

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

4 December 2018

THIS ANNOUNCEMENT INCLUDES INSIDE INFORMATION

### Group well positioned to drive future growth and sustainable returns in core UK market

Greencore Group plc ('Greencore' or the 'Group'), a leading manufacturer of convenience food in the UK, today issues its results for the year ending 28 September 2018.

#### HIGHLIGHTS <sup>1,2</sup>

- FY18 Adjusted EPS of 15.1p, in line with previously announced guidance 14.7p-15.7p <sup>3</sup>
- US business results presented as discontinued operations following the disposal of the business for \$1,075m
- Plan to return £509m of capital to shareholders by way of tender offer
- Pro Forma full year revenue growth of 8.7% in continuing operations
- Adjusted Operating Profit growth of 1.7% in continuing operations, weighted to the second half of the year
- Net Debt reduction of £18.1m to £501.1m, driven by a £14.4m increase in Free Cash Flow
- ROIC of 15.6% (FY17: 16.0%) generated in continuing operations, improving as year progressed
- Well positioned to capitalise on industry leading position and drive profitability and returns in core UK market

#### SUMMARY FINANCIAL PERFORMANCE

|   | FY18<br>£m | FY17<br>£m | Change  |
|---|------------|------------|---------|
| <b><u>Continuing Operations</u></b>         |            |            |         |
| Group Revenue                               | 1,498.5    | 1,438.4    | +4.2%   |
| Adjusted EBITDA                             | 140.0      | 137.7      | +1.7%   |
| Adjusted Operating Profit                   | 104.6      | 102.9      | +1.7%   |
| Adjusted Operating Margin                   | 7.0%       | 7.2%       | -20 bps |
| Adjusted Profit Before Tax                  | 79.6       | 80.1       | -0.6%   |
| Exceptional Items (before tax)              | (52.2)     | (53.2)     |         |
| Group Operating Profit                      | 49.8       | 45.5       | +9.5%   |
| Profit before taxation                      | 17.8       | 15.8       | +12.7%  |
| Return on Invested Capital ("ROIC")         | 15.6%      | 16.0%      | -40 bps |
| <b><u>Group</u></b>                         |            |            |         |
| Adjusted EPS (pence)                        | 15.1       | 15.4       | -1.9%   |
| Basic EPS (pence)                           | 4.8        | 1.9        | +152.6% |
| Total proposed dividend per share (pence)   | 5.57       | 5.47       | +1.8%   |
| Operating Cash Flow                         | 136.6      | 117.8      | +£18.8m |
| Free Cash Flow                              | 92.4       | 78.0       | +£14.4m |
| Net Debt                                    | 501.1      | 519.2      |         |
| Net Debt:EBITDA as per financing agreements | 2.3x       | 2.4x       |         |
| ROIC  | 10.2%      | 12.2%      |         |

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

"2018 was a year of significant change for Greencore. We delivered good underlying growth in the UK, with favourable consumer and retailer trends helping drive our core food to go business. After the financial year-end, we took the decision to sell our US business having received a compelling offer for it. We will now focus all of our attention and resources on the significant growth opportunities that we see in the UK, both organic and inorganic. Despite the short-term uncertainties of Brexit, our scale, depth and expertise in attractive and structurally growing food categories mean that we are confident in the future growth prospects for Greencore."

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

<sup>2</sup> Continuing operations for FY17 and FY18 include central costs previously allocated to discontinued operations.

<sup>3</sup> On 13 March 2018, the Group issued a profit forecast stating "For FY18 the Group now anticipates Adjusted EPS in the range of 14.7p-15.7p". It subsequently confirmed that guidance on 22 May 2018, 31 July 2018 and 15 October 2018. Actual FY18 Adjusted EPS was 15.1p, which was in line with the previously announced guidance.

<sup>4</sup> Market/category growth rates are based on various Nielsen data for the 52 weeks to 6 October 2018.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### CAPITAL RETURN

Following the sale of its US business, Greencore is committed to the prompt and efficient return of £509m of the transaction proceeds to shareholders (the 'Capital Return'). After a consultation exercise with shareholders in recent weeks, the Group notes the preference of many of its shareholders to be offered a choice regarding their participation in the proposed Capital Return.

Taking these views into account, alongside the focus on an efficient return of capital, the Group intends to implement the Capital Return via a tender offer to all shareholders for up to £509 million (the "Tender Offer"). To the extent the full Capital Return is not effected through the Tender Offer, the Group intends to return any remaining proceeds shortly thereafter, anticipated to be by way of a special dividend.

Further information on the Tender Offer will be provided in a circular to Greencore shareholders. The Company will finalise the full details, including discussions with the relevant tax authorities, and will publish the circular as soon as practicable. The Capital Return is expected to be completed during the second quarter of FY19.

### OUTLOOK

The disposal of the Group's US business was completed on 25 November 2018. Its performance in FY19 will be presented as discontinued operations. The financial impact of the net proceeds, the associated capital return and leverage reduction, will all be included in the performance of the continuing operations.

The Group entered FY19 with a stronger and leaner business in the UK following the refinement of its portfolio and the implementation of its streamlining and efficiency programme. The Group anticipates continued underlying revenue growth in its key convenience food categories. Adjusted Operating Profit growth will be driven by this revenue growth, improved operational performance, and by a planned review of central overheads. Although the Group believes the risks from Brexit are manageable in the medium-term, the near-term challenges associated with a 'no withdrawal agreement' are uncertain. A strengthened balance sheet and strong underlying free cash generation leaves the Group well positioned to consider organic and inorganic investment consistent with its strategic and returns objectives.

Over the medium term, the Group expects that its market positioning, capability set, customer profile, well invested asset network and proven economic model will generate strong growth, cash generation and returns.

### Basis of preparation

The financial information included within this Results Statement has been extracted from the audited consolidated financial statements of Greencore Group plc. Details of the basis of preparation can be found in Note 1 to the attached financial information.

### Forward-looking statements

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

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

### PRESENTATION

A presentation of the results for analysts and institutional investors will take place at 9.00am today at the Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED. This presentation can also be accessed live from the Investor Relations section on [www.greencore.com](http://www.greencore.com) or alternatively via conference call.

Participants wishing to dial into the conference call can do so using the following details:

|                    |                     |
|--------------------|---------------------|
| Ireland number:    | +353 (0)1 246 5621  |
| UK number:         | +44 (0)33 0336 9411 |
| US number:         | +1 929 477 0402     |
| Confirmation code: | 6973222             |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

A replay of the presentation will be available on [www.greencore.com](http://www.greencore.com) and also through a 7 day conference call replay facility.

Ireland replay number: +353 (0)1 533 9810  
UK replay number: +44 (0)20 7660 0134  
US replay number: +1 719 457 0820  
Replay code: 6973222

**For further information, please contact:**

|                              |                            |                           |
|------------------------------|----------------------------|---------------------------|
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**About Greencore**

- A leading manufacturer of convenience food in the UK
- Strong market positions in many UK convenience food categories including sandwiches, sushi, salads, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces & pickles, and frozen Yorkshire Puddings
- Greencore is headquartered in Dublin, Ireland and employs approximately 11,300 people
- For more information go to [www.greencore.com](http://www.greencore.com) or follow Greencore on social media

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### OPERATING REVIEW<sup>1,2,4</sup>

#### Convenience Foods UK & Ireland (Continuing operations)

|   | FY18<br>£m | FY17<br>£m | Change<br>(As reported) | Change<br>(Pro forma basis) |
|---|------------|------------|-------------------------|-----------------------------|
| Revenue   | 1,498.5    | 1,438.4    | +4.2%                   | +8.7%                       |
| Adjusted Operating Profit<br>(before reallocated central costs) | 110.6      | 106.8      | +3.6%                   |                             |
| Adjusted Operating Profit                                       | 104.6      | 102.9      | +1.7%                   |                             |
| Adjusted Operating Margin %                                     | 7.0%       | 7.2%       | -20 bps                 |                             |

#### Strategic Developments

FY18 was a year of strategic progress and development in the Group's UK operations in several respects.

The Group's business in food to go categories (comprising sandwiches, sushi and salads) generated revenue growth of 10.8% on a Pro Forma basis and continued to extend its leadership position. In these and many other categories, the Group continued to play an increasing role in supporting customer growth in new channels, formats and product types.

The Group continued to optimise its portfolio in the UK, exiting the cakes and desserts category with the phased closure of the desserts manufacturing facility in Evercreech and the disposal of the business in Hull. As part of the strategy to transition part of its ready meals portfolio to fresher meal propositions, the Group also announced it will phase out longer life ready meals manufacturing at Kiveton (where it continues to manufacture quiche and soup) by March 2019 and transfer volume to other facilities.

The Group extended its long-term partnership model with key customers in FY18, with several important business wins and commercial launches delivered during the year across several categories. The business also extended a number of contracts with its core customers and added new customers in multiple channels.

The Group implemented a streamlining and efficiency programme across its operations in FY18. This involved the implementation of a more compact and dynamic divisional structure, an accompanying overhead reduction, and an enhanced focus on operational capability and delivery. The overall programme is on track and will help underpin operating margins.

Careful strategic capital investment in infrastructure and capacity was made to support growth opportunities and create a platform for enhanced returns. The extended and refurbished ready meals facility in Warrington was opened in September, and provides the Group with a centre of excellence for its customer base in fresh ready meals.

There were exceptional charges relating to these strategic developments and they are detailed in the Financial Review.

#### Performance

Reported revenue from continuing operations increased by 4.2% to £1,498.5m. Pro Forma revenue growth was 8.7%. Adjusted Operating Profit rose by 1.7% to £104.6m, with Adjusted Operating Margin down 20bps to 7.0%. This includes central costs previously allocated to discontinued operations. Excluding this impact, Adjusted Operating Profit rose by 3.6% to £110.6m, with improved profits in food to go categories being partly offset by a decline in other activities, notably ready meals. On this basis, Adjusted Operating Margin for FY18 was flat at 7.4% for the full year, with a year on year improvement of 30bps in the second half. This performance was delivered against the backdrop of a UK trading environment which was characterised by retail competition, cost inflation, and operational disruption from adverse weather.

The Group's activities in food to go categories accounted for over 60% of revenue from continuing operations in FY18. Reported revenue growth in these categories was 11.1%, and pro forma revenue growth was 10.8% when the impact of the Heathrow sandwich facility acquisition in FY17 is excluded. This pro forma growth accelerated in the second half of the year.

FY18 pro forma revenue growth in these categories was driven by solid category growth and an increased revenue contribution from the distribution of third party products through the Direct to Store network. Underlying growth in the food to go category was approximately 3%. The Group remains confident in growth prospects for the broader category, which are underpinned by favourable consumer trends and ongoing investment by retail customers.

## FULL YEAR RESULTS STATEMENT

### For the year ended 28 September 2018

Following substantial investment in its distribution capability in recent years, this part of the business helped drive strong growth again in FY18. Consolidation in the overall distribution market allowed this part of the business to grow faster than originally anticipated. Revenue for the distribution of third party products accounts for just under 10% of sales in continuing operations. It is one of a set of capabilities beyond product manufacturing that the Group is developing with customers, which deepen and enhance these commercial relationships.

The other parts of the business comprise activities in the chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Pudding categories, as well the Irish ingredient trading businesses. Reported revenue across these businesses declined by 5.5%, but increased by 4.9% on a pro forma basis when excluding the disposed and exited businesses in Hull and Evercreech respectively, as well as foreign exchange movements.

Pro forma revenue growth was driven by the ready meals and cooking sauce businesses. Performance in ready meals was primarily driven by stronger pricing, though volume trends deteriorated as the year progressed. The performance in the cooking sauce business was driven by higher volumes as own label penetration increased in a low growth category. Solid progress was also made in the Group's Irish trading businesses, driven by increased volumes.

Inflation trends in the Group's main UK cost components were broadly as anticipated. Raw material and packaging costs rose by approximately 3% in FY18 as certain commodity costs continued to increase. Labour inflation in the UK was approximately 4% in the year, primarily due to the effect of increased National Living Wage levels on the Group's wage structure. The Group successfully mitigated the overall effects of this inflation during FY18 by working with customers on a variety of cost and innovation programmes, and by continued internal cost efficiency initiatives.

As noted previously, Adjusted Operating Profit in continuing operations was negatively impacted by the adverse weather in the first half. In the second half of the year, the Group was encouraged by the year on year uplift in operating leverage. This was most notable in its food to go categories where an improved performance in the year was built on volume growth, recovery in its salads business, and the rollout of the operational efficiency programme. There were operating profit declines elsewhere in the year, most notably in the ready meals part of the business where a weaker volume and mix performance in the second half was combined with the residual impact of commercial investments made during FY17.

#### **Brexit**

Greencore continues to monitor closely the potential implications of Brexit on its business, particularly in the areas of volume, material sourcing and labour availability. The Group has been engaged in Brexit planning since the result of the referendum was first announced. A multi-functional team meets on an ongoing basis to assess Brexit-related risks, build mitigation plans, test alternative scenarios and support dialogue with our customers, government, the wider industry and other stakeholders. Although the Group believes the risks from Brexit are manageable in the medium-term, the near-term challenges associated with 'no withdrawal agreement being reached' remain uncertain.

## FULL YEAR RESULTS STATEMENT

### For the year ended 28 September 2018

#### Convenience Foods US (Discontinued operations)

|                           | FY18<br>£m | FY17<br>£m | Change<br>(As reported) | Change<br>(Pro forma basis) |
|---------------------------|------------|------------|-------------------------|-----------------------------|
| Revenue                   | 1,061.8    | 881.3      | +20.5%                  | +6.6%                       |
| Adjusted Operating Profit | 48.0       | 37.2       | +29.0%                  |                             |
| Adjusted Operating Margin | 4.5%       | 4.2%       | +30bps                  |                             |

#### **Disposal of US business**

On 15 October 2018 the Group announced a proposed agreement to sell its entire US business to Hearthside Food Solutions LLC for \$1,075m. The transaction subsequently completed on 25 November. Results for the US business are presented as discontinued operations in the Financial Statements.

#### **Performance**

After a challenging first half of the year, the discontinued US operations demonstrated significant commercial and operational improvement as the year progressed, driven by the former Peacock Foods part of the business.

Reported revenue in discontinued operations increased by 20.5% to £1,061.8m, and by 6.6% on a pro forma basis when adjusted for FX, for the ownership of Peacock Foods for the full period of FY17, and for the exclusion of Rhode Island which ceased trading during the year. Revenue in the former Peacock Foods part of the business accounted for approximately 83% of revenue in the period. In this part of the business pro forma revenue grew by 15.1%, driven by underlying category growth and the impact of new business. Pro forma revenue in the original part of the US business declined by 22.4%, reflecting previously announced volume losses.

Adjusted Operating Profit from discontinued operations increased by 29.0% to £48.0m in the period. The contribution of an extra quarter of Peacock Foods compared to FY17, and the strong pro forma volume growth and good operational performance in the former Peacock Foods part of the business, more than offset the decline in the original part of the business. There was a modest foreign exchange translation benefit in FY18.

In March 2018 the Group decided to exit production at its Rhode Island business and completed the disposal of the facility in September 2018 for a consideration of \$10.8m.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### Group Cash Flow and Returns

|   | FY18<br>£m | FY17<br>£m | Change  |
|---|------------|------------|---------|
| Operating Cash Flow                         | 136.6      | 117.8      | +£18.8m |
| Free Cash Flow                              | 92.4       | 78.0       | +£14.4m |
|   |            |            |         |
| Net Debt                                    | 501.1      | 519.2      |         |
| Net Debt:EBITDA as per financing agreements | 2.3x       | 2.4x       |         |
| ROIC % - continuing operations              | 15.6%      | 16.0%      |         |

### **Strategic developments**

Following the completion of the disposal of our US business, the Group received net cash proceeds of \$1,055m (approximately £802m as at the rate of the announcement date) after the payment of costs relating to the disposal. The final amount is subject to customary adjustments for cash, debt and working capital. The Group intends to use these net proceeds to return £509m of value to shareholders and to use the remainder of the net proceeds to reduce leverage.

During FY18, the Group normalised the trajectory of capital spend across the business, after a phase of significant investment through FY16 and FY17 to support future growth, most notably in its continuing operations. As a result, strategic capital expenditure in its continuing operations was £24.6m (FY17:£62.4m).

### **Performance**

Operating Cash Flow is used to measure the Group's net generation of cash through business operations. The Group calculates this measure as the net cash flow from operating and investing activities before strategic capital expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, and acquisitions and disposals. Operating Cash Flow increased by £18.8m to £136.6m in FY18, driven by increased Adjusted EBITDA, reduced capital expenditure and reduced exceptional cash outflows, offset by increases in working capital.

Free Cash Flow is used to measure the level of cash available for allocation and distribution. This measure is calculated as the net cash inflow/outflow before the following items: strategic capital expenditure, M&A activity, issue and purchase of shares, dividends paid to equity holders and translation and other cash movements. Free Cash Flow increased by £14.4m to £92.4m in FY18, primarily reflecting the increase in Operating Cash Flow.

Maintenance capital expenditure was £36.7m in the period, a decrease of £3.0m year on year. Strategic capital expenditure in the period was £26.8m for the Group (FY17: £83.6m), as investment normalised after a phase of significant spending in FY16 and FY17. Cash tax remained very low. Overall, Net Debt decreased to £501.1m (FY17:£519.2m).

Group ROIC for FY18 was 10.2% (FY17:12.2%) primarily reflecting the full year dilutive impact of the addition of Peacock Foods and an increased tax rate. ROIC in continuing operations was 15.6% in FY18, a modest decline of 40bps. Improved profitability on a broadly unchanged capital base supported an underlying increase but this was offset by an increase in central costs previously allocated to discontinued operations and the impact of an increased tax rate.

### **Capital management**

At the end of the financial year the Group's Net Debt:EBITDA leverage as measured under financing agreements was 2.3x. The Group was well financed with committed facilities of £728.5m at the end of the fiscal year and a weighted average maturity of 3.6 years. The Group plans to enter into discussions with its lenders to refinance its existing debt agreements in the first half of FY19, taking into account the return of capital to shareholders.

Following the disposal of the entire US operations and the related return of capital to shareholders as noted above, the Group is committed to focussing on dynamic capital management, balancing the ongoing strategic and investment needs of the Group, leverage reduction, returns to shareholders and a progressive dividend policy. In this context the Board intends to target a leverage ratio of between 1.5x to 2.0x Net Debt to EBITDA (as measured under financing agreements) over the medium term. Managing to within this range will enable the Group to make organic and inorganic investments that fit with the Group's strategy and/or return further cash to shareholders in an efficient manner, whether through dividends or other forms of return of value.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### FINANCIAL REVIEW<sup>1,2</sup>

The Group completed the disposal of its entire US business on 25 November 2018. The results of this business have been included as discontinued operations in the Group Financial Statements in FY18 and the comparatives for FY17 have been represented on the same basis.

#### Revenue and Adjusted Operating Profit – Continuing operations

Reported revenue in the year was £1,498.5m, an increase of 4.2% versus FY17. Pro forma revenue growth was 8.7%. Adjusted Operating Profit of £104.6m was 1.7% higher than in FY17, and Adjusted Operating Margin was 7.0%, 20 basis points below the prior year, primarily due to the increase in central costs that were previously allocated to the discontinued Greencore US business. Excluding the impact of central costs previously allocated to discontinued operations, Adjusted Operating Profit rose by 3.6% to £110.6m.

#### Net finance costs – Continuing operations

The Group's bank interest payable in FY18 was £26.2m, an increase of £2.5m. The increase was driven by higher average Net Debt through the year. £0.4m of interest on major projects was capitalised during the period (FY17: £1.8m).

The Group's non-cash finance charge in FY18 was £6.7m (FY17: £6.7m). The change in the fair value of derivatives and related debt adjustments was a non-cash charge of £3.3m (FY17: charge of £2.8m) reflecting the FX movement on balances where hedge accounting is not applied. The non-cash pension financing charge of £3.4m was £0.5m lower than the FY17 charge of £3.9m.

#### Taxation – Continuing operations

The Group's effective tax rate in FY18 (including the tax impact associated with pension finance items) was 13% (FY17: 8%). The rate had been lower as a result of the benefit of tax attributes including those acquired as part of the Uniq plc acquisition. Substantially all UK tax attributes have now been recognised on the balance sheet such that there is no further rate benefit in the current year, nor expected in the future.

There is a degree of uncertainty over the level of this effective rate, due to a combination of factors including Base Erosion and Profit Shifting ('BEPS') actions and the impact of Brexit on levels of UK taxation.

#### Exceptional items

The Group incurred a pre-tax exceptional charge of £52.2m in its continuing operations in FY18, and an after tax charge of £44.4m. The potential cash outflow associated with these charges in continuing operations is £21.4m, with £11.6m spent during the year. The overall exceptional charge, including exceptional charges related to discontinued operations, is comprised as follows:

| Exceptional Item  | FY18<br>Income<br>Statement<br>£m | FY18 Cashflow<br>£m |
|---|-----------------------------------|---------------------|
| <b>Continuing operations</b>  |                                   |                     |
| Network rationalisation and optimisation: related to the ready meals manufacturing network            | (21.2)                            | -                   |
| Reorganisation and integration: costs relating to the streamlining and efficiency programme in the UK | (15.9)                            | (12.1)              |
| Business exit costs: relating to the Group's exit from its cakes and desserts businesses              | (13.9)                            | 1.5                 |
| Pre-commissioning and start-up costs: relating to the ready meals facility in Warrington              | (1.2)                             | (1.0)               |
| <b>Exceptional items (pre-tax) – continuing operations</b>  | <b>(52.2)</b>                     | <b>(11.6)</b>       |
| Tax on exceptional items – continuing operations  | 7.8                               |                     |
| <b>Exceptional items (after tax) – continuing operations</b>  | <b>(44.4)</b>                     | <b>(11.6)</b>       |
| <b>Discontinued operations</b>  |                                   |                     |
| <b>Exceptional items (pre-tax) – discontinued operations</b>  | <b>(27.9)</b>                     | <b>3.2</b>          |
| Tax on exceptional items – discontinued operations  | 20.6                              |                     |
| <b>Exceptional items (after tax) – discontinued operations</b>  | <b>(7.3)</b>                      | <b>3.2</b>          |



# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### Earnings per share

Adjusted Earnings were £105.9m in the period, 5.4% ahead of the prior year. Adjusted earnings per share for total operations of 15.1 pence was 1.9% behind FY17 which reflects the impact of an increased number of shares in issue as a result of the rights issue in December 2016. Basic earnings per share was 4.8 pence (FY17: 1.9 pence). The weighted average number of shares in issue in FY18 was 703.3m (FY17: 652.5m).

### Cash Flow and Net Debt

Operating Cash Flow was £136.6m in FY18, an increase of £18.8m driven by increased Adjusted EBITDA, reduced capital expenditures and reduced exceptional cash outflows, offset by increases in working capital. Free Cash Flow increased by £14.4m to £92.4m in FY18, primarily reflecting the increase in Operating Cash Flow, partly offset by a modest increase in contributions to legacy defined pension schemes.

Adjusted EBITDA grew by 1.7% to £140.0m. A working capital outflow of £15.9m was incurred, including a £17.0m outflow associated with businesses disposed or exited during FY18. Capital expenditure of £63.5m was incurred in the period (FY17: £123.3m), as strategic investment spending normalised. The total cash outflow during the year in respect of exceptional charges was £15.0m (FY17: £33.7m), of which £6.6m was in respect of prior year exceptional charges.

Cash tax continues to be low as the Group utilises historical tax attributes in both the UK and the US. The cash tax rate in the period was 1% (FY17: 0%). The cash tax rate for the Group is expected to rise towards the Group's effective rate in the short term as a result of increased profitability and a reduction in the degree to which UK losses may be utilised in any one year.

The Group's Net Debt at 28 September 2018 was £501.1m, a decrease of £18.1m from 29 September 2017, primarily reflecting an increase in Free Cash Flow.

### Financing

The Group remains well financed with committed facilities of £728.5m at the end of September 2018 and a weighted average maturity of 3.6 years.

Following the disposal of its US business the Group announced its intention to return £509m to shareholders and utilise the remainder of the net sales proceeds to reduce leverage. In addition, the Group plans to enter into discussions with its lenders to refinance its existing debt agreements in the first half of FY19, taking into account the return of capital to shareholders.

### Pensions

All legacy defined benefit pension schemes are closed to future accrual and the Group's pension policy with effect from 1 January 2010 is that future service for current employees and new entrants is provided under defined contribution pension arrangements.

The net pension deficit relating to legacy defined pension schemes, before related deferred tax, at 28 September 2018 was £89.3m, £35.5m lower than the position at 29 September 2017. The net pension deficit after related deferred tax was £73.6m, a decrease of £29.5m from 29 September 2017. The decrease in net pension deficit was driven principally by a reduction in UK scheme liabilities.

The valuations and funding obligations of the Group's legacy defined benefit pension schemes are assessed on a triennial basis with the relevant trustees. Following the most recent reviews, including the latest agreed actuarial valuation for the Greencore UK Defined Benefit Pension Scheme, the Group expects the annual cash funding requirement for defined benefit pension schemes to remain unchanged at approximately £15m.

### Dividends

The Board of Directors is recommending a final dividend of 3.37 pence per share. This will result in a total dividend for the year of 5.57 pence per share (FY17: 5.47 pence per share). The total dividend represents a pay-out amount of approximately 37% of Adjusted Earnings.

### Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. The risks and uncertainties are described in detail in the section Risks and Risk Management in the Annual Report and Financial Statements for the year ended 28 September 2018 issued on 4 December 2018.

**P.G. Kennedy, Chairman**

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

3 December 2018

### GROUP INCOME STATEMENT

year ended 28 September 2018

|   |       | 2018                    |                               |              | 2017                     |                                |              |
|---|-------|-------------------------|-------------------------------|--------------|--------------------------|--------------------------------|--------------|
|   | Notes | Pre – exceptional<br>£m | Exceptional<br>(Note 3)<br>£m | Total<br>£m  | Pre – exceptional*<br>£m | Exceptional<br>(Note 3)*<br>£m | Total*<br>£m |
| <b>Continuing operations</b>  |       |                         |                               |              |                          |                                |              |
| Revenue   | 2     | 1,498.5                 | -                             | 1,498.5      | 1,438.4                  | -                              | 1,438.4      |
| Cost of sales   |       | (1,023.0)               | -                             | (1,023.0)    | (970.2)                  | -                              | (970.2)      |
| <b>Gross profit</b>   |       | <b>475.5</b>            | <b>-</b>                      | <b>475.5</b> | <b>468.2</b>             | <b>-</b>                       | <b>468.2</b> |
| Operating costs, net  |       | (370.9)                 | (52.2)                        | (423.1)      | (365.3)                  | (53.2)                         | (418.5)      |
| <b>Group Operating Profit before acquisition related amortisation</b> |       |                         |                               |              |                          |                                |              |
| Amortisation of acquisition related intangibles                       | 2     | 104.6                   | (52.2)                        | 52.4         | 102.9                    | (53.2)                         | 49.7         |
|   |       | (2.6)                   | -                             | (2.6)        | (4.2)                    | -                              | (4.2)        |
| <b>Group Operating Profit</b>   |       | <b>102.0</b>            | <b>(52.2)</b>                 | <b>49.8</b>  | <b>98.7</b>              | <b>(53.2)</b>                  | <b>45.5</b>  |
| Finance income  | 7     | 0.2                     | -                             | 0.2          | -                        | -                              | -            |
| Finance costs   | 7     | (33.1)                  | -                             | (33.1)       | (30.4)                   | -                              | (30.4)       |
| Share of profit of associates after tax                               |       | 0.9                     | -                             | 0.9          | 0.7                      | -                              | 0.7          |
| <b>Profit before taxation</b>   |       | <b>70.0</b>             | <b>(52.2)</b>                 | <b>17.8</b>  | <b>69.0</b>              | <b>(53.2)</b>                  | <b>15.8</b>  |
| Taxation  |       | (13.0)                  | 7.8                           | (5.2)        | (7.4)                    | 8.9                            | 1.5          |
| <b>Profit for the period from continuing operations</b>               |       | <b>57.0</b>             | <b>(44.4)</b>                 | <b>12.6</b>  | <b>61.6</b>              | <b>(44.3)</b>                  | <b>17.3</b>  |
| <b>Discontinued operations</b>  |       |                         |                               |              |                          |                                |              |
| Result from discontinued operations                                   |       | 31.2                    | (7.3)                         | 23.9         | 21.6                     | (25.0)                         | (3.4)        |
| <b>Profit for the financial year</b>                                  |       | <b>88.2</b>             | <b>(51.7)</b>                 | <b>36.5</b>  | <b>83.2</b>              | <b>(69.3)</b>                  | <b>13.9</b>  |
| <b>Attributable to:</b>   |       |                         |                               |              |                          |                                |              |
| Equity shareholders   |       | 85.5                    | (51.7)                        | 33.8         | 81.5                     | (69.3)                         | 12.2         |
| Non-controlling interests   |       | 2.7                     | -                             | 2.7          | 1.7                      | -                              | 1.7          |
|   |       | <b>88.2</b>             | <b>(51.7)</b>                 | <b>36.5</b>  | <b>83.2</b>              | <b>(69.3)</b>                  | <b>13.9</b>  |
| <b>Earnings per share</b>   |       |                         |                               |              |                          |                                |              |
| Basic earnings per share (pence)                                      | 5     |                         |                               | 4.8          |                          |                                | 1.9          |
| Diluted basic earnings per share (pence)                              | 5     |                         |                               | 4.8          |                          |                                | 1.9          |

\*Re-presented to reflect the change in presentation of discontinued operations and categorisation of costs on a basis consistent with the current year as set out in Note 1

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE for year ended 28 September 2018

|  | 2018<br>£m  | 2017<br>£m |
|--|-------------|------------|
| <b>Items of income and expense taken directly to equity for continuing and discontinued operations</b> |             |            |
| <b>Items that will not be reclassified to profit or loss:</b>  |             |            |
| Actuarial gain on Group legacy defined benefit pension schemes   | 24.3        | 30.1       |
| Deferred tax on Group legacy defined benefit pension schemes   | (4.5)       | (5.1)      |
|  | <b>19.8</b> | 25.0       |
| <b>Items that may subsequently be reclassified to profit or loss:</b>                                  |             |            |
| Currency translation adjustment  | 15.4        | (45.2)     |
| Tax on currency translation adjustment   | -           | 0.1        |
| Hedge of net investment in foreign currency subsidiaries   | (10.6)      | 25.8       |
| Cash flow hedges:  |             |            |
| fair value movement taken to equity  | 4.1         | 1.9        |
| transfer to Income Statement for the year  | 5.9         | 1.5        |
| Tax on cash flow hedges  | -           | (0.1)      |
| Net income recognised directly within equity   | <b>34.6</b> | 9.0        |
| Profit for the financial year  | <b>36.5</b> | 13.9       |
| <b>Total recognised income and expense for the financial year</b>                                      | <b>71.1</b> | 22.9       |
| <b>Attributable to:</b>  |             |            |
| Equity shareholders  | 68.4        | 21.1       |
| Non-controlling interests  | 2.7         | 1.8        |
| <b>Total recognised income and expense for the financial year</b>                                      | <b>71.1</b> | 22.9       |
| <b>Attributable to:</b>  |             |            |
| Continuing operations  | 27.4        | 78.6       |
| Discontinued operations  | 43.7        | (55.7)     |
| <b>Total recognised income and expense for the financial year</b>                                      | <b>71.1</b> | 22.9       |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### GROUP BALANCE SHEET at 28 September 2018

|   | Notes | 2018<br>£m     | 2017<br>£m     |
|---|-------|----------------|----------------|
| <b>ASSETS</b>   |       |                |                |
| <b>Non-current assets</b>   |       |                |                |
| Goodwill and intangible assets  |       | 425.3          | 1,077.6        |
| Property, plant and equipment   |       | 323.0          | 485.7          |
| Investment property   |       | 6.3            | 6.3            |
| Investment in associates  |       | 1.3            | 1.2            |
| Retirement benefit assets   | 8     | 15.3           | 17.3           |
| Derivative financial instruments  |       | 0.5            | -              |
| Deferred tax assets   |       | 41.7           | 93.5           |
| <b>Total non-current assets</b>   |       | <b>813.4</b>   | <b>1,681.6</b> |
| <b>Current assets</b>   |       |                |                |
| Inventories   |       | 39.1           | 81.9           |
| Trade and other receivables   |       | 181.0          | 254.8          |
| Derivative financial instruments  |       | 0.3            | 0.3            |
| Cash and cash equivalents   | 7     | 37.0           | 19.8           |
| Assets held for sale  | 4     | 944.7          | -              |
| <b>Total current assets</b>   |       | <b>1,202.1</b> | <b>356.8</b>   |
| <b>Total assets</b>   |       | <b>2,015.5</b> | <b>2,038.4</b> |
| <b>EQUITY</b>   |       |                |                |
| <b>Capital and reserves attributable to equity holders of the Company</b> |       |                |                |
| Share capital   |       | 7.1            | 7.1            |
| Share premium   |       | 650.8          | 647.8          |
| Reserves  |       | 79.3           | 50.7           |
|   |       | <b>737.2</b>   | <b>705.6</b>   |
| Non-controlling interests   |       | 6.4            | 5.2            |
| <b>Total equity</b>   |       | <b>743.6</b>   | <b>710.8</b>   |
| <b>LIABILITIES</b>  |       |                |                |
| <b>Non-current liabilities</b>  |       |                |                |
| Borrowings  | 7     | 537.9          | 539.0          |
| Derivative financial instruments  |       | 13.4           | 14.3           |
| Retirement benefit obligations  | 8     | 104.6          | 142.1          |
| Other payables  |       | 3.7            | 11.9           |
| Provisions for liabilities  |       | 8.9            | 29.8           |
| Deferred tax liabilities  |       | 4.2            | 111.5          |
| <b>Total non-current liabilities</b>                                      |       | <b>672.7</b>   | <b>848.6</b>   |
| <b>Current liabilities</b>  |       |                |                |
| Borrowings  |       | 0.2            | -              |
| Derivative financial instruments  |       | 0.1            | -              |
| Trade and other payables  |       | 377.9          | 460.3          |
| Provisions for liabilities  |       | 6.7            | 8.4            |
| Current tax payable   |       | 11.3           | 10.3           |
| Liabilities directly associated with assets held for sale                 | 4     | 203.0          | -              |
| <b>Total current liabilities</b>  |       | <b>599.2</b>   | <b>479.0</b>   |
| <b>Total liabilities</b>  |       | <b>1,271.9</b> | <b>1,327.6</b> |
| <b>Total equity and liabilities</b>                                       |       | <b>2,015.5</b> | <b>2,038.4</b> |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### GROUP CASH FLOW STATEMENT for the year ended 28 September 2018

|  | Notes | 2018<br>£m    | 2017<br>£m |
|--|-------|---------------|------------|
| Profit before taxation   |       | 17.8          | 15.8       |
| Finance income   | 7     | (0.2)         | -          |
| Finance costs  | 7     | 33.1          | 30.4       |
| Share of profit of associates (after tax)                              |       | (0.9)         | (0.7)      |
| Exceptional items  | 3     | 52.2          | 53.2       |
| <b>Continuing Operating Profit (pre-exceptional)</b>                   |       | <b>102.0</b>  | 98.7       |
| Discontinued Operating Profit (pre-exceptional)                        | 4     | 30.4          | 22.2       |
| <b>Operating Profit (pre-exceptional)</b>                              |       | <b>132.4</b>  | 120.9      |
| Depreciation of property, plant and equipment                          |       | 47.3          | 45.1       |
| Amortisation of intangible assets                                      |       | 25.3          | 23.7       |
| Employee share-based payment expense                                   |       | 1.6           | 3.5        |
| Contributions to legacy defined benefit pension schemes                |       | (15.1)        | (11.1)     |
| Working capital movement   |       | (15.9)        | (3.0)      |
| Other movements  |       | (3.2)         | 0.5        |
| <b>Net cash inflow from operating activities pre-exceptional items</b> |       | <b>172.4</b>  | 179.6      |
| Cash outflow related to exceptional items                              |       | (15.0)        | (33.7)     |
| Interest paid  |       | (26.7)        | (27.2)     |
| Tax paid   |       | (0.9)         | (0.5)      |
| <b>Net cash inflow from operating activities</b>                       |       | <b>129.8</b>  | 118.2      |
| <b>Cash flow from investing activities</b>                             |       |               |            |
| Dividends received from associates                                     |       | 0.8           | 0.5        |
| Purchase of property, plant and equipment                              |       | (60.5)        | (105.4)    |
| Purchase of intangible assets  |       | (3.0)         | (17.9)     |
| Acquisition of undertakings, net of cash acquired                      |       | -             | (606.2)    |
| Disposal of undertakings   |       | -             | 2.9        |
| <b>Net cash outflow from investing activities</b>                      |       | <b>(62.7)</b> | (726.1)    |
| <b>Cash flow from financing activities</b>                             |       |               |            |
| Proceeds from issue of shares  |       | 0.2           | 427.7      |
| Ordinary shares purchased – own shares                                 |       | (2.0)         | (7.2)      |
| Drawdown of bank borrowings  |       | -             | 199.7      |
| Repayment of bank borrowings   |       | (9.6)         | -          |
| Decrease in finance lease liabilities                                  |       | (1.3)         | (0.1)      |
| Dividends paid to equity holders of the Company                        |       | (35.7)        | (16.5)     |
| Dividends paid to non-controlling interests                            |       | (1.5)         | (1.0)      |
| <b>Net cash (outflow)/inflow from financing activities</b>             |       | <b>(49.9)</b> | 602.6      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>            |       | <b>17.2</b>   | (5.3)      |
| <b>Reconciliation of opening to closing cash and cash equivalents</b>  |       |               |            |
| Cash and cash equivalents at beginning of year                         |       | 19.8          | 25.5       |
| Translation adjustment   |       | -             | (0.4)      |
| Net increase/(decrease) in cash and cash equivalents                   |       | 17.2          | (5.3)      |
| <b>Cash and cash equivalents at end of year</b>                        |       | <b>37.0</b>   | 19.8       |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 1. Basis of Preparation

The financial information included within this full year results statement has been extracted from the audited Consolidated Financial Statements of Greencore Group plc for the year ended 28 September 2018, to which an unqualified audit opinion is attached. Full details of the basis of preparation of the Group Financial Statements for the year ended 28 September 2018 are included in Note 1 of the 2018 Annual Report.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group Financial Statements.

The financial information presented in this full year results statement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations adopted by the European Union (EU).

The financial information, which is presented in sterling and expressed in millions (m), unless otherwise stated, has been prepared under the historical cost convention, as modified by the measurement at fair value of certain financial assets and financial liabilities, including share options at grant date and derivative financial instruments. The carrying values of recognised assets and liabilities that are hedged are adjusted to record the changes in the fair values attributable to the risks being hedged. The accounting policies applied are consistent with those applied in the Group Financial Statements for the year ended 28 September 2018. Full details of the Group's accounting policies are included in the 2018 Annual Report.

The adoption of new standards and interpretations (as set out in the 2018 Annual Report) that became effective for the Groups' Financial Statements for the year ended 28 September 2018 did not have any significant impact on the Group full year results statement.

The Financial Statements of the Group are prepared to the Friday nearest to 30 September. Accordingly, these Financial Statements are prepared for the 52 week period ended 28 September 2018. Comparatives are for the 52 week period ended 29 September 2017. The Balance Sheets for 2018 and 2017 have been prepared as at 28 September 2018 and 29 September 2017 respectively.

Following the announcement in October 2018 to dispose of Greencore's US business, in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the results of Greencore's US business have been presented within profit from discontinued operations in the Group Income Statement with the prior period comparatives re-presented accordingly.

In the year, an analysis of expenses between direct and indirect costs was carried out and a more appropriate presentation was identified which resulted in a reclassification of certain indirect costs from cost of sales to operating costs. As a result, the prior year comparatives were re-presented on the same basis. There was no impact to previously reported profit.

#### 2. Segment Information

The Chief Operating Decision Maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before exceptional items and acquisition related amortisation. Net finance costs and income tax are managed on a centralised basis; therefore, these items are not allocated between operating segments for the purposes of the information presented to the Chief Operating Decision Maker and are accordingly omitted from the segmental information below.

The Group has two operating segments Convenience Foods UK & Ireland and Convenience Foods US. Following the Group's decision to dispose of Greencore's US business during the year, the Convenience Foods US operating segment is now classified as a discontinued operation, which is a reporting segment and the continuing operations of the Group represents the Convenience Foods UK & Ireland reporting segment.

Convenience Foods UK & Ireland: incorporating many UK convenience food categories including sandwiches, sushi, salads, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, frozen Yorkshire puddings and cakes and desserts categories as well as Irish Ingredient trading businesses.

Discontinued Operations: comprising of the Convenience Foods US segment, manufacturing convenience foods products for many of the largest food brands, convenience retail and food service leaders in the US. The segment produces a wide range of fresh frozen and ambient products including sandwiches, meals kits and salad kits.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 2. Segment Information (continued)

The comparative amounts for profit and loss information have been reclassified in line with the requirements of IFRS 5: *Non-current assets held for sale and discontinued operations*.

|   | Convenience<br>Foods UK & Ireland |            | Discontinued<br>operations |            | Total          |            |
|---|-----------------------------------|------------|----------------------------|------------|----------------|------------|
|   | 2018<br>£m                        | 2017<br>£m | 2018<br>£m                 | 2017<br>£m | 2018<br>£m     | 2017<br>£m |
| <b>Revenue</b>  | <b>1,498.5</b>                    | 1,438.4    | <b>1,061.8</b>             | 881.3      | <b>2,560.3</b> | 2,319.7    |
| <b>Group operating profit before exceptional items and amortisation of acquisition related intangible assets*</b> | <b>104.6</b>                      | 102.9      | <b>48.0</b>                | 37.2       | <b>152.6</b>   | 140.1      |
| Amortisation of acquisition related intangible assets   | <b>(2.6)</b>                      | (4.2)      | <b>(17.6)</b>              | (15.0)     | <b>(20.2)</b>  | (19.2)     |
| Exceptional items   | <b>(52.2)</b>                     | (53.2)     | <b>(27.9)</b>              | (25.0)     | <b>(80.1)</b>  | (78.2)     |
| <b>Group Operating Profit</b>   | <b>49.8</b>                       | 45.5       | <b>2.5</b>                 | (2.8)      | <b>52.3</b>    | 42.7       |
| Finance income  |                                   |            |                            |            | <b>0.2</b>     | -          |
| Finance costs   |                                   |            |                            |            | <b>(34.1)</b>  | (31.0)     |
| Share of profit of associates after tax   |                                   |            |                            |            | <b>0.9</b>     | 0.7        |
| Taxation  |                                   |            |                            |            | <b>17.2</b>    | 1.5        |
| <b>Profit for the period</b>  |                                   |            |                            |            | <b>36.5</b>    | 13.9       |

\* The current year includes £6.0m of central costs previously allocated to discontinued operations, and the prior year has been re-presented to reflect £3.9m of central costs previously allocated to discontinued operations.

#### 3. Exceptional Items

Exceptional items are those which, in management's judgement, should be disclosed separately by virtue of their nature or amount. Such items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Financial Statements.

The Group reports the following exceptional items:

|  |     | 2018                           |                                  |               | 2017                           |                                  |             |
|--|-----|--------------------------------|----------------------------------|---------------|--------------------------------|----------------------------------|-------------|
|  |     | Continuing<br>operations<br>£m | Discontinued<br>operations<br>£m | Total<br>£m   | Continuing<br>operations<br>£m | Discontinued<br>operations<br>£m | Total<br>£m |
| Network rationalisation and optimisation | (a) | <b>(21.2)</b>                  | <b>(23.6)</b>                    | <b>(44.8)</b> | -                              | -                                | -           |
| Exit from cakes and desserts             | (b) | <b>(13.9)</b>                  | -                                | <b>(13.9)</b> | (16.5)                         | -                                | (16.5)      |
| Reorganisation and integration costs     | (c) | <b>(15.9)</b>                  | <b>(3.0)</b>                     | <b>(18.9)</b> | (1.9)                          | (9.3)                            | (11.2)      |
| Pre-commissioning and start-up costs     | (d) | <b>(1.2)</b>                   | -                                | <b>(1.2)</b>  | (3.6)                          | (0.5)                            | (4.1)       |
| Transaction costs                        | (e) | -                              | <b>(1.3)</b>                     | <b>(1.3)</b>  | (0.4)                          | (15.2)                           | (15.6)      |
| Intangible asset impairment              | (f) | -                              | -                                | -             | (29.7)                         | -                                | (29.7)      |
| Legal settlement                         | (g) | -                              | -                                | -             | (1.1)                          | -                                | (1.1)       |
|  |     | <b>(52.2)</b>                  | <b>(27.9)</b>                    | <b>(80.1)</b> | (53.2)                         | (25.0)                           | (78.2)      |
| Tax on exceptional items                 | (h) | <b>7.8</b>                     | -                                | <b>7.8</b>    | 8.9                            | -                                | 8.9         |
| Tax credit                               | (i) | -                              | <b>20.6</b>                      | <b>20.6</b>   | -                              | -                                | -           |
| <b>Total exceptional charge</b>          |     | <b>(44.4)</b>                  | <b>(7.3)</b>                     | <b>(51.7)</b> | (44.3)                         | (25.0)                           | (69.3)      |

#### (a) NETWORK RATIONALISATION AND OPTIMISATION

##### Continuing operations

In the period, the Group recognised a charge of £21.2m relating to the rationalisation and optimisation of its prepared meals manufacturing network in the UK, following the Group's announcement in July 2018 to phase out of manufacturing of longer life ready meals at its Kiveton facility. The charge comprises a £15.6m impairment of property, plant and equipment, a £1.4m impairment of goodwill and a provision for other costs associated with the exit.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 3. Exceptional Items (continued)

##### (a) NETWORK RATIONALISATION AND OPTIMISATION (continued)

###### Discontinued operations

In the period, the Group recognised a charge of £23.6m relating to the optimisation of its manufacturing network in its US operations. The Group recognised an impairment charge of £20.6m in relation to the exit from its Rhode Island business and subsequent disposal, and in relation to the repurposing of its Jacksonville manufacturing facility. The charge also includes other onetime costs associated with the closure of the Rhode Island facility.

##### (b) EXIT FROM CAKES AND DESSERTS

###### Continuing operations

In February 2018, the Group disposed of its cakes and desserts business in Hull to Bright Blue Foods Ltd and subsequently disposed of its dessert manufacturing facility at Evercreech in July 2018, following its closure as announced in 2017 leading to a net loss on disposal of £13.9m. The sale of the business in Hull and the exit from dessert manufacturing at Evercreech marks Greencore's complete exit from the UK cakes and desserts sector.

In the prior period, a charge of £16.5m was recognised related to business exit costs associated with the exit from manufacturing at Evercreech.

##### (c) REORGANISATION AND INTEGRATION COSTS

###### Continuing operations

In the period, the Group recognised a charge of £15.9m relating to the implementation of its streamlining and efficiency programme across Convenience Foods UK & Ireland.

In the prior period, the Group recognised a charge of £1.9m in relation to the new organisation structure within Convenience Foods UK & Ireland and the integration of The Sandwich Factory Holdings Limited in the UK.

###### Discontinued operations

In the period, the Group recognised a charge of £3.0m in relation to the restructure of the US leadership team and ongoing integration cost associated with the Peacock Foods acquisition.

In the prior period, the Group recognised a charge of £9.3m in relation to the integration of the Peacock Foods acquisition, which completed in December 2016.

##### (d) PRE-COMMISSIONING AND START-UP COSTS

###### Continuing operations

In the period, the Group recognised a charge of £1.2m in relation to pre-commissioning and start-up activities on the expansion of its facility in Warrington.

In the prior period, the Group recognised a £3.6m charge in relation to pre-commissioning and start-up costs relating to significant plant development and related onboarding of new business at its facilities in Warrington and Northampton in the UK.

###### Discontinued operations

In the prior period, the Group recognised a £0.5m charge in relation to pre-commissioning and start-up costs relating to significant plant development and related onboarding of new business.

##### (e) TRANSACTIONS COSTS

###### Continuing operations

In the prior period, the Group recognised a charge of £0.4m comprising transaction costs relating to the acquisition of its facility at Heathrow in June 2017.

###### Discontinued operations

In the period, the Group recognised a £1.3m charge comprising transactions costs associated with the disposal of Greencore's US business which completed in November 2018.

In the prior period, the Group recognised a £15.2m charge in relation to the acquisition of Peacock Foods.



# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 3. Exceptional Items (continued)

##### (f) INTANGIBLE ASSET IMPAIRMENT

###### Continuing operations

In the prior period, the Group recognised a charge of £29.7m relating to the impairment of software assets, associated with the decision not to proceed with the planned rollout of a common ERP platform across the UK business.

##### (g) LEGAL SETTLEMENT

###### Continuing operations

In the prior period, the Group incurred a charge of £1.1m in respect of a legal settlement and related costs.

##### (h) TAX ON EXCEPTIONAL ITEMS

###### Continuing operations

In the period, the Group recognised a tax credit of £7.8m in respect of exceptional charges.

##### (i) TAX CREDIT

###### Discontinued operations

In the period, the Group recognised a tax credit of £20.6m on the revaluation of tax assets and liabilities as a result of the rate change in the US. The tax credit was recognised within profit from discontinued operations.

#### 4. Discontinued Operations and Disposal Group Held for Sale

On 15 October 2018, the Group announced that it had reached an agreement to sell Greencore's US business to Hearthside Food Solutions LLC for cash consideration of \$1,075m, subject to customary adjustments for cash, debt and working capital. On 7 November 2018 the shareholders approved disposal and the transaction subsequently completed on 25 November 2018.

Greencore's US business included within the Convenience Foods US operating segment which has been presented as a discontinued reporting segment (Note 2).

#### RESULTS OF DISCONTINUED OPERATIONS

|   | 2018         | 2017    |
|---|--------------|---------|
|   | £m           | £m      |
| Revenue   | 1,061.8      | 881.3   |
| Cost of sales   | (836.2)      | (697.5) |
| <b>Gross profit</b>   | <b>225.6</b> | 183.8   |
| Operating costs, net  | (177.6)      | (146.6) |
| <b>Group Operating Profit before acquisition related amortisation and exceptional items</b> | <b>48.0</b>  | 37.2    |
| Amortisation of acquisition related intangibles   | (17.6)       | (15.0)  |
| <b>Group Operating Profit before exceptional items</b>                                      | <b>30.4</b>  | 22.2    |
| Exceptional items   | (27.9)       | (25.0)  |
| Finance costs   | (1.0)        | (0.6)   |
| Taxation  | 22.4         | –       |
| <b>Profit/(loss) for the year from discontinued operations</b>                              | <b>23.9</b>  | (3.4)   |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 4. Discontinued Operations and Disposal Group Held for Sale (continued)

##### ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

At 28 September 2018, the following assets and liabilities were classified as held for sale:

|  | 2018<br>£m   |
|--|--------------|
| Goodwill and intangible assets                                       | 644.9        |
| Property, plant and equipment  | 122.7        |
| Deferred tax assets  | 28.0         |
| Inventory  | 38.7         |
| Trade and other receivables  | 110.4        |
| <b>Assets held for sale</b>  | <b>944.7</b> |
| Trade and other payables   | 111.4        |
| Provisions for liabilities   | 22.0         |
| Deferred tax liabilities   | 69.6         |
| <b>Liabilities directly associated with the assets held for sale</b> | <b>203.0</b> |

#### 5. Earnings per Ordinary Share

##### Basic Earnings per Ordinary Share

Basic earnings per Ordinary Share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by the Company and held in trust in respect of the Annual Bonus Scheme, the Performance Share Plan and the Executive Share Option Scheme. The adjusted figures for basic and diluted earnings per Ordinary Share is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items (net of tax), the effect of foreign exchange ('FX') on intercompany and certain external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the effect of interest expense relating to legacy defined benefit pension liabilities (net of tax).

##### NUMERATOR FOR EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE CALCULATION

|  | 2018                  |                         |              | 2017                  |                         |       |
|--|-----------------------|-------------------------|--------------|-----------------------|-------------------------|-------|
|  | Continuing operations | Discontinued operations | Total        | Continuing operations | Discontinued operations | Total |
|  | £m                    | £m                      | £m           | £m                    | £m                      | £m    |
| <b>Profit attributable to equity holders of Greencore (numerator for basic earnings per share calculation)</b> | <b>9.9</b>            | <b>23.9</b>             | <b>33.8</b>  | 15.6                  | (3.4)                   | 12.2  |
| Exceptional items (net of tax)   | 44.4                  | 7.3                     | 51.7         | 44.3                  | 25.0                    | 69.3  |
| Movement in fair value of derivative financial instruments and related debt adjustments                        | 3.4                   | -                       | 3.4          | (0.2)                 | -                       | (0.2) |
| FX effect on inter-company and external balances where hedge accounting is not applied                         | (0.1)                 | -                       | (0.1)        | 3.0                   | -                       | 3.0   |
| Amortisation of acquisition related intangibles (net of tax)   | 2.1                   | 12.3                    | 14.4         | 3.4                   | 9.7                     | 13.1  |
| Pension financing (net of tax)   | 2.7                   | -                       | 2.7          | 3.1                   | -                       | 3.1   |
| <b>Numerator for adjusted earnings per share calculation</b>   | <b>62.4</b>           | <b>43.5</b>             | <b>105.9</b> | 69.2                  | 31.3                    | 100.5 |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

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

##### DENOMINATOR FOR EARNINGS PER SHARE CALCULATION

|  | 2018<br>'000   | 2017<br>'000   |
|--|----------------|----------------|
| Shares in issue at the beginning of the year                               | 705,647        | 413,468        |
| Effect of shares held by Employee Benefit Trust                            | (3,389)        | (3,283)        |
| Effect of shares issued during the year                                    | 1,054          | 220,704        |
| Effect of bonus issue relating to Rights Issue                             | –              | 21,592         |
| <b>Weighted average number of Ordinary Shares in issue during the year</b> | <b>703,312</b> | <b>652,481</b> |

|                                      | 2018                              |                                     |                | 2017                              |                                     |                |
|--------------------------------------|-----------------------------------|-------------------------------------|----------------|-----------------------------------|-------------------------------------|----------------|
|                                      | Continuing<br>operations<br>Pence | Discontinued<br>operations<br>Pence | Total<br>Pence | Continuing<br>operations<br>Pence | Discontinued<br>operations<br>Pence | Total<br>Pence |
| Basic earnings per Ordinary Share    | 1.4                               | 3.4                                 | 4.8            | 2.4                               | (0.5)                               | 1.9            |
| Adjusted earnings per Ordinary Share |                                   |                                     | 15.1           |                                   |                                     | 15.4           |

##### Diluted earnings per ordinary share

Diluted earnings per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares. Employee Performance Share Plan awards, which are performance based, are treated as contingently issuable shares, because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable Ordinary Shares are excluded from the computation of diluted earnings per Ordinary Share where the conditions governing exercisability have not been satisfied as at the end of the reporting period. A total of 12,886,062 (2017: 6,619,322) unvested shares were excluded from the diluted earnings per share calculation as they were either antidilutive or contingently issuable Ordinary Shares which had not satisfied the performance conditions attaching at the end of the 2018 financial year.

##### DENOMINATOR FOR EARNINGS PER SHARE CALCULATION

A reconciliation of the weighted average number of Ordinary Shares used for the purpose of calculating the diluted earnings per share amounts is as follows:

|  | 2018<br>'000   | 2017<br>'000   |
|--|----------------|----------------|
| Weighted average number of Ordinary Shares in issue during the year              | 703,312        | 652,481        |
| Dilutive effect of share options   | 747            | 2,257          |
| <b>Weighted average number of Ordinary Shares for diluted earnings per share</b> | <b>704,059</b> | <b>654,738</b> |

The dilutive effect of share options has had no impact on the diluted and adjusted earnings per Ordinary Share in the current or the prior period.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 6. Dividends Paid and Proposed

|  | 2018<br>£m  | 2017<br>£m  |
|--|-------------|-------------|
| <b>Amounts recognised as distributions to equity holders in the year:</b>              |             |             |
| <i>Equity dividends on Ordinary Shares:</i>  |             |             |
| Final dividend of 3.37 pence for the year ended 29 September 2017 (2016: 3.37 pence)   | 23.8        | 17.0        |
| Interim dividend of 2.20 pence for the year ended 28 September 2018 (2017: 2.10 pence) | 15.6        | 14.8        |
| <b>Total</b>   | <b>39.4</b> | <b>31.8</b> |
| <b>Proposed for approval at AGM:</b>   |             |             |
| <i>Equity dividends on Ordinary Shares:</i>  |             |             |
| Final dividend of 3.37 pence for the year ended 28 September 2018 (2017: 3.37 pence)   | 23.8        | 23.8        |

The proposed final dividend for the year ended 28 September 2018 will be payable on 5 February 2019 to shareholders on the Register of Members at 11 January 2019.

#### 7. Components of Net Debt and Financing

The cash flows from financing activities are set out in the Group Cash Flow Statement.

| <b>Net Debt</b>                                   | <b>2018<br/>£m</b> | <b>2017<br/>£m</b> |
|---|--------------------|--------------------|
| Cash and cash equivalents (net of bank overdraft) | 37.0               | 19.8               |
| Bank borrowings                                   | (350.5)            | (353.7)            |
| Non-bank borrowings                               | (62.3)             | (61.6)             |
| Private placement notes                           | (124.8)            | (121.9)            |
| Finance leases                                    | (0.5)              | (1.8)              |
| <b>Group Net Debt</b>                             | <b>(501.1)</b>     | <b>(519.2)</b>     |

| <b>Net Finance Costs – continuing operations</b>  | <b>2018<br/>£m</b> | <b>2017<br/>£m</b> |
|---|--------------------|--------------------|
| Net finance costs on interest bearing cash and cash equivalents, borrowings and other financing costs | (26.1)             | (23.5)             |
| Pension financing   | (3.4)              | (3.9)              |
| Interest on obligations under finance leases  | (0.1)              | (0.2)              |
| Fair value of derivative financial instruments and related debt adjustments                           | (3.4)              | 0.2                |
| FX on inter-company and external balances where hedge accounting is not applied                       | 0.1                | (3.0)              |
|   | <b>(32.9)</b>      | <b>(30.4)</b>      |
| <b>Analysed as:</b>   |                    |                    |
| Finance income  | 0.2                | -                  |
| Finance costs   | (33.1)             | (30.4)             |
|   | <b>(32.9)</b>      | <b>(30.4)</b>      |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018

### NOTES TO THE RESULTS STATEMENT

#### 7. Components of Net Debt and Financing (continued)

The disposal of Greencore's US business triggered mandatory prepayment offers under certain of the Group debt arrangements however the Group's lenders have waived these prepayment obligations. In October 2018, the Group announced its intention to return £509m to shareholders and utilise the remainder of the net sales proceeds to reduce leverage. In addition, the Group plans to enter into discussions with its lenders to refinance its existing debt agreements in the first half of FY 2019, taking into account the return of capital to shareholders.

#### 8. Retirement Benefit Schemes

The Group operates defined contribution pension schemes in all of its main operating locations. The Group also has legacy defined benefit pension schemes, which were closed to future accrual on 31 December 2009. In consultation with the independent actuaries to the schemes, the valuations of the pension obligations have been updated to reflect current market discount rates, rates of increase in salaries, pension payments and inflation, current market values of investments and actual investment returns.

The principal actuarial assumptions are as follows:

|                                       | 2018  |         | 2017  |         |
|---------------------------------------|-------|---------|-------|---------|
|                                       | UK    | Ireland | UK    | Ireland |
| Rate of increase in pension payments* | 3.10% | 0%      | 3.05% | 0%      |
| Discount rate                         | 2.90% | 1.60%   | 2.75% | 1.65%   |
| Inflation rate                        | 3.20% | 1.60%   | 3.10% | 1.45%   |

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

The financial position of the schemes was as follows:

|   | UK<br>Schemes<br>£m | Irish<br>Schemes<br>£m | 2018<br>Total<br>£m | 2017<br>Total<br>£m |
|---|---------------------|------------------------|---------------------|---------------------|
| Total market value of scheme assets             | 217.9               | 255.5                  | 473.4               | 478.6               |
| Present value of scheme liabilities             | (318.1)             | (244.6)                | (562.7)             | (603.4)             |
| (Deficit)/surplus in schemes                    | (100.2)             | 10.9                   | (89.3)              | (124.8)             |
| Deferred tax asset                              | 17.0                | (1.3)                  | 15.7                | 21.7                |
| <b>Net (liability)/asset at end of the year</b> | <b>(83.2)</b>       | <b>9.6</b>             | <b>(73.6)</b>       | <b>(103.1)</b>      |
| <b>Presented as:</b>                            |                     |                        |                     |                     |
| Retirement benefit asset**                      |                     |                        | 15.3                | 17.3                |
| Retirement benefit obligation                   |                     |                        | (104.6)             | (142.1)             |
| <b>Deficit in schemes</b>                       |                     |                        | <b>(89.3)</b>       | <b>(124.8)</b>      |

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

#### 9. Information

The annual report and accounts will be published on the Group's website on 4 December 2018.

By order of the Board, Conor O'Leary, Company Secretary on 3 December 2018 Greencore Group plc, 2 Northwood Avenue, Santry, Dublin 9, Ireland.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018



### Appendix

#### Alternative Performance Measures

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole: Pro Forma Revenue Growth, Adjusted EBITDA, Adjusted Operating Profit, Adjusted Operating Margin, Adjusted Profit before Tax ('PBT'), Adjusted Earnings, Adjusted Earnings per Share, Maintenance and Strategic Capital Expenditure, Operating Cash Flow, Free Cash Flow and Net Debt.

The Group believes that these APMs provide useful historical information to help investors evaluate the performance of the underlying business and are measures commonly used by certain investors and security analysts for evaluating the performance of the Group. In addition, the Group uses certain APMs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group.

#### i. Pro Forma Revenue Growth

The Group uses Pro Forma Revenue Growth as a supplemental measure of its performance. The Group believes that Pro Forma Revenue Growth provides a more accurate guide to underlying revenue performance. Pro Forma Revenue Growth for continuing operations in FY18 adjusts reported revenue to exclude the impact of the Heathrow Acquisition in both years and excludes the cakes and desserts category, representing Hull and Evercreech which have been disposed of in the year. The discontinued Pro Forma Revenue Growth has been adjusted to reflect the ownership of Peacock Foods for the full period in FY17 and has excluded the Rhode Island site which ceased trading in the current year. These figures are reported on a constant currency basis.

|                                     | 2018                              |                            |
|-------------------------------------|-----------------------------------|----------------------------|
|                                     | Convenience Foods<br>UK & Ireland | Discontinued<br>operations |
| <b>Pro Forma Revenue Growth (%)</b> | <b>8.7%</b>                       | <b>6.6%</b>                |

|                                     | 2018                              |                            |
|-------------------------------------|-----------------------------------|----------------------------|
|                                     | Convenience Foods<br>UK & Ireland | Discontinued<br>operations |
| Reported revenue                    | 4.2%                              | 20.5%                      |
| Impact of acquisitions              | (0.2%)                            | (24.1%)                    |
| Impact of disposals                 | 4.8%                              | 0.3%                       |
| Impact of currency                  | (0.1%)                            | 9.9%                       |
| <b>Pro Forma Revenue Growth (%)</b> | <b>8.7%</b>                       | <b>6.6%</b>                |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018



### ii. Adjusted EBITDA, Adjusted Operating Profit and Adjusted Operating Margin

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

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

|   | 2018             |                         |              | 2017             |                         |              |
|---|------------------|-------------------------|--------------|------------------|-------------------------|--------------|
|   | Convenience      | Discontinued operations | Total        | Convenience      | Discontinued operations | Total        |
|   | Foods UK&Ireland |                         |              | Foods UK&Ireland |                         |              |
|   | £m               | £m                      | £m           | £m               | £m                      | £m           |
| Profit for the financial year                   | 12.6             | 23.9                    | 36.5         | 17.3             | (3.4)                   | 13.9         |
| Taxation <sup>(a)</sup>                         | 5.2              | (22.4)                  | (17.2)       | (1.5)            | -                       | (1.5)        |
| Net finance costs <sup>(b)</sup>                | 32.9             | 1.0                     | 33.9         | 30.4             | 0.6                     | 31.0         |
| Share of profit of associates after tax         | (0.9)            | -                       | (0.9)        | (0.7)            | -                       | (0.7)        |
| Exceptional items                               | 52.2             | 27.9                    | 80.1         | 53.2             | 25.0                    | 78.2         |
| Amortisation of acquisition related intangibles | 2.6              | 17.6                    | 20.2         | 4.2              | 15.0                    | 19.2         |
| <b>Adjusted Operating Profit</b>                | <b>104.6</b>     | <b>48.0</b>             | <b>152.6</b> | <b>102.9</b>     | <b>37.2</b>             | <b>140.1</b> |
| Depreciation and amortisation <sup>(c)</sup>    | 35.4             | 17.0                    | 52.4         | 34.8             | 14.8                    | 49.6         |
| <b>Adjusted EBITDA</b>                          | <b>140.0</b>     | <b>65.0</b>             | <b>205.0</b> | <b>137.7</b>     | <b>52.0</b>             | <b>189.7</b> |
| <b>Adjusted Operating Margin (%)</b>            | <b>7.0%</b>      | <b>4.5%</b>             | <b>6.0%</b>  | <b>7.2%</b>      | <b>4.2%</b>             | <b>6.0%</b>  |

(a) Includes tax credit on exceptional items for continuing operations of £7.8m (2017: £8.9m) and for discontinued operations £20.6m (2017: £nil)

(b) Finance costs less finance income

(c) Excludes amortisation of acquisition related intangibles

### iii. Adjusted Profit Before Tax ('PBT') For Continuing Operations

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

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

The following table sets out the calculation of Adjusted PBT:

|   | 2018        | 2017        |
|---|-------------|-------------|
|   | £m          | £m          |
| <b>Profit before taxation for continuing operations</b> | <b>17.8</b> | <b>15.8</b> |
| Taxation on share of profit of associates               | 0.3         | 0.2         |
| Exceptional items                                       | 52.2        | 53.2        |
| Pension finance items                                   | 3.4         | 3.9         |
| Amortisation of acquisition related intangibles         | 2.6         | 4.2         |
| FX and fair value movements <sup>(a)</sup>              | 3.3         | 2.8         |
| <b>Adjusted Profit before tax</b>                       | <b>79.6</b> | <b>80.1</b> |

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

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018



### iv. Adjusted Earnings and Adjusted Earnings Per Share ('EPS')

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

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

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

|   | 2018           | 2017        |
|---|----------------|-------------|
|   | £m             | £m          |
| <b>Profit attributable to equity holders of Greencore</b>                               | <b>33.8</b>    | 12.2        |
| Exceptional items (net of tax)  | 51.7           | 69.3        |
| FX effect on inter-company and external balances where hedge accounting is not applied  | (0.1)          | 3.0         |
| Movement in fair value of derivative financial instruments and related debt adjustments | 3.4            | (0.2)       |
| Amortisation of acquisition related intangibles (net of tax)                            | 14.4           | 13.1        |
| Pension financing (net of tax)  | 2.7            | 3.1         |
| <b>Adjusted Earnings</b>  | <b>105.9</b>   | 100.5       |
|   | <b>2018</b>    | 2017        |
|   | <b>'000</b>    | <b>'000</b> |
| <b>Weighted average number of Ordinary Shares in issue during the year</b>              | <b>703,312</b> | 652,481     |
|   | <b>Pence</b>   | Pence       |
| <b>Adjusted Basic Earnings Per Share</b>  | <b>15.1</b>    | 15.4        |

### v. Capital Expenditure

#### Maintenance Capital Expenditure

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

#### Strategic Capital Expenditure

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

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



# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018



### v. Capital Expenditure (continued)

|  | 2018        |                            |             | 2017        |                            |              |
|--|-------------|----------------------------|-------------|-------------|----------------------------|--------------|
|  | Convenience | Discontinued<br>Operations | Total       | Convenience | Discontinued<br>Operations | Total        |
|  | Foods       |                            |             | Foods       |                            |              |
|  | UK&Ireland  | £m                         | £m          | UK&Ireland  | £m                         | £m           |
| Purchase of property, plant and equipment        | 48.8        | 11.7                       | 60.5        | 80.3        | 25.1                       | 105.4        |
| Purchase of intangible assets                    | 2.8         | 0.2                        | 3.0         | 17.2        | 0.7                        | 17.9         |
| <b>Net cash outflow from capital expenditure</b> | <b>51.6</b> | <b>11.9</b>                | <b>63.5</b> | <b>97.5</b> | <b>25.8</b>                | <b>123.3</b> |
| Strategic Capital Expenditure                    | 24.6        | 2.2                        | 26.8        | 62.4        | 21.2                       | 83.6         |
| Maintenance Capital Expenditure                  | 27.0        | 9.7                        | 36.7        | 35.1        | 4.6                        | 39.7         |
| <b>Net cash outflow from capital expenditure</b> | <b>51.6</b> | <b>11.9</b>                | <b>63.5</b> | <b>97.5</b> | <b>25.8</b>                | <b>123.3</b> |

### vi. Operating Cash Flow and Free Cash Flow

The Group uses Operating Cash Flow to measure the amount of cash generated by the operating activities of each business unit and of the Group as a whole.

The Group calculates Operating Cash Flow as the net cash inflow/(outflow) from operating and investing activities before Strategic Capital Expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, acquisition of undertakings, net of cash acquired and disposal of undertakings.

Free Cash Flow is a new APM. The Group use the Free Cash Flow to measure the amount of cash available for distribution and allocation.

The Group calculates the Free Cash Flow as the net cash inflow/outflow before the following items: Strategic Capital expenditure, acquisition of undertakings, net of cash, disposal of undertakings, issue and purchase of shares, dividends paid to equity holders, translation and other cash movements.

The following table sets forth the reconciliation from the Groups net cash inflow from operating activities and net cash outflow from investing activities to Operating Cash Flow and Free Cash Flow:

|   | 2018         | 2017           |
|---|--------------|----------------|
|   | £m           | £m             |
| Net cash inflow from operating activities                       | 129.8        | 118.2          |
| Net cash outflow from investing activities                      | (62.7)       | (726.1)        |
| <b>Net cash outflow from operating and investing activities</b> | <b>67.1</b>  | <b>(607.9)</b> |
| Strategic Capital Expenditure                                   | 26.8         | 83.6           |
| Contributions to legacy defined pension schemes                 | 15.1         | 11.1           |
| Tax paid  | 0.9          | 0.5            |
| Interest paid   | 26.7         | 27.2           |
| Acquisition of undertakings, net of cash acquired               | -            | 606.2          |
| Disposal of undertakings  | -            | (2.9)          |
| <b>Operating Cash Flow</b>                                      | <b>136.6</b> | <b>117.8</b>   |
| Contributions to legacy defined pension schemes                 | (15.1)       | (11.1)         |
| Tax paid  | (0.9)        | (0.5)          |
| Interest paid   | (26.7)       | (27.2)         |
| Dividends paid to non-controlling interests                     | (1.5)        | (1.0)          |
| <b>Free Cash Flow</b>   | <b>92.4</b>  | <b>78.0</b>    |

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018



### vii. Net Debt

Net Debt is used by the Group to measure overall cash generation of the Group and to identify cash available to reduce borrowings.

Net Debt comprises current and non-current borrowings less net cash and cash equivalents. The following table sets out the calculation of Net Debt:

|                         | 2018<br>£m     | 2017<br>£m     |
|-------------------------|----------------|----------------|
| <b>Non-current</b>      |                |                |
| Bank borrowings         | (350.5)        | (353.7)        |
| Private Placement Notes | (124.8)        | (121.9)        |
| Non-bank borrowings     | (62.3)         | (61.6)         |
| Finance leases          | (0.5)          | (1.8)          |
| <b>Total borrowings</b> | <b>(538.1)</b> | <b>(539.0)</b> |
| Cash & cash equivalents | 37.0           | 19.8           |
| <b>Net Debt</b>         | <b>(501.1)</b> | <b>(519.2)</b> |

### viii. Return on Invested Capital ('ROIC')

The Group uses ROIC as a key measure to determine returns from each business unit and the Group as a whole, and as a key measure to determine potential new investments.

The Group uses invested capital as a basis for this calculation as it reflects tangible and intangible assets the Group has added through its capital investment programme, the intangible assets the Group has added through acquisition, as well as the working capital requirements of the business.

The Group calculates ROIC as net Adjusted Operating Profit after tax ('NOPAT') divided by average invested capital. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement. Invested Capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the balance sheet value of derivatives not designated as fair value hedges, it also excludes retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding together the invested capital from the opening and closing balance sheet and dividing by two.

The following table sets forth the calculation of net operating profit after tax ('NOPAT') and invested capital used in the calculation of ROIC for the financial years indicated in respect of the Group.

|  | 2018<br>£m     | 2017<br>£m     |
|--|----------------|----------------|
| <b>Adjusted Operating Profit for the Group</b>                               | <b>152.6</b>   | <b>140.1</b>   |
| Share of associates before tax   | 1.1            | 0.9            |
| Taxation at the effective tax rate <sup>(a)</sup>                            | (16.9)         | (11.3)         |
| <b>Group NOPAT</b>   | <b>136.8</b>   | <b>129.7</b>   |
|  | 2018<br>£m     | 2017<br>£m     |
| <b>Invested capital</b>  |                |                |
| Total assets   | 2,015.5        | 2,038.4        |
| Total liabilities  | (1,271.9)      | (1,327.6)      |
| Net Debt   | 501.1          | 519.2          |
| Derivatives not designated as fair value hedges                              | 12.7           | 14.0           |
| Retirement benefit obligation (net of deferred tax asset)                    | 73.6           | 103.1          |
| <b>Invested capital for the Group</b>  | <b>1,331.0</b> | <b>1,347.1</b> |
| <b>Average invested capital for ROIC calculation for Group<sup>(b)</sup></b> | <b>1,339.1</b> | <b>1,060.9</b> |
| <b>ROIC (%) for the Group</b>  | <b>10.2</b>    | <b>12.2</b>    |

(a) The effective tax rates for the Group for the financial period ended 28 September 2018 and 29 September 2017, were 11% and 8%, respectively. This is a blended rate for continuing and discontinued operations.

(b) The invested capital for the Group in 2016 was £774.6m.

# FULL YEAR RESULTS STATEMENT

## For the year ended 28 September 2018



### viii. Return on Invested Capital ('ROIC') (continued)

The following table sets forth the calculation of net operating profit after tax ('NOPAT') and invested capital used in the calculation of ROIC for the financial years indicated in respect of the continuing operations.

|  | 2018           | 2017    |
|--|----------------|---------|
|  | £m             | £m      |
| <b>Adjusted Operating Profit for continuing operations</b>                                   | <b>104.6</b>   | 102.9   |
| Share of associates before tax   | 1.1            | 0.9     |
| Taxation at the effective tax rate <sup>(c)</sup>  | <b>(13.7)</b>  | (8.3)   |
| <b>NOPAT for continuing operations</b>   | <b>92.0</b>    | 95.5    |
|  | <b>2018</b>    | 2017    |
|  | £m             | £m      |
| <b>Invested capital</b>  |                |         |
| Invested capital for the Group   | <b>1,331.0</b> | 1,347.1 |
| Net assets of disposal group held for sale   | <b>(741.7)</b> | (755.7) |
| <b>Invested capital for continuing operations</b>  | <b>589.3</b>   | 591.4   |
| <b>Average invested capital for ROIC calculation for continuing operations<sup>(d)</sup></b> | <b>590.4</b>   | 596.7   |
| <b>ROIC (%) for continuing operations</b>  | <b>15.6</b>    | 16.0    |

(c) The effective tax rates for continuing operations for the financial period ended 28 September 2018 and 29 September 2017, were 13% and 8%, respectively.

(d) The invested capital for continuing operations was £601.9m in 2016 which excludes £172.7m of invested capital in respect of discontinued operations.