

## **Bakkavor Group plc**

### **Significant improvement in revenue, margin and profitability, and a positive outlook for the full year**

Bakkavor Group plc ("Bakkavor", or "the Company"), the leading international provider of multi-category fresh food, today announces its half year unaudited results for the 26-week period ended 26 June 2021.

#### ***Returned to revenue growth with strong conversion to profits and cash***

- Strong revenue momentum; Group revenue of £915.7m, up 4.0%. Like-for-like revenue of £924.9m, up 6.4% on the prior period and 1.2% ahead of 2019.
- Profitability improved significantly; operating profit of £47.0m, up 243.1%. Adjusted operating profit of £47.0m up 63.8% on the prior period and 10.8% ahead of 2019
- Strong cash generation, with free cash flow of £39.7m, up from an outflow of £3.3m in the prior period, enabled further reduction in net debt; leverage close to medium term target of 1.5 to 2.0 times at 2.1 times
- Basic earnings per share up 3.3p to 4.2p and an interim dividend per share of 2.64p reflecting confidence in the future

#### ***Significantly strengthened the Group's platform for sustainable growth and enhanced returns***

- Revenue momentum underpinned by exciting new product launches aligned to the latest consumer trends, as shopping visit frequency returned to pre-pandemic levels
- Good progress in driving efficiency and productivity contributed to a substantial increase in adjusted operating margin, up 180bps year on year
- Significant growth in the US underpinned by unlocking capacity across our existing footprint and a period of a steady recovery in China
- Continued to make good progress across our Trusted Partner ESG strategy

#### ***A positive outlook, in line with the Board's expectations, despite industry-wide challenges***

- A strong H1 2021 performance and continued recovery in volumes at the start of H2 gives confidence in delivering a full year performance in line with the Board's expectations
- Despite unprecedented challenges in labour availability and its impact on the supply chain, as well as raw material inflation, the Group expects to deliver full year operating profit margin in line with the first half
- The Group's financial position remains strong, and we will continue to invest in capacity and productivity across the Group to drive growth and enhance our return on invested capital

## FINANCIAL SUMMARY

| £ million (unless otherwise stated)           | H1 2021        | H1 2020 | Change | H1 2019 | Change |
|-----------------------------------------------|----------------|---------|--------|---------|--------|
| Group revenue                                 | <b>915.7</b>   | 880.5   | 4.0%   | 923.0   | (0.8%) |
| Like-for-like revenue <sup>1</sup>            | <b>924.9</b>   | 869.1   | 6.4%   | 913.6   | 1.2%   |
| Adjusted EBITDA pre IFRS 16 <sup>1</sup>      | <b>74.1</b>    | 56.2    | 31.9%  | 65.2    | 13.7%  |
| Adjusted operating profit <sup>1</sup>        | <b>47.0</b>    | 28.7    | 63.8%  | 42.4    | 10.8%  |
| Adjusted operating profit margin <sup>1</sup> | <b>5.1%</b>    | 3.3%    | 180bps | 4.6%    | 50bps  |
| Operating profit                              | <b>47.0</b>    | 13.7    | 243.1% | 29.3    | 60.4%  |
| Operating profit margin                       | <b>5.1%</b>    | 1.6%    | 350bps | 3.2%    | 190bps |
| Profit before tax                             | <b>34.6</b>    | 6.8     | 408.8% | 19.5    | 77.4%  |
| Basic earnings per share                      | <b>4.2p</b>    | 0.9p    | 3.3p   | 3.0p    | 1.2p   |
| Adjusted earnings per share <sup>1</sup>      | <b>4.8p</b>    | 2.6p    | 2.2p   | 4.9p    | (0.1p) |
| Free cash flow <sup>1</sup>                   | <b>39.7</b>    | (3.3)   | 43.0   | 15.0    | 24.7   |
| Operational net debt <sup>1</sup>             | <b>(324.5)</b> | (367.4) | 42.9   | (356.6) | 32.1   |
| Interim dividend per share <sup>2</sup>       | <b>2.64p</b>   | 0.0p    | 2.64p  | 2.0p    | 0.64p  |

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 21.

2. During the period, the final dividend relating to the period ended 28 December 2019 was paid, please refer to Note 9 for further details.

## AGUST GUDMUNDSSON, CEO

"I am pleased with the overall performance in the period as like-for-like revenues exceed pre-pandemic levels and profitability improved considerably with all three regions delivering meaningful progress. The UK has shown a positive recovery, benefiting from a return of shopping habits to 2019 levels and a strong pipeline of innovation, as well as a meaningful pick up in operational gearing as volumes recover. In the US, we continue to deliver strong top line growth supported by strategic customer wins and unabated market demand, and we are building on our solid foundations for sustainable profitable growth. In China, the steady top line recovery continues and we are well placed to take advantage of significant growth opportunities in the region following recent capacity investments.

We, and the industry, face a unique set of challenges in labour availability and this is also impacting the entire supply chain, contributing to raw material price inflation and logistics disruption. We are continuing to mitigate the impact of these issues by working collaboratively with our customers and suppliers, accelerating operational efficiency initiatives, and taking measures to attract and retain colleagues effectively. Our performance in the period and the continuation of these mitigating actions, combined with our track record of delivery through previous challenging periods over our thirty-five year history, gives us confidence in our full year outlook. We are pleased to reinstate an interim dividend which delivers value for shareholders whilst continuing to reduce the Group's leverage ratio."

## PRESENTATION

A copy of these results is available on [www.bakkavor.com](http://www.bakkavor.com)

We will be presenting to analysts via a webcast at 09.00 am, 8 September 2021, through the Investor section of the Group's website at: <https://streams.eventcdn.net/bakkavor/2021h1/>. The presentation can also be accessed via a replay service shortly after the presentation has concluded.

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### About Bakkavor

Bakkavor is the leading provider of fresh prepared food ("FPF") in the UK, with a growing international presence in the US and China. The Group is the number one by market share in the UK in the four FPF product categories of meals, salads, desserts and pizza & bread, providing high-quality, fresh, healthy and convenient food. Its customers include every major UK grocery retailer, including Tesco, Marks & Spencer, Sainsbury's and Waitrose, and some of the world's best-known food brands. The Group's International segment operates in the US and China. Bakkavor was founded in 1986 and has its headquarters in London. The Group has over 19,000 employees and operates 23 factories in the UK, 5 in the US and 9 in China.

LEI number: 213800COL7AD54YU9949

### Disclaimer – forward-looking statements

This half year statement, prepared by Bakkavor Group plc (the "Company"), may contain forward-looking statements about Bakkavor Group plc and its subsidiaries (the "Group"). These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as 'will', 'aims', 'anticipates', 'continue', 'could', 'should', 'expects', 'is expected to', 'may', 'estimates', 'believes', 'intends', 'projects', 'targets', or the negative thereof, or similar expressions.

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

## GROUP CHIEF EXECUTIVE'S OVERVIEW

### **Significant improvement in revenue, margin and profitability, and a positive outlook for the full year**

#### **Our people**

We are extremely proud of our colleagues' continued commitment and determination throughout the pandemic and their health, safety and wellbeing remains our foremost priority. We have continued to review and adapt our controls for managing both people and food safety within our operations as lockdown restrictions have eased and government guidance has changed, ensuring the health and safety of all 19,000 colleagues. The results of our recent employee engagement survey showed further positive progression and our teams were pleased with the strong safety measures adopted in response to the COVID-19 outbreak. This feedback will continue to strengthen our case as an employer of choice within each of our communities. In turn, this, combined with the variety of measures we have put in place to mitigate the impact of the current industry wide challenges in labour availability, will enable us to retain and attract talent across all our markets.

#### **Trading performance**

Whilst COVID-19 significantly impacted our overall performance during the period, we have seen positive momentum across the Group, particularly since March as lockdown restrictions have been lifted and vaccine programmes successfully rolled out. This has resulted in a return of consumer demand and activity to pre-pandemic levels.

Our strong and resilient performance through the half year resulted in a 6.4% increase in like-for-like revenue and adjusted operating profit up £18.3m to £47.0m, with all three of our regions delivering significant progress in profitability in the period. The Group has not incurred any exceptional costs in H1 2021 and therefore there are no adjustments to operating profit. Compared to 2019, we delivered a 1.2% increase in like-for-like revenue, with adjusted operating profit up £4.6m to £47.0m.

In the UK, COVID-19 continued to impact the business at the beginning of the year, but we have been strongly encouraged by the recovery in sales as we lap the beginning of the pandemic and lockdown restrictions have eased. Importantly, in May we saw a return in the frequency of shopping visits, a key driver of demand for our FPF categories, to pre-COVID-19 levels. Despite the uncertainty over the last 18 months, we have responded with agility and protected and enhanced our customer relationships. We continue to work collaboratively with our customers and the first half saw us driving innovation through on-trend new product launches to inject growth back into our categories.

We continue to make significant progress in the US, where we are realising the benefits of the commercial and operational reset that concluded in June 2020. We have seen an acceleration in sales momentum from our existing strategic customers in traditional grocery retail and online channels, and we have recently extended our West Coast meals proposition to a national offering for a strategic customer. We continue to see strong demand driven by the consumer shift towards fresh prepared meals and we have an established platform in place to deliver profitable growth, with the US remaining a significant growth opportunity.

Our China business was the most severely impacted by COVID-19, however we have the well-established foundations necessary to capitalise on this nascent but fast-growing food-to-go market. Volumes continue to recover, with revenues almost back to pre-pandemic levels. We have continued to invest in capacity and expect capital expenditure in new sites to complete this year, with limited further investment required over the next few years.

Despite the challenges in the first half, we have accelerated implementation of our best practice solutions to optimise labour productivity, drive operational efficiency and expand capacity to support profitable growth in future periods, which leaves us well placed to mitigate the cost headwinds and capitalise on the significant growth opportunities going forward.

#### **Financial position**

Since December 2020, operational net debt has reduced by £8.9m to £324.5m at the end of June 2021. Leverage (the ratio of operational net debt to adjusted EBITDA) improved by 0.2 times to 2.1 times at June 2021, and we continue to target a medium term range of 1.5 to 2.0 times. We are operating with over £200m of liquidity headroom against our current facilities of £530.9m.

The Group maintained a tight control of capital expenditure in the first quarter of the year due to the uncertainty of lockdown restrictions, but spend increased towards the end of the period and we expect capital expenditure for the full year to be approximately 4% of Group revenue. We have a clear pipeline of projects in place for the second half focused on capacity enhancements, including two major investments in the US and the completion of the new site in Xi'an, China, as well as continued investment to upgrade our refrigeration systems and to support operational improvement plans. We continue to monitor our portfolio and proactively manage our sites to ensure the optimal footprint for our business and subsequent profitability.

## **Dividend**

At the AGM on 20 May 2021, a deferred final dividend of 4 pence per share for 2019 was declared and approved, with the dividend being paid on 25 May 2021.

As previously reported, no dividends were awarded in 2020, however, the Group will be re-instating an interim dividend as the Board is encouraged by the improvement in trading, reduction in leverage ratio towards our medium-term target and is satisfied that the Group has adequate liquidity headroom.

The Board has therefore resolved to pay an interim dividend of 2.64 pence per Ordinary share. The interim dividend will be paid on 15 October 2021 to shareholders registered on the record date at 17 September 2021.

Going forward, the Board expects to maintain a progressive dividend policy over the medium term and the interim dividend to comprise approximately 40% of the total annual dividend.

## **Board changes**

Earlier in the year we welcomed Jill Caseberry to the Board of Bakkavor as Independent Non-executive Director and a member of the Remuneration Committee. Subsequent to the period end with effect from 13 August 2021, Jill was appointed as Bakkavor's designated workforce engagement Non-executive Director and a member of the Nomination Committee. Jill is an accomplished general manager with extensive sales, marketing and general management experience across blue-chip companies including Mars, PepsiCo and Premier Foods. Jill is currently a Non-Executive Director of Bellway plc, C&C Group plc, St Austell Brewery and Halfords Group plc.

In addition, we welcomed Sanjeevan Bala to the Board of Bakkavor on 1 August 2021 as an Independent Non-executive Director and as a member of the Audit and Risk Committee. Sanjeevan is an experienced data and analytics professional with exposure to the food and beverage sector through his time consulting with PwC and with Dunhumby working with Tesco. He is currently Group Chief Data & AI Officer at ITV plc and a Non-Executive Director at Scholars' Education Trust.

## **ESG progress**

In this period, we continued to make good progress across our Trusted Partner ESG (Environmental, Social, Governance) strategy. The programme of work has been overseen and steered by Bakkavor's ESG Executive Committee, which was formalised in H1 2021 and comprised of senior leaders across the business, ensuring management accountability and direction of our strategy. The roles of two of our Independent Non-Executive Directors have also expanded to take responsibility for ESG, with Umran Beba leading our ESG strategy at Board level and Jill Caseberry appointed as designated workforce engagement Non-executive Director, which ensures employees have a strong voice across the business.

Earlier this year, we set our commitment to become a Net Zero carbon business in our Group operations by 2040 and we are continuing to develop a roadmap to achieve this. We have also begun to understand our climate risk exposure and commenced scenario analysis to inform our reporting under Task Force on Climate-Related Financial Disclosures ('TCFD') guidelines.

Operationally, we delivered a step change in supporting our commitment to the goals of the UK Plastics Pact, and have removed over 300 tonnes of plastic from the business so far in 2021. We also continue to focus on increasing the use of recycled plastics to reduce our exposure to the incoming plastics tax. Further, in our supply chain, the roll out of our responsible sourcing strategy has seen the business evaluate over 500 direct suppliers on environmental, ethical, and integrity issues and we continue to engage directly to support suppliers in aligning their performance to our requirements, as set out in our [Supplier Code of Conduct](#).

The wellbeing of our colleagues remains a central priority and during the period we developed a comprehensive wellbeing strategy and programme covering financial, emotional, and physical wellbeing.

## **Outlook**

The Group's strong performance in the first half of the year, combined with the encouraging return in volume, gives us confidence in our outlook for the current financial year which remains in line with the Board's expectations. While recognising the unprecedented fast-evolving challenges in labour availability and its subsequent impact on the supply chain, most significantly in raw material inflation and logistics disruption, the Group is well placed to manage these challenges as a result of our continued focus on people, the strength of our supply chain and our collaborative approach to customer relationships. The Group expects to deliver full year operating margin, in line with the first half. We continue to invest across the Group to underpin capacity and productivity improvements leaving us well positioned to continue to drive growth and enhance our return on invested capital going forward.

## BUSINESS REVIEWS

### United Kingdom: Positive recovery in the UK as frequency of shopping visits normalises

| £ million                                     | H1 2021 | H1 2020 | Change |
|-----------------------------------------------|---------|---------|--------|
| Revenue                                       | 787.5   | 780.4   | 0.9%   |
| Like-for-like revenue <sup>1</sup>            | 787.5   | 769.0   | 2.4%   |
| Adjusted operating profit <sup>1</sup>        | 44.0    | 41.0    | 7.3%   |
| Adjusted operating profit margin <sup>1</sup> | 5.6%    | 5.3%    | 30bps  |
| Operating profit                              | 44.0    | 26.0    | 69.2%  |
| Operating profit margin                       | 5.6%    | 3.3%    | 230bps |

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 21.

| Revenue growth | 2021 v 2020 | 2021 v 2019 |
|----------------|-------------|-------------|
| Q1             | (6.4%)      | (2.5%)      |
| Q2             | 12.0%       | (1.4%)      |

The first half of 2021 has continued to be impacted by COVID-19 related constraints on sales and operations, coupled with a tightening labour market.

We have been reassured by the positive recovery in sales following the unwind of government restrictions since March and the return of shopping visit frequency to pre-pandemic levels in May, with the pace of demand returning faster than expected. Sales accelerated through this period with all categories, except for salads, returning to 2019 levels leaving UK like-for-like sales down only 1.4% in Q2 compared to 2019. For the first half sales grew by 0.9% or 2.4% on a like-for-like basis to £787.5m. Compared to 2019, reported sales declined 3.2% and like-for-like sales declined 1.9%.

Profitability improved as volumes returned and operational gearing kicked in, enhanced by focused operational efficiency initiatives and prior year overhead reduction, which enabled a 30 basis point increase in adjusted operating profit margin to 5.6% and a 7.3% increase in adjusted operating profit to £44.0m.

#### Category review

As more normalised shopping habits returned, meals, pizza & bread and desserts categories rebounded to pre-pandemic levels. Salads delivered a good year-on-year performance driven by a recovery in food-to-go in the second quarter combined with a seasonal summer build, but remained considerably behind 2019 levels as a result of continued remote working and mixed weather.

We have worked hard to reinvigorate sales across our categories with an exciting pipeline of new products to meet the evolving needs of the post-pandemic consumer. We have relaunched a key customers' full salad range to address consumers increasing focus on health, developed inspiring new plant-based meals, and brought exciting global cuisines to UK consumers with a new Middle Eastern range. We have leveraged our multi-category capability to add a range of Italian ready meals, bread and desserts to our existing Pizza Express offer, and we continue to innovate in premium desserts, including the launch of two of our own brands, The Delicious Desserts Company and Haydens Bakery.

#### Strategic and operational actions

The breadth and quality of our customer offering continues to grow and adapt to consumers' changing needs, and we are well placed as the UK emerges from the COVID-19 pandemic due to the strength of our strategic customers' market positions and long-standing relationships which, through our collaborative and supportive approach, have strengthened over the last 18 months.

We, and our customers, have adapted to the challenges faced, however the impact of Brexit combined with the effects of the pandemic, are now becoming evident; the industry-wide tightness of the labour market is a notable impact. In anticipation of these challenges, we have put in place several measures to mitigate the

potential impact from as early as last year. These included broadening the talent pool for recruitment, accelerating onboarding, adjusting incentives to attract and retain colleagues, introducing more flexible shifts, investing in training to support career development opportunities and a heightened focus on labour planning to ensure the business can effectively ramp up to meet demand. Towards the end of the period, the challenges in labour availability have also impacted our supply chain, contributing to raw material inflation and logistics disruption. However, we have been able to mitigate the impact of these issues effectively as a result of our strategic supplier relationships, procurement expertise and approach to risk management. We have also managed the seasonal and geographical balance of volume by switching production between sites and by working closely with customers to simplify certain category ranges and supporting them with their own labour challenges, particularly in distribution.

Additionally, we have successfully managed the Brexit related changes to importing and exporting goods in the period, and are well prepared for further administrative changes to come in the second half of the year.

Optimising our factory performance through management control and targeted investments remains a priority for the business and the roll-out of smart technology across our UK sites, provides 'live' factory data, enabling management to react to real time information to maximise performance. Other projects, focused on driving further raw materials and labour management control improvements, as well as labour planning to optimise performance, are also in place. We have a strong pipeline of future initiatives and continue to assess potential automation opportunities.

Looking into H2 2021, we expect a good level of growth as we lap the November 2020 lockdown, and deliver a strong pipeline of new product launches. We do expect to see some upward pressure on our cost base in the near term as we navigate the unprecedented industry-wide challenges in labour availability and its impact on the supply chain, however pricing models mean we are well insulated from fluctuations in raw materials, with the ability to pass through the inflationary impact. We are already actively engaged with our customers in relation to the recovery of inflation on packaging, freight and labour, which sit outside of our pricing models.

### **United States: Significant momentum continues with the United States a strong platform for growth**

| <b>£ million</b>                   | <b>H1 2021</b> | <b>H1 2020</b> | <b>Change</b> |
|------------------------------------|----------------|----------------|---------------|
| Revenue                            | <b>81.3</b>    | 67.6           | 20.3%         |
| Like-for-like revenue <sup>1</sup> | <b>89.5</b>    | 67.6           | 32.4%         |
| Operating profit / (loss)          | <b>4.5</b>     | (5.5)          | 181.8%        |
| Operating profit / (loss) margin   | <b>5.5%</b>    | (8.1%)         | 1,360bps      |

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 21.

The US continued its positive momentum through a combination of significant growth with our strategic customers in both traditional grocery retail and online channels, as well as the easing of COVID-19 restrictions. Our US business reported sales growth of 20.3% to £81.3m and removing the effect of currency movements increased 32.4% on a like-for-like basis to £89.5m.

We continued to build on the success of our commercial and operational reset that concluded 12 months ago, with a considerable turnaround in profitability compared to H1 2020. We have invested to unlock ready meals capacity in our existing sites, and the simplified portfolio and operational efficiencies have underpinned operational gearing as volumes have increased, despite margins being held back by raw material price inflation and labour market tightness. As a result, operating profit for the first half was £4.5m compared to a loss of £5.5m in H1 2020.

### **Strategic and operational actions**

We are reaping the benefits of further developing our strategic customer partnerships and in the first half were awarded the national supply of fresh meals to a key customer, having previously supplied the range to stores on the West Coast.

We are seeing inflationary pressures increase in the second quarter, primarily in labour, proteins and packaging, but have plans in place to recover the majority of the inflationary impacts following a short-term lag, with our mitigation plans expected to take effect by the end of Q3.

Labour availability remains an industry wide challenge in the US, and consistent with the UK, we have taken a number of actions in order to attract and retain people. We expect the situation to improve in the second half as COVID-19 unemployment relief comes to an end.

Looking ahead, revenue momentum is expected to continue in the second half supported by the secured national supply of meals to a key customer. We remain focused on the successful execution of new product launches and investment in talent and capacity enhancements in our existing footprint to support future growth. Margin pressures will remain at least in the short term, given the inflationary pressures the industry is currently facing, but consumer demand for our products in the US remains robust and we have built a strong platform to leverage for continued profitable growth.

### **China: A steady recovery towards pre-pandemic levels in China**

| <b>£ million</b>                   | <b>H1 2021</b> | <b>H1 2020</b> | <b>Change</b> |
|------------------------------------|----------------|----------------|---------------|
| Revenue                            | <b>46.9</b>    | 32.5           | 44.3%         |
| Like-for-like revenue <sup>1</sup> | <b>47.9</b>    | 32.5           | 47.4%         |
| Operating profit / (loss)          | <b>(1.5)</b>   | (6.8)          | 77.9%         |
| Operating profit / (loss) margin   | <b>(3.2%)</b>  | (21.1%)        | 1,790bps      |

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 21.

Whilst our China business has been the most impacted by COVID-19, as lockdown measures have eased, volumes have recovered steadily and our China business has recovered well with like-for-like sales only down 3.7% compared to the first half of 2019. The significant like-for-like sales growth in the first half of 47.4% to £47.9m, and reported sales growth of 44.3% to £46.9m, reflected significantly lower prior year comparatives when the region was most impacted by lockdowns and restrictions on movement.

As volumes increased China's performance improved significantly, with operating losses reduced by £5.3m to £1.5m, compared to the first half of 2020; this is despite not all key customers being back to pre-COVID levels and some margin pressure from labour inflation and competition.

### **Strategic and operational actions**

The significantly improved performance in China was driven by a steady recovery in our foodservice customers in mainland China, good momentum in the bakery business as it started to benefit from our recent capacity investment, and a return to growth in Hong Kong in the second quarter following easing of lockdown restrictions.

Throughout this period, we have successfully maintained service levels and we continue to work with our strategic customers to extend the volumes and ranges we provide and, whilst still a relatively small part of our overall operations, we are also making steady progress in developing new channels in retail and office catering.

Looking ahead, we expect the revenue momentum coming out of the first half to deliver a return to 2019 levels by early 2022. Whilst we expect there to continue to be inflationary pressure, we will maintain a tight control of overheads following actions taken in 2020, and we continue to expect a return to profitability during 2022.

Our investment in new sites across the region is expected to complete this year, and this increased capacity will ensure we are well positioned to meet the strong market demand for fresh, healthy and convenient food in China and consolidate our market leading position.

## FINANCIAL REVIEW

### Revenue

Reported revenue increased by £35.2 million, or 4.0%, from £880.5 million in H1 2020 to £915.7 million in 2021.

Like-for-like revenue was up 6.4%, from £869.1 million in H1 2020 to £924.9 million in H1 2021. This increase was due to the recovery in sales volumes as COVID-19 restrictions were eased during the period and due to the impact of the pandemic on 2020 sales.

### UK

In the UK segment, reported revenue increased by 0.9%, or £7.1 million, from £780.4 million in H1 2020 to £787.5 million in H1 2021.

Like-for-like revenue, which excludes Alresford Salads that was closed in October 2020, increased by 2.4%, from £769.0 million in H1 2020 to £787.5 million in H1 2021. Alresford Salads contributed revenues of £11.4 million in H1 2020. In the UK, sales in the first quarter were adversely impacted by lockdown restrictions, however early signs of recovery became apparent in March as government restrictions began to ease. We then saw this improvement in sales gather pace throughout the second quarter as lockdown measures were eased further, and the frequency of shopping visits returned to pre-COVID-19 levels. As a result of more normalised shopping habits, we have seen meals, pizza & bread and desserts return to pre-pandemic levels during quarter two. Salads delivered a strong year-on-year performance in the second quarter driven by recovery in food-to-go, however remained behind 2019 levels as a result of the continuation of government guidance to work from home and mixed weather.

### US

In the US segment, reported revenue increased by £13.7 million, or 20.3%, to £81.3 million in H1 2021 from £67.6 million in the prior year. The strengthening of Sterling in the period lowered reported revenue in H1 2021 by £8.2 million.

Like-for-like revenue, which is at constant currency, increased by 32.4%, from £67.6 million in H1 2020 to £89.5 million in H1 2021. The growth in the US is due to strong sales momentum from a combination of restrictions easing and growth with customers in both traditional grocery retail and online channels.

### China

In the China segment, reported revenue increased by £14.4 million, or 44.3%, to £46.9 million in H1 2021 from £32.5 million in the prior year.

Like-for-like revenue, which is at constant currency, increased by 47.4%, from £32.5 million in H1 2020 to £47.9 million in H1 2021. The significant growth in China was due to sales volumes building back to pre-COVID-19 levels albeit still slightly down on 2019. The performance was driven by a steady recovery in our foodservice customers in mainland China, good momentum in the bakery business as it benefits from our recent capacity investment and a return to growth in Hong Kong, following a challenging first quarter.

### Exceptional Items

Included within Other administrative costs and Finance Costs are exceptional items which are adjusted for when determining the Group's APMs as management consider that when determining the underlying performance of the business these items should be disclosed separately by virtue of their nature or amount. Exceptional items comprise the following:

| £ million                                    | H1 2021 | H1 2020 |
|----------------------------------------------|---------|---------|
| Restructuring and impairment                 | -       | 15.0    |
| Accelerated amortisation of refinancing fees | -       | 1.7     |
|                                              | -       | 16.7    |

<sup>1</sup>Alternative performance measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 21.

## **H1 2021**

There were no exceptional items to report.

## **H1 2020**

The Group incurred £16.7 million of costs presented as exceptional items in H1 2020 of which £3.0 million related to restructuring costs, with a further £8.0 million impairment charge in respect of tangible fixed assets as a result of the closure of a salads factory in Spalding. The Group also incurred a £4.0 million asset impairment charge in respect of the closure of our salads site at Alresford as the relevant assets were no longer expected to have any future value to the Group. In addition, the Group incurred £1.7 million of accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities on 18 March 2020.

## **Operating profit**

Operating profit increased by £33.3 million, or 243.1%, from £13.7 million in H1 2020 to £47.0 million in H1 2021 with margins increasing by 350 basis points to 5.1%. In the UK, operating profit has increased from £26.0 million in H1 2020 to £44.0 million in H1 2021. In the US, operating profit has increased by £10.0 million from a loss in H1 2020 of £5.5 million to a profit of £4.5 million in H1 2021. In China, the operating loss is £5.3 million lower than H1 2020 at £1.5 million. The increase in profitability across all regions is due to the benefits from the increase in consumer demand as COVID-19 restrictions ease with the US also benefitting from increased volumes following site investments in recent years. In addition, the Group incurred significant costs in the prior year as the business responded to the COVID-19 outbreak, with enhanced health and safety and hygiene protocols. Operating profit also includes a credit of £1.0 million (H1 2020: £5.6 million) arising from the reassessment of the need for certain commercial accruals. The overall increase in operating profit for the period is after provisions made for short term financial performance bonuses as a result of the improved trading.

Adjusted operating profit, which excludes exceptional items, was £47.0 million for H1 2021, an increase of 63.8% from £28.7 million in H1 2020. Adjusted operating profit margin increased by 180 basis points to 5.1% in H1 2021. The exceptional items in the prior year all relate to the UK segment with UK adjusted operating profit increasing from £41.0 million in H1 2020 to £44.0 million in H1 2021.

## **Finance costs**

Finance costs decreased by £2.9 million, or 24.6%, from £11.8 million in H1 2020 to £8.9 million in H1 2021. The costs for H1 2020 include £1.7 million for the accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities during the period. The remaining £1.2 million decrease is due to a decrease in borrowing costs from lower average debt levels in the period. The Group's cost of debt remains at circa 3.5% per annum.

## **Tax**

The Group tax charge for the period increased by £8.6 million, from £1.4 million in H1 2020 to £10.0 million in H1 2021. The £10.0 million charge represents an effective tax rate of 29% on profit before tax of £34.6 million in line with the Group annual tax rate for 2021 which is forecast to be 29.0% of profit before tax. Excluding exceptional items and the change in fair value of derivative financial instruments, the underlying effective tax rate was 27.7% and exceeds the 19.0% underlying rate for the corresponding period last year. The main reason for this being that the UK statutory tax rate increased from 19.0% to 25.0% during the period. This increase takes effect from 1 April 2023 and does not impact current taxes in the period, however, UK deferred tax liabilities that were previously provided for at 19.0% have now been provided at 25.0%, being the rate at which timing differences are expected to reverse.

## Tax (continued)

A reconciliation of the expected tax rate to the forecast effective tax rate is as follows:

| £ million                      | 26 weeks ended<br>26 June<br>2021 |        |
|--------------------------------|-----------------------------------|--------|
| <b>Profit before tax</b>       | <b>34.6</b>                       |        |
| Expected tax at 19.0%          | <b>6.6</b>                        | 19.0%  |
| Impact of:                     |                                   |        |
| Non-deductible items           | <b>(0.5)</b>                      | (1.4%) |
| Overseas losses not recognised | <b>0.5</b>                        | 1.5%   |
| UK rate change                 | <b>3.2</b>                        | 9.2%   |
| Overseas tax rates             | <b>0.2</b>                        | 0.6%   |
| <b>Total tax charge</b>        | <b>10.0</b>                       | 29.0%  |

## Earnings per share

Basic earnings per share has increased from 0.9 pence for H1 2020 to 4.2 pence in H1 2021, reflecting the benefit from higher sales volumes across the business as COVID-19 restrictions are eased and no exceptional costs reported in H1 2021.

Adjusted earnings per share, which is calculated before exceptional items and the change in fair value of derivative financial instruments has increased to 4.8 pence for H1 2021 from 2.6 pence in H1 2020 and reflects the improvement in underlying trading in the period. The weighted average number of shares in issue during both H1 2021 and H1 2020 was 579,425,585.

## Cash Flow

Net cash from operating activities, which is calculated before capital expenditure but after payments for exceptional items, increased by £43.9 million from £13.1 million in H1 2020 to £57.0 million in H1 2021. This was largely due to the improvement in trading as sales volumes increased as COVID-19 restrictions were eased which is also delivered an £11.0 million year on year working capital benefit. In addition, tax paid has decreased by £8.6 million following higher payments in 2020 due to changes to UK legislation that required the estimated tax due for a financial year to be paid within that period. The Group's interest paid has also decreased by £3.0 million due to 2020 including £4.2 million of refinancing fees.

Net cash used in investing activities decreased by £2.0 million in the period from £20.9 million in H1 2020 to £18.9 million in H1 2021. This was primarily due to low capital expenditure in the first quarter as the Group delayed investment spend to later in the year to mitigate against the impact of COVID-19 restrictions.

| £ million                                           | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Operating profit</b>                             | <b>47.0</b>                       | 13.7                              |
| Depreciation and other non-cash items               | <b>34.6</b>                       | 46.2                              |
| Net retirement benefits charge less contributions   | <b>(1.0)</b>                      | (0.6)                             |
| Working capital movements                           | <b>(11.4)</b>                     | (22.4)                            |
| Interest and tax paid                               | <b>(12.2)</b>                     | (23.8)                            |
| <b>Net cash generated from operating activities</b> | <b>57.0</b>                       | 13.1                              |
| Dividends received from associates                  | -                                 | 0.1                               |
| Purchases of property, plant and equipment          | <b>(18.9)</b>                     | (21.0)                            |
| Cash impact of exceptional items                    | <b>0.7</b>                        | 0.3                               |
| Refinancing fees                                    | <b>0.9</b>                        | 4.2                               |
| <b>Free cash flow</b>                               | <b>39.7</b>                       | (3.3)                             |

Free cash flow for H1 2021, which is the key measure the Directors use to manage cash flow in the business, was an inflow of £39.7 million, an improvement of £43.0 million on the prior year due to the factors set out above.

### Capital, Debt and Leverage

Partly offsetting the free cash inflow in the period was the payment of the previously suspended 2019 final dividend of £23.2 million, £0.9 million of financing fees and £0.7 million in respect of exceptional items. Overall, this has resulted in a decrease of £8.9 million in operational net debt from the year end to £324.5 million. Leverage (the ratio of operational net debt to adjusted EBITDA) was 2.1 times at June 2021.

The Group continues to target a medium-term range of 1.5 – 2.0 times. The Group's liquidity position remains strong with comfortable headroom against all financial covenants.

From a debt maturity perspective, on 9 March 2021, the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025. In April 2021 the Group voluntarily repaid £17.5 million of the Term Loan that matures in June 2024. The interest margin on this loan is currently LIBOR+4%.

### Pensions

Under the IAS 19 valuation principles that are required to be used for accounting purposes, the Group recognised a surplus of £28.0 million for the UK defined benefit scheme as at 26 June 2021 (26 December 2020: surplus of £11.2 million). The increase in the surplus is mainly due to the liability hedging in place for the scheme.

The Group and the Trustee agreed in November 2020 the triennial valuation of the UK defined benefit pension scheme as at 31 March 2019. This resulted in a funding shortfall of £11.7 million, which will be paid over an agreed recovery period ending on 31 March 2024, with payments of £2.5 million per annum.

### ROIC

The Group's ROIC improved by 100 basis points from 6.6% at the end of 2020 to 7.6% as at 26 June 2021. This reflects the improved profitability across the Group driven by the lifting of COVID-19 restrictions combined with benefits from recent capital investments; particularly in the US.

**Principal Risks and Uncertainties**

Details of the Principal risks and uncertainties facing the Group are set out on pages 70 to 83 of the 2020 Annual Report and Accounts, published on 15 March 2021. These risks include, but are not limited to, Food safety and integrity, Raw material and input cost inflation, Reliance on a small number of key customers, Labour availability and cost, IT systems and cyber risk, Health and safety, Recruitment and retention of key employees, Strategic growth and change programmes, Treasury and pensions, Brexit disruption, Disruption to Group operations, Sustainability, Consumer behaviour and demand, Competitors, Legal and regulatory and COVID-19 pandemic.

## Condensed consolidated income statement

|                                                                  |       | 26 weeks ended 26 June 2021<br>(Unaudited) |                               |              | 26 weeks ended 27 June 2020<br>(Unaudited) |                               |         |
|------------------------------------------------------------------|-------|--------------------------------------------|-------------------------------|--------------|--------------------------------------------|-------------------------------|---------|
| £ million                                                        | Notes | Underlying activities                      | Exceptional items<br>(Note 4) | Total        | Underlying activities                      | Exceptional items<br>(Note 4) | Total   |
| <b>Continuing operations</b>                                     |       |                                            |                               |              |                                            |                               |         |
| Revenue                                                          | 3     | 915.7                                      | -                             | 915.7        | 880.5                                      | -                             | 880.5   |
| Cost of sales                                                    |       | (645.1)                                    | -                             | (645.1)      | (628.6)                                    | -                             | (628.6) |
| <b>Gross profit</b>                                              |       | <b>270.6</b>                               | <b>-</b>                      | <b>270.6</b> | 251.9                                      | -                             | 251.9   |
| Distribution costs                                               |       | (36.8)                                     | -                             | (36.8)       | (35.5)                                     | -                             | (35.5)  |
| Other administrative costs                                       |       | (186.8)                                    | -                             | (186.8)      | (187.7)                                    | (15.0)                        | (202.7) |
| <b>Operating profit/(loss)</b>                                   |       | <b>47.0</b>                                | <b>-</b>                      | <b>47.0</b>  | 28.7                                       | (15.0)                        | 13.7    |
| Finance costs                                                    | 5     | (8.9)                                      | -                             | (8.9)        | (10.1)                                     | (1.7)                         | (11.8)  |
| Other gains and (losses)                                         | 6     | (3.5)                                      | -                             | (3.5)        | 4.9                                        | -                             | 4.9     |
| <b>Profit/(loss) before tax</b>                                  |       | <b>34.6</b>                                | <b>-</b>                      | <b>34.6</b>  | 23.5                                       | (16.7)                        | 6.8     |
| Tax                                                              | 7     | (10.0)                                     | -                             | (10.0)       | (4.5)                                      | 3.1                           | (1.4)   |
| <b>Profit attributable to equity shareholders of the Company</b> |       | <b>24.6</b>                                | <b>-</b>                      | <b>24.6</b>  | 19.0                                       | (13.6)                        | 5.4     |
| <b>Earnings per share</b>                                        |       |                                            |                               |              |                                            |                               |         |
| Basic                                                            | 8     |                                            |                               | 4.2p         |                                            |                               | 0.9p    |
| Diluted                                                          | 8     |                                            |                               | 4.2p         |                                            |                               | 0.9p    |

## Condensed consolidated statement of comprehensive income

| £ million                                                           | 26 weeks ended<br>26 June<br>2021<br>(Unaudited) | 26 weeks ended<br>27 June<br>2020<br>(Unaudited) |
|---------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>Profit for the period</b>                                        | <b>24.6</b>                                      | <b>5.4</b>                                       |
| <b>Other comprehensive income/(expense)</b>                         |                                                  |                                                  |
| <b>Items that may be reclassified to the income statement:</b>      |                                                  |                                                  |
| Exchange differences on translation of foreign operations           | (4.4)                                            | 10.6                                             |
| Gain/(loss) on cash flow hedges                                     | 0.2                                              | (0.4)                                            |
| Tax relating to these items                                         | -                                                | 0.1                                              |
| <b>Items that will not be reclassified to the income statement:</b> |                                                  |                                                  |
| Actuarial gain on defined benefit pension schemes                   | 16.0                                             | 9.6                                              |
| Tax relating to these items                                         | (4.0)                                            | (1.8)                                            |
| <b>Total other comprehensive income net of tax</b>                  | <b>7.8</b>                                       | <b>18.1</b>                                      |
| <b>Total comprehensive income</b>                                   | <b>32.4</b>                                      | <b>23.5</b>                                      |

## Condensed consolidated statement of financial position

| £ million                                     | Notes | 26 June<br>2021 (Unaudited) | 26 December<br>2020 (Audited) |
|-----------------------------------------------|-------|-----------------------------|-------------------------------|
| <b>Non-current assets</b>                     |       |                             |                               |
| Goodwill                                      | 10    | 648.4                       | 649.6                         |
| Other intangible assets                       |       | 2.0                         | 2.2                           |
| Property, plant and equipment                 | 11    | 529.4                       | 535.3                         |
| Interests in associates and other investments |       | 11.9                        | 12.2                          |
| Deferred tax asset                            |       | 13.3                        | 13.0                          |
| Retirement benefit asset                      |       | 28.0                        | 11.2                          |
| Derivative financial instruments              |       | 0.3                         | -                             |
|                                               |       | <b>1,233.3</b>              | <b>1,223.5</b>                |
| <b>Current assets</b>                         |       |                             |                               |
| Inventories                                   | 12    | 57.5                        | 63.8                          |
| Trade and other receivables                   | 13    | 140.9                       | 136.4                         |
| Current tax assets                            |       | 0.6                         | 0.1                           |
| Cash and cash equivalents                     | 15    | 22.5                        | 24.8                          |
| Derivative financial instruments              |       | 0.1                         | 0.6                           |
|                                               |       | <b>221.6</b>                | <b>225.7</b>                  |
| <b>Total assets</b>                           |       | <b>1,454.9</b>              | <b>1,449.2</b>                |
| <b>Current liabilities</b>                    |       |                             |                               |
| Trade and other payables                      | 14    | (356.1)                     | (367.6)                       |
| Borrowings                                    | 15    | (26.1)                      | (23.2)                        |
| Lease liabilities                             | 15    | (11.2)                      | (11.1)                        |
| Provisions                                    |       | (9.3)                       | (11.0)                        |
| Derivative financial instruments              |       | (3.0)                       | (0.9)                         |
|                                               |       | <b>(405.7)</b>              | <b>(413.8)</b>                |
| <b>Non-current liabilities</b>                |       |                             |                               |
| Borrowings                                    | 15    | (317.5)                     | (331.4)                       |
| Lease liabilities                             | 15    | (74.7)                      | (70.9)                        |
| Provisions                                    |       | (16.5)                      | (14.4)                        |
| Derivative financial instruments              |       | (0.1)                       | (0.9)                         |
| Deferred tax liabilities                      |       | (32.0)                      | (19.7)                        |
|                                               |       | <b>(440.8)</b>              | <b>(437.3)</b>                |
| <b>Total liabilities</b>                      |       | <b>(846.5)</b>              | <b>(851.1)</b>                |
| <b>Net assets</b>                             |       | <b>608.4</b>                | <b>598.1</b>                  |
| <b>Equity</b>                                 |       |                             |                               |
| Share capital                                 | 17    | 11.6                        | 11.6                          |
| Merger reserve                                |       | (130.9)                     | (130.9)                       |
| Hedging reserve                               |       | (0.5)                       | (0.7)                         |
| Translation reserve                           |       | 20.4                        | 24.8                          |
| Retained earnings                             |       | 707.8                       | 693.3                         |
| <b>Total equity</b>                           |       | <b>608.4</b>                | <b>598.1</b>                  |

## Condensed consolidated statement of changes in equity

| £ million                                                           | Share capital | Merger reserve | Hedging reserve | Translation reserve | Retained earnings | Total        |
|---------------------------------------------------------------------|---------------|----------------|-----------------|---------------------|-------------------|--------------|
| <b>Balance at 29 December 2019 (Audited) as previously reported</b> | <b>11.6</b>   | <b>(130.9)</b> | <b>-</b>        | <b>27.0</b>         | <b>665.9</b>      | <b>573.6</b> |
| Restatement (Note 2)                                                | -             | -              | -               | 0.2                 | (8.1)             | (7.9)        |
| <b>Balance at 29 December 2019 (Audited)</b>                        | <b>11.6</b>   | <b>(130.9)</b> | <b>-</b>        | <b>27.2</b>         | <b>657.8</b>      | <b>565.7</b> |
| Profit for the period                                               | -             | -              | -               | -                   | 5.4               | 5.4          |
| Other comprehensive income for the period                           | -             | -              | (0.3)           | 10.6                | 7.8               | 18.1         |
| <b>Total comprehensive income for the period</b>                    | <b>-</b>      | <b>-</b>       | <b>(0.3)</b>    | <b>10.6</b>         | <b>13.2</b>       | <b>23.5</b>  |
| Credit for share-based payments                                     | -             | -              | -               | -                   | 0.9               | 0.9          |
| <b>Balance at 27 June 2020 (Unaudited) as restated</b>              | <b>11.6</b>   | <b>(130.9)</b> | <b>(0.3)</b>    | <b>37.8</b>         | <b>671.9</b>      | <b>590.1</b> |

| £ million                                        | Share capital | Merger reserve | Hedging reserve | Translation reserve | Retained earnings | Total        |
|--------------------------------------------------|---------------|----------------|-----------------|---------------------|-------------------|--------------|
| <b>Balance at 27 December 2020 (Audited)</b>     | <b>11.6</b>   | <b>(130.9)</b> | <b>(0.7)</b>    | <b>24.8</b>         | <b>693.3</b>      | <b>598.1</b> |
| Profit for the period                            | -             | -              | -               | -                   | 24.6              | 24.6         |
| Other comprehensive income for the period        | -             | -              | 0.2             | (4.4)               | 12.0              | 7.8          |
| <b>Total comprehensive income for the period</b> | <b>-</b>      | <b>-</b>       | <b>0.2</b>      | <b>(4.4)</b>        | <b>36.6</b>       | <b>32.4</b>  |
| Dividends paid (Note 9)                          | -             | -              | -               | -                   | (23.2)            | (23.2)       |
| Credit for share-based payments                  | -             | -              | -               | -                   | 1.1               | 1.1          |
| <b>Balance at 26 June 2021 (Unaudited)</b>       | <b>11.6</b>   | <b>(130.9)</b> | <b>(0.5)</b>    | <b>20.4</b>         | <b>707.8</b>      | <b>608.4</b> |

## Condensed consolidated statement of cash flows

| £ million                                                     | Notes | 26 weeks ended<br>26 June<br>2021<br>(Unaudited) | 26 weeks ended<br>27 June<br>2020<br>(Unaudited) |
|---------------------------------------------------------------|-------|--------------------------------------------------|--------------------------------------------------|
| <b>Net cash generated from operating activities</b>           | 18    | <b>57.0</b>                                      | 13.1                                             |
| <b>Investing activities</b>                                   |       |                                                  |                                                  |
| Dividends received from associates                            |       | -                                                | 0.1                                              |
| Purchases of property, plant and equipment                    |       | (18.9)                                           | (21.0)                                           |
| <b>Net cash used in investing activities</b>                  |       | <b>(18.9)</b>                                    | (20.9)                                           |
| <b>Financing activities</b>                                   |       |                                                  |                                                  |
| Dividends paid                                                | 9     | (23.2)                                           | -                                                |
| Increase in borrowings                                        |       | 13.1                                             | 375.9                                            |
| Repayment of borrowings                                       |       | (23.8)                                           | (330.0)                                          |
| Payment of lease liabilities                                  |       | (6.1)                                            | (6.0)                                            |
| <b>Net cash (used in)/generated from financing activities</b> |       | <b>(40.0)</b>                                    | 39.9                                             |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |       | <b>(1.9)</b>                                     | 32.1                                             |
| Cash and cash equivalents at beginning of period              |       | 24.8                                             | 25.9                                             |
| Effect of foreign exchange rate changes                       |       | (0.4)                                            | 0.8                                              |
| <b>Cash and cash equivalents at end of period</b>             |       | <b>22.5</b>                                      | 58.8                                             |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. General Information

The information for the 26 weeks ended 26 June 2021 and 26 weeks ended 27 June 2020 is unaudited and does not constitute statutory accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency rules of the Financial Conduct Authority. The condensed consolidated statement of financial position as at 26 December 2020 has been derived from the consolidated statement of financial position included in the Group's financial statements for the 52 weeks ended 26 December 2020, a copy of which has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

This financial information does not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Bakkavor Group plc (the "Group") annual consolidated financial statements for the 52 weeks ended 26 December 2020, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

#### Controlling parties

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited and Umbriel Ventures Limited. On 23 May 2019, Carrion Enterprises Limited and Umbriel Ventures Limited each sold 3,229,625 ordinary shares to Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson. On 21 April 2021, Lixaner Co Limited sold 1,500 shares. Following these transactions, Lixaner Co Limited holds 6,457,750 ordinary shares (representing 1.11% of the issued share capital of the company) and Carrion Enterprises Limited and Umbriel Ventures Limited each hold 142,103,505 ordinary shares (representing 24.52% of the issued share capital of the Company).

Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code and the parties are controlling shareholders of the Company. The aggregate shareholding in the Company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group (Lixaner Co Limited) is 290,664,760 ordinary shares (representing 50.16% of the issued share capital of the Company).

#### Principal activities and seasonality

The principal activities of the Group comprise the preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce. These activities are undertaken in the UK, US and China and products are primarily sold through high street supermarkets. The Group's cash flows are affected by seasonal variations. Sales of fresh prepared food have historically tended to be marginally higher during the summer months and in the weeks leading up to Christmas. The Group generally has higher gross profit margins during the summer months because the Group is able to source locally produced raw materials during that period, which reduces costs.

## **2. Significant accounting policies**

### **Basis of accounting**

The financial information has been prepared on the historical cost basis, except for the revaluation of financial instruments and defined benefit pension scheme assets and liabilities (which are stated at fair value or actuarial valuation).

### **Restatement**

For details of the restatement please refer to page 158 of the 2020 Annual Report & Accounts.

### **Accounting policies**

The accounting policies adopted are consistent with those of the previous financial statements except as described below:

From 27 December 2020, all new forward foreign exchange contracts are designated and documented as hedges, for which hedge accounting is applied. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how hedge effectiveness will be measured throughout their duration. These hedges have been designated as cash flow hedges and are expected at inception to be highly effective in offsetting changes in the cash flows of hedged items.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised within equity in the hedging reserve, with the ineffective portion being reported in the income statement. When a highly probable forecast transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from the hedging reserve in equity and included in the initial measurement of the non-financial asset or liability. Otherwise, the associated gains and losses that had previously been recognised within equity in the hedging reserve are transferred to the income statement as the cash flows of the hedged item impact the profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised within equity in the hedging reserve is kept in the hedging reserve until the forecast transaction occurs. If a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss recognised within equity in the hedging reserve is transferred immediately to the income statement.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

There have been no changes in the period to the Group's critical accounting judgements and key sources of estimation uncertainty as disclosed in the Group's annual financial statements for the 52 weeks ended 26 December 2020.

### **Going concern**

The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market data and past experience. The Directors have also considered the Group's level of available liquidity under its financing facilities. The Directors continue to monitor the impact of the ongoing COVID-19 outbreak on the business and have prepared scenario planning on the implications of further waves of COVID-19 and the potential for further lockdown restrictions which may impact consumer demand for the Group's products. Having taken these factors into account under the scenario, which is considered to be severe but plausible, the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. At the date of this report, the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so in the future.

Consequently, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### 3. Segment information

The chief operating decision-maker (“CODM”) has been defined as the Management Board headed by the Chief Executive Officer. They review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As at the statement of financial position date, the Group is organised into three regions, the UK, US and China and prepares and markets fresh prepared foods and produce in each region.

During the previous year the Group made the decision to consider the US and China business as two separate operating segments, where they had previously been considered a single operating segment. The Group’s management accounts, which show the information on which the CODM bases strategic decisions, now highlight the disaggregated figures for all the key lines of information. Given the now differing economic situations of the two international businesses, key decisions on allocating resources, such as capital expenditure, are now made on a UK/US/China basis.

The Group manages the performance of its businesses through the use of ‘Adjusted operating profit’ as defined in Note 21.

The following table provides an analysis of the Group’s segment information for the period 27 December 2020 to 26 June 2021:

| £ million                                         | UK           | US          | China        | Total        |
|---------------------------------------------------|--------------|-------------|--------------|--------------|
| <b>Revenue</b>                                    | <b>787.5</b> | <b>81.3</b> | <b>46.9</b>  | <b>915.7</b> |
| <b>Adjusted EBITDA (Note 21)</b>                  | <b>71.0</b>  | <b>7.9</b>  | <b>1.4</b>   | <b>80.3</b>  |
| Depreciation                                      | (25.9)       | (3.2)       | (2.9)        | (32.0)       |
| Amortisation                                      | -            | (0.2)       | -            | (0.2)        |
| Share scheme charges                              | (1.1)        | -           | -            | (1.1)        |
| <b>Adjusted operating profit/(loss) (Note 21)</b> | <b>44.0</b>  | <b>4.5</b>  | <b>(1.5)</b> | <b>47.0</b>  |
| Exceptional items (Note 4)                        | -            | -           | -            | -            |
| <b>Operating profit/(loss)</b>                    | <b>44.0</b>  | <b>4.5</b>  | <b>(1.5)</b> | <b>47.0</b>  |
| Finance costs                                     |              |             |              | (8.9)        |
| Other gains and (losses)                          |              |             |              | (3.5)        |
| <b>Profit before tax</b>                          |              |             |              | <b>34.6</b>  |
| Tax                                               |              |             |              | (10.0)       |
| <b>Profit for the period</b>                      |              |             |              | <b>24.6</b>  |

### 3. Segment information (continued)

The following table provides an analysis of the Group's segment information for the period 29 December 2019 to 27 June 2020:

| £ million                                         | UK           | US           | China        | Total        |
|---------------------------------------------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                                    | <b>780.4</b> | <b>67.6</b>  | <b>32.5</b>  | <b>880.5</b> |
| <b>Adjusted EBITDA (Note 21)</b>                  | <b>68.1</b>  | <b>(1.9)</b> | <b>(3.3)</b> | <b>62.9</b>  |
| Depreciation                                      | (25.8)       | (3.4)        | (3.2)        | (32.4)       |
| Amortisation                                      | (0.1)        | (0.2)        | -            | (0.3)        |
| Share scheme charges                              | (0.9)        | -            | -            | (0.9)        |
| Loss on disposal of property, plant and equipment | (0.3)        | -            | (0.3)        | (0.6)        |
| <b>Adjusted operating profit/(loss) (Note 21)</b> | <b>41.0</b>  | <b>(5.5)</b> | <b>(6.8)</b> | <b>28.7</b>  |
| Exceptional items (Note 4)                        | (15.0)       | -            | -            | (15.0)       |
| <b>Operating profit/(loss)</b>                    | <b>26.0</b>  | <b>(5.5)</b> | <b>(6.8)</b> | <b>13.7</b>  |
| Finance costs                                     |              |              |              | (11.8)       |
| Other gains and (losses)                          |              |              |              | 4.9          |
| <b>Profit before tax</b>                          |              |              |              | <b>6.8</b>   |
| Tax                                               |              |              |              | (1.4)        |
| <b>Profit for the period</b>                      |              |              |              | <b>5.4</b>   |

### Major customers

For the 26 weeks ended 26 June 2021, the Group's four largest customers accounted for 76.4% (26 weeks ended 27 June 2020: 77.4%) of total Group revenue from continuing operations. These customers accounted for 88.6% (26 weeks ended 27 June 2020: 87.4%) of total UK revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers. Each of these four customers' accounts for a significant amount of the Group's revenue and are all in the UK segment. The percentage of Group revenue from these customers is as follows:

|            | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|------------|-----------------------------------|-----------------------------------|
| Customer A | 34.0%                             | 37.0%                             |
| Customer B | 21.8%                             | 19.6%                             |
| Customer C | 11.6%                             | 11.2%                             |
| Customer D | 9.0%                              | 9.6%                              |

All of the Group's revenue is from the sale of goods.

#### 4. Exceptional items

The Group's financial performance is analysed in two ways; underlying performance (which does not include exceptional items) and exceptional items that are material and not expected to reoccur. The Directors consider that the underlying activities results better represent the ongoing operations and key metrics of the Group.

Exceptional items includes items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs, disruption costs, pre-commissioning and start-up costs for new manufacturing facilities, impairment of assets, disposals of subsidiaries and associates and fair value adjustments:

| £ million                    | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|------------------------------|-----------------------------------|-----------------------------------|
| Restructuring and impairment | -                                 | 15.0                              |
| Operating profit             | -                                 | 15.0                              |
| Finance costs (Note 5)       | -                                 | 1.7                               |
| Total before tax             | -                                 | 16.7                              |
| Tax on exceptional items     | -                                 | (3.1)                             |
| <b>Total after tax</b>       | <b>-</b>                          | <b>13.6</b>                       |

#### H1 2021

The Group has not incurred any costs presented as exceptional in H1 2021.

#### H1 2020

The Group incurred £16.7 million of costs presented as exceptional items in H1 2020 of which £3.0 million related to restructuring costs, with a further £8.0 million impairment charge in respect of tangible fixed assets as a result of the closure of a salads factory in Spalding. The Group also incurred a £4.0 million asset impairment charge in respect of the closure of our salads site at Alresford as the relevant assets were no longer expected to have any future value to the Group. In addition, the Group incurred £1.7 million of accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities on 18 March 2020.

## 5. Finance costs

| £ million                        | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|----------------------------------|-----------------------------------|-----------------------------------|
| Interest on borrowings           | 7.5                               | 10.3                              |
| Interest on lease liabilities    | 1.3                               | 1.4                               |
| Unwind of discount on provisions | 0.1                               | 0.1                               |
|                                  | 8.9                               | 11.8                              |

The interest on borrowings figure for the 26 weeks ended 27 June 2020 includes £1.7 million of accelerated amortisation of refinancing fees relating to the Group's refinancing of its core debt facilities on 18 March 2020. This amount has been classed as an exceptional item in the condensed consolidated income statement.

## 6. Other gains and (losses)

| £ million                                                | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|----------------------------------------------------------|-----------------------------------|-----------------------------------|
| Foreign exchange gains/(losses)                          | 0.1                               | (0.2)                             |
| Change in fair value of derivative financial instruments | (3.6)                             | 5.1                               |
|                                                          | (3.5)                             | 4.9                               |

## 7. Tax

The Group's effective tax rate for the period was 29.0% (2019: 20.6%). The main reason for the increase being that the UK statutory tax rate increased from 19.0% to 25.0% during the period. This increase takes effect from 1 April 2023 and does not impact current taxes in the period, however, UK deferred tax liabilities that were previously provided for at 19.0% have now been provided at 25.0%, being the rate at which timing differences are expected to reverse.

For a detailed reconciliation of the Group's tax rate please refer to the Tax section of the Financial Review above.

For details of the Group's underlying effective tax rate please refer to Note 21.

## 8. Earnings per share

The calculation of earnings per Ordinary share is based on earnings after tax and the weighted average number of Ordinary shares in issue during the period.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

### Earnings

| £ million                                                 | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|-----------------------------------------------------------|-----------------------------------|-----------------------------------|
| Profit attributable to equity shareholders of the Company | 24.6                              | 5.4                               |

## 8. Earnings per share (continued)

### Number of shares

| '000                                                                      | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|---------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Weighted average number of Ordinary shares                                | 579,426                           | 579,426                           |
| Effect of potentially dilutive Ordinary shares                            | 8,746                             | 3,575                             |
| Weighted average number of Ordinary shares for diluted earnings per share | 588,172                           | 583,001                           |

  

|                            | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|----------------------------|-----------------------------------|-----------------------------------|
| Basic earnings per share   | 4.2p                              | 0.9p                              |
| Diluted earnings per share | 4.2p                              | 0.9p                              |

## 9. Dividends

As a result of the COVID-19 pandemic and its impact on the business during 2020 the Board did not declare any dividends for the financial year ended 26 December 2020.

At the AGM on 20 May 2021, a deferred final dividend of 4 pence per Ordinary share for the financial year ended 28 December 2019 was declared. The total amount of £23,177,023 was paid to Ordinary shareholders on 25 May 2021.

An interim dividend of 2.64 pence per Ordinary share has been declared and is payable on 15 October 2021 to shareholders registered on the record date at 17 September 2021.

## 10. Goodwill

| £ million                                  |              |
|--------------------------------------------|--------------|
| <b>At 29 December 2019</b>                 | <b>651.2</b> |
| Exchange rate difference during the period | 2.9          |
| <b>At 27 June 2020</b>                     | <b>654.1</b> |
| <b>At 27 December 2020</b>                 | <b>649.6</b> |
| Exchange rate difference during the period | (1.2)        |
| <b>At 26 June 2021</b>                     | <b>648.4</b> |

## 11. Property, plant and equipment

| £ million                                  |              |
|--------------------------------------------|--------------|
| <b>At 29 December 2019</b>                 | <b>553.7</b> |
| Additions                                  | 20.2         |
| Disposals                                  | (0.3)        |
| Depreciation charge for the period         | (32.4)       |
| Impairment                                 | (12.0)       |
| Exchange rate difference during the period | 6.8          |
| <b>At 27 June 2020</b>                     | <b>536.0</b> |
|                                            |              |
| <b>At 27 December 2020</b>                 | <b>535.3</b> |
| Additions                                  | 29.8         |
| Depreciation charge for the period         | (32.0)       |
| Impairment of right of use asset           | (1.3)        |
| Exchange rate difference during the period | (2.4)        |
| <b>At 26 June 2021</b>                     | <b>529.4</b> |

## 12. Inventories

| £ million                   | 26 June<br>2021 | 26 December<br>2020 |
|-----------------------------|-----------------|---------------------|
| Raw materials and packaging | 48.2            | 54.3                |
| Work-in-progress            | 2.0             | 2.3                 |
| Finished goods              | 7.3             | 7.2                 |
|                             | <b>57.5</b>     | <b>63.8</b>         |

### 13. Trade and other receivables

| £ million                                              | 26 June<br>2021 | 26 December<br>2020 |
|--------------------------------------------------------|-----------------|---------------------|
| Amounts receivable from trade customers                | 116.6           | 115.2               |
| Expected credit loss                                   | (2.9)           | (1.6)               |
| Net amounts receivable from trade customers            | 113.7           | 113.6               |
| Other receivables                                      | 14.2            | 14.9                |
| Prepayments                                            | 13.0            | 7.9                 |
| <b>Trade and other receivables due within one year</b> | <b>140.9</b>    | <b>136.4</b>        |

During the period, the Group has continued to operate trade receivable factoring arrangements. These are non-recourse arrangements and therefore amounts are de-recognised from trade receivables. At 26 June 2021 £114 million was drawn under factoring facilities, an increase of £8 million compared to 26 December 2020 representing cash collected before it was contractually due from the customer.

As at 26 June 2021, the Group's amounts receivable from trade customers includes £48.8 million (26 December 2020: £56.6 million) which could be factored under the non-recourse trade receivable factoring arrangement.

### 14. Trade and other payables

| £ million                                           | 26 June<br>2021 | 26 December<br>2020 |
|-----------------------------------------------------|-----------------|---------------------|
| Trade payables                                      | 207.1           | 227.9               |
| Other taxation                                      | 2.3             | 1.9                 |
| Other payables                                      | 22.8            | 20.9                |
| Accruals and deferred income                        | 123.9           | 116.9               |
| <b>Trade and other payables due within one year</b> | <b>356.1</b>    | <b>367.6</b>        |

During the period, the Group has continued to operate an arrangement which provides financing for the Group's suppliers. This is a voluntary programme that potentially gives suppliers earlier access to cash. At 26 June 2021, trade payables amounting to £29.6 million (26 December 2020: £27.9 million) were subject to these arrangements. These balances are classified as trade payables, and the related payments as cash flows from operating activities since the original obligation to the supplier remains and has not been replaced with a new obligation to the bank.

## 15. Net debt

| £ million                             | 26 June<br>2021 | 26 December<br>2020 |
|---------------------------------------|-----------------|---------------------|
| Cash and cash equivalents             | 22.5            | 24.8                |
| Borrowings                            | (26.1)          | (23.2)              |
| Lease liabilities                     | (11.2)          | (11.1)              |
| <b>Total debt due within one year</b> | <b>(37.3)</b>   | <b>(34.3)</b>       |
| Borrowings                            | (317.5)         | (331.4)             |
| Lease liabilities                     | (74.7)          | (70.9)              |
| <b>Total debt due after one year</b>  | <b>(392.2)</b>  | <b>(402.3)</b>      |
| <b>Group net debt</b>                 | <b>(407.0)</b>  | <b>(411.8)</b>      |

Group net debt is the sum of cash and cash equivalents, prepaid fees to be amortised over the term of outstanding borrowings, outstanding borrowings, interest accrued on borrowings and lease liabilities.

On 9 March 2021 the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025.

## 16. Financial Instruments

The categories of financial instruments are as follows:

| £ million                                  | 26 June<br>2021 | 26 December<br>2020 |
|--------------------------------------------|-----------------|---------------------|
| <b>Financial assets</b>                    |                 |                     |
| Fair value through OCI or profit and loss: |                 |                     |
| Trade receivables                          | 48.8            | 56.6                |
| Derivative financial instruments           | 0.4             | 0.6                 |
| Loans and receivables at amortised cost:   |                 |                     |
| Trade receivables                          | 64.9            | 57.0                |
| Other receivables                          | 14.2            | 14.9                |
| Cash and cash equivalents                  | 22.5            | 24.8                |
|                                            | <b>150.8</b>    | <b>153.9</b>        |

| £ million                                      | 26 June<br>2021 | 26 December<br>2020 |
|------------------------------------------------|-----------------|---------------------|
| <b>Financial liabilities</b>                   |                 |                     |
| Fair value through OCI or profit and loss:     |                 |                     |
| Derivative financial instruments               | 3.1             | 1.8                 |
| Other financial liabilities at amortised cost: |                 |                     |
| Trade payables                                 | 207.1           | 227.9               |
| Other payables                                 | 22.8            | 20.9                |
| Accruals                                       | 122.7           | 115.7               |
| Borrowings                                     | 343.6           | 354.6               |
| Lease liabilities                              | 85.9            | 82.0                |
|                                                | <b>785.2</b>    | <b>802.9</b>        |

Trade receivables have been determined as level 2 under IFRS 7 *Financial Instruments: Disclosures*. The fair value of loans and receivables approximates to their carrying values due to the short-term nature of the receivables. The fair values for the derivative financial instruments have been determined as level 2 under IFRS 7 *Financial Instruments: Disclosures*. Quoted prices are not available for the derivative financial instruments and so valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves and currency rates.

The fair value of other financial liabilities at amortised cost approximates to their carrying value. The trade and other payables approximate to their fair value due to the short-term nature of the payables. The lease liabilities fair value approximates to the carrying value based on discounted future cash flows.

## 17. Share capital and share premium

Issued share capital as at 26 June 2021 amounted to £11.6 million (579,425,585 Ordinary shares of £0.02 each) (26 December 2020: £11.6 million (579,425,585 Ordinary shares of £0.02 each)).

## 18. Notes to the condensed consolidated statement of cash flows

| £ million                                                       | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|-----------------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Operating profit</b>                                         | <b>47.0</b>                       | 13.7                              |
| <b>Adjustments for:</b>                                         |                                   |                                   |
| Depreciation of property, plant and equipment                   | <b>32.0</b>                       | 32.4                              |
| Amortisation of intangible assets                               | <b>0.2</b>                        | 0.3                               |
| Loss on disposal of property, plant and equipment               | -                                 | 0.6                               |
| Impairment of assets                                            | <b>1.3</b>                        | 12.0                              |
| Share scheme charges                                            | <b>1.1</b>                        | 0.9                               |
| Net retirement benefits charge less contributions               | <b>(1.0)</b>                      | (0.6)                             |
| <b>Operating cash flows before movements in working capital</b> | <b>80.6</b>                       | 59.3                              |
| Decrease in inventories                                         | <b>6.3</b>                        | 7.3                               |
| (Increase)/decrease in receivables                              | <b>(4.3)</b>                      | 18.9                              |
| Decrease in payables                                            | <b>(13.8)</b>                     | (57.4)                            |
| Increase in provisions                                          | <b>0.4</b>                        | 8.8                               |
| <b>Cash generated by operations</b>                             | <b>69.2</b>                       | 36.9                              |
| Income taxes paid                                               | <b>(3.1)</b>                      | (11.7)                            |
| Interest paid                                                   | <b>(9.1)</b>                      | (12.1)                            |
| <b>Net cash generated from operating activities</b>             | <b>57.0</b>                       | 13.1                              |

## 19. Contingent liabilities

The Group may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Group regularly reviews all of these claims to determine any possible financial loss to the Group. No provision was considered necessary in the Consolidated Financial Statements.

## 20. Events after the statement of financial position date

There are no events to report.

## 21. Alternative performance measures

The Group uses various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. The Directors consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance of the Group from year to year.

### Like-for-like (LFL) revenue

The Group defines LFL revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold or acquired in the current and prior year and the effect of foreign currency movements. The Directors believe LFL revenue is a key metric of the Group's revenue growth trend, as it allows for a more meaningful comparison of trends from period to period.

The following table provides the information used to calculate LFL revenue for the Group:

| £ million                      | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 | % change |
|--------------------------------|-----------------------------------|-----------------------------------|----------|
| <b>Statutory revenue</b>       | <b>915.7</b>                      | 880.5                             | 4.0%     |
| Revenue from closed businesses | -                                 | (11.4)                            |          |
| Effect of currency movements   | <b>9.2</b>                        | -                                 |          |
| <b>Like-for-like revenue</b>   | <b>924.9</b>                      | 869.1                             | 6.4%     |

The following tables provides the information used to calculate LFL revenue for each segment:

#### UK

| £ million                      | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 | % change |
|--------------------------------|-----------------------------------|-----------------------------------|----------|
| <b>Statutory revenue</b>       | <b>787.5</b>                      | 780.4                             | 0.9%     |
| Revenue from closed businesses | -                                 | (11.4)                            |          |
| <b>Like-for-like revenue</b>   | <b>787.5</b>                      | 769.0                             | 2.4%     |

#### US

| £ million                    | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 | % change |
|------------------------------|-----------------------------------|-----------------------------------|----------|
| <b>Statutory revenue</b>     | <b>81.3</b>                       | 67.6                              | 20.3%    |
| Effect of currency movements | <b>8.2</b>                        | -                                 |          |
| <b>Like-for-like revenue</b> | <b>89.5</b>                       | 67.6                              | 32.4%    |

#### China

| £ million                    | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 | % change |
|------------------------------|-----------------------------------|-----------------------------------|----------|
| <b>Statutory revenue</b>     | <b>46.9</b>                       | 32.5                              | 44.3%    |
| Effect of currency movements | <b>1.0</b>                        | -                                 |          |
| <b>Like-for-like revenue</b> | <b>47.9</b>                       | 32.5                              | 47.4%    |

## 21. Alternative performance measures (continued)

### Adjusted EBITDA and Adjusted operating profit

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA' and 'Adjusted operating profit', as these measures exclude the impact of items that hinder comparison of profitability year-on-year. In calculating Adjusted operating profit, we exclude restructuring costs, asset impairments, and those additional charges or credits that are considered significant or one-off in nature. In addition, for Adjusted EBITDA we exclude depreciation, amortisation, the share of results of associates after tax and share scheme charges, as this is a non-cash amount. Adjusted operating profit margin is used as an additional profit measure that assesses profitability relative to the revenues generated by the relevant segment; it is calculated by dividing the Adjusted operating profit by the statutory revenue for the relevant segment.

The following table provides a reconciliation from the Group's operating profit to Adjusted operating profit and Adjusted EBITDA.

| £ million                                         | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|---------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Operating profit</b>                           | <b>47.0</b>                       | 13.7                              |
| Exceptional items (Note 4)                        | -                                 | 15.0                              |
| <b>Adjusted operating profit</b>                  | <b>47.0</b>                       | 28.7                              |
| Depreciation                                      | 32.0                              | 32.4                              |
| Amortisation                                      | 0.2                               | 0.3                               |
| Share scheme charges                              | 1.1                               | 0.9                               |
| Loss on disposal of property, plant and equipment | -                                 | 0.6                               |
| <b>Adjusted EBITDA</b>                            | <b>80.3</b>                       | 62.9                              |
| Less IFRS 16 impact                               | (6.2)                             | (6.7)                             |
| <b>Adjusted EBITDA pre IFRS 16<sup>1</sup></b>    | <b>74.1</b>                       | 56.2                              |

<sup>1</sup> Excludes the impact of IFRS 16 as the Group's bank facility agreement definition of Adjusted EBITDA excludes the impact of this standard

Adjusted EBITDA and Adjusting operating profit by segment are reconciled to operating profit in Note 3.

### Operational net debt and leverage

Operational net debt excludes the impact of non-cash items on the Group's net debt. The Directors use this measure, as it reflects actual net borrowings at the relevant reporting date and is most comparable with the Group's free cash flow and aligns with the definition of net debt in the Group's bank facility agreements which exclude the impact of IFRS 16. The following table provides a reconciliation from the Group's net debt to the Group's operational net debt.

| £ million                                                                       | 26 June<br>2021 | 26 December<br>2020 |
|---------------------------------------------------------------------------------|-----------------|---------------------|
| <b>Group net debt</b>                                                           | <b>(407.0)</b>  | (411.8)             |
| Unamortised fees                                                                | (4.2)           | (4.3)               |
| Interest accrual                                                                | 2.0             | 2.3                 |
| Lease liabilities recognised under IFRS 16                                      | 84.7            | 80.4                |
| <b>Group operational net debt</b>                                               | <b>(324.5)</b>  | (333.4)             |
| Adjusted EBITDA (last 12 months pre IFRS 16 and including covenant adjustments) | 157.8           | 145.8               |
| <b>Leverage (Operational net debt/Adjusted EBITDA<sup>1</sup>)</b>              | <b>2.1</b>      | 2.3                 |

<sup>1</sup>For the last 12 months pre IFRS 16 and including covenant adjustments

## 21. Alternative performance measures (continued)

### Free cash flow

The Group defines free cash flow as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions, and after purchases of property, plant and equipment but before payments of refinancing fees and other exceptional or significant non-recurring cash flows. Free cash flow has benefitted from non-recourse factoring of receivables as set out in Note 13 and the extension of payment terms for certain suppliers as described in Note 14. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the underlying cash available to pay dividends, repay debt or make further investments in the Group. The following table provides a reconciliation from net cash generated from operating activities to free cash flow.

| £ million                                           | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Net cash generated from operating activities</b> | <b>57.0</b>                       | 13.1                              |
| Dividends received from associates                  | -                                 | 0.1                               |
| Purchases of property, plant and equipment          | (18.9)                            | (21.0)                            |
| Cash impact of exceptional items                    | 0.7                               | 0.3                               |
| Refinancing fees                                    | 0.9                               | 4.2                               |
| <b>Free cash flow</b>                               | <b>39.7</b>                       | (3.3)                             |

### Adjusted earnings per share

The Group calculates Adjusted basic earnings per share by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the period. The Group calculates Adjusted diluted earnings per share by dividing Adjusted earnings by the weighted average number of Ordinary shares for diluted earnings per share. Adjusted earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items as presented in the condensed consolidated income statement and the change in value of derivative financial instruments. The Directors use this measure as it tracks the underlying profitability of the Group and enables comparison with the Group's peer companies. The following table reconciles profit attributable to equity shareholders of the Company to Adjusted earnings.

| £ million                                                                                                     | 26 weeks ended<br>26 June<br>2021 | 26 weeks ended<br>27 June<br>2020 |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Profit attributable to equity shareholders of the Company                                                     | 24.6                              | 5.4                               |
| Exceptional items (Note 4)                                                                                    | -                                 | 16.7                              |
| Change in fair value of derivative financial instruments                                                      | 3.6                               | (5.1)                             |
| Tax on the above items                                                                                        | (0.6)                             | (2.1)                             |
| <b>Adjusted earnings</b>                                                                                      | <b>27.6</b>                       | 14.9                              |
| Add back: Tax on adjusted profit before tax                                                                   | 10.6                              | 3.5                               |
| Adjusted profit before tax                                                                                    | 38.2                              | 18.4                              |
| Effective tax rate on underlying activities<br>(Tax on Adjusted profit before tax/Adjusted profit before tax) | 27.7%                             | 19.0%                             |
| <b>Number 000's</b>                                                                                           |                                   |                                   |
| Weighted average number of Ordinary shares                                                                    | 579,426                           | 579,426                           |
| Effect of dilutive Ordinary shares                                                                            | 8,746                             | 3,575                             |
| Weighted average number of Ordinary shares for diluted earnings per share                                     | 588,172                           | 583,001                           |
| Adjusted basic earnings per share                                                                             | 4.8p                              | 2.6p                              |
| Adjusted diluted earnings per share                                                                           | 4.7p                              | 2.6p                              |

## 21. Alternative performance measures (continued)

### Return on Invested Capital (“ROIC”)

The Group defines ROIC as Adjusted operating profit after tax divided by the average invested capital for the rolling 52 week period. Adjusted operating profit after tax is defined as operating profit excluding the impact of exceptional items and profit on disposal of subsidiaries less tax at the Group’s effective tax rate. Invested capital is defined as total assets less total liabilities excluding net debt at the period end, pension assets and liabilities (net of deferred tax) and fair values for derivatives not designated in a hedging relationship. The Group utilises ROIC to measure how effectively it uses invested capital. Average invested capital is the simple average of invested capital at the beginning of the period and the end of the period.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders’ invested capital. The Directors believe that ROIC can help analysts, investors and stakeholders to evaluate the Group’s profitability and the efficiency with which its invested capital is employed.

The following table sets out the calculations of Adjusted operating profit after tax and invested capital used in the calculation of ROIC.

| £ million                                           | 52 weeks ended<br>26 June<br>2021 | 26 December<br>2020 |
|-----------------------------------------------------|-----------------------------------|---------------------|
| Operating profit                                    | 95.3                              | 62.0                |
| Exceptional items                                   | 6.6                               | 21.6                |
| Adjusted operating profit                           | 101.9                             | 83.6                |
| Taxation at the underlying effective rate           | (25.0)                            | (18.1)              |
| Adjusted operating profit after tax                 | 76.9                              | 65.5                |
| Invested capital                                    |                                   |                     |
| Total assets                                        | 1,454.9                           | 1,449.2             |
| Total liabilities                                   | (846.5)                           | (851.1)             |
| Net debt at period end                              | 407.0                             | 411.8               |
| Derivatives not designated as hedges                | (2.2)                             | 0.3                 |
| Retirement benefit scheme surplus                   | (28.0)                            | (11.2)              |
| Deferred tax liability on retirement benefit scheme | 7.0                               | 2.1                 |
| Invested capital                                    | 992.2                             | 1,001.1             |
| Average invested capital for ROIC calculation       | 1,005.3                           | 997.3               |
| <b>ROIC (%)</b>                                     | <b>7.6%</b>                       | <b>6.6%</b>         |

## Statement of Directors' responsibilities

The directors confirm that, to the best of their knowledge, the condensed set of financial statements has been prepared in accordance with IAS 34: 'Interim Financial Reporting' as contained in the EU-adopted International Financial Reporting Standards, and that the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules ("DTR") 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the last annual report.

The Board of Directors that served during the six months ended 26 June 2021, and their respective responsibilities, can be found on pages 88 and 89 of the 2020 Annual Report & Accounts. As announced on 6 July 2021, Sanjeevan Bala joined the Group Board as an independent Non-executive Director on 1 August 2021. A list of current directors is maintained on the Bakkavor Group plc website at: <https://www.bakkavor.com/about-us/leadership/group-board/default.aspx>

Approved on behalf of the Group Board by:

**Agust Gudmundsson**  
CEO

**Ben Waldron**  
CFO

7 September 2021

## **Independent review report to Bakkavor Group plc**

### **Report on the condensed consolidated interim financial statements**

#### **Our conclusion**

We have reviewed Bakkavor Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the half-yearly financial report of Bakkavor Group plc for the 26 week period ended 26 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### **What we have reviewed**

The interim financial statements comprise:

- the Condensed consolidated statement of financial position as at 26 June 2021;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report of Bakkavor Group plc have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### **Responsibilities for the interim financial statements and the review**

#### **Our responsibilities and those of the Directors**

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers LLP**

Chartered Accountants  
Birmingham

**7 September 2021**