INTERIM FINANCIAL REPORT
For the half year ended 31 March 2023

30 May 2023

Strong revenue growth - full year expected to be in line with expectations

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience foods in the UK, today issues its results for the 26 weeks ended 31 March 2023.

PERFORMANCE [1]

- Group Revenue increased 20.1% from H1 22 to £925.8m in H1 23:
  - Overall manufactured volume growth including new business, delivered 5.0% of this growth in the period.
  - Food to go revenue increased 15.6% and other convenience categories' revenue increased by 28.5%, with the increases due to recovery of cost inflation, new business wins and underlying volume growth.
- Inflation significantly increased year on year compared to H1 22 and the majority was recovered or mitigated. Commodity inflation has been largely recovered in the period through commodity trackers and dialogue with customers. Other operational and fixed cost inflation was primarily offset through cost efficiencies and mitigation activities. A lag in inflation is expected to be largely recovered in H2.
- Adjusted Operating Profit of £11.8m (H1 22: £17.2m), with Adjusted Operating Margin of 1.3% (H1 22: 2.2%).
- Adjusted Operating Margin was impacted by the denominator effect of elevated inflation. Reported operating profit into H2 is expected to improve in line with the seasonality of the business and recovery of the lag in inflation.
- A loss before tax of £6.2m (H1 22: £1.0m profit) was reported due to lower operating profit and increased finance costs.
- Adjusted EPS of 0.5p (H1 22: Adjusted EPS of 1.8p).
- Net Debt (excluding lease liabilities) was flat year on year at £219.4m at 31 March 2023 (H1 22: £219.3m), with 12-month free cashflow conversion of 42.4% (H1 22: 71.2%). Net Debt: EBITDA of 1.9x as measured under financing agreements (H1 22: 2.1x), with substantial undrawn headroom on debt facilities.
- Group ROIC of 7.5%, compared to 6.3% at H1 22 and 8.4% at the end of FY22.
- Continued value was returned to shareholders in the form of a share buyback programme with £13.2m returned in H1 23 and £25.0m returned in total to date since the Group announced a recommencement of a value return to shareholders in May 2022. A further £10m will be returned to shareholders in the form of a share buyback programme commencing on 30 May 2023, as part of the wider commitment to return £50m to shareholders by May 2024.

STRATEGIC & OPERATIONAL DEVELOPMENTS [1]

- Better Greencore, the Group's change programme, continued to deliver benefits for the Group and support the mitigation of fixed cost and overhead inflation. The Group remains focused on the delivery of approximately £30m of annualised benefits from this programme by FY24, as previously announced.
- During H1, the Group re-shaped the programme in light of changing commercial conditions and ongoing cost pressures:
  - Following the decision to exit a low margin customer contract in FY23, the capital expenditure component of Better Greencore has been halted as sufficient capacity has been released.
  - The Group introduced additional cost controls and accelerated a headcount reduction programme, which resulted in the reduction of approximately 250 salaried roles at the end of March 2023.
  - The Group also initiated incremental activity on commercial and operational efficiency to support profitability.
- Combined with changes made in FY22, these additional actions are expected to underpin delivery of the benefits targeted by Better Greencore and will conclude the programme in FY23. An exceptional charge of £7.7m was recognised in H1 related to the Better Greencore change programme. This brings the cumulative cost of delivery of the Better Greencore programme to £24.5m, including £0.7m of capital expenditure.
- The commissioning challenges previously disclosed in the Group's new ready meals facility eased in Q2 23 with improvements in efficiency noted, although the facility continues to operate with excess capacity.
- We made continued progress on the sustainability agenda and improved governance with the establishment of both a management sustainability oversight committee and a Board sustainability subcommittee.
- On 17 April 2023, the Group announced that Emma Hynes will step down from her role as Chief Financial Officer and Executive Director, with effect from 31 May 2023. Further to this, and from 15 June 2023, Jonathan Solesbury will assume the role of Interim Chief Financial Officer. Jonathan has extensive experience in senior finance roles in both the food and beverage industries, including three years as Group Chief Financial Officer with C&C Group plc and 22 years with SABMiller plc.

OUTLOOK[1,2]

The Group has recovered or mitigated a significant component of the input cost and other inflation incurred during H1 23 through explicit recovery mechanisms, constructive dialogue with customers and operational and cost efficiencies. The Group is well placed to recover or mitigate the majority of the remaining expected in-year commodity inflation together with the lag in recovery from the first half and is progressing well in this regard. Profit conversion and overhead inflation recovery continues to be underpinned by Better Greencore.

The Group will commence an additional £10m share buyback on 30 May 2023. The Board is conscious of the value some shareholders ascribe to dividends and intends to update on the capital returns policy at the time of year end results.

While the UK consumer spending environment remains challenging, the Group has continued to focus on improving profitability and returns and has taken decisive action across a number of initiatives in the first half to support profitability. The Group expects to generate an FY23 outturn in line with current market expectations.

Commenting on the results, Dalton Philips, Chief Executive Officer, said:

"We are pleased to have delivered strong revenue growth in the seasonally quieter first half of the year, and it is a clear demonstration of Greencore's ongoing resilience in what is a difficult consumer spending environment. While much of the top line momentum has been driven by recovery of inflation, it is encouraging to have achieved good manufactured volume growth, which speaks to the enduring structural demand for the categories in which we operate.

We are confident that we will continue to build on the momentum in the business in both revenues and efficiencies as we enter our peak seasonal trading period, and we expect to deliver a full year outturn in line with current market expectations.

We remain confident in the long-term potential for the business and our immediate priority is to rebuild profitability and returns in order to create a platform on which to build for future growth. Critical to this rebuild strategy will be a combination of rigorous management of our customer, product and asset portfolio, and a reset approach to operational excellence, supported by continuing our unwavering approach to inflation recovery and cost management."

SUMMARY FINANCIAL PERFORMANCE [1]

	H1 23 £m	H1 22 £m	Change
Group Revenue	925.8	770.8	+20.1%
Adjusted EBITDA	39.9	43.8	-£3.9m
Group Operating Profit	3.6	7.2	-£3.6m
Adjusted Operating Profit	11.8	17.2	-£5.4m
Adjusted Operating Margin	1.3%	2.2%	-90 bps
Group (Loss)/ Profit Before Tax	(6.2)	1.0	-£7.2m
Adjusted Profit Before Tax	3.4	11.7	-£8.3m
Basic EPS (pence)	(0.9)p	0.2p	-1.1p
Group Exceptional Items (after tax)	(4.8)	(6.5)	+£1.7m
Adjusted EPS (pence)	0.5p	1.8p	-1.3p
Free Cash Flow	(24.3)	(17.8)	-£6.5m
Net Debt	(268.8)	(272.3)	+£3.5m
Net Debt (excluding lease liabilities)	(219.4)	(219.3)	-£0.1m
Net Debt: EBITDA as per financing agreements	1.9x	2.1x	+0.2x
Return on Invested Capital ("ROIC")	7.5%	6.3%	+120bps

[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 FY23 market expectations of mean Adjusted Operating Profit of £70.6m, mean Adjusted EPS of 7.8p, and mean Net Debt (excluding lease liabilities) of £182.3m, as compiled by Greencore from available analyst estimates on 24 May 2023 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 30 September 2022 issued on 29 November 2022. 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 9.30am on 30 May 2023. The presentation slides will be available on the Investor Relations section on www.greencore.com from 7.00am on 30 May 2023.

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:

Dalton Philips	Chief Executive Officer	Tel: +353 (0) 1 486 3326
Curtis Armstrong	Head of FP&A	Tel: +44 (0) 1246 384649
Rob Greening/ Nick Hayns/ Sam Austrums	Powerscourt	Tel: +44 (0) 20 7250 1446
Billy Murphy/ Claire Rowley	Drury Communications	Tel: +353 (0) 1 260 5000

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 FY22 we manufactured 795m sandwiches and other food to go products, 127m chilled prepared meals, 249m bottles of cooking sauces, pickles and condiments and 47m of chilled soups and sauces. We carry out more than 10,600 direct to store deliveries each day. We have 16 world-class manufacturing and 18 distribution centres in the UK, with industry-leading technology and supply chain capabilities. We generated revenues of £1.7bn in FY22 and employ more than 14,000 people. We are headquartered in Dublin, Ireland.

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

INTERIM FINANCIAL REPORT
For the half year ended 31 March 2023

OPERATING REVIEW [1]

Strategic developments

The Group progressed well against its strategic objectives in H1 23, underpinned by close customer engagement as we operated through a highly inflationary and difficult consumer spending environment. The Group delivered good year on year manufactured volume revenue growth of 5.0%, through a combination of underlying growth, price mix and the benefit of new business wins, while also recovering significant levels of inflation.

Management have remained focused on contract returns and capacity management across the Group, as the Group seeks to recover margin from lower-value new business onboarded and contract extensions agreed in the last two years. In connection with this, the Group has proactively exited a number of contracts, which were delivering sub-optimal returns as we focus on maximising returns and manufacturing capacity utilisation.

As previously highlighted, following the completion of the approximately £30m strategic investment in upgrading Greencore manufacturing sites completed in Q4 22, there have been commissioning challenges as production in the new ready meals manufacturing unit has ramped up. Management has focused on resolving this disruption in addition to driving operating efficiency, improving output and conversion rates. While the efficiency of the site has improved significantly it continues to operate with excess capacity as the Group optimises its network utilisation across this category.

In H1 22, the Group launched its Better Greencore programme, the Group's change programme to deliver benefits for the Group and support the mitigation of fixed cost and overhead inflation. The Group remains focused on the delivery of approximately £30m of annualised benefits from this programme in FY24.

Following the decision to exit a low margin customer contract in FY23, the capital expenditure component of the Better Greencore programme has been halted and the Group has accelerated a headcount reduction programme which resulted in the reduction of approximately 250 salaried roles across the Group at the end of March 2023.

The Group also initiated incremental activity on commercial and operational efficiency to support profitability and mitigate inflation.

Combined with changes made in FY22, these additional actions are expected to underpin delivery of the benefits targeted by Better Greencore, and will conclude the programme in FY23. An exceptional charge of £7.7m was recognised in H1 23 related to the Better Greencore programme. This brings the cumulative cost of delivery of the Better Greencore programme to £24.5m, including £0.7m of capital expenditure.

The priority of management is now focused on commercial excellence, operational excellence and further fixed cost reductions.

- The commercial excellence focus is on contract profitability, margin accretion and streamlining the portfolio. Through working closely with customers on product and range innovations, the number of manufactured SKUs has been reduced by 9%. In addition, there has been a 9% reduction in bespoke ingredients partly due to an increase in the proportion of reformulations compared to newly developed products.
- A structured operational excellence programme is being rolled-out across the business with detailed diagnostics of manufacturing facilities, leading to multiple individual initiatives being pursued. These initiatives are targeted at improving the core profitability of the business through optimising and unlocking capacity and introducing efficiencies in units per hour across all aspects of manufacturing.

Trading Performance

	H1 23 £m	H1 22 £m	Change (As reported)
Revenue	925.8	770.8	+£155.0m
Group Operating Profit	3.6	7.2	-£3.6m
Adjusted Operating Profit	11.8	17.2	-£5.4m
Adjusted Operating Margin %	1.3%	2.2%	-90 bps

	Reported Revenue Growth (versus FY22)		
	Q1 23	Q2 23	H1 23
Group	19.0%	21.2%	20.1%
Food to Go categories	14.5%	16.7%	15.6%
Other Convenience food categories	27.6%	29.5%	28.5%

Trading Performance (continued)

Reported Group revenue increased by 20.1% to £925.8m in H1 23. Adjusting for movements in foreign exchange, revenue increased by 19.9%. Reported revenue growth was driven by a 14.5% benefit from recovery of cost inflation, a 5.0% benefit from manufactured volume increases (a combination of underlying growth, price mix and new business wins) and a 0.6% contribution from both distribution of third-party goods and the Irish ingredients trading business.

Overall, Adjusted Operating Profit decreased from £17.2m to £11.8m and Adjusted Operating Margin decreased by 90bps to 1.3%. Group Loss Before Tax was £6.2m in H1 23, compared to a Profit Before Tax of £1.0m in H1 22.

The decrease in Adjusted Operating Profit was driven by increasing costs year on year as significant inflation has been experienced, which was not fully recovered in the period. In addition, profitability was adversely impacted by commissioning challenges in the new ready meals manufacturing unit.

There was a substantial inflation related increase in the Group's main cost components in FY22 and H1 23, which led to a mid-teen rate of inflation in H1 23. Inflation incurred was largely recovered through pass through of cost increases and other mechanisms comprising product and range reformulations and alternative sourcing. The Better Greencore change programme and other efficiency initiatives are also supporting the offsetting and recovery of labour, fixed cost and overhead cost inflation. The lag in inflation recovery in H1 23 is expected to be largely mitigated or recovered in H2 23.

The increased inflation impact was broadly spread across all the categories of input costs. The largest component of inflation was in commodities across raw materials and packaging, some of which was recovered through pre-agreed recovery mechanisms in place with a number of customers. The other elements of inflation were largely recovered through a combination of constructive direct dialogue and operational efficiencies. Key initiatives on which we worked in collaboration with our customers, included range alterations, packaging redesigns and product reformulations.

New business, net of business losses, contributed meaningfully to Group revenue performance, representing 3.6% of the Group's revenue growth in the period. The new business was driven by the on-boarding of a strategic business win across multiple categories, which was supported by a strategic capital investment.

The Group managed a very active commercial agenda with customers in H1 23 and launched over 600 new or reformulated products, within the Group's total SKU range of more than 2,000 products. Examples of launches with key customers in the first half include Christmas ranges of sandwiches and sushi. In January, a series of new own label brands were launched in the vegan and health category with major retailers. We also launched a new range of cooking sauces, as well as creating summer twists on the nation's favourite quiche ranges.

H1 23 revenue in the Group's Food to Go categories (comprising sandwiches, salads, sushi and chilled snacking) totalled £580.4m and accounted for approximately 63% of reported revenue. Reported revenue increased by 15.6% in these categories, driven by pass through of cost increases to recover inflation, underlying volume growth in sandwiches and the contribution of business wins. Revenue for the distribution of third-party products accounted for approximately 7% of Group revenue in H1 23 (H1 22: c.8%).

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 the Irish ingredients trading business. Reported revenue across these categories increased by 28.5% to £345.4m in H1 23. The increase was driven by higher revenue in ready meals, ambient sauces and the Group's Irish ingredients trading business. Volume driven revenue growth was 6.0% higher than in H1 22 due largely to the Group's onboarding of new business wins in the ready meals category. Underlying demand across the remainder of the category was largely driven by growth in ambient sauces.

Overall, Group Operating Profit in H1 23 decreased to £3.6m (H1 22: £7.2m). Adjusted Operating Profit decreased to £11.8m (H1 22: £17.2m). The decrease in Adjusted Operating Profit was driven by increasing costs year on year as significant inflation has been experienced which was not fully recovered in the period. In H1 22 the Group recognised net costs of £2.6m as a result of a cyber security incident that occurred in December 2021.

Group Cash Flow and Returns

	H1 23 £m	H1 22 £m	Change (as reported)
Free Cash Flow	(24.3)	(17.8)	-£6.5m
Net Debt	(268.8)	(272.3)	+£3.5m
Net Debt (excluding lease liabilities)	(219.4)	(219.3)	-£0.1m
Net Debt:EBITDA as per financing agreements	1.9x	2.1x	+0.2x
ROIC	7.5%	6.3%	+120 bps

The Group continued to carefully manage both cashflows and leverage in H1 23 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 £24.3m in H1 23 compared to an outflow of £17.8m in H1 22, the increase in outflow primarily reflecting the lower profitability in H1 23. Free cash flow conversion was 42.4% compared with 71.2% in the 12 months to H1 22.

The Group's Net Debt at 31 March 2023 was £268.8m, a decrease of £3.5m compared to 25 March 2022. Net Debt excluding lease liabilities was £219.4m (H1 22: £219.3m). Net Debt excluding lease liabilities increased from £180.0m at the end of FY22 due to seasonal working capital outflows. The Group's Net Debt: EBITDA leverage as measured under financing agreements was 1.9x at period end, compared to 2.1x at the end of March 2022.

In January 2023, the Group further strengthened its balance sheet when it extended the maturity on its £50m bilateral facility by two years to January 2026. As at 31 March 2023, the Group had total committed debt facilities of £498.3m and a weighted average maturity of 2.5 years. At 31 March 2023 the Group had cash and undrawn committed bank facilities of £277.8m. A £75m revolving credit facility matured in March 2023 and was not renewed.

ROIC increased to 7.5% for the 12 months ended 31 March 2023, compared to 6.3% for the 12 months ended 25 March 2022. This compares with 8.4% for the 12 months ended 30 September 2022. The year on year increase was driven primarily by increased profitability in the 12-month period to 31 March 2023. Average invested capital decreased year on year from £743.5m to £717.4m.

Better Future Plan

Greencore's sustainability strategy, the 'Better Future Plan', was launched in November 2021 and is built around three pillars and aspirations. Progress across the pillars was made as outlined under each pillar:

Sourcing with Integrity: By 2030, we will source our priority ingredients from a sustainable and fair supply chain:

- Engagement was increased with the supply base, launching both a Responsible Sourcing Code of Conduct to provide guidance on Greencore's sourcing expectations and a supplier sustainability questionnaire to further understand the key sustainability topics within our top supplier group; and
- The first soy data collection was completed to gain visibility of the certification level within our supply chain. This has enabled us to take proactive and targeted steps to increase certification in our soy supply chain.

Making with Care: By 2040, we will operate with net zero emissions:

- We have worked closely with FareShare to enable all sites to benefit from their network for food redistribution via our Direct to Store (DTS) network, providing greater surplus to our communities while ensuring we are meeting our responsibilities for food safety.

Feeding with Pride: By 2030, we will have increased our positive impact on society through our products:

- The FY22 Sustainability Report was released in February 2023. Protein usage was reported for the first time and will be tracked, and progress monitored to support our Scope 3 carbon reduction target.

FINANCIAL REVIEW [1]

Revenue and Operating Profit

Reported revenue in the period was £925.8m, an increase of 20.1% compared to H1 22 reflecting a 14.5% benefit from pass through of cost increases, a 5.0% benefit from manufactured volume (including new business) increases and a 0.6% contribution from distribution of third-party goods and the Irish ingredients trading business. Revenue increased by 19.9% on a constant currency basis.

Group Operating Profit decreased from £7.2m to £3.6m, primarily as a result of increased costs due to inflation. Adjusted Operating Margin was 1.3%, 90 basis points lower than H1 22.

Net finance costs

The Group's net bank interest payable was £7.8m in H1 23, an increase of £2.9m versus H1 22. The increase was driven by the impact of rising interest rates on the Group's floating rate debt, partially offset by lower margin driven by lower leverage. The Group also recognised a £0.6m interest charge relating to the interest payable on lease liabilities in the period (H1 22: £0.6m).

The Group's non-cash finance charge in H1 23 was £1.4m (H1 22: £0.7m). The change in the fair value of derivatives and related debt adjustments including foreign exchange in the period was a £0.8m charge (H1 22: £0.1m charge) and the non-cash pension financing charge of £0.6m was in line with the H1 22 charge of £0.6m.

Profit before taxation

The Group's Profit/(Loss) before taxation decreased from a profit of £1.0m in H1 22 to a loss of £6.2m in H1 23, driven by lower Group Operating Profit and higher finance costs. Adjusted Profit Before Tax in the period was £3.4m compared to an Adjusted Profit Before Tax of £11.7m in H1 22.

Taxation

The Group's effective tax rate in H1 23 (adjusting pre-exceptional profit for the change in fair value of derivatives) was 21% (H1 22: 19%).

Exceptional items

The Group had a pre-tax exceptional charge of £6.4m in H1 23, and an after-tax charge of £4.8m, comprised as follows:

Exceptional Items	**£m**
Reorganisation costs	7.7
Legacy defined benefit pension restructure	0.4
Release of legacy business liability	(1.7)
Exceptional items (before tax)	**6.4**
Tax on exceptional items	(1.6)
Exceptional items (after tax)	**4.8**

In H1 23, the Group continued its Better Greencore programme to support the revitalisation of its excellence cost efficiency initiatives and to unlock further cost efficiencies by reducing organisational complexity. The Group recognised a pre-tax charge of £7.7m in respect of reorganisation costs incurred in the period.

The Group also released a liability related to a historic business disposal as it was no longer required.

Earnings per share

The Group's basic (loss)/earnings per share for H1 23 was (0.9) pence compared to 0.2 pence in H1 22. This was driven by a £5.6m decrease in profit attributable to equity holders in H1 23, partially offset by a decrease in the weighted average number of shares in issue in H1 23 to 505.9m (H1 22: 524.8m).

Adjusted Earnings were £2.7m in the period, £6.7m behind prior year levels largely due to the decrease in Adjusted Operating Profit. Adjusted earnings per share of 0.5 pence in H1 23 compared to an adjusted earnings per share of 1.8 pence in H1 22.

Cash Flow and Net Debt

Adjusted EBITDA was £3.9m lower in H1 23 at £39.9m. The Group incurred a seasonal net working capital outflow of £32.3m. Maintenance capital expenditure of £8.8m was incurred in the period (H1 22: £6.0m). The cash outflow in respect of exceptional charges was £2.3m (H1 22: £0.3m), £1.6m of which related to prior year exceptional charges.

Cash Flow and Net Debt (continued)

Interest paid in the period was £8.2m (H1 22: £9.6m), including interest of £0.6m on lease liabilities, the decrease on H1 22 primarily reflecting the impact of refinancing a Private Placement Note in October 2021 at a lower rate. The Group recognised tax paid of £1.4m during the period (H1 22: credit of £1.9m reflecting a refund received in H1 22). 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 decreased to £8.3m (H1 22: £8.7m). The Group's cash funding for defined benefit pension schemes was £5.3m (H1 22: £5.8m).

These movements resulted in a free cash outflow of £24.3m compared to an outflow of £17.8m in H1 22, the decline driven primarily by the lower profitability in the period.

In H1 23, the Group incurred strategic capital expenditure of £4.2m (H1 22: £12.6m). This primarily relates to investment in manufacturing facilities to support growth.

The Group continued its value return to shareholders via its share buyback programme with £13.2m of shares bought back as part of the share buyback programme during H1 23. In addition, the Group acquired £2m of shares relating to its employee share ownership programme (H1 22: £3m). The Group did not make any equity dividend cash payments in either period.

The Group's Net Debt excluding lease liabilities at 31 March 2023 was £219.4m (H1 22: £219.3m) which represents an increase of £39.4m since the end of FY22. This increase on FY22 levels was driven primarily by the seasonal free cash outflows as described previously and continuation of the Group's share buyback programme.

Financing

In January 2023, the Group further strengthened its balance sheet when it extended the maturity on its £50m bilateral facility by two years to January 2026. In March 2023, a £75m RCF matured and was not extended. As at 31 March 2023, the Group had total committed debt facilities of £498.3m and a weighted average maturity of 2.5 years. These facilities comprised:

- A £340m revolving credit bank facility with a maturity date of January 2026
- A £50m bilateral bank facility with a maturity date of January 2026
- 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 31 March 2023, the Group had cash and undrawn committed bank facilities of £277.8m.

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 31 March 2023 was £25.0m. The net pension deficit after related deferred tax was £15.0m (FY22: £10.4m), comprising a net deficit on UK schemes of £41.2m (FY22: £44.5m) and a net surplus on Irish schemes of £26.2m (FY22: £34.1m).

In November 2022, the Trustees of the Irish legacy defined benefit pension scheme entered into an annuity buy in transaction to purchase an insurance policy for the pensioner liabilities which represented approximately 80% of the liabilities in the scheme. This has the benefit of de-risking the future of the scheme. The insurance policy is treated as a plan asset with the remeasurement occurring at this date representing the majority of the movement in the net surplus on Irish schemes.

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. The Group is in the process of completing 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 in line with previously guided levels of £15m.

Dividends

The Group did not pay dividends to shareholders in either the current or prior period.

The Group continued its value return to shareholders via a share buyback programme which in H1 23 has returned £13.2m and in total has returned value of £25m since the Group announced a recommencement of a value return to shareholders in May 2022. A further £10m will be returned to shareholders in the form of a share buyback programme commencing on 30 May 2023, as part of the wider commitment to return £50m to shareholders by May 2024.

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 30 September 2022 issued on 29 November 2022, 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 30 September 2022, 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 also contains 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.

D. Philips	E. Hynes
Chief Executive Officer	Chief Financial Officer
Date: 29 May 2023	Date: 29 May 2023

INTERIM FINANCIAL REPORT
For the half year ended 31 March 2023

CONDENSED GROUP INCOME STATEMENT
for the half year ended 31 March 2023

		Half year ended 31 March 2023 (Unaudited)			Half year ended 25 March 2022 (Unaudited)		
	Notes	Pre–exceptional £m	Exceptional (Note 5) £m	Total £m	Pre–exceptional £m	Exceptional (Note 5) £m	Total £m
Revenue	2	**925.8**	**–**	**925.8**	770.8	–	770.8
Cost of sales		**(662.2)**	**–**	**(662.2)**	(540.3)	–	(540.3)
Gross profit		**263.6**	**–**	**263.6**	230.5	–	230.5
Operating costs before acquisition related amortisation		**(251.4)**	**(6.4)**	**(257.8)**	(212.4)	(8.0)	(220.4)
Impairment of trade receivables		**(0.4)**	**–**	**(0.4)**	(0.9)	–	(0.9)
Group operating profit/(loss) before acquisition related amortisation	2	**11.8**	**(6.4)**	**5.4**	17.2	(8.0)	9.2
Amortisation of acquisition related intangibles		**(1.8)**	**–**	**(1.8)**	(2.0)	–	(2.0)
Group operating profit/(loss)		**10.0**	**(6.4)**	**3.6**	15.2	(8.0)	7.2
Finance income	6	**0.4**	**–**	**0.4**	–	–	–
Finance costs	6	**(10.2)**	**–**	**(10.2)**	(6.2)	–	(6.2)
Profit/(loss) before taxation		**0.2**	**(6.4)**	**(6.2)**	9.0	(8.0)	1.0
Taxation	7	**(0.2)**	**1.6**	**1.4**	(1.7)	1.5	(0.2)
(Loss)/profit for the financial period attributable to the equity shareholders		**–**	**(4.8)**	**(4.8)**	7.3	(6.5)	0.8
Earnings per share (pence)							
Basic earnings per share	9			**(0.9)**			0.2
Diluted earnings per share	9			**(0.9)**			0.2

INTERIM FINANCIAL REPORT
For the half year ended 31 March 2023

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 31 March 2023

	Half year ended 31 March 2023 (Unaudited) £m	Half year ended 25 March 2022 (Unaudited) £m
Total comprehensive income for the period		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on Group legacy defined benefit pension schemes	**(9.5)**	23.6
Deferred tax on Group legacy defined benefit pension schemes	**1.2**	(6.0)
	(8.3)	17.6
Items that may subsequently be reclassified to profit or loss:		
Currency translation adjustment	**0.1**	(0.9)
Cash flow hedges:		
fair value movement taken to equity	**(1.9)**	2.5
transferred to Income Statement	**(1.4)**	(0.9)
	(3.2)	0.7
Other comprehensive income for financial period	**(11.5)**	18.3
(Loss)/profit for the financial period	**(4.8)**	0.8
Total comprehensive income for the financial period attributable to equity shareholders	**(16.3)**	19.1

INTERIM FINANCIAL REPORT
For the half year ended 31 March 2023

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
as at 31 March 2023

	Notes	**March 2023 (Unaudited) £m**	September 2022 (Audited) £m
ASSETS			
Non–current assets			
Goodwill and intangible assets	10	**466.0**	468.1
Property, plant and equipment	10	**313.1**	319.4
Right-of-use assets	10	**46.0**	44.4
Investment property		**3.1**	3.1
Retirement benefit assets	14	**30.6**	39.8
Derivative financial instruments	12	**4.2**	12.4
Deferred tax assets		**33.6**	37.1
Trade and other receivables		**0.2**	0.3
Total non-current assets		**896.8**	924.6
Current assets			
Inventories		**71.0**	63.3
Trade and other receivables		**269.3**	248.7
Cash and cash equivalents	11	**68.3**	99.6
Derivative financial instruments	12	**2.1**	2.5
Total current assets		**410.7**	414.1
Total assets		**1,307.5**	1,338.7
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**5.0**	5.2
Share premium		**89.7**	89.7
Reserves		**341.1**	370.7
Total equity		**435.8**	465.6
LIABILITIES			
Non–current liabilities			
Borrowings	12	**226.4**	209.8
Lease liabilities		**33.9**	33.6
Other payables		**2.4**	2.7
Provisions	13	**5.2**	5.2
Retirement benefit obligations	14	**55.6**	60.1
Deferred tax liabilities		**14.4**	18.9
Total non–current liabilities		**337.9**	330.3
Current liabilities			
Borrowings	12	**61.3**	69.8
Trade and other payables		**447.7**	445.1
Lease liabilities		**15.5**	14.4
Derivative financial instruments	12	**–**	0.1
Provisions	13	**3.8**	4.7
Current tax payable		**5.5**	8.7
Total current liabilities		**533.8**	542.8
Total liabilities		**871.7**	873.1
Total equity and liabilities		**1,307.5**	1,338.7

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the half year ended 31 March 2023

	Notes	**Half year ended 31 March 2023 (Unaudited) £m**	Half year ended 25 March 2022 (Unaudited) £m
(Loss)/profit before taxation		**(6.2)**	1.0
Finance income	6	**(0.4)**	–
Finance costs	6	**10.2**	6.2
Exceptional items	5	**6.4**	8.0
Operating profit before exceptional items		**10.0**	15.2
Depreciation of property, plant and equipment and right-of use assets	10	**26.8**	25.1
Amortisation of intangible assets	10	**3.1**	3.5
Employee share–based payment expense		**1.4**	1.3
Contributions to Group legacy defined benefit pension schemes		**(5.3)**	(5.8)
Working capital movement		**(32.3)**	(34.8)
Other movements		**1.0**	0.4
Net cash inflow from operating activities before exceptional items		**4.7**	4.9
Cash outflow related to exceptional items	5	**(2.3)**	(0.3)
Interest paid (including lease liability interest)		**(8.2)**	(9.6)
Tax (paid)/refunded		**(1.4)**	1.9
Net cash outflow from operating activities		**(7.2)**	(3.1)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(12.0)**	(17.8)
Purchase of intangible assets		**(1.0)**	(0.8)
Net cash outflow from investing activities		**(13.0)**	(18.6)
Cash flow from financing activities			
Ordinary shares purchased – own shares		**(2.0)**	(3.0)
Capital return via share buyback	9	**(13.2)**	–
Drawdown of bank borrowings	12	**19.9**	59.6
Repayment of Private Placement Notes	12	**–**	(47.3)
Settlement of swaps on maturity of Private Placement Notes	12	**–**	(2.6)
Repayment of lease liabilities		**(8.3)**	(8.7)
Net cash outflow from financing activities		**(3.6)**	(2.0)
Net decrease in cash and cash equivalents and bank overdrafts		**(23.8)**	(23.7)
Reconciliation of opening to closing cash and cash equivalents and bank overdrafts			
Cash and cash equivalents and bank overdrafts at beginning of period	11	**46.7**	73.6
Translation adjustment		**(0.1)**	(0.4)
Decrease in cash and cash equivalents and bank overdrafts		**(23.8)**	(23.7)
Cash and cash equivalents and bank overdrafts at end of period	11	**22.8**	49.5

INTERIM FINANCIAL REPORT
For the half year ended 31 March 2023

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 March 2023

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total Equity £m
At 30 September 2022	**5.2**	**89.7**	**127.8**	**242.9**	**465.6**
Total comprehensive income for the period					
Currency translation adjustment	**–**	**–**	**0.1**	**–**	**0.1**
Cash flow hedge fair value movement taken to equity	**–**	**–**	**(1.9)**	**–**	**(1.9)**
Cash flow hedge transferred to Income Statement	**–**	**–**	**(1.4)**	**–**	**(1.4)**
Actuarial loss on Group legacy defined benefit pension schemes	**–**	**–**	**–**	**(9.5)**	**(9.5)**
Deferred tax on Group legacy defined benefit pension schemes	**–**	**–**	**–**	**1.2**	**1.2**
Loss for the financial period	**–**	**–**	**–**	**(4.8)**	**(4.8)**
Total comprehensive income for the financial period	**–**	**–**	**(3.2)**	**(13.1)**	**(16.3)**
Transactions with equity holders of the Company					
Contributions and distributions					
Employee share–based payment expense	**–**	**–**	**1.7**	**–**	**1.7**
Exercise, lapse or forfeit of share–based payments	**–**	**–**	**(2.2)**	**2.2**	**–**
Shares acquired by Employee Benefit Trust	**–**	**–**	**(2.0)**	**–**	**(2.0)**
Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust	**–**	**–**	**1.6**	**(1.6)**	**–**
Capital return via share buyback	**(0.2)**	**–**	**0.2**	**(13.2)**	**(13.2)**
Total transactions with equity holders of the Company	**(0.2)**	**–**	**(0.7)**	**(12.6)**	**(13.5)**
At 31 March 2023	**5.0**	**89.7**	**123.9**	**217.2**	**435.8**

	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
Total comprehensive income for the period					
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
Transactions with equity holders of the Company					
Contributions and distributions					
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)	–
Total transactions with equity holders of the Company	–	–	(3.0)	1.3	(1.7)
At 25 March 2022	5.3	89.7	119.1	226.5	440.6

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY *(continued)*
for the half year ended 31 March 2023

OTHER RESERVES

	Share options £m	Own shares £m	Undenominated capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
At 30 September 2022	**3.8**	**(4.4)**	**120.5**	**8.1**	**(0.2)**	**127.8**
Total comprehensive income for the period						
Currency translation adjustment	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Cash flow hedge fair value movement taken to equity	**–**	**–**	**–**	**(1.9)**	**–**	**(1.9)**
Cash flow hedge transferred to Income Statement	**–**	**–**	**–**	**(1.4)**	**–**	**(1.4)**
Total comprehensive income for the financial period	**–**	**–**	**–**	**(3.3)**	**0.1**	**(3.2)**
Transactions with equity holders of the Company						
Contributions and distributions						
Employee share–based payment expense	**1.7**	**–**	**–**	**–**	**–**	**1.7**
Exercise, lapse or forfeit of share–based payments	**(2.2)**	**–**	**–**	**–**	**–**	**(2.2)**
Shares acquired by Employee Benefit Trust	**–**	**(2.0)**	**–**	**–**	**–**	**(2.0)**
Transfer to Retained Earnings on transfer of shares to beneficiaries of the Employee Benefit Trust	**–**	**1.6**	**–**	**–**	**–**	**1.6**
Capital return via share buyback	**–**	**–**	**0.2**	**–**	**–**	**0.2**
Total transactions with equity holders of the Company	**(0.5)**	**(0.4)**	**0.2**	**–**	**–**	**(0.7)**
At 31 March 2023	**3.3**	**(4.8)**	**120.7**	**4.8**	**(0.1)**	**123.9**

	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
Total comprehensive income for the period						
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
Transactions with equity holders of the Company						
Contributions and distributions						
Employee share–based payment expense	1.3	–	–	–	–	1.3
Exercise, lapse or forfeit of share–based payments	(1.5)	–	–	–	–	(1.5)
Share 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
Total transactions with equity holders of the Company	(0.2)	(2.8)	–	–	–	(3.0)
At 25 March 2022	3.4	(4.6)	120.4	2.8	(2.9)	119.1

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 31 March 2023, 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. These Condensed Group Financial Statements for the six months ended 31 March 2023 and the comparative amounts for the six-months ended 25 March 2022 are unaudited and have not been reviewed by the Group's auditor. The condensed financial information for the year ended 30 September 2022 represents an abbreviated version of the Group Financial Statements for that year. Those financial statements, upon which the auditor issued an unqualified audit 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 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 and under recovery of targets set out under the Group's profit improvement initiatives. 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 volume, along with inflation under recovery and under recovery of targets set out under the Group's profit improvement initiatives; and
- A severe downside scenario which includes further potential impacts on volume due to the inflationary environment, inflation under recovery and further under recovery of targets set out under the Group's profit improvement initiatives.

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.

While the Group is in a net current liability position of £123.1m at 31 March 2023 (September 2022: £128.7m), the Group retained financial strength and flexibility at the end of H1 FY23, with cash and undrawn committed bank facilities of £277.8m at 31 March 2023 (March 2022: £349.5m).

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 and Financial Statements for the financial year ended 30 September 2022 and are as set out in those financial statements.

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.

In preparing the Condensed Group Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the 53 weeks ended 30 September 2022 with the exception of going concern. The Group retained going concern as a significant judgement for FY22 as COVID-19 was still present at various periods and there was uncertainty with regard to inflation and the UK economy. For FY23 and looking out to FY24, the Group is satisfied that the significant uncertainty that was present has stabilised and the Group is continuing to unlock further value through the Group's restructuring and operational efficiency programmes. Therefore, the Group does not consider going concern to be a significant judgement at H1 FY23.

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 Board of Directors.

The segment incorporates 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 an Irish ingredients trading business.

	Convenience Foods UK and Ireland	
	Half year 2023 £m	Half year 2022 £m
Revenue	**925.8**	770.8
Group operating profit before exceptional items and amortisation of acquisition related intangible assets	**11.8**	17.2
Amortisation of acquisition related intangible assets	**(1.8)**	(2.0)
Group operating profit before exceptional items	**10.0**	15.2
Finance income	**0.4**	–
Finance costs	**(10.2)**	(6.2)
Exceptional items	**(6.4)**	(8.0)
Taxation	**1.4**	(0.2)
(Loss)/profit for the period	**(4.8)**	0.8

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

	Half year 2023 £m	Half year 2022 £m
Revenue		
Food to Go categories	**580.4**	502.1
Other Convenience categories	**345.4**	268.7
Total revenue for Convenience Foods UK and Ireland	**925.8**	770.8

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 an Irish ingredients trading business.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

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 FY23. This weighting is primarily driven by weather and seasonal buying patterns.

4. Operating costs before acquisition related amortisation

	Half Year 2023 £m	Half Year 2022 £m
Administrative expenses	**(207.3)**	(179.8)
Distribution costs	**(37.7)**	(31.2)
Other operating costs	**(6.4)**	(1.4)
Total operating costs before acquisition related amortisation and exceptional items	**(251.4)**	(212.4)
Exceptional items	**(6.4)**	(8.0)
Total operating costs before acquisition related amortisation	**(257.8)**	(220.4)

During the prior year, the Group experienced a cyber security incident which resulted in business disruption and net costs of £2.6m being incurred in connection with the incident at H1 FY22. There was nothing incurred of this nature in H1 FY23.

5. Exceptional Items

		Half Year 2023 £m	Half Year 2022 £m
Reorganisation costs	(a)	**(7.7)**	(8.0)
Defined benefit pension schemes restructuring	(b)	**(0.4)**	–
Release of legacy business liability	(c)	**1.7**	–
Total exceptional items before taxation		**(6.4)**	(8.0)
Tax credit on exceptional items		**1.6**	1.5
Total exceptional items		**(4.8)**	(6.5)

(a) Reorganisation costs

The Group continued with its change programme "Better Greencore", which commenced in the prior period. This is to support the revitalisation of its excellence cost efficiency programmes and unlock cost efficiencies by reducing organisational complexity. The Group recognised a charge of £7.7m in the current period (2022: £8.0m).

(b) Defined benefit pension schemes restructuring

The Group incurred a charge of £0.4m in the current period in relation to restructuring costs associated with its legacy defined benefit pension scheme in Ireland as the buy-in of an annuity insurance policy was completed during the period. See Note 14 for further details.

(c) Release of legacy business liability

In the current period, the Group released £1.7m of a liability relating to legacy business disposals which the Group is satisfied are not probable to be paid.

Cash Flow on Exceptional Items

The total net cash outflow during the period in respect of exceptional items was £2.3m (H1 FY22: £0.3m), of which £1.6m was in respect of prior year exceptional charges.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

6. Finance income and finance costs

	Half year 2023 £m	Half year 2022 £m
Finance income		
Interest on bank deposits	**0.4**	–
Total finance income	**0.4**	–
Finance costs		
Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs	**(8.2)**	(4.9)
Interest on lease obligations	**(0.6)**	(0.6)
Net pension financing charge	**(0.6)**	(0.6)
Change in fair value of derivatives and related debt adjustments	**(0.5)**	0.4
Foreign exchange on inter–company and external balances where hedge accounting is not applied	**(0.3)**	(0.5)
Total finance costs	**(10.2)**	(6.2)

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 31 March 2023.

The effective tax rate applicable for the period ended 31 March 2022 is 21% (March 2022: 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 and there are no dividends proposed in the current period.

The Group continued its value return to shareholders in H1 23 through continuation of the share buyback programme with £13.2m returned to shareholders in the period (H1 FY22: £Nil).

9. Earnings per Ordinary Share

In the current period, the Group repurchased 17,099,149 Ordinary Shares in the Company, by way of a share buyback, costing £13.2m. These shares were immediately cancelled. The effect of this on the weighted average number of ordinary shares was a decrease of 6,601,564 shares.

Numerator for earnings per share calculations

	Half year 2023 £m	Half year 2022 £m
(Loss)/profit attributable to equity holders of the Company	**(4.8)**	0.8

Denominator for earnings per share calculations

	Half year 2023 '000	Half year 2022 '000
Shares in issue at the beginning of the period	**516,837**	526,547
Effect of shares held by Employee Benefit Trust	**(4,347)**	(1,797)
Effect of share buyback and cancellation in the period	**(6,602)**	–
Effect of shares issued in the period	**–**	6
Weighted average number of Ordinary Shares in issue during the period	**505,888**	524,756
Dilutive effect of share options	**5,328**	782
Weighted average number of Ordinary Shares for diluted earnings per share	**511,216**	525,538

A total of 21,746,624 (March 2022: 14,414,349) 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 31 March 2023.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

9. Earnings per Ordinary Share (continued)

Earnings per Share Calculations

	Half year 2023 pence	Half year 2022 pence
Basic earnings per Ordinary Share	**(0.9)**	0.2
Diluted earnings per Ordinary Share	**(0.9)**	0.2

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

During the six-month period to 31 March 2023, the Group made £14.5m of additions to property, plant and equipment and intangible assets through ongoing capital expenditure, while £1.0m of assets were impaired. In addition, the Group made £9.8m of additions to right-of-use assets while £0.2m were disposed of. A total depreciation and amortisation charge was recognised in the period of £29.9m including £3.1m on intangible assets (including amortisation of acquisition related intangible assets), £18.8m on property, plant and equipment and £8.0m on right-of-use assets.

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, while £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 total depreciation and amortisation charge was recognised in the period of £28.6m including £3.5m on intangible assets, £17.4m on property, plant and equipment and £7.7m on right-of-use assets.

At 31 March 2023, the Group had capital expenditure commitments that had been contracted but not yet provided for amounting to £9.0m (H1 22: £20.0m).

11. Cash and cash equivalents and bank overdrafts

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

	March 2023 £m	September 2022 £m	March 2022 £m
Cash at bank and in hand	**68.3**	99.6	82.3
Bank overdraft (Note 12)	**(45.5)**	(52.9)	(32.8)
Total cash and cash equivalents and bank overdrafts	**22.8**	46.7	49.5

12. Borrowings and Derivatives

	March 2023 £m	September 2022 £m	March 2022 £m
Current			
Bank overdrafts	**(45.5)**	(52.9)	(32.8)
Private Placement Notes	**(15.8)**	(16.9)	–
Total current borrowings	**(61.3)**	(69.8)	(32.8)
Non-current			
Bank borrowings	**(178.9)**	(158.8)	(208.4)
Private Placement Notes	**(47.5)**	(51.0)	(60.4)
Total non-current borrowings	**(226.4)**	(209.8)	(268.8)
Total borrowings	**(287.7)**	(279.6)	(301.6)

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

12. Borrowings and Derivatives (continued)

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

	March 2023 £m	September 2022 £m	March 2022 £m
Borrowings			
Less than one year	**(15.8)**	(16.9)	–
Between one and two years	**(60.8)**	(111.9)	(64.9)
Between two and five years	**(165.6)**	(97.9)	(203.9)
Total borrowings	**(242.2)**	(226.7)	(268.8)
Bank overdrafts			
Less than one year	**(45.5)**	(52.9)	(32.8)
Total bank overdrafts	**(45.5)**	(52.9)	(32.8)
Total borrowings and bank overdrafts	**(287.7)**	(279.6)	(301.6)

Bank overdrafts

Uncommitted facilities undrawn at 31 March 2023 amounted to £11.2m (September 2022: £9.5m).

Bank Borrowings

The Group's bank borrowings net of finance fees comprised of £178.9m at 31 March 2023 (September 2022: £158.8m) with maturities on drawn borrowings ranging from June 2024 to January 2026. The Group had £255.0m (September 2022: £350.0m) of undrawn committed bank facilities in respect of which all conditions precedent had been met.

Private Placement Notes

The Group's outstanding Private Placement Notes net of finance fees comprised of £63.3m (denominated as $55.9m and £18m) at 31 March 2023 (September 2022: £67.9m, denominated as $55.9m and £18m). These were issued as fixed rate debt in June 2016 with maturities ranging from June 2023 to June 2026.

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 31 March 2023:

	Maturity dates	Net borrowings Mar-23 £m	Undrawn committed bank facilities £m	Total facilities available £m
Cash and cash equivalents and bank overdrafts	n/a	**22.8**	**(22.8)**	**–**
Bank Borrowings*	Jun-24 – Jan-26	**(180.0)**	**(255.0)**	**(435.0)**
Private Placement Notes*	Jun-23 – Jun-26	**(63.3)**	**–**	**(63.3)**
Total		**(220.5)**	**(277.8)**	**(498.3)**

*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 2023		September 2022		March 2022	
	Carrying amount £m	**Fair Value £m**	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m
Bank borrowings**	**(178.9)**	**(174.2)**	(158.8)	(151.1)	(208.4)	(203.4)
Private Placement Notes	**(63.3)**	**(63.1)**	(67.9)	(65.3)	(60.4)	(60.6)

**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 2023 Level 2* £m**	September 2022 Level 2*** £m	March 2022 Level 2*** £m
Non-current			
Assets carried at fair value			
Interest rate swaps – cash flow hedges	**2.7**	6.4	2.5
Cross–currency interest rate swaps – cash flow hedges	**1.5**	5.9	–
Forward foreign exchange contracts – not designated as hedges	**–**	0.1	–
	4.2	12.4	2.5
Current			
Assets carried at fair value			
Interest rate swaps – cash flow hedges	**1.3**	–	–
Cross–currency interest rate swaps – cash flow hedges	**0.2**	1.5	–
Forward foreign exchange contracts – not designated as hedges	**0.6**	1.0	–
	2.1	2.5	–
Non-current			
Liabilities carried at fair value			
Cross–currency interest rate swaps – cash flow hedges	**–**	–	(1.8)
	–	–	(1.8)
Current			
Liabilities carried at fair value			
Forward foreign exchange contracts – not designated as hedges	**–**	(0.1)	(0.5)
	–	(0.1)	(0.5)
Total	**6.3**	14.8	0.2

*** For definition of level 2 inputs please refer to the 2022 Annual Report.

13. Provisions

	Half year March 2023 £m
At beginning of period	**9.9**
Utilised in period	**(0.9)**
At end of period	**9.0**

	March 2023 £m	September 2022 £m
Analysed as:		
Non–current liabilities	**5.2**	5.2
Current liabilities	**3.8**	4.7
	9.0	9.9

14. Retirement Benefit Obligations

The Group operates one legacy defined benefit pension scheme and one legacy defined benefit commitment in 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 0% discretionary increases in pension payments. The schemes' 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 £20.3m at 30 September 2022 to a net liability of £25.0m at 31 March 2023. This movement was primarily driven by an actuarial loss in the Irish schemes offset by contributions paid by the Group.

In November 2022, the Trustees of the Irish legacy defined benefit scheme entered into an annuity buy-in transaction to purchase an insurance policy for the pensioner liabilities, representing approximately 80% of the liabilities of the scheme. This has the benefit of de-risking the future of the scheme. The insurance policy is treated as a plan asset and the fair value of the policy is deemed to be the present value of the related obligations. At the completion of the buy-in of the insurance policy, the Group recognised an actuarial loss in equity reflecting the change in the value of the plan assets to match the related obligation.

The principal actuarial assumptions are as follows:

	March 2023		September 2022	
	UK	**Ireland**	UK	Ireland
Rate of increase in pension payments *	**3.35%**	**0.00%**	3.35%	0.00%
Discount rate	**4.80%**	**4.00%**	5.00%	4.00%
Inflation rate	**3.20%**	**2.50%**	3.55%	2.40%

* 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 2023			September 2022		
	UK Schemes £m	**Irish Schemes £m**	**Total £m**	UK Schemes £m	Irish Schemes £m	Total £m
Fair value of plan assets	**177.5**	**158.3**	**335.8**	168.7	170.3	339.0
Present value of scheme liabilities	**(232.4)**	**(128.4)**	**(360.8)**	(228.0)	(131.3)	(359.3)
(Deficit)/surplus in schemes	**(54.9)**	**29.9**	**(25.0)**	(59.3)	39.0	(20.3)
Deferred tax asset/(liability)	**13.7**	**(3.7)**	**10.0**	14.8	(4.9)	9.9
Net (liability)/asset at end of the period	**(41.2)**	**26.2**	**(15.0)**	(44.5)	34.1	(10.4)
Presented as:						
Retirement benefit asset**			**30.6**			39.8
Retirement benefit obligation			**(55.6)**			(60.1)

** 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.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

14. Retirement Benefit Obligations (continued)

Sensitivity of pension liability to judgemental assumptions

Assumption	Change in assumption	Increase/(decrease) in Scheme Liabilities UK Schemes	Irish Schemes	Total Half Year 2023
Discount rate	Increase by 0.5%	**(14.9)**	**(5.6)**	**(20.5)**
	Decrease by 0.5%	**16.7**	**6.1**	**22.8**
Rate of inflation	Increase by 0.5%	**12.1**	**2.0**	**14.1**
	Decrease by 0.5%	**(11.8)**	**(1.9)**	**(13.7)**
Rate of mortality	Members assumed to live 1 year longer	**6.0**	**5.3**	**11.3**

Sensitivity of pension scheme assets to yield movements

Assumption	Change in assumption	Increase in Scheme Assets UK Schemes	Irish Schemes	Total
Change in bond yields	Decrease by 0.5%	**14.0**	**4.0**	**18.0**

15. Contingencies

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

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

The Group has provided bank guarantees to the Group's insurance providers for an amount of £5.5m (September 2022: £4.6m).

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 FY22 Annual Report that could have a material impact on the financial position or performance of the Group in the period ended 31 March 2023.

17. Subsequent Events

Resignation of Chief Financial Officer

On 17 April 2023, the Group announced that Emma Hynes had informed the Board of her intention to step down from her role as Director and Chief Financial Officer of the Group with effect from 31 May 2023. From 15 June 2023, Jonathan Solesbury will assume the role of Interim Chief Financial Officer.

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.

The Group believes that these APMs provide useful historical information to help investors evaluate the performance of the underlying business and are measures commonly used by certain investors and security analysts for evaluating the performance of the Group.

PRO FORMA REVENUE GROWTH

Pro Forma Revenue Growth half year FY23

The Group uses Pro Forma Revenue Growth as a supplemental measure of its performance. The Group believes that Pro Forma Revenue Growth provides a guide to underlying revenue performance and is calculated by adjusting reported revenue for the impact of acquisitions, disposals and foreign currency.

Pro Forma Revenue Growth presents the revenue on a constant currency basis utilising FY22 FX rates on FY23 reported revenue.

	Half year 2023 Convenience Foods UK & Ireland %
Reported revenue	**20.1%**
Impact of currency	**(0.2%)**
Pro Forma Revenue Growth (%)	**19.9%**

The table below shows the Pro Forma Revenue split by Food to Go categories and Other Convenience categories.

	Half year 2023	
	Food to go categories %	**Other convenience categories %**
Reported revenue	**15.6%**	**28.5%**
Impact of currency	**–**	**(0.6%)**
Pro Forma Revenue Growth (%)	**15.6%**	**27.9%**

Pro Forma Revenue Growth half year FY22

While Pro Forma Revenue Growth is not directly comparable year on year, we have included the prior period disclosure for the period ended 25 March 2022, for completeness. Pro Forma Revenue Growth is calculated by adjusting reported revenue in H1 FY22 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%

	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%

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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 the Group.

The Group calculates Adjusted Operating Profit as operating profit before amortisation of acquisition related intangibles and exceptional items. 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 (loss)/profit for the financial period to Adjusted Operating Profit, Adjusted EBITDA and Adjusted Operating Margin:

	Half Year 2023 £m	Half year 2022 £m
(Loss)/profit for the financial period	**(4.8)**	0.8
Taxation[A]	**(1.4)**	0.2
Net finance costs[B]	**9.8**	6.2
Group Operating Profit	**3.6**	7.2
Exceptional items	**6.4**	8.0
Amortisation of acquisition related intangibles	**1.8**	2.0
Adjusted Operating Profit	**11.8**	17.2
Depreciation and amortisation [C]	**28.1**	26.6
Adjusted EBITDA	**39.9**	43.8
Adjusted Operating Margin (%)	**1.3%**	2.2%

(A) Includes tax credit on exceptional items of £1.6m (H1 FY22: £1.5m)
(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 (loss)/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 in the fair value of all derivative financial instruments and related debt adjustments.

The following table sets out the calculation of Adjusted PBT:

	Half year 2023 £m	Half year 2022 £m
(Loss)/profit before taxation	**(6.2)**	1.0
Exceptional items	**6.4**	8.0
Pension finance items	**0.6**	0.6
Amortisation of acquisition related intangibles	**1.8**	2.0
FX and fair value movements[A]	**0.8**	0.1
Adjusted Profit Before Tax	**3.4**	11.7

(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

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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 (loss)/profit attributable to equity holders (as shown on the Condensed Group 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, the Performance Share Plan and the Employee Share Incentive Plan. Adjusted EPS described as an APM here is Adjusted Basic EPS.

The following table sets forth a reconciliation of the Group's (loss)/profit attributable to equity holders of the Company to its Adjusted Earnings for the financial periods indicated.

	Half year 2023 £m	Half year 2022 £m
(Loss)/profit attributable to equity holders of the Company	**(4.8)**	0.8
Exceptional items (net of tax)	**4.8**	6.5
FX effect on inter–company and external balances where hedge accounting is not applied	**0.3**	0.5
Movement in fair value of derivative financial instruments and related debt adjustments	**0.5**	(0.4)
Amortisation of acquisition related intangible assets (net of tax)	**1.4**	1.5
Pension financing (net of tax)	**0.5**	0.5
Adjusted Earnings	**2.7**	9.4

	Half year 2023 '000	Half year 2022 '000
Weighted average number of ordinary shares in issue during the period	**505,888**	524,756

	Pence	Pence
Adjusted Earnings Per Share	**0.5**	1.8

CAPITAL EXPENDITURE

MAINTENANCE CAPITAL EXPENDITURE

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

STRATEGIC CAPITAL EXPENDITURE

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

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

CAPITAL EXPENDITURE (continued)

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 2023 £m	Half year 2022 £m
Purchase of property, plant and equipment	**12.0**	17.8
Purchase of intangible assets	**1.0**	0.8
Net cash outflow from capital expenditure	**13.0**	18.6
Strategic Capital Expenditure	**4.2**	12.6
Maintenance Capital Expenditure	**8.8**	6.0
Net cash outflow from capital expenditure	**13.0**	18.6

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 2023 £m	Half year 2022 £m
Net cash outflow from operating activities	**(7.2)**	(3.1)
Net cash outflow from investing activities	**(13.0)**	(18.6)
Net cash outflow from operating and investing activities	**(20.2)**	(21.7)
Strategic Capital Expenditure	**4.2**	12.6
Repayment of lease liabilities	**(8.3)**	(8.7)
Free Cash Flow	**(24.3)**	(17.8)

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 2023 £m	12 months to March 2022 £m
Free Cash Flow [(A)]	**52.2**	78.0
Adjusted EBITDA [(B)]	**123.0**	109.6
Free Cash Flow Conversion (%) [(C)]	**42.4%**	71.2%

(A) Free Cash flow for H2 22 and H2 21 was £76.5m inflow and £95.8m outflow respectively
(B) Adjusted EBITDA for H2 22 and H2 21 was £83.1m and £65.8m respectively
(C) Free Cash Conversion at 30 September 2022 was 46.3%

APPENDIX: ALTERNATIVE PERFORMANCE MEASURES

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 cash and cash equivalents and bank overdrafts.

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 2023 £m	Half year 2022 £m
Cash and cash equivalents and bank overdrafts	**22.8**	49.5
Bank borrowings	**(178.9)**	(208.4)
Private Placement Notes	**(63.3)**	(60.4)
Net debt excluding lease liabilities	**(219.4)**	(219.3)
Lease Liabilities	**(49.4)**	(53.0)
Net Debt	**(268.8)**	(272.3)

RETURN ON INVESTED CAPITAL ('ROIC')

The Group uses ROIC as a key measure to determine returns for the Group as a whole and as a key measure to determine 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, the carrying value of derivatives not designated as fair value hedges and retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding the invested capital from the opening and closing Statement of Financial Position 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 Group NOPAT and invested capital used in the calculation of ROIC.

	12 months to March 2023 £m	12 months to March 2022 £m
Adjusted Operating Profit	**66.8**	56.0
Taxation at the effective tax rate[(A)]	**(13.0)**	(9.1)
Group NOPAT	**53.8**	46.9

	Half year 2023 £m	Half year 2022 £m
Invested Capital		
Total assets	**1,307.5**	1,270.1
Total liabilities	**(871.7)**	(829.5)
Net Debt	**268.8**	272.3
Derivatives not designated as fair value hedges	**(6.3)**	(0.2)
Retirement benefit obligation (net of deferred tax asset)	**15.0**	8.7
Invested Capital for the Group [(B)]	**713.3**	721.4
Average Invested Capital for ROIC calculation for the Group	**717.4**	743.5
ROIC (%) for the Group [(C)]	**7.5%**	6.3%

(A) The effective tax rates for the financial period ended 31 March 2023 and 30 September 2022, were 21% and 19% respectively
(B) The invested capital for the Group in March 2021 was £765.6m
(C) ROIC at 30 September 2022 was 8.4%

APPENDIX: PRINCIPAL RISKS AND UNCERTAINTIES

In the six-month period ended 31 March 2023, a comprehensive review of the Group's enterprise risk management framework has been undertaken. This has resulted in the development and deployment of a new Group ERM policy, framework, enhanced governance arrangements, and the provision of training on this new framework to senior management.

As part of this review, a full principal risk assessment exercise was conducted, and therefore the profile and focus of the Group's principal risks is fully updated. These principal risks and uncertainties faced by the Group are reported annually within the Annual Report and Financial Statements and are summarised below.

The Group's risks and uncertainties continue to be influenced by the external context and operating environment. High inflation continues to put pressure on the Group and industry, with volatile costs. The cost-of-living crisis and associated industrial action across multiple sectors, is impacting consumer spending habits. The Group remains focused on inflation recovery and continue to work with customers and supply partners to mitigate the ongoing impacts. Supply risks are further influenced by climate / weather related disruption and geopolitical instability including the war in Ukraine. The Group monitors such factors closely and is confident that robust and agile commercial and operational arrangements enable effective response. The Group considers the external context when assessing all principal risks and uncertainties, with a summary by risk area provided below:

Strategic

Transforming our business: The Group continues to pursue an ambitious change programme to address the challenges it faces and to build a better business for customers, employees, and shareholders. Doing so requires focus and engagement across a broad stakeholder group, strong leadership, effective resourcing, investment, and governance. Failing to deliver the aims of our transformation could adversely impact the long-term performance of the Group.

Changes in consumer behaviour and customer demand: In common with other food manufacturers, changes in food consumption patterns may impact the Group. These changes may relate to consumer lifestyles and working arrangements, or attitudes to health, ethics and sustainability. The strategies and demands of the Group's customers may also evolve, requiring a change in category mix and product portfolio. Failure to identify and respond to these changes could impact the long-term performance of the Group.

Financial

Sustainability of costs: Inflationary pressure together with any inefficiencies in operational processes or gaps in control systems may lead to an unsustainable growth in costs and impact the Group's financial performance.

Demand Shocks: Significant external events, such as pandemic, war, or natural disaster, could result in sudden and significant reductions in customer and consumer demand, which could have a material impact on the Group's financial performance.

People

High reliance on labour: The Group is reliant on high volumes of labour. An uncertain political, economic and social external context, alongside inflationary pressures and the fast-paced and dynamic labour needs of the Group, could increase the costs of this labour in unsustainable ways and impact labour relations. This could have operational, commercial, and financial impacts across the Group.

Recruitment and retention of key personnel: The ongoing success of the Group is dependent on attracting and retaining high quality senior management, with the right skills, experience, commercial acumen, and sector knowledge to effectively implement the Group's strategy. Unacceptably high loss of key personnel or challenges in recruitment into key positions could impact Group performance.

Commercial

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.

APPENDIX: PRINCIPAL RISKS AND UNCERTAINTIES

Operational

IT Systems: The Group relies heavily on information technology to support the business, which requires continuous investment and innovation. Failure to modernise and standardise the IT estate may lead to inefficient operations, ineffective decision making, and an inability to build and maintain competitive advantage, impacting Group performance.

Cyber Security: The cyber threat landscape is complex, constantly evolving, and heightened by world events, including the Russian-Ukraine war. In common with most large organisations, the Group is exposed to the risk of a cyber-attack that could threaten the availability and integrity of its systems, and the confidentiality of data. Such attacks (akin to the cyber incident the Group experienced in FY22) could cause significant business disruption and cause financial and reputational damage to the Group.

Environmental Impact: The Group has significant manufacturing operations and an obligation to minimise the impact of these activities on the environment. Failure to sufficiently monitor and manage operational activities to minimise the environmental impacts could lead to business disruption and cause financial and reputational damage to the Group.

Operational Excellence (including Health & Safety): The Group's strategy and future success is underpinned by operational excellence. Any failure to deliver this across all operational and supporting activities could impede delivery of the Group's strategic ambitions and impact future performance. Integral to this is to ensure that operational excellence is delivered safely across all our business activities, as ensuring the health and safety of our colleagues is of paramount importance at Greencore. Safety failures could result in harm to individuals as well as reputational and potential financial damage.

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 potential harm to consumers and result in potentially significant financial, reputational, and / or legal impacts on the Group. In addition, product recalls and withdrawals would require significant resource investment.

Sustainability: The Group's 'Better Future Plan' provides a roadmap for its contribution to transforming the food system to have a positive impact on people and planet, is a key part of the Group's strategy, and important to its stakeholders. Successful delivery of these commitments requires a significant investment in resources and the prioritisation of these ambitions. Failing to deliver could impact the future success of the Group and cause reputational damage.

Legal and Compliance

Regulatory Compliance: The Group's activities are subject to a complex and constantly evolving regulatory landscape, 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.