumptions and judgements are reviewed on an ongoing basis.

**2. Segment Information**

Convenience Foods UK and 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 Executive Chair, Deputy Chief Executive Officer and Chief Financial 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.

| | **Convenience Foods UK and Ireland** | |
|---|---|---|
| | **Half year 2022 £m** | Half year 2021 £m |
| **Revenue** | **770.8** | 577.1 |
| **Group operating profit before acquisition related amortisation and exceptional items** | **17.2** | 0.2 |
| Amortisation of acquisition related intangible assets | **(2.0)** | (2.0) |
| **Group operating profit/(loss) (pre-exceptional)** | **15.2** | (1.8) |
| Finance income | **–** | 0.4 |
| Finance costs | **(6.2)** | (10.1) |
| Exceptional items (pre-taxation) | **(8.0)** | 9.7 |
| Taxation | **(0.2)** | 2.2 |
| **Profit for the period** | **0.8** | 0.4 |

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

| | **Half year 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Revenue** | | |
| Food to go categories | **502.1** | 339.2 |
| Other convenience categories | **268.7** | 237.9 |
| **Total revenue for Convenience Foods UK and Ireland** | **770.8** | 577.1 |

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 portfolio is seasonal in nature with the Group's business being weighted towards the second half of the year and this is in line with the Group's expectation for FY22. This weighting is primarily driven by weather and seasonal buying patterns. In the prior year, the weighting of revenue towards the second half of the year was accentuated by the easing of lockdown restrictions relating to COVID-19.

## NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

### 4. Operating costs, net

| | Half Year 2022 £m | Half Year 2021 £m |
|---|---|---|
| Administrative expenses | **(179.8)** | (155.1) |
| Distribution costs | **(31.2)** | (23.7) |
| Other operating costs | **(1.4)** | (5.1) |
| **Total operating costs pre-exceptional, net** | **(212.4)** | (183.9) |
| Exceptional items (Note 5) | **(8.0)** | 5.7 |
| **Total operating costs, net** | **(220.4)** | (178.2) |

During H1 22, the Group experienced a cyber security incident which resulted in business disruption. The Group responded proactively, following a robust governance process for restoring the IT systems and applications used by the business in a secure manner. All systems were fully and securely restored and all relevant authorities in each principal jurisdiction, being the UK and Ireland, were notified in relation to the incident. The Group has recognised net costs of £2.6m in connection with the incident at H1 FY22 (H1 FY21: £nil).

In the current period, the Group has recognised costs relating to research and development of £3.4m (H1 21: £3.6m).

In the prior period, the Group furloughed a number of employees across the its sites for varying periods of time, availing of the Coronavirus Job Retention Scheme and received amounts of £8.7m, part of which had been recognised within operating costs above. There was no similar claim made or recognised in the current period.

### 5. Exceptional Items

| | | Half Year 2022 £m | Half Year 2021 £m |
|---|---|---|---|
| Reorganisation costs | (a) | **(8.0)** | – |
| Profit on disposal of Molasses trading businesses | (b) | **–** | 11.3 |
| Defined benefit pension schemes restructuring | (c) | **–** | (2.6) |
| Legacy businesses provisions | (d) | **–** | 1.0 |
| | | **(8.0)** | 9.7 |
| Tax credit on exceptional items | | **1.5** | 0.2 |
| **Total exceptional items** | | **(6.5)** | 9.9 |

**(a) Reorganisation costs**

In the current period, the Group commenced a Better Greencore programme which is to support revitalisation of its Excellence cost efficiency programmes and unlock further cost efficiencies by reducing organisational complexity. The Group recognised a charge of £8.0m in respect of work carried out to H1 22.

**(b) Profit on disposal of Molasses trading businesses**

In the prior period, 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.

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

During the prior period, the Group reached an 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 Group recognised a charge of £2.6m for the settlement charge and costs associated with the restructure.

**(d) Legacy businesses provisions**

In the prior period, the Group recognised a net credit of £1.0m relating to legacy provisions on discontinued operations.

**Cash Flow on Exceptional Items**

The total net cash outflow during the period in respect of operating activities exceptional items was £0.3m (H1 FY21: £2.4m), all of which was in respect of prior year exceptional charges.

### NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

**6. Finance income and finance costs**

| | **Half year 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Finance income** | | |
| Foreign exchange on inter–company and external balances where hedge accounting is not applied | **–** | 0.4 |
| **Total finance income** | **–** | 0.4 |
| | | |
| **Finance costs** | | |
| Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs | **(4.9)** | (7.4) |
| Interest on lease obligations | **(0.6)** | (0.7) |
| Net pension financing charge | **(0.6)** | (0.9) |
| Change in fair value of derivatives and related debt adjustments | **0.4** | (1.1) |
| Foreign exchange on inter–company and external balances where hedge accounting is not applied | **(0.5)** | – |
| **Total finance expense** | **(6.2)** | (10.1) |

**7. 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 25 March 2022.

The effective tax rate applicable for the period ended 25 March 2022 is 19%, which reflects the impact of the increasing corporation tax rates in the UK.

**8. Dividends Paid and Proposed**

There were no dividends paid in the current or prior period.

The Group intends to recommence value return to shareholders of up to £50m over the next two years, initially in the form of a share buyback programme and consistent with the Group's capital management policy.

**9. Earnings per Ordinary Share**

During the period, the Group introduced a new share ownership scheme for all colleagues which resulted in a purchase of own shares from the market of 2,180,216 Ordinary Shares at a total cost of £3.0m, which have been put into an Employee Benefit Trust. The effect of the purchase of own shares on the weighted average number of Ordinary Shares was a reduction of 893,531 shares, which forms part of the 1.8m shares included within the denominator calculation below.

**Numerator for earnings per share calculations**

| | **Half year 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Profit attributable to equity holders of the Company** | **0.8** | 0.1 |

**Denominator for earnings per share calculations**

| | **Half year 2022 '000** | Half year 2021 '000 |
|---|---|---|
| Shares in issue at the beginning of the period | **526,547** | 446,157 |
| Effect of shares held by Employee Benefit Trust | **(1,797)** | (1,243) |
| Effect of shares issued in equity raising in the period | **–** | 53,132 |
| Effect of shares issued in the period | **6** | 2 |
| **Weighted average number of Ordinary Shares in issue during the period** | **524,756** | 498,048 |
| Dilutive effect of share schemes | **782** | 152 |
| **Weighted average number of Ordinary Shares for diluted earnings per share** | **525,538** | 498,200 |

A total of 14,414,349 (2021: 19,394,264) 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 25 March 2022.

## NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

### 9. Earnings per Ordinary Share (continued)

**Earnings per Share Calculations**

| | **Half year 2022 pence** | Half year 2021 pence |
|---|---|---|
| **Basic earnings per Ordinary Share** | **0.2** | 0.0 |
| **Diluted earnings per Ordinary Share** | **0.2** | 0.0 |

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

During the six-month period to 25 March 2022, the Group made £21.0m of additions to property, plant and equipment and intangible assets through ongoing capital expenditure. A total depreciation and amortisation charge of £20.9m was recognised, £0.4m of assets were impaired and an FX loss of £0.1m was incurred. In addition, the Group made £2.7m of additions to right-of-use assets while £0.6m were disposed of. A depreciation charge of £7.7m was recognised on right-of-use assets in the period.

During the prior six-month period to 26 March 2021, 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.

At 25 March 2022, the Group had capital expenditure commitments that had been contracted but not yet provided for amounting to £20.0m (H1 21: £13.8m).

### 11. Cash and cash equivalents and bank overdrafts

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

| | **March 2022 £m** | September 2021 £m | March 2021 £m |
|---|---|---|---|
| Cash at bank and in hand | **82.3** | 119.1 | 48.4 |
| Bank overdraft (Note 12) | **(32.8)** | (45.5) | (31.4) |
| **Total cash and cash equivalents and bank overdrafts** | **49.5** | 73.6 | 17.0 |

### 12. Borrowings and Derivatives

| | **March 2022 £m** | September 2021 £m | March 2021 £m |
|---|---|---|---|
| **Current** | | | |
| Bank overdrafts | **(32.8)** | (45.5) | (31.4) |
| Private Placement Notes | **–** | (47.6) | (47.6) |
| **Total current borrowings** | **(32.8)** | (93.1) | (79.0) |
| **Non-current** | | | |
| Bank borrowings | **(208.4)** | (150.1) | (181.7) |
| Private Placement Notes | **(60.4)** | (59.0) | (59.0) |
| **Total non-current borrowings** | **(268.8)** | (209.1) | (240.7) |
| **Total borrowings** | **(301.6)** | (302.2) | (319.7) |

## NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

### 12. Borrowings and Derivatives (continued)

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

| | **March 2022 £m** | September 2021 £m | March 2021 £m |
|---|---|---|---|
| **Borrowings** | | | |
| Less than one year | **–** | (47.6) | (47.6) |
| Between one and two years | **(64.9)** | (64.6) | – |
| Between two and five years | **(203.9)** | (144.5) | (226.1) |
| Over five years | **–** | – | (14.6) |
| **Total borrowings** | **(268.8)** | (256.7) | (288.3) |
| **Bank overdrafts** | | | |
| Less than one year | **(32.8)** | (45.5) | (31.4) |
| **Total bank overdrafts** | **(32.8)** | (45.5) | (31.4) |
| **Total borrowings and bank overdrafts** | **(301.6)** | (302.2) | (319.7) |

**Bank overdrafts**

Uncommitted facilities undrawn at 25 March 2022 amounted to £10.4m (September 2021: £6.7m).

**Bank Borrowings**

The Group's bank borrowings net of finance fees comprised of £208.4m at 25 March 2022 (September 2021: £150.1m) with maturities on drawn borrowings ranging from January 2024 to January 2026. The Group has in place a revolving credit facility of £75m which has not been drawn down and which is scheduled to mature in March 2023. The Group had £300m (September 2021: £360.0m) of undrawn committed bank facilities in respect of which all conditions precedent had been met. In October 2021, the Group drew down on a new £45m term loan which matures in June 2024.

**Private Placement Notes**

The Group's outstanding Private Placement Notes net of finance fees comprised of £60.4m (denominated as $55.9m and £18m) at 25 March 2022 (September 2021: £106.6m, denominated as $120.9m and £18m). These were issued as fixed rate debt in June 2016 ($55.9m and £18m) with maturities ranging from June 2023 to June 2026. The Group repaid the $65m Private Placement Note in full in October 2021.

The Group has swapped the $55.9m 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.

**Drawn and undrawn borrowings facilities**

The table below sets out the split between drawn and undrawn borrowings amounts as at 25 March 2022:

| | **Maturity dates** | **Net borrowings Mar-22 £m** | **Undrawn & available £m** | **Total facilities available £m** |
|---|---|---|---|---|
| Cash and cash equivalents and bank overdrafts | - | 49.5 | (49.5) | - |
| Bank Borrowings* | Mar-23 – Jan-26 | (210.0) | (300.0) | (510.0) |
| Private Placement Notes* | Jun-23 – Jun-26 | (60.4) | - | (60.4) |
| **Total** | | **(220.9)** | **(349.5)** | **(570.4)** |

*excludes capitalised finance fees

**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 Group Financial Statements approximate their fair values:

| | **March 2022** | | September 2021 | | March 2021 | |
|---|---|---|---|---|---|---|
| | **Carrying amount £m** | **Fair Value £m** | Carrying amount £m | Fair Value £m | Carrying amount £m | Fair Value £m |
| Bank borrowings* | **(208.4)** | **(203.4)** | (150.1) | (146.6) | (181.7) | (183.9) |
| Private Placement Notes | **(60.4)** | **(60.6)** | (106.6) | (107.7) | (106.6) | (111.2) |

*excludes bank overdrafts

## NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

### 12. Borrowings and Derivatives (continued)

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

| | **March 2022 Level 2** £m** | September 2021 Level 2** £m | March 2021 Level 2** £m |
|---|---|---|---|
| **Non-current** | | | |
| **Assets carried at fair value** | | | |
| Interest rate swaps – cash flow hedges | **2.5** | – | – |
| | **2.5** | – | – |
| **Non-current** | | | |
| **Liabilities carried at fair value** | | | |
| Interest rate swaps – cash flow hedges | **–** | (0.1) | – |
| Cross–currency interest rate swaps – cash flow hedges | **(1.8)** | (2.6) | (3.1) |
| | **(1.8)** | (2.7) | (3.1) |
| **Current** | | | |
| **Liabilities carried at fair value** | | | |
| Interest rate swaps – cash flow hedges | **–** | (0.5) | (1.5) |
| Cross–currency interest rate swaps – cash flow hedges | **–** | (2.1) | (2.3) |
| Forward foreign exchange contracts – not designated as hedges | **(0.5)** | (0.3) | (0.4) |
| | **(0.5)** | (2.9) | (4.2) |
| **Total** | **0.2** | (5.6) | (7.3) |

** For definition of level 2 inputs please refer to the 2021 Annual Report.

### 13. Provisions

| | **Half year March 2022 £m** |
|---|---|
| At beginning of period | **7.6** |
| Provided in period | **3.0** |
| Utilised in period | **(0.2)** |
| **At end of period** | **10.4** |

| | **March 2022 £m** | September 2021 £m |
|---|---|---|
| **Analysed as:** | | |
| Non–current liabilities | **5.3** | 5.5 |
| Current liabilities | **5.1** | 2.1 |
| | **10.4** | 7.6 |

### 14. 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 £46.0m at 25 September 2021 to a net liability of £18.2m at 25 March 2022. 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.

### NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

**14. Retirement Benefit Obligations (continued)**

The principal actuarial assumptions are as follows:

| | **March 2022** | | September 2021 | |
|---|---|---|---|---|
| | **UK** | **Ireland** | UK | Ireland |
| Rate of increase in pension payments * | **3.30%** | **0.00%** | 3.35% | 0.00% |
| Discount rate | **2.85%** | **2.00%** | 1.90% | 1.13% |
| Inflation rate | **3.65%** | **2.60%** | 3.45% | 1.80% |

* 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 2022** | | | September 2021 | | |
|---|---|---|---|---|---|---|
| | **UK Schemes £m** | **Irish Schemes £m** | **Total £m** | UK Schemes £m | Irish Schemes £m | Total £m |
| Fair value of plan assets | **234.0** | **195.4** | **429.4** | 260.6 | 220.7 | 481.3 |
| Present value of scheme liabilities | **(291.8)** | **(155.8)** | **(447.6)** | (347.7) | (179.6) | (527.3) |
| (Deficit)/surplus in schemes | **(57.8)** | **39.6** | **(18.2)** | (87.1) | 41.1 | (46.0) |
| Deferred tax asset/(liability) | **14.5** | **(5.0)** | **9.5** | 21.8 | (5.1) | 16.7 |
| **Net (liability)/asset at end of the period** | **(43.3)** | **34.6** | **(8.7)** | (65.3) | 36.0 | (29.3) |
| | | | | | | |
| **Presented as:** | | | | | | |
| Retirement benefit asset** | | | **40.4** | | | 42.1 |
| Retirement benefit obligation | | | **(58.6)** | | | (88.1) |

** 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/(decrease) in Scheme Liabilities** | | |
|---|---|---|---|---|
| **Assumption** | **Change in assumption** | **UK Schemes** | **Irish Schemes** | **Total** |
| Discount rate | Increase by 0.5% | **(24.4)** | **(9.5)** | **(33.9)** |
| | Decrease by 0.5% | **27.6** | **10.1** | **37.7** |
| Rate of inflation | Increase by 0.5% | **18.7** | **3.7** | **22.4** |
| | Decrease by 0.5% | **(19.3)** | **(3.6)** | **(22.9)** |
| Rate of mortality | Members assumed to live 1 year longer | **9.9** | **4.3** | **14.2** |

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

| | | **Increase in Scheme Assets** | | |
|---|---|---|---|---|
| **Assumption** | **Change in assumption** | **UK Schemes** | **Irish Schemes** | **Total** |
| Change in bond yields | Decrease by 0.5% | **23.0** | **8.8** | **31.8** |

**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 £4.6m (September 2021: £5.8m).

### NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

**16. Related party transactions**

There have been no related party transactions or changes in the nature and scale of the related party transactions described in the FY21 Annual Report that could have a material impact on the financial position or performance of the Group in the period ended 25 March 2022.

**17. Subsequent Events**

**Appointment of Chief Executive Officer**

On 30 March 2022, Patrick Coveney officially stepped down from his role of Director and Chief Executive Officer. On 13 May 2022 it was announced that Dalton Phillips will take up the position of Chief Executive Officer of the Group on 26 September 2022. Until that time Gary Kennedy and Kevin Moore will continue in their roles as Executive Chairman and Deputy Chief Executive Officer of the Group.

**18. Information**

Copies of the Interim Financial Report are available for download from the Group's website at 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. Free Cashflow Conversion in prior periods has been measured and reported on an annual basis at year end only however the below APMs have now included this on a rolling cash flow basis. 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

**Pro Forma Revenue Growth (versus FY21)**

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 period in FY21 up to the date of disposal. It also presents the revenue on a constant currency basis utilising FY21 FX rates on FY22 reported revenue.

| | **Half year 2022 Convenience Foods UK & Ireland %** |
|---|---|
| Reported revenue | **33.6%** |
| Impact of disposals | **1.0%** |
| Impact of currency | **0.3%** |
| **Pro Forma Revenue Growth (%)** | **34.9%** |

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 2022** | |
|---|---|---|
| | **Food to go categories %** | **Other convenience categories %** |
| Reported revenue | **48.0%** | **12.9%** |
| Impact of disposals | **–** | **2.0%** |
| Impact of currency | **–** | **0.9%** |
| **Pro Forma Revenue Growth (%)** | **48.0%** | **15.8%** |

**Pro Forma Revenue Growth (versus FY19)**

Pro Forma Revenue Growth adjusts reported revenue (+9.9%) to reflect the impact of disposals and exits of manufacturing lines (+2.6%), and the acquisition of Freshtime UK Limited in FY19 (-2.9%). It also presents the revenue on a constant currency basis utilising FY19 FX rates on FY22 reported revenue (+0.2%). Total Pro Forma Revenue Growth versus FY19 is 9.8%.

### 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:

## APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

### ADJUSTED EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING MARGIN (continued)

| | **Half Year 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Profit for the financial period** | **0.8** | 0.4 |
| Taxation[(A)] | **0.2** | (2.2) |
| Net finance costs[(B)] | **6.2** | 9.7 |
| Profit on disposal of associates (exceptional) | **–** | (4.0) |
| **Group Operating Profit** | **7.2** | 3.9 |
| Exceptional items | **8.0** | (5.7) |
| Amortisation of acquisition related intangibles | **2.0** | 2.0 |
| **Adjusted Operating Profit** | **17.2** | 0.2 |
| Depreciation and amortisation [(C)] | **26.6** | 26.3 |
| **Adjusted EBITDA** | **43.8** | 26.5 |
| **Adjusted Operating Margin (%)** | **2.2%** | 0.0% |

(A) Includes tax credit on exceptional items of £1.5m (2021: £0.2m)
(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 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Profit/(loss) before taxation** | **1.0** | (1.8) |
| Exceptional items | **8.0** | (9.7) |
| Pension finance items | **0.6** | 0.9 |
| Amortisation of acquisition related intangibles | **2.0** | 2.0 |
| FX and fair value movements[(A)] | **0.1** | 0.7 |
| **Adjusted Profit/(Loss) Before Tax** | **11.7** | (7.9) |

(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.

## APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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

| | **Half year 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Profit attributable to equity holders of the Company** | **0.8** | 0.1 |
| Exceptional items (net of tax) | **6.5** | (9.9) |
| FX effect on inter–company and external balances where hedge accounting is not applied | **0.5** | (0.4) |
| Movement in fair value of derivative financial instruments and related debt adjustments | **(0.4)** | 1.1 |
| Amortisation of acquisition related intangible assets (net of tax) | **1.5** | 1.6 |
| Pension financing (net of tax) | **0.5** | 0.7 |
| **Adjusted Earnings/(Loss)** | **9.4** | (6.8) |

| | **Half year 2022 '000** | Half year 2021 '000 |
|---|---|---|
| **Weighted average number of ordinary shares in issue during the year** | **524,756** | 498,048 |

| | **Pence** | Pence |
|---|---|---|
| **Adjusted Earnings/(Loss) Per Share** | **1.8** | (1.4) |

### 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 2022 £m** | Half year 2021 £m |
|---|---|---|
| Purchase of property, plant and equipment | **17.8** | 15.0 |
| Purchase of intangible assets | **0.8** | 1.5 |
| **Net cash outflow from capital expenditure** | **18.6** | 16.5 |
| | | |
| Strategic Capital Expenditure | **12.6** | 8.6 |
| Maintenance Capital Expenditure | **6.0** | 7.9 |
| **Net cash outflow from capital expenditure** | **18.6** | 16.5 |

### APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

**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 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 outflow from operating and investing activities to Free Cash Flow:

| | **Half year 2022 £m** | Half year 2021 £m |
|---|---|---|
| Net cash outflow from operating activities | **(3.1)** | (7.8) |
| Net cash outflow from investing activities | **(18.6)** | (0.2) |
| **Net cash outflow from operating and investing activities** | **(21.7)** | (8.0) |
| Strategic Capital Expenditure | **12.6** | 8.6 |
| Disposal of undertakings | **–** | (16.3) |
| Repayment of lease liabilities | **(8.7)** | (7.9) |
| **Free Cash Flow** | **(17.8)** | (23.6) |

**FREE CASH FLOW CONVERSION**

The Group uses Free Cash Flow Conversion to measure the Group's ability to convert operating profits into free cash flow.

The Group calculates Free Cash Flow Conversion as Free Cash Flow divided by Adjusted EBITDA. This is calculated on a 12 month basis. The following table sets out the calculation of Free Cash Flow Conversion:

| | **12 months to March 2022 £m** | 12 months to March 2021 £m |
|---|---|---|
| Free Cash Flow (A) | **78.0** | (55.9) |
| Adjusted EBITDA (B) | **109.6** | 47.7 |
| **Free Cash Flow Conversion (%) (C)** | **71.2%** | (117.2%) |

(A) Free Cash flow for H2 21 and H2 20 was £95.8m inflow and £32.3m outflow respectively
(B) Adjusted EBITDA for H2 21 and H2 20 was £65.8m and £21.2m respectively
(C) Free Cash Conversion at 24 September 2021 was 78.2%

**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 2022 £m** | Half year 2021 £m |
|---|---|---|
| Cash and cash equivalents and bank overdrafts | **49.5** | 17.0 |
| Bank borrowings | **(208.4)** | (181.7) |
| Private Placement Notes | **(60.4)** | (106.6) |
| **Net debt excluding lease liabilities** | **(219.3)** | (271.3) |
| Lease Liabilities | **(53.0)** | (60.8) |
| **Net Debt** | **(272.3)** | (332.1) |

## APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

### 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. 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 2022 £m** | 12 months to March 2021 £m |
|---|---|---|
| **Adjusted Operating Profit/(Loss)** | **56.0** | (5.6) |
| Share of profit of associates before tax | **–** | 0.3 |
| Taxation at the effective tax rate(A) | **(9.1)** | 0.7 |
| **Group NOPAT** | **46.9** | (4.6) |

| | **Half year 2022 £m** | Half year 2021 £m |
|---|---|---|
| **Invested Capital** | | |
| Total assets | **1,270.1** | 1,184.7 |
| Total liabilities | **(829.5)** | (814.2) |
| Net Debt | **272.3** | 332.1 |
| Derivatives not designated as fair value hedges | **(0.2)** | 7.3 |
| Retirement benefit obligation (net of deferred tax asset) | **8.7** | 55.7 |
| **Invested Capital for the Group (B)** | **721.4** | 765.6 |
| | | |
| **Average Invested Capital for ROIC calculation for the Group** | **743.5** | 758.6 |
| | | |
| **ROIC (%) for the Group (C)** | **6.3%** | (0.6%) |

(A) The effective tax rates for the financial period ended 25 March 2022 and 24 September 2021, were 19% and 15% respectively
(B) The invested capital for the Group in March 2020 was £751.6m
(C) ROIC at 24 September 2021 was 4.5%

### 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 and COVID risks has been incorporated into the Group's principal risks as appropriate.

The war in the Ukraine is having an impact on principal risks and uncertainties. In particular by increasing pressure in some operational areas, for example impact on the supply of raw material, Ukraine supplies approximately 40% of wheat globally and 80% of sunflower oil. The war is also increasing the cost of raw materials further compounding the Inflationary risk currently being managed by the company. The Group have updated the principal risks and uncertainties below to take account of the economic environment with a summary by risk area provided below.

**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 this strategy will necessitate material investment of organisational resource and capital, to deliver both organic growth projects and M&A. Major organic growth projects typically involve significant time investment from key individuals across the business to scope, plan, negotiate and execute new business. They may also involve material capital investment in capacity or capability. These investments are typically made on the basis of projected future projections of performance, which are by their nature, uncertain. Likewise, they are based on projected rather than actual capital investment costings. Similarly, corporate development by its nature involves a level of uncertainty, as the business case for an acquisition is typically based on projected future performance of the target business, as well as projected commercial, operational and other synergies, which carry some uncertainty until fully delivered under Greencore's ownership.

**Commercial**

*Changes in consumer behaviour and demand:* In common with other food manufacturers, changes in food consumption patterns may impact the Group. These changes may relate to consumer attitudes to health and more recently ethics and sustainability. Demand for a number of the Group's products can also be adversely affected by fluctuations in the economy. This risk has been heightened by the impact of inflation and the UK economy, more recently associated with the war in the Ukraine.

*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, or 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. There is a further risk that our key customers may seek to dilute their own risk, by moving to a multi-supplier base.

*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 may also be impacted by the loss of a key supplier. The Group relies on a concentrated number of key suppliers. A loss of, 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 current economic environment has seen inflation in the UK rise at unprecedented levels, while the Group is working to mitigate the impact of inflation by maintaining a strong commercial focus on purchasing, process and cost improvement, there is a risk that the Group may not be able to fully mitigate this risk.

**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 at a Greencore manufacturing facility or one of our approved suppliers, through either accidental or deliberate means. This may lead to the potential harm to consumers and result in products being withdrawn or recalled. As well as being a significant draw on resources, product contamination could result in a financial, reputational and/or legal impact on the Group.

### APPENDIX: PRINCIPAL RISKS AND UNCERTAINTIES

**Operational (continued)**

*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 organisations, the Group carries risk related to cyber-events threatening the availability or integrity of our systems and the data which they hold. Losses caused by accidental or malicious actions, including those resulting from a cyber security attack, could result in a significant impact on the Group. The Group has already seen this risk materialise in the form of a recent cyber incident. The Group responded proactively following a robust governance process for restoring IT systems and applications used by the business in a secure manner in line with the Group Recovery Policy. The risk of a further cyber incident remains and is being further heightened by the Russian-Ukraine war, as it is believed that those member states seeking sanctions against Russia are felt to be at greater risk of attack either directly or indirectly. Management are continuing to take further action and remediation to mitigate this increased risk.

**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.

*Labour 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 which includes the implementation of the group wide transformation and reorganisation programme, "Better Greencore" to increase operational efficiencies and reduce organisational complexity.

*Labour cost, availability and compliance with employment legislation:* Due to political, economic and legislative uncertainty and change, labour cost and availability has been impacted. The Group has already seen this risk materialise in H1 22 and continue to be affected by these external factors. The Group has to also ensure it is compliant with any ethical legislation such as minimum wage legislation as well as working time directives and eligibility to work regulations in the UK. Failure to comply with employment legislation could result in heavy fines as well as reputational damage.

**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, in the current economic climate, the Group's credit rating and its related ability to obtain funding for future development and expansion are specific risks.

*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.

*Pandemic:* The COVID-19 pandemic has led to unprecedented challenges and issues. Whilst COVID-19 vaccines have been developed and rolled out with significant coverage in our core UK market, there remains a risk of emerging variants disrupting the effectiveness of the vaccine programme which could adversely impact Group operations. Failure to adapt to changes brought about by the impact of the COVID-19 pandemic and any future pandemics may adversely affect our competitiveness and financial results.

*Environmental/ Climate risk:* Climate change has the potential to dramatically change the world in which we live and operate. Tackling climate change, by taking measures to limit its impact to manageable levels, has become a key priority for governments, businesses and citizens around the world. Even if manageable, the effect of climate change will be quite profound. There is also a risk that the Group may fail to uphold its environmental responsibilities and commitments, which in addition to carrying a reputational impact for the Group, may also result in breaches of laws or regulations and may have a financial and/or legal impact for the Group.