

**Bakkavor Group plc****Full year results*****Strong financial performance in an historic year for Bakkavor***

Bakkavor Group plc (“Bakkavor”, “the Group” or “the Company”), the leading provider of fresh prepared food, today announces its full year unaudited results for the 52 week period ended 30 December 2017.

**FINANCIAL HIGHLIGHTS****Underlying performance<sup>1</sup>**

- Like-for-like revenue up 5.4% at £1,800.3m (2016: £1,708.5m)
- Adjusted EBITDA up 4.2% at £152.6m (2016: £146.4m) with margin of 8.4% (2016: 8.3%)
- Adjusted profit before tax up 13.2% to £84.8m (2016: £74.9m)
- Adjusted EPS up 25.5% at 13.3p (2016: 10.6p)
- Free cash flow increased by £12.6m to £71.1m (2016: £58.5m) with leverage of 1.8x (2016: 2.6x)

**Statutory performance**

- Group revenue up 4.6%<sup>2</sup> / 2.9% at £1,814.8m (2016: £1,763.6m)
- Profit before tax £24.1m lower at £39.0m (2016: £63.1m), largely due to public listing and refinancing costs
- Basic EPS 3.0p lower at 5.8p (2016: 8.8p)
- Cash from operating activities £18.7m lower at £93.4m (2016: £112.1m)
- Net debt £100.3m lower at £266.6m (2016: £366.9m)

**OPERATIONAL AND STRATEGIC HIGHLIGHTS**

- Significant capital investment programme to support ongoing growth across the Group; started construction on four key projects in UK, US and China
- Further development of businesses in US and China through stronger customer partnerships
- Successful listing on the London Stock Exchange, providing capital to accelerate strategic investments
- Full refinancing of lending facilities, including redemption of senior secured notes

**Agust Gudmundsson, Chief Executive Officer of Bakkavor, said:**

“This has been an historic year for Bakkavor. We have transformed the Group, fully refinancing our lending facilities and listing on the London Stock Exchange, positioning us well for future growth. Our strong trading performance, in a highly inflationary environment, reflects both our market-leading expertise in great tasting food and the strong strategic partnerships with our customers.

The second half of 2017 saw volume growth impacted as UK consumers reacted to significant inflationary pressure. As expected this trend has continued into 2018 and is likely to remain until inflation eases. Later in the year, we expect our volume growth to benefit from improved market conditions and new business.

Despite these industry-wide challenges, we are confident that our scale, track record of innovation and focus on operational efficiencies ensures we are well placed to deliver ongoing profitable growth, both from existing business and our long-term investment strategy.”

1. Alternative performance measures are used as a guide to underlying performance, with definitions and calculations set out in Note 16

2. Growth vs. FY 2016 on a 52 week basis

Note: Throughout this announcement, all comparative amounts, with the exception of revenue, are presented for the 53 week period ended 31 December 2016

## PRESENTATION

A presentation of Bakkavor's results to analysts and investors will take place today at 10am at Bakkavor's offices at 8 Mortimer Street, London W1T 3JJ.

A live webcast of the presentation can also be accessed through the Investors section of the Group's website at <https://www.bakkavor.com/investors>

## ENQUIRIES

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## ABOUT BAKKAVOR

Bakkavor is the leading provider in the large and fast-growing UK Fresh Prepared Food (FPF) market, which consists of the four categories of Meals, Salads, Desserts and Pizza & Bread, and has a growing international presence in the US and China.

In the UK the Group is the number one producer by market share in all four FPF categories, supplying all of the UK's leading grocery retailers, including Tesco, Marks & Spencer, Sainsbury's and Waitrose.

The International segment has operations in the US and China, supplying both retail and foodservice customers.

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## DISCLAIMER – FORWARD-LOOKING STATEMENTS

This preliminary statement, prepared by Bakkavor Group plc (the "Company"), may contain forward-looking statements about Bakkavor Group plc and its subsidiaries (the "Group"). Forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will, or may, occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast. Some numbers and period on period percentages in this statement have been rounded or adjusted in order to ensure consistency with the financial information.

## SUMMARY

For Bakkavor, 2017 has been an historic year, culminating in November with the Company's listing on the premium segment of the London Stock Exchange. The past twelve months has seen us leverage our scale, innovation credentials and passion for food to make good progress. We have successfully strengthened our leading positions in both the growing UK FPF market and the high-potential international markets of the US and China.

## Board changes and successful public listing

On 20 October 2017, in preparation for the public listing, Simon Burke was appointed as Group Chairman, taking over from Lydur Gudmundsson, who remains on the Board providing invaluable strategic counsel given his deep knowledge of the business. Sue Clark joined the Board as an Independent Non-executive Director, and Denis Hennequin has now become the Senior Independent Director.

Prior to the public listing, a restructure of the Group was effected, whereby a new parent company, Bakkavor Group plc was established and acquired all the shares in the former parent company, Bakkavor Group Limited, which was then renamed Bakkavor Holdings Limited.

Bakkavor Group plc's listing on the London Stock Exchange included a primary issue of £100 million, the proceeds of which will support the Group's exciting growth plans. This will enable us to accelerate our investment programme, creating further value for investors and stakeholders, and bring more great tasting food to consumers.

## Key financials

£ million	2017	2016 (53 weeks)	Change
Revenue	<b>1,814.8</b>	1,763.6	4.6% <sup>2</sup> / 2.9%
Revenue: Like-for-like <sup>1</sup>	<b>1,800.3</b>	1,708.5	5.4%
Adjusted EBITDA <sup>1</sup>	<b>152.6</b>	146.4	4.2%
Adjusted EBITDA margin <sup>1</sup>	<b>8.4%</b>	8.3%	10bps
Profit before tax	<b>39.0</b>	63.1	(24.1)
Adjusted profit before tax <sup>1</sup>	<b>84.8</b>	74.9	13.2%
Basic EPS	<b>5.8p</b>	8.8p	(3.0)p
Adjusted EPS <sup>1</sup>	<b>13.3p</b>	10.6p	2.7p
Cash from operating activities	<b>93.4</b>	112.1	(18.7)
Free cash flow <sup>1</sup>	<b>71.1</b>	58.5	12.6
Net debt	<b>266.6</b>	366.9	100.3
Leverage (Net debt/Adjusted EBITDA) <sup>1</sup>	<b>1.8x</b>	2.6x	0.8x
Return on Invested Capital (ROIC) <sup>1</sup>	<b>12.2%</b>	11.7%	50bps

1. Alternative performance measures are used as a guide to underlying performance, with definitions and calculations set out in Note 16

2. Growth vs. FY 2016 on a 52 week basis

## Trading performance

Revenue from continuing operations increased by £79.4 million, or 4.6% from £1,735.4 million (2016 52 weeks) to £1,814.8 million in 2017. Like-for-like revenue from continuing operations grew by 5.4% from £1,708.5 million to £1,800.3 million.

Adjusted EBITDA increased by £6.2 million, or 4.2%, from £146.4 million to £152.6 million. This was a good performance given the unprecedented inflationary pressures, particularly on raw material and labour costs in the UK and reflects our strong focus on efficiencies and cost control. Adjusted earnings per share also increased by 25.5% to 13.3p as a result of the improvement in underlying profitability.

## **Cash flows and refinancing**

The strong trading performance resulted in a further increase in free cash flow to £71.1 million. In March 2017, the Group agreed a new £485 million lending facility which comprised a £210 million term loan and a £200 million revolving credit facility, both maturing in June 2021, and a further £75 million term loan maturing in June 2024. The Group used the funds to repay in full existing bank debt and redeem all outstanding Senior Secured Notes. The new funding structure provides the Group with a significant reduction in interest costs whilst extending the maturity of the funding commitments.

The combination of the proceeds raised from the public listing, together with strong trading resulted in a significant reduction in net debt to £266.6 million at the end of 2017. Leverage was also lower at 1.8x, well within our target range of 1.5x to 2.0x.

## **Dividends**

As set out in the public listing prospectus, no dividend will be declared in respect of the financial year 2017. The Group has confirmed its intention that a dividend equivalent to 40% of Adjusted Profit after Tax for the financial year 2018 will be paid, with an interim payment in September 2018 of approximately one third of the expected total for the year.

## **Outlook**

The second half of 2017 saw volume growth impacted as UK consumers reacted to significant inflationary pressure. As expected this trend has continued into 2018 and is likely to remain until inflation eases. Later in the year, we expect our volume growth to benefit from improved market conditions and new business.

Despite these industry-wide challenges, we are confident that our scale, track record of innovation and focus on operational efficiencies ensures we are well placed to deliver ongoing profitable growth, both from existing business and our long-term investment strategy.

## OPERATIONAL REVIEW

### United Kingdom

£ million	2017	2016 (53 weeks)	Change (53 weeks)	Change (52 weeks)
Revenue	1,636.3	1,589.9	2.9%	4.6%
Revenue: Like-for-like <sup>1</sup>	1,621.3	1,545.8	4.9%	
Adjusted EBITDA <sup>1</sup>	145.2	137.7	5.4%	
Adjusted EBITDA margin <sup>1</sup>	8.9%	8.7%	20bps	

1. Alternative performance measures are used as a guide to underlying performance, with definitions and calculations set out in Note 16

The UK business represents the majority of the Group and generated £1,636.3 million in revenue from continuing operations in 2017, up 4.6% compared to the prior year on a 52 week basis. Like-for-like revenue was £1,621.3 million which is 4.9% up on 2016.

Revenue growth in 2017 was partly driven by price increases agreed with customers in response to the significant raw material inflation in the year. Volume growth was strong in the first half of 2017, fuelled by a number of significant business gains in the second half of the previous year, a testament to the Group's innovation capabilities, product quality and market leading technical standards. However, as expected, revenue growth slowed in the second half of the year as higher retail pricing impacted volumes.

During the past year, the Group reinforced its leading position in each of the four FPF categories of Meals, Salads, Desserts and Pizza & Bread, continuing to work collaboratively with its key customers to support their growth plans through investments and innovation. The Meals and Pizza & Bread categories both performed particularly well and were key contributors to overall UK performance.

We have continued our strong record of innovation and market-leading consumer insight, launching more than 500 new and improved products for our customers. For example, in November we launched a number of award-winning desserts ranges for Christmas, including a chocolate 'dome' which gained considerable positive press coverage. We also launched the UK's first charcoal-based pizza range which proved very popular with consumers and again attracted favourable media reviews.

Our significant expertise in growing, planning and buying was critical during this past year of volatile input pricing. No more so than in the Salads category, when, in the early part of the year, unforeseen weather conditions markedly affected leaf availability. The experience of the procurement team and the strong relationships Bakkavor has with suppliers, particularly those in Europe and the US, enabled the Group to maintain supplies during this very challenging period.

Adjusted EBITDA for the year was £145.2 million compared with £137.7 million in 2016. As anticipated, margins remained under pressure throughout the year. We were impacted by a combination of unprecedented raw material inflation, largely driven by volatility in the dairy market and the impact of the weakness in sterling, together with rising labour costs following further increases in the National Living Wage. Working closely with our customers, the Group has successfully mitigated much of this inflation through a combination of product design, pricing, and operational performance. These actions, combined with volume benefits and tight cost control resulted in an Adjusted EBITDA margin of 8.9%, 20 basis points above the prior year.

### Capital investment

During 2017, the Group continued its capital investment programme across its facilities to support customer plans and maximise efficiencies and capabilities.

The year has seen investments in a number of new assembly lines and automation projects within our pizza operations in Holbeach and bread facility in Crewe to provide increased capacity in these categories and extend product ranges to support business wins. We have also invested in gluten free capabilities at a number of our sites to ensure that we can meet the demand for this small but fast-growing dietary need.

We also continue to invest in projects which drive productivity benefits, such as leaf processing and packaging automation. We expect further investments of this type to mitigate future increases in labour costs.

Towards the end of the year, we started work on a major £35 million expansion of our desserts facility in Newark. This investment will provide increased capacity following recent supplier consolidation in the category as well as market-leading innovation and state of the art automation to support efficiency.

## International

£ million	2017	2016 (53 weeks)	Change (53 weeks)	Change (52 weeks)
Revenue	<b>178.5</b>	173.7	2.8%	4.0%
Revenue: Like-for-like <sup>1</sup>	<b>179.0</b>	162.7	10.0%	
Adjusted EBITDA <sup>1</sup>	<b>7.4</b>	8.7	(14.9%)	
Adjusted EBITDA margin <sup>1</sup>	<b>4.1%</b>	5.0%	(90bps)	

1. Alternative performance measures are used as a guide to underlying performance, with definitions and calculations set out in Note 16

Our international business, whilst still only representing around 10% of the Group, has continued to grow. This business generated £178.5 million in revenue from continuing operations compared with £173.7 million in the prior year. On a like-for-like basis, which excludes the impact of foreign currency movements and the sale of the Group's Belgian business NV Vaco BV on 1 August 2016, revenues increased by 10.0% in the year to £179.0 million.

In China, we saw strong growth as we continued to develop our presence in the foodservice market, fuelled by the rapid rate at which key customers are expanding their store and restaurant portfolios. Both provide Bakkavor with a solid base for expansion. In addition, our investment in our new product development capabilities has broadened our offering to major customers, including for example the introduction of fresh soups, salads and breakfast products.

Our US business also saw further growth as demand for fresh prepared foods increases, with consumers switching away from frozen and long-life products. The Group has continued to develop its relationships with key strategic customers, extending its category portfolio with a successful new range of burritos, and introducing a new range of ready-to-cook meals with a major customer.

Adjusted EBITDA for the International segment was £7.4 million for the year, compared with £8.7 million in 2016. Whilst the business in China has profited from strong volume growth, inflationary pressures have partly offset this benefit. We also increased investment in our technical and commercial capabilities, particularly in the US, to ensure we have the appropriate infrastructure for future growth.

### Capital Investment

The relationship with a key customer in Texas has significantly strengthened during the year as we announced plans to invest \$31 million in a dedicated new factory in San Antonio. Working in close partnership with this customer the facility will supply a wide range of meals and is scheduled to start production later in 2018.

Whilst the Group already has an established presence in the US in the Meals, Dips and Soups & Sauces categories, the chilled Breads market represents an exciting new growth area where we can capitalise on our UK expertise as market leader in this category. Following a period of market testing, we have now started work on a new bakery facility in Charlotte which will also be operational later in 2018.

In China, the Group has invested around £20 million in a new state of the art factory in Haimen, East China, which again is due to start production in 2018 and will provide additional capacity in this high-growth market. We have also committed £3 million of investment into a new high quality bread facility near Shanghai which has recently started production.

## FINANCIAL REVIEW

### Revenue

Revenue from continuing operations increased by £51.2 million, or 2.9% from £1,763.6 million in 2016 (53 weeks), to £1,814.8 million in 2017.

On a 52 week basis, revenue from continuing operations increased by £79.4 million, or 4.6%, from £1,735.4 million in 2016 to £1,814.8 million in 2017.

Like-for-like revenue grew by 5.4%, from £1,708.5 million in 2016, to £1,800.3 million in 2017. This increase was primarily due to strong growth in the Group's operating segments, as described below.

#### UK

In the UK segment, revenue from continuing operations increased by £46.4 million, or 2.9%, from £1,589.9 million in 2016 (53 weeks) to £1,636.3 million in 2017.

On a 52 week basis, revenue from continuing operations in the UK segment increased by £72.6 million, or 4.6%, from £1,563.7 million in 2016 to £1,636.3 million in 2017.

Like-for-like revenue, which excludes our Melrow Salads business that was closed in November 2017, grew by 4.9%, from £1,545.8 million in 2016, to £1,621.3 million in 2017. Melrow Salads contributed revenues of £15.0 million in 2017 for the period up to its closure.

This increase in revenue was primarily due to strong growth across all key customers, with underlying volumes benefitting from the full year effect of recent business wins. In addition, revenues increased as a result of price increases agreed with customers in response to the significant raw material inflation seen through the year.

#### International

In the International segment, revenue from continuing operations increased by £4.8 million, or 2.8%, to £178.5 million in 2017 from £173.7 million in 2016 (53 weeks).

On a 52 week basis, revenue from continuing operations in the International segment increased by £6.8 million, or 4.0%, to £178.5 million in 2017 from £171.7 million in 2016. Revenue growth in 2017 was impacted by the sale of the Group's Belgian business NV Vaco BV on 1 August 2016, which had contributed revenue of £17.0 million in 2016. This loss of revenue was partly offset by favourable foreign currency movements.

Like-for-like revenue grew by 10.0%, from £162.7 million in 2016, to £179.0 million in 2017. The increase in like-for-like revenues was primarily due to strong growth in our business in China, where sales volumes increased with all key customers.

### Adjusted EBITDA

Adjusted EBITDA increased by £6.2 million, or 4.2%, from £146.4 million in 2016 to £152.6 million in 2017.

This increase was primarily due to the benefits from the significant increase in sales volumes in the first half of 2017 and the Group's continued focus on cost control and productivity improvements.

### Exceptional items

Included within administrative costs are exceptional items as follows:

£ million	2017	2016
Public listing costs	10.4	-
Transaction costs	-	5.2
Restructuring costs	3.1	1.3
Legal cases	0.6	1.5
New site costs	1.3	-
	15.4	8.0

## 2017

The Group has incurred £10.4 million of costs in 2017 in connection with the public listing in November 2017. The restructuring costs of £3.1 million in the year relates to the cost of closing a site in the UK and moving related operations to other sites. The remaining exceptional costs relate to the Group's US business, of which £1.3 million is in respect of initial start-up costs for a new factory and the remaining £0.6 million due to on-going employment litigation.

## 2016

In 2016, the Group incurred exceptional costs of £8.0 million, of which £5.2 million relate to the fees incurred that year in connection with the transactions that resulted in Bakk AL Holdings Limited owning 100% of the Company and becoming the parent company of the Group; £1.3 million relate to redundancy costs following the loss of some business at one of the Group's UK operations; and £1.5 million relate to legal and other costs in respect of an intellectual property dispute that has now been concluded. In addition, the Group recognised £8.2 million of impairment charges as Other Items in 2016.

### **Operating profit**

Statutory operating profit increased by £4.7 million, or 5.1%, from £91.5 million in 2016 to £96.2 million in 2017 with margins increasing by 10 basis points to 5.3%. This increase was primarily due to benefits from the increase in sales volumes and the productivity improvements across the business. The statutory operating profit for the UK segment increased by £8.1 million in the year from £86.8 million in 2016 to £94.9 million. For the International segment, statutory operating profit decreased by £3.4 million from £4.7 million in 2016 to £1.3 million. Before exceptional items and impairment of assets, the operating margins for 2017 were in line with 2016 at 6.1%.

### **Finance costs**

Finance costs decreased by £3.8 million, or 9.8%, from £38.8 million in 2016 to £35.0 million in 2017. In 2017 these include payment of a call premium of £9.9 million in respect of the early redemption of the 2020 Senior Secured Notes as part of a refinancing of the Group's lending facilities in March 2017. In addition, accelerated amortisation of refinancing fees in relation to the previous debt facilities necessitated a charge of £3.3 million. In 2016, the Group incurred a call premium of £1.5 million and accelerated amortisation of £0.7 million in refinancing fees in connection with the early redemption of £75 million of the 2018 Senior Secured Notes. Excluding these costs in both years, finance costs decreased by £14.8 million in 2017, which reflects the benefits of lower debt levels and the reduction in the cost of debt to c.3.5% per annum.

### **Other gains and losses**

Other gains and losses moved by £32.5 million, from a gain of £10.3 million in 2016, to a loss of £22.2 million in 2017. This change was primarily due to a £17.2 million non-cash loss in 2017, reversing previous gains on the fair value of the call option within the 2020 Senior Secured Notes following redemption of the Notes in March 2017. The Group also incurred mark to market losses of £2.1 million on its financial derivatives in 2017 compared to a gain of £4.6 million for 2016.

### **Tax**

The tax charge for the year decreased by £4.3 million, or 35.0%, from £12.3 million in 2016 to £8.0 million in 2017, largely due to an increase in the deferred tax asset recognised for US trading losses, giving an effective rate of 20.5% for 2017. Excluding the impact of exceptional costs in the year of £15.4 million, the effective tax rate is 15.4%. This is higher than originally expected due to the impact of the enacting in December 2017 of a lower US corporate tax rate of 21% compared to the previous rate of 35% which reduced the value of the increase in the deferred tax asset recognised in 2017 for the historic US trading losses. This is considered to be a one off impact for 2017 and we expect the 2018 effective rate to be between 14% and 15%.

### **Profit for the period**

As a result of the foregoing, profit for the period decreased by £20.3 million, or 39.6%, from £51.3 million in 2016 to £31.0 million in 2017. Excluding the impact of exceptional items and refinancing costs in 2016 and 2017, the underlying profit for the year has increased by £9.3 million to £70.5 million.

## **Earnings per share**

Basic earnings per share has decreased from 8.8p for 2016 to 5.8p in 2017, reflecting exceptional and refinancing costs incurred in the year. However, adjusted earnings per share has increased from 10.6p for 2016 to 13.3p in 2017 which reflects the improvement in underlying trading for the business in the year. The weighted average number of shares for 2017 was 530,738,162 and for 2016 was 578,645,254, after adjusting for the 1 for 5 share split that took place in November 2017 in advance of the public listing.

## **Cash flow**

Free cash flow for the year of £71.1 million was £12.6 million higher than the previous year. This was largely due to expenditure on core capital (excluding development projects) being £11.3 million lower than 2016 as a number of projects were rephased from the latter half of 2017 and into 2018. Our effective management of working capital delivered a further benefit of £8.6 million for the year and interest payments were £15.1 million lower this year following the refinancing in March 2017. The free cash generated was partly offset by refinancing fees of £16.3 million, which included payment of a call premium of £9.9 million for the early redemption of the Senior Secured Notes due to mature in 2020.

## **Capital, debt and leverage**

On 23 March 2017, the Group completed a refinancing of its debt facilities, putting in place a new £485 million corporate loan facility comprising a revolving credit facility of £200 million maturing in June 2021, and term loans totalling £285 million, of which £210 million mature in June 2021 with the balance maturing in June 2024. The funds from the refinancing were used to repay in full existing bank debt, redeem all outstanding Senior Secured Notes maturing in 2018 and 2020 and pay associated fees. The Group's new debt funding structure provides the Group with a significant reduction in interest costs while extending the maturity of the funding commitments. In November 2017 the Group repaid £37.5 million of the term loans.

On 16 November 2017 the Group successfully completed a public listing on the London Stock Exchange, raising gross primary proceeds of £100 million from the issue of 55,555,555 Ordinary Shares of £0.02 each at £1.80 per share. The total transaction costs amounted to £13.8 million, of which £3.4 million related directly to the primary issue and have been offset against the gross proceeds within the share premium account and the balance of £10.4 million has been charged to exceptional items. The proceeds raised will be used to fund the Group's development projects over the next two years.

As a result of the strong free cash generation and cash raised through the public listing, operational net debt has reduced by £112.6 million to £270.5 million. Leverage (the ratio of operational net debt to Adjusted EBITDA) was 1.8 times at the end of 2017, down from 2.6 times at the end of 2016 and within the Group's target range of 1.5 – 2.0 times. The Group's liquidity position remains strong with good headroom against all financial covenants.

## **Return on invested capital**

The increase in operating profit in 2017 has driven a further improvement in the Group's ROIC which has increased from 11.7% in 2016 to 12.2% in 2017. Going forward, the Group plans to spend c.3.5% of revenues on capital investment, and in addition will use the proceeds from the primary issue to fund certain key development projects to deliver further improvements in returns.

## **Pensions**

Under the IAS 19 valuation principles that are required to be used for accounting purposes the Group recognised a surplus of £5.2 million for the UK defined benefit scheme as at 30 December 2017 (2016: deficit of £10.0 million). The movement from a deficit in the prior year to a surplus is largely due to an increase in the fair value of the schemes assets and the effective liability hedging in place.

The Group and the Trustee agreed in April 2017 the triennial valuation of the UK defined benefit pension scheme as at 31 March 2016. This resulted in a funding shortfall which continues to be paid over an agreed eight-year recovery period ending on 31 March 2024. The recovery contributions over that period amount to £22.5 million with £4.5 million payable for the year ending 31 March 2018.

## Consolidated income statement

£ million	Notes	52 weeks ended 30 December 2017 (Unaudited)			53 weeks ended 31 December 2016 (Audited)		
		Underlying activities	Other items (note 4)	Total	Underlying activities	Other items (note 4)	Total
<b>Continuing operations</b>							
Revenue	3	<b>1,814.8</b>	-	<b>1,814.8</b>	1,763.6	-	1,763.6
Cost of sales		<b>(1,329.1)</b>	-	<b>(1,329.1)</b>	(1,275.9)	-	(1,275.9)
<b>Gross profit</b>		<b>485.7</b>	-	<b>485.7</b>	487.7	-	487.7
Distribution costs		(77.2)	-	(77.2)	(78.0)	-	(78.0)
Other administrative costs		(297.5)	(15.4)	(312.9)	(302.8)	(16.2)	(319.0)
Profit on disposal of subsidiary		-	-	-	-	0.1	0.1
Share of results of associates		0.6	-	0.6	0.7	-	0.7
<b>Operating profit/(loss)</b>		<b>111.6</b>	(15.4)	<b>96.2</b>	107.6	(16.1)	91.5
Investment revenue		-	-	-	0.1	-	0.1
Finance costs	5	(21.8)	(13.2)	(35.0)	(36.6)	(2.2)	(38.8)
Other gains and (losses)	6	(5.0)	(17.2)	(22.2)	3.8	6.5	10.3
<b>Profit/(loss) before tax</b>		<b>84.8</b>	(45.8)	<b>39.0</b>	74.9	(11.8)	63.1
Tax		(14.3)	6.3	(8.0)	(13.7)	1.4	(12.3)
<b>Profit/(loss) for the period from continuing operations</b>		<b>70.5</b>	(39.5)	<b>31.0</b>	61.2	(10.4)	50.8
<b>Discontinued operations</b>							
Profit for the period from discontinued operations		-	-	-	-	0.5	0.5
<b>Profit/(loss) for the period attributable to equity holders of the parent company</b>		<b>70.5</b>	(39.5)	<b>31.0</b>	61.2	(9.9)	51.3
<b>Earnings per share</b>							
From continuing operations							
Basic and diluted	7			<b>5.8p</b>			8.8p
From continuing and discontinued operations							
Basic and diluted	7			<b>5.8p</b>			8.9p

## Consolidated statement of comprehensive income

£ million	52 weeks ended 30 December 2017 (Unaudited)	53 weeks ended 31 December 2016 (Audited)
<b>Profit for the period</b>	<b>31.0</b>	<b>51.3</b>
<b>Other comprehensive income/(expense)</b>		
<b>Items that will not be reclassified to the income statement:</b>		
Actuarial gain/(loss) on defined benefit pension schemes	12.3	(7.6)
Tax relating to components of other comprehensive income	(2.1)	1.4
	<b>10.2</b>	<b>(6.2)</b>
<b>Items that may subsequently be reclassified to the income statement:</b>		
Exchange differences on translation of foreign operations	(7.6)	16.5
Net exchange gains recycled to income statement on disposal of subsidiaries	-	(2.5)
	<b>(7.6)</b>	<b>14.0</b>
<b>Total other comprehensive income</b>	<b>2.6</b>	<b>7.8</b>
<b>Total comprehensive income</b>	<b>33.6</b>	<b>59.1</b>

## Consolidated statement of financial position

£ million	Notes	30 December 2017 (Unaudited)	31 December 2016 (Audited)
<b>Non-current assets</b>			
Goodwill	8	<b>647.2</b>	651.5
Other intangible assets		<b>2.6</b>	3.6
Property, plant and equipment	9	<b>337.5</b>	304.5
Interests in associates		<b>12.0</b>	13.3
Other investments		<b>0.1</b>	0.1
Deferred tax asset		<b>3.2</b>	1.6
Retirement benefit asset		<b>5.2</b>	-
Derivative financial instruments		<b>0.1</b>	0.3
		<b>1,007.9</b>	974.9
<b>Current assets</b>			
Inventories	10	<b>54.8</b>	59.2
Trade and other receivables	11	<b>147.9</b>	190.7
Cash and cash equivalents	13	<b>20.9</b>	22.5
Derivative financial instruments		<b>1.6</b>	2.8
		<b>225.2</b>	275.2
<b>Total assets</b>		<b>1,233.1</b>	1,250.1
<b>Current liabilities</b>			
Trade and other payables	12	<b>(393.4)</b>	(432.1)
Current tax liabilities		<b>(3.7)</b>	(4.6)
Borrowings	13	<b>(2.3)</b>	(13.6)
Provisions		<b>(3.1)</b>	(3.4)
Derivative financial instruments		<b>(0.6)</b>	-
Deferred income		<b>(0.7)</b>	(0.7)
		<b>(403.8)</b>	(454.4)
<b>Non-current liabilities</b>			
Trade and other payables	12	<b>(0.4)</b>	(0.4)
Borrowings	13	<b>(285.2)</b>	(375.8)
Provisions		<b>(14.6)</b>	(11.2)
Derivative financial instruments		<b>(0.2)</b>	(0.1)
Deferred tax liabilities		<b>(16.6)</b>	(16.6)
Retirement benefit liability		-	(10.0)
Deferred income		<b>(2.2)</b>	(2.8)
		<b>(319.2)</b>	(416.9)
<b>Total liabilities</b>		<b>(723.0)</b>	(871.3)
<b>Net assets</b>		<b>510.1</b>	378.8

## Consolidated statement of financial position (continued)

£ million	30 December 2017 (Unaudited)	31 December 2016 (Audited)
<b>Equity</b>		
Share capital	11.6	1.0
Share premium	366.1	-
Merger reserve	(130.9)	54.9
Capital reserve	-	98.8
Translation reserve	26.1	33.7
Retained earnings	237.2	190.4
<b>Total equity</b>	<b>510.1</b>	<b>378.8</b>

## Consolidated statement of changes in equity

£ million	Equity attributable to equity holders of the Company						
	Share capital	Share premium	Merger reserve	Capital reserve	Translation reserve	Retained earnings	Total
<b>Balance at 27 December 2015 (Audited)</b>	1.2	-	54.9	98.6	19.7	179.1	353.5
Profit for the period	-	-	-	-	-	51.3	51.3
Other comprehensive income/(expense) for the period	-	-	-	-	14.0	(6.2)	7.8
<b>Total comprehensive income for the period</b>	-	-	-	-	14.0	45.1	59.1
Share buyback	(0.2)	-	-	0.2	-	(33.8)	(33.8)
<b>Balance at 31 December 2016 (Audited)</b>	1.0	-	54.9	98.8	33.7	190.4	378.8
Profit for the period	-	-	-	-	-	31.0	31.0
Other comprehensive income/(expense) for the period	-	-	-	-	(7.6)	10.2	2.6
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	-	(7.6)	41.2	33.6
Issue of share capital (note 14)	10.6	374.1	-	-	-	-	384.7
Share issue costs (note 14)	-	(8.0)	-	-	-	4.6	(3.4)
Recognition of merger reserve	-	-	(185.8)	(98.8)	-	-	(284.6)
Credit for share-based payments	-	-	-	-	-	0.8	0.8
Deferred tax on share schemes	-	-	-	-	-	0.2	0.2
<b>Balance at 30 December 2017 (Unaudited)</b>	11.6	366.1	(130.9)	-	26.1	237.2	510.1

## Consolidated statement of cash flows

£ million	Notes	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
		(Unaudited)	(Audited)
<b>Net cash generated from operating activities</b>	15	<b>93.4</b>	112.1
<b>Investing activities</b>			
Interest received		-	0.1
Dividends received from associates		<b>0.7</b>	0.3
Purchases of property, plant and equipment		(79.1)	(67.3)
Proceeds on disposal of property, plant and equipment		<b>2.5</b>	0.1
Disposal of subsidiary net of cash disposed of		-	2.4
<b>Net cash used in investing activities</b>		<b>(75.9)</b>	(64.4)
<b>Financing activities</b>			
Net proceeds from share issue	14	<b>96.6</b>	-
Share buyback		-	(33.8)
Increase in borrowings		<b>325.0</b>	-
Repayments of borrowings		(439.4)	(90.0)
Repayments of obligations under finance leases		(0.8)	(0.5)
<b>Net cash used in financing activities</b>		<b>(18.6)</b>	(124.3)
<b>Net decrease in cash and cash equivalents</b>		<b>(1.1)</b>	(76.6)
Cash and cash equivalents at beginning of period		<b>22.5</b>	97.0
Effect of foreign exchange rate changes		(0.5)	2.1
<b>Cash and cash equivalents at end of period</b>		<b>20.9</b>	22.5

## NOTES

### 1. General information

#### Description of business

Bakkavor Group plc (the “Company”) changed its name from Diamond Newco plc on 9 October 2017 following its incorporation as a Public Limited Company on 28 September 2017. The Company acquired, by way of share for share exchange, the entire issued share capital of Bakkavor Holdings Limited on 10 November 2017.

At 30 December 2017, Carrion Enterprises Limited and Umbriel Ventures Limited held 290,666,260 ordinary shares representing 50.2% of the total issued ordinary share capital of Bakkavor Group plc. Two of the Company’s directors, Agust Gudmundsson and Lydur Gudmundsson, through their beneficial ownership of Carrion Enterprises Limited and Umbriel Ventures Limited are treated as acting in concert and are therefore controlling shareholders of the Company.

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is unaudited and does not constitute statutory accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditors have reported on the Group’s statutory accounts for the 53 weeks ended 31 December 2016 which do not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for the 53 weeks ended 31 December 2016 have been delivered to the Registrar of Companies. The audit of the statutory accounts for the year ended 30 December 2017 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company’s annual general meeting.

This financial information has been extracted from the annual consolidated financial statements for the 52 weeks ended 30 December 2017 of Bakkavor Group plc (the “Group”), which will be delivered to the Registrar of Companies when they become available. These financial statements will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

#### 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

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2017.

The financial information has been prepared on the historical cost basis, except for the revaluation of financial instruments (which are stated at fair value) and the application of merger accounting on the acquisition of Bakkavor Holdings Limited. Under IFRS, the Group reconstruction is treated as a common control transaction, for which there is no specific accounting guidance. Consequently, the Board of Directors have had regard to the guidance in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on the selection of accounting policies. The integration of the Company has been prepared under merger accounting principles. The policy, which does not conflict with IFRS, reflects the economic substance of the transaction. The deferred tax liability as at the 31 December 2016 has been grossed up to show the deferred tax asset of £1.6 million on the face of the consolidated statement of financial position in order to comply with the current period presentation. Except for this the same accounting policies, presentation, and methods of computation have been followed in this consolidated financial information as were applied in the preparation of the Group's financial statements for the 53 weeks ended 31 December 2016.

At the date of the authorisation of this financial information, there are a number of new standards and interpretations issued but not yet effective (some of which are pending endorsement by the EU), which the Group had not applied in this financial information. These will be included in the Group's Annual Report and Accounts for the period ended 30 December 2017.

### 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 arrangements and consider that adequate headroom is available based on the forecasted cash requirements of the business.

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 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 as follows:

- UK: The preparation and marketing of fresh prepared foods and fresh produce for distribution in the UK.
- International: The preparation and marketing of fresh prepared foods and fresh produce outside of the UK.

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA' as defined in note 16.

The following table provides an analysis of the Group's segment information for the period 1 January 2017 to 30 December 2017:

#### Continuing operations

£ million	UK	International	Un-allocated	Total Group
<b>Revenue</b>	<b>1,636.3</b>	<b>178.5</b>	-	<b>1,814.8</b>
<b>Adjusted EBITDA</b>	<b>145.2</b>	<b>7.4</b>	-	<b>152.6</b>
Depreciation	(35.6)	(4.0)	-	(39.6)
Amortisation	(0.1)	(0.6)	-	(0.7)
Exceptional items	(13.5)	(1.9)	-	(15.4)
Share scheme charges	(0.8)	-	-	(0.8)
Loss on disposal of property, plant and equipment	(0.3)	(0.2)	-	(0.5)
Share of results of associates	-	0.6	-	0.6
<b>Operating profit</b>	<b>94.9</b>	<b>1.3</b>	-	<b>96.2</b>
Finance costs				(35.0)
Other gains and (losses)				(22.2)
Profit before tax				39.0
Tax				(8.0)
<b>Profit for the period</b>				<b>31.0</b>
<b>Other segment information:</b>				
Capital additions	52.4	25.3	-	77.7
Interests in associates	-	12.0	-	12.0
Total assets	1,074.1	136.4	22.6	1,233.1
Non-current assets	896.2	111.6	0.1	1,007.9

### 3. Segment information (continued)

The following table provides an analysis of the Group's segment information for the period from 27 December 2015 to 31 December 2016:

£ million	UK	International	Un-allocated	Continuing operations	Discontinued operations	Total Group
<b>Revenue</b>	<b>1,589.9</b>	<b>173.7</b>	-	<b>1,763.6</b>	-	<b>1,763.6</b>
<b>Adjusted EBITDA</b>	<b>137.7</b>	<b>8.7</b>	-	<b>146.4</b>	-	<b>146.4</b>
Depreciation	(33.1)	(4.1)	-	(37.2)	-	(37.2)
Amortisation	(1.6)	(0.6)	-	(2.2)	-	(2.2)
Exceptional items	(8.0)	-	-	(8.0)	-	(8.0)
Impairment of assets	(8.2)	-	-	(8.2)	-	(8.2)
Loss on disposal of property, plant and equipment	-	(0.1)	-	(0.1)	-	(0.1)
Profit on disposal of subsidiaries	-	0.1	-	0.1	0.5	0.6
Share of results of associates	-	0.7	-	0.7	-	0.7
<b>Operating profit</b>	<b>86.8</b>	<b>4.7</b>	-	<b>91.5</b>	<b>0.5</b>	<b>92.0</b>
Investment revenue				0.1	-	0.1
Finance costs				(38.8)	-	(38.8)
Other gains and (losses)				10.3	-	10.3
Profit before tax				63.1	0.5	63.6
Tax				(12.3)	-	(12.3)
<b>Profit for the period</b>				<b>50.8</b>	<b>0.5</b>	<b>51.3</b>
<b>Other segment information:</b>						
Capital additions	59.9	8.3	-	68.2	-	68.2
Interests in associates	-	13.3	-	13.3	-	13.3
Total assets	1,104.3	120.2	25.6	1,250.1	-	1,250.1
Non-current assets	877.2	97.4	0.3	974.9	-	974.9

All of the Group's revenue is derived from the sale of goods in 2017 and in 2016 with the exception of the £0.1 million investment revenue in 2016.

## 4. Other items

The Group's financial performance is analysed in two ways; underlying performance (which does not include other items), and other items. Underlying performance is 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 and it excludes items that are considered not to arise directly from trading activities.

Other items include exceptional items, impairment of assets, profit or loss on the disposal of subsidiaries, expenses relating to the refinancing of debts and fair value adjustments relating to items, which are considered significant in nature and are important to users in understanding the business.

Included within Other administrative costs are exceptional items and impairment of assets.

### Other administrative costs

Other administrative costs include items that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items will typically include major restructuring programmes, legal cases, corporate transaction costs and pre-commissioning and start-up costs for new manufacturing facilities. Exceptional items are as follows:

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
Public listing costs	10.4	-
Transaction costs	-	5.2
Restructuring costs	3.1	1.3
Legal cases	0.6	1.5
New site costs	1.3	-
	15.4	8.0

### 2017

The Group has incurred exceptional costs of £15.4 million (2016: £8.0 million), of which £10.4 million relates to costs incurred for the public listing in the year and £3.1 million relates to the cost of closing a site in the UK and moving related operations to other sites. The remaining exceptional costs relate to the Group's International segment of which £1.3 million are in respect of initial start-up costs for the opening of a new site in the US with the remaining costs of £0.6 million due to on-going employment litigation in the US.

### 2016

In 2016 the Group incurred exceptional costs of £8.0 million, of which £5.2 million relate to the fees incurred in that year in connection with the transactions that resulted in Bakk AL Holdings Limited owning 100% of the Company and becoming the parent company of the Group. Costs of £1.3 million were attributable to redundancy costs arising from business losses in one of the Group's UK operations. The remaining £1.5 million related to legal and other costs in respect of an intellectual property dispute, at another UK business, that has now been concluded.

### Impairment of assets

The annual impairment review of the carrying value of goodwill and intangible assets has resulted in no impairment charge being recognised within the Group (2016: £nil).

During the period, the Group has made no impairment (2016: £8.2 million within the UK segment) of property, plant and equipment. Impairment in the prior period followed a review which highlighted a number of assets whose carrying value was greater than their recoverable amounts.

## 5. Finance costs

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
Interest on borrowings	19.9	34.0
Interest on obligations under finance leases	0.2	0.2
Amortisation of refinancing costs	4.9	2.8
Call premium on redemption of Senior Secured Notes	9.9	1.5
Unwind of discount on provisions	0.3	0.3
	35.2	38.8
Less: amounts included in the cost of qualifying assets	(0.2)	-
	35.0	38.8

The call premium of £9.9 million (2016: £1.5 million) and the £3.3 million (2016: £0.7 million) of accelerated amortisation of refinancing fees (included in the £4.9 million above (2016: £2.8 million)) relating to the redemption of the 2018 and 2020 Senior Secured Notes have been classed as other items in the consolidated income statement, as this related to the previous financing structure.

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.8% to expenditure on such assets.

## 6. Other gains and (losses)

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
Foreign exchange losses	(2.9)	(0.8)
Change in fair value of derivative financial instruments	(2.1)	4.6
Change in fair value of call option	(17.2)	6.5
	(22.2)	10.3

Other gains and (losses) for the 52 weeks ended 30 December 2017 includes a loss of £17.2 million (2016: gain £6.5 million) for the reversal of the mark-to-market asset held at 31 December 2016 in respect of the call option for the 2020 Senior Secured Notes, following the redemption of those Notes in March 2017. This loss in 2017 and gain in 2016 have been classed as other items in the consolidated income statement due to the fact this related to the previous financing structure.

## 7. 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	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
Profit attributable to equity shareholders of the Company	31.0	51.3
Adjustments to exclude profit for the period from discontinued operations	-	(0.5)
Earnings from continuing operations for the purpose of earnings per share	31.0	50.8

### Number of shares

'000	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
Weighted average number of Ordinary shares	530,738	578,645
Effect of potentially dilutive Ordinary shares	857	-
Weighted average number of Ordinary shares for diluted earnings per share	531,595	578,645

The weighted average number of shares in the current and prior period has been adjusted to account for the 5 for 1 share split that occurred in November 2017.

	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
<b>Continuing operations</b>		
Basic and diluted earnings per share	5.8p	8.8p
<b>Continuing and discontinued operations</b>		
Basic and diluted earnings per share from continuing and discontinued operations	5.8p	8.9p
<b>Discontinued operations</b>		
Basic and diluted earnings per share from discontinued operations	-	0.1p

## 8. Goodwill

£ million	
<b>At 27 December 2015</b>	<b>642.9</b>
Exchange rate difference during the period	8.6
<b>At 31 December 2016</b>	<b>651.5</b>
Exchange rate difference during the period	(4.3)
<b>At 30 December 2017</b>	<b>647.2</b>

## 9. Property, plant and equipment

£ million	
<b>At 27 December 2015</b>	<b>281.2</b>
Additions	68.2
Disposals	(0.2)
Disposal of subsidiary	(4.7)
Depreciation charge for the period	(37.2)
Impairment	(8.2)
Reclassifications	0.2
Exchange rate difference during the period	5.2
<b>At 31 December 2016</b>	<b>304.5</b>
Additions	77.7
Disposals	(2.9)
Depreciation charge for the period	(39.6)
Exchange rate difference during the period	(2.2)
<b>At 30 December 2017</b>	<b>337.5</b>

## 10. Inventories

£ million	30 December 2017	31 December 2016
Raw materials and packaging	47.4	50.9
Work-in-progress	1.7	2.0
Finished goods	5.7	6.3
	<b>54.8</b>	<b>59.2</b>

## 11. Trade and other receivables

£ million	30 December 2017	31 December 2016
Amounts receivable from trade customers	120.8	163.3
Allowance for doubtful debts	(1.5)	(1.1)
Net amounts receivable from trade customers	119.3	162.2
Other receivables	19.1	17.9
Prepayments	9.5	10.6
<b>Trade and other receivables due within one year</b>	<b>147.9</b>	<b>190.7</b>

## 12. Trade and other payables

£ million	30 December 2017	31 December 2016
Trade payables	209.0	215.8
Other payables	31.4	26.9
Accruals	153.4	189.8
	<b>393.8</b>	<b>432.5</b>
Less amounts due after one year:		
Other payables	(0.4)	(0.4)
<b>Trade and other payables due within one year</b>	<b>393.4</b>	<b>432.1</b>

## 13. Net debt

£ million	30 December 2017	31 December 2016
<b>Analysis of net debt</b>		
Cash and cash equivalents	<b>20.9</b>	22.5
Borrowings	-	(10.0)
Unamortised fees	-	1.9
Interest accrual	(1.5)	(4.8)
Finance leases	(0.8)	(0.7)
<b>Total debt due within one year</b>	<b>(2.3)</b>	(13.6)
Borrowings	<b>(287.5)</b>	(390.9)
Unamortised fees	<b>5.4</b>	1.9
Fair value of call option	-	17.2
Finance leases	<b>(3.1)</b>	(4.0)
<b>Total debt due after one year</b>	<b>(285.2)</b>	(375.8)
<b>Statutory net debt</b>	<b>(266.6)</b>	(366.9)

Statutory net debt is the net of cash and cash equivalents, prepaid fees to be amortised over the term of outstanding borrowings, outstanding borrowings, interest accrued on borrowings, finance lease liabilities and any fair value balances related to borrowings.

On 23 March 2017, the Group completed a refinancing of its existing debt facilities with a new £485 million corporate loan facility. The agreement comprises revolving credit facilities of £200 million maturing in June 2021, and term loans totalling £285 million, of which £210 million will mature in June 2021 with the balance maturing in June 2024. The Group has used the funds from the refinancing to repay in full existing bank debt, redeem all outstanding Senior Secured Notes maturing in 2018 and 2020 and pay associated fees. This new funding structure provides the Group with a significant reduction in interest costs whilst extending the maturity of the funding commitments. In November 2017 £37.5 million of the term loan maturing in June 2024 was repaid.

## 14. Share capital

As a result of merger accounting, it is necessary to present share capital as if merger accounting had been in place at 31 December 2016. The 104,774,006 shares (with a nominal value of £0.01) in Bakkavor Holdings Limited held by Bakk AL Holdings Limited were exchanged for 104,774,006 Ordinary shares (with a nominal value of £0.10) in Bakkavor Group plc. Prior to the public listing these shares were split into 523,870,030 Ordinary shares with a £0.02 nominal value. As part of the public listing transaction 55,555,555 new shares were issued and made available to the public to purchase.

The cash proceeds from the issue of new shares as part of the public listing was £100.0 million as the 55,555,555 shares were subscribed for at £1.80 per share. Fees of £3.4 million were paid from these proceeds giving a net cash flow from the share issue of £96.6 million. Share issue costs associated with existing shareholders totalled £4.6 million, in accordance with the Companies Act 2006 this has been reclassified against share premium.

## 15. Notes to the consolidated statement of cash flows

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
<b>Operating profit</b>		
Continuing operations	96.2	91.5
Discontinued operations	-	0.5
	96.2	92.0
<b>Adjustments for:</b>		
Share of results of associates	(0.6)	(0.7)
Depreciation of property, plant and equipment	39.6	37.2
Amortisation of intangible assets	0.7	2.2
Loss on disposal of property, plant and equipment	0.5	0.1
Profit on disposal of subsidiaries	-	(0.6)
Impairment of assets	-	8.2
Share scheme charges	0.8	-
Net retirement benefits charge less contributions	(2.9)	(1.5)
<b>Operating cash flows before movements in working capital</b>		136.9
Decrease/(increase) in inventories	4.4	(3.4)
Decrease/(increase) in receivables	41.7	(12.6)
(Decrease)/increase in payables	(40.4)	43.1
Increase in provisions	2.9	0.2
Increase in exceptional payables	1.2	0.4
<b>Cash generated by operations</b>		164.6
Income taxes paid	(11.9)	(13.3)
Interest paid	(38.8)	(39.2)
<b>Net cash generated from operating activities</b>		112.1

## 16. Alternative performance measures

The Group uses various non-IFRS financial measures to help 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 and 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 and it excludes items that are considered not to arise directly from trading activities.

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

The Group defines LFL revenue as revenue from continuing operations adjusted for the share of revenue generated by associates, revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current period 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 adjusts for the effects of any acquisitions, disposals, closures and currency fluctuations, thereby allowing 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	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016	% change
<b>Statutory revenue</b>	<b>1,814.8</b>	1,763.6	2.9%
Week 53 revenue	-	(28.2)	
Group revenue for 52 weeks	1,814.8	1,735.4	4.6%
Share of revenue from associates	8.2	8.0	
Revenue from closed and sold businesses	(15.0)	(34.9)	
Effect of currency movements	(7.7)	-	
<b>Like-for-like revenue</b>	<b>1,800.3</b>	1,708.5	5.4%

The following table provides the information used to calculate LFL revenue for the UK segment.

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016	% change
<b>Statutory revenue</b>	<b>1,636.3</b>	1,589.9	2.9%
Week 53 revenue	-	(26.2)	
Group revenue for 52 weeks	1,636.3	1,563.7	4.6%
Revenue from closed and sold businesses	(15.0)	(17.9)	
<b>Like-for-like revenue</b>	<b>1,621.3</b>	1,545.8	4.9%

## 16. Alternative performance measures (continued)

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

The following table provides the information used to calculate LFL revenue for the International segment.

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016	% change
<b>Statutory revenue</b>	<b>178.5</b>	173.7	2.8%
Week 53 revenue	-	(2.0)	
Group revenue for 52 weeks	<b>178.5</b>	171.7	4.0%
Share of revenue from associates	<b>8.2</b>	8.0	
Revenue from closed and sold businesses	-	(17.0)	
Effect of currency movements	<b>(7.7)</b>	-	
<b>Like-for-like revenue</b>	<b>179.0</b>	162.7	10.0%

### Adjusted EBITDA

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA' as this measure excludes the impact of items that hinder comparison of profitability year on year. EBITDA is generally defined as operating profit/(loss) before depreciation and amortisation. In calculating Adjusted EBITDA, we further exclude share of results of associates, restructuring costs, asset impairments and those additional charges or credits that are considered significant or one-off in nature.

The following table sets forth a reconciliation from the Group's Operating profit to Adjusted EBITDA.

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
<b>Operating profit</b>	<b>96.2</b>	91.5
Depreciation	<b>39.6</b>	37.2
Amortisation	<b>0.7</b>	2.2
Impairment of assets	-	8.2
<b>EBITDA</b>	<b>136.5</b>	139.1
Exceptional items (net)	<b>15.4</b>	8.0
Loss on disposal of property, plant and equipment	<b>0.5</b>	0.1
Share scheme charges	<b>0.8</b>	-
Profit on disposal of subsidiary	-	(0.1)
Share of results of associates	<b>(0.6)</b>	(0.7)
<b>Adjusted EBITDA</b>	<b>152.6</b>	146.4

## 16. Alternative performance measures (continued)

### Operational net debt

Operational net debt excludes the impact of non-cash items on the Group's statutory net debt and therefore 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. The following table sets out the reconciliation from the Group's statutory net debt to the Group's operational net debt.

£ million	30 December 2017	31 December 2016
<b>Statutory net debt</b>	<b>(266.6)</b>	<b>(366.9)</b>
Unamortised fees	(5.4)	(3.8)
Interest accrual	1.5	4.8
Fair value of call option	-	(17.2)
<b>Operational net debt</b>	<b>(270.5)</b>	<b>(383.1)</b>

### 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 (excluding development projects), but before payments relating to historical UK liabilities and refinancing fees. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the 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	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
<b>Net cash generated from operating activities</b>	<b>93.4</b>	<b>112.1</b>
Interest received	-	0.1
Dividends received from associates	0.7	0.3
Purchases of property, plant and equipment	(79.1)	(67.3)
Purchases of property, plant and equipment relating to development projects	23.1	-
Proceeds on disposal of property, plant and equipment	2.5	0.1
Cash impact of exceptional items	14.2	7.6
One-off tax payments	-	4.1
Refinancing costs	16.3	1.5
<b>Free cash flow</b>	<b>71.1</b>	<b>58.5</b>

## 16. Alternative performance measures (continued)

### Adjusted basic earnings per share

The Group calculates Adjusted basic earnings per Ordinary share by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted Earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude other items as presented in the consolidated income statement. 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	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
Profit attributable to equity shareholders of the Company	31.0	51.3
Adjustments to exclude profit for the period from discontinued operations	-	(0.5)
Earnings from continuing operations for the purpose of earnings per share	31.0	50.8
Exceptional items	15.4	8.0
Impairment of assets	-	8.2
Profit on disposal of subsidiary	-	(0.1)
Finance costs	13.2	2.2
Change in fair value of call option	17.2	(6.5)
Tax on the above items	(6.3)	(1.4)
Adjusted earnings	70.5	61.2
Add back: Tax on underlying activities	14.3	13.7
Adjusted profit before tax	84.8	74.9

### Number 000's

Weighted average number of Ordinary shares	530,738	578,645
Effect of dilutive Ordinary shares	857	-
Weighted average number of Ordinary shares for diluted earnings per share	531,595	578,645
<b>Continuing operations</b>		
Adjusted basic and diluted earnings per share	13.3p	10.6p

## 16. 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 year. Adjusted operating profit after tax is defined as operating profit from continuing operations excluding the impact of exceptional items, impairment of assets, 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 calculated by adding the invested capital at the beginning of the period to invested capital at the end of the period and dividing the result by two.

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 assist analysts, investors and stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

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

£ million	52 weeks ended 30 December 2017	53 weeks ended 31 December 2016
<b>Operating profit</b>	<b>96.2</b>	91.5
Exceptional items	15.4	8.0
Impairment of assets	-	8.2
Profit on disposal of subsidiary	-	(0.1)
<b>Adjusted operating profit</b>	<b>111.6</b>	107.6
Taxation at the underlying effective rate	(18.9)	(19.7)
<b>Adjusted operating profit after tax</b>	<b>92.7</b>	87.9
<b>Invested capital</b>		
Total assets	1,233.1	1,250.1
Total liabilities	(723.0)	(871.3)
Net debt at period end	266.6	366.9
Derivatives not designated as hedges	(0.9)	(3.0)
Retirement benefit scheme (surplus)/deficit	(5.2)	10.0
Deferred tax liability/(asset) on retirement benefit scheme	0.9	(1.7)
<b>Invested capital</b>	<b>771.5</b>	751.0
Average invested capital for ROIC calculation	761.2	749.2
<b>ROIC (%)</b>	<b>12.2%</b>	11.7%