

Alternative Performance Measures (APM) adjusted for 2019

Bakkavor Group plc

REPORTING FOR 2019

During 2019 the Group incurred start-up losses for its new sites in the US and China amounting to £15.5m. As these sites had only recently moved into production the losses incurred were added back in determining the Group's APM's for profitability of Adjusted EBITDA, Adjusted Operating Profit and Adjusted Earnings and Return on Invested Capital. The cash impact from the start-up losses was also added back in calculating the cash APM of Free Cash.

At the start of 2019 the Group transitioned to IFRS 16 and whilst the financial statements for that year included the impact of this standard the comparatives for 2018 were not restated and therefore the Group's APM's for profitability and cash for 2019 excluded the impact of this new standard to ensure year on year comparability.

RESTATEMENT FOR 2019

At the start of 2020 the Group's new sites in the US and China had been in production for more than twelve months and therefore for reporting in 2020 the Group will not add back any losses incurred by these new sites in determining the Group's APM's for profitability and cash.

In addition at the start of 2020 the Group had adopted IFRS 16 for more than one year and for 2020 reporting the Group will not exclude the impact of this standard in determining the Group's APM's for profitability and cash.

As 2020 reporting of Group APM's will reflect the treatment set out above the 2019 APM's need to be restated to ensure year on year comparability.

The reconciliations of all the Group's APM's for profitability and cash for 2019 are set out on the following pages and reconcile from the numbers reported in 2019 and the restated amounts for that year.

BAKKAHOR GROUP PLC ALTERNATIVE PERFORMANCE MEASURES (APM) RESTATEMENT FOR 2019

£ million	H1			H2			FY		
	UK	International	Group	UK	International	Group	UK	International	Group
Revenue	813.5	109.5	923.0	839.0	123.9	962.9	1,652.5	233.4	1,885.9
Adjusted EBITDA previously reported	70.6	2.9	73.5	76.5	3.5	80.0	147.1	6.4	153.5
<i>Margin</i>	<i>8.7%</i>	<i>2.6%</i>	<i>8.0%</i>	<i>9.1%</i>	<i>2.8%</i>	<i>8.3%</i>	<i>8.9%</i>	<i>2.7%</i>	<i>8.1%</i>
Less: start up losses	-	(8.3)	(8.3)	-	(7.2)	(7.2)	-	(15.5)	(15.5)
Add: IFRS 16 operating lease rentals	5.1	1.3	6.4	5.1	1.4	6.5	10.2	2.7	12.9
Adjusted EBITDA restated	75.7	(4.1)	71.6	81.6	(2.3)	79.3	157.3	(6.4)	150.9
Depreciation	(19.1)	(3.5)	(22.6)	(20.0)	(4.8)	(24.8)	(39.1)	(8.3)	(47.4)
Depreciation IFRS 16 leases	(4.8)	(1.4)	(6.2)	(4.9)	(1.2)	(6.1)	(9.7)	(2.6)	(12.3)
Amortisation	-	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)	(0.1)	(0.4)	(0.5)
Profit on disposal of property, plant and equipment	0.7	(0.1)	0.6	(0.1)	(0.1)	(0.2)	0.6	(0.2)	0.4
Share scheme charges	(1.2)	-	(1.2)	(0.7)	-	(0.7)	(1.9)	-	(1.9)
Share of results of associates after tax	-	0.4	0.4	-	0.1	0.1	-	0.5	0.5
Adjusted Operating Profit	51.3	(8.9)	42.4	55.8	(8.5)	47.3	107.1	(17.4)	89.7
<i>Margin</i>	<i>6.3%</i>	<i>(8.1%)</i>	<i>4.6%</i>	<i>6.7%</i>	<i>(6.9%)</i>	<i>4.9%</i>	<i>6.5%</i>	<i>(7.5%)</i>	<i>4.8%</i>
Finance costs			(9.1)			(9.6)			(18.7)
Other gains and losses			0.2			0.2			0.4
Tax			(5.0)			(7.0)			(12.0)
Adjusted earnings restated			28.5			30.9			59.4
Adjusted basic EPS restated (p)			4.9			5.4			10.3
Adjusted basic EPS previously reported (p)			5.9			6.8			12.7

BAKKAVOR GROUP PLC ALTERNATIVE PERFORMANCE MEASURES (APM) RESTATEMENT FOR 2019

£ million	FY		
	Previously reported	Adjustments	Restated
Adjusted EPS			
Profit attributable to equity Shareholders of the Company	36.9	-	36.9
Exceptional items	20.3	-	20.3
Start-up losses for new sites	15.5	(15.5)	-
Impact of IFRS 16	2.2	(2.2)	-
Change in fair value of derivative financial instruments	7.3	-	7.3
Tax on the above items	(8.7)	3.6	(5.1)
Adjusted earnings used for the adjusted EPS calculation	73.5	(14.1)	59.4
Add back: Tax on underlying activities	15.6	(3.6)	12.0
Adjusted profit before tax	89.1	(17.7)	71.4
Effective tax rate on underlying activities (Tax on underlying activities/Adjusted profit before tax)	17.5%		16.8%
Weighted average number of shares '000	579,426	-	579,426
Adjusted basic earnings per share (p)	12.7	(2.4)	10.3

£ million	FY		
	Previously reported	Adjustments	Restated
ROIC			
Operating profit	69.4	-	69.4
Exceptional items	20.3	-	20.3
Start-up losses for new sites	15.5	(15.5)	-
Adjusted operating profit	105.2	(15.5)	89.7
Taxation at the underlying effective rate	(18.4)	3.3	(15.1)
<i>Effective rate</i>	17.5%		16.8%
Adjusted operating profit after tax	86.8	(12.2)	74.6
Invested capital			
Total assets	1,479.1	-	1,479.1
Total liabilities	(905.5)	-	(905.5)
Less property, plant and equipment recognised under IFRS 16	(73.4)	73.4	-
Net debt at period end	432.4	-	432.4
Derivatives not designated as hedges	3.5	-	3.5
Retirement benefit scheme (surplus)/deficit	(9.7)	-	(9.7)
Deferred tax liability/(asset) on retirement benefit scheme	1.6	-	1.6
Invested capital	928.0	73.4	1,001.4
Average invested capital for ROIC calculation	901.1		937.9
ROIC (%)	9.6%		8.0%

£ million	FY		
	Previously reported	Adjustments	Restated
Free cash flow			
Net cash generated from operating activities	114.0	-	114.0
Dividends received from associates	0.2	-	0.2
Purchases of property, plant and equipment	(98.9)	-	(98.9)
Purchases of property, plant and equipment relating to development projects	17.5	-	17.5
Proceeds on disposal of property, plant and equipment	1.1	-	1.1
Cash impact of exceptional items	13.0	-	13.0
Cash impact of start-up losses for new sites	15.5	(15.5)	-
IFRS 16 capital element of lease liability payments	(11.3)	11.3	-
Free cash flow	51.1	(4.2)	46.9

BAKKAVOR GROUP PLC ALTERNATIVE PERFORMANCE MEASURES (APM) RESTATEMENT FOR 2019

£ million	HY		
	Previously reported	Adjustments	Restated
Adjusted EPS			
Profit attributable to equity Shareholders of the Company	17.2	-	17.2
Exceptional items	13.1	-	13.1
Start-up losses for new sites	8.3	(8.3)	-
Impact of IFRS 16	-	-	-
Change in fair value of derivative financial instruments	-	0.8	0.8
Tax on the above items	(4.2)	1.6	(2.6)
Adjusted earnings used for the adjusted EPS calculation	34.4	(5.9)	28.5
Add back: Tax on underlying activities	6.5	1.6	8.1
Adjusted profit before tax	40.9	(4.3)	36.6
Effective tax rate on underlying activities (Tax on underlying activities/Adjusted profit before tax)	15.9%		22.1%
Weighted average number of shares '000	579,426	-	579,426
Adjusted basic earnings per share (p)	5.9	(1.0)	4.9

£ million	HY		
	Previously reported	Adjustments	Restated
Free cash flow			
Net cash generated from operating activities	42.5	-	42.5
Dividends received from associates	-	-	-
Purchases of property, plant and equipment	(44.4)	-	(44.4)
Purchases of property, plant and equipment relating to development projects	9.7	-	9.7
Proceeds on disposal of property, plant and equipment	1.2	-	1.2
Cash impact of exceptional items	6.0	-	6.0
Cash impact of start-up losses for new sites	8.3	(8.3)	-
IFRS 16 capital element of lease liability payments	(5.7)	5.7	-
Free cash flow	17.6	(2.6)	15.0