7 September 2023

Hilton Food Group plc

Interim results for the 28 weeks to 16 July 2023

Robust financial performance in line with expectations; strong operational progress

Business highlights – strong operational progress across categories and geographies

- Strong performance in APAC region delivered through partnership with Woolworths
- Core meat category continued to perform well; new business wins in poultry and food service
- Seafood recovery on track following management actions
- Decisive action responding to market changes in vegan and vegetarian category
- Launch of Swedish food park in Q3 2023
- Hilton's scale, innovation and technology capabilities underlined via rollout of new free flow mince packaging with core customer, saving 690 tonnes of plastic
- Continued progress towards meeting ESG commitments, submitted ambitious science-based targets in line with 1.5°C

Financial highlights – robust financial performance, trading in line with Board expectations

- Revenue up 5.2% to £2.1bn (2022: £2.0bn) driven primarily by raw material price inflation
- Volumes 0.2% higher at 272,321 tonnes (2022: 271,708 tonnes)

Adjusted results
- Adjusted operating profit up 1.4% to £41.8m (2022: £41.2m)
- Adjusted profit before tax 22.2% lower to £26.8m (2022: £34.4m) impacted by higher interest costs
- Adjusted basic earnings per share down 22.9% to 21.6p (2022: 28.0p)

IFRS results
- Operating profit down 0.6% to £30.6m (2022: £30.8m)
- Profit before tax 42.3% lower to £11.3m (2022: £19.6m)
- Basic earnings per share down 49.7% to 7.6p (2022: 15.1p)

- Net bank debt £216.5m (£211.6m at 2022 year end) (2022: £221.0m)
- Interim dividend of 9.0p (2022: 7.1p)

Outlook
Hilton Foods is well positioned to continue to trade in line with Board expectations for the rest of the year. Growth prospects are underpinned by recent acquisitions and the continued recovery in seafood, combined with opportunities to develop cross-category business and utilise wider supply chain management expertise. Hilton Foods continues to explore growth opportunities and wider geographic expansion with existing and new customers. With a strong financial position with leverage and headroom at comfortable levels, the outlook for continued progress remains positive.

Steve Murrells, Hilton Foods Chief Executive Officer, said:
"I am pleased, in my first set of results as Hilton Food's CEO, to show delivery of a robust performance against a challenging economic backdrop. Our core meat business has continued to perform strongly and we are pleased with the continued recovery in seafood. At the same time, we continue to make progress in our ESG strategy, including delivering packaging innovation to reduce plastic usage and setting more ambitious science-based targets.

"I joined Hilton because it is an exciting business with great people, real expertise in producing high-quality food products that consumers want and is a trusted partner to retailers around the world. As I look ahead, I am confident in the opportunities we have to grow, building on our existing partnerships and forging new ones, based on our unique multi-category protein offer."

A presentation for analysts and investors will be held this morning at 08.30, which will also be webcast. For details please contact hiltonfood@headlandconsultancy.com

Financial performance – overview:

	2023 28 weeks to 16 July 2023	2022 28 weeks to 17 July 2022	Change Reported	 Constant currency
Volume [1] (tonnes)	**272,321**	**271,708**	**0.2%**	**0.2%**
Revenue	**£2,123.1m**	**£2,018.6m**	**5.2%**	**5.2%**
Adjusted results [2]				
Adjusted operating profit	**£41.8m**	**£41.2m**	**1.4%**	**0.6%**
Adjusted profit before tax	**£26.8m**	**£34.4m**	**-22.2%**	**-23.1%**
Adjusted basic earnings per share	**21.6p**	**28.0p**	**-22.9%**	**-24.3%**
Adjusted EBITDA	**£67.5m**	**£66.6m**	**1.3%**	**0.9%**
IFRS results				
Operating profit	**£30.6m**	**£30.8m**	**-0.6%**	
Profit before tax	**£11.3m**	**£19.6m**	**-42.3%**	
Basic earnings per share	**7.6p**	**15.1p**	**-49.7%**	
Other measures				
EBITDA	**£72.3m**	**£71.9m**	**0.6%**	
Net bank debt [3]	**£216.5m**	**£221.0m**		
Interim dividend	**9.0p**	**7.1p**	**26.8%**	

Notes
1 Volume includes 50% share Portuguese joint venture activities
2 Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation and exceptional items and also IFRS 16 lease adjustments as detailed in the Alternative performance measures note 16. Unless otherwise stated financial metrics in the Financial and strategic highlights, Review of operations and Financial review refer to the adjusted results
3 Net bank debt represents borrowings less cash and cash equivalents excluding lease liabilities

Enquiries:

Hilton Food Group Tel: +44 (0) 1480 387214
Steve Murrells, Chief Executive Officer
Matt Osborne, Chief Financial Officer

Headland Consultancy Limited Tel: +44 (0) 20 3805 4822
Susanna Voyle Email: hiltonfood@headlandconsultancy.com
Will Smith
Joanna Clark

This announcement contains inside information.

About Hilton

Hilton Foods builds and operates large scale, highly automated facilities for food processing, manufacturing and logistics for leading international retail and food service customers. We are a business of over 7,000 employees, operating from 24 technologically advanced food processing, packing and logistics facilities across 19 markets in Europe, Asia Pacific and North America. For almost thirty years, our business has been built on dedicated partnerships with our customers and suppliers, many forged over several decades, and together we target long-term, sustainable growth and shared value. We supply our customers with high quality, traceable, and assured food products, with high standards of technical excellence and expertise.

Cautionary statement

This interim management report contains forward-looking statements. Such statements are based on current expectations and assumptions and are subject to risk factors and uncertainties which we believe are reasonable. Accordingly, Hilton's actual future results may differ materially from the results expressed or implied in these forward-looking statements. We do not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Alternative performance measures (APMs)

Hilton uses Alternative Performance Measures (APMs) to monitor the underlying performance of the Group. Management considers that APMs better reflect business performance and provide useful information in line with how management monitor and manage the business day-to-day.

Review of operations

The Group is presenting its interim results for the 28 weeks 16 July 2023, together with comparative information for the 28 weeks to 17 July 2022. These interim results are prepared in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Performance overview

A robust business performance in the period saw revenue grow by 5.2% with volumes 0.2% higher. Revenues reflect higher volumes, continued raw material price inflation and also a full period of trading at Foppen following its acquisition in March 2022. The operating margin was steady at 2.0% (2022: 2.0%) although the operating margin per kg increased slightly to 15.3p per kg (2022: 15.2p per kg).

Hilton's results, reported in Sterling, are sensitive to changes in the value of Sterling compared to the range of overseas currencies in which the Group trades. Over the 28 weeks to 16 July 2023 there was no significant impact of average exchange rates on our results compared with 2022.

UK and Ireland

Adjusted operating profit of £12.8m (2022: £11.8m) on revenue of £701.1m (2022: £695.1m restated)

This operating segment covers the Hilton Foods businesses and joint ventures in the UK and Ireland including meat processing facilities in Huntingdon, fish facilities in Grimsby as well as the Fairfax Meadow food service business acquired in 2021.

Volumes were 4.4% lower although revenue increased by 0.5% on a constant currency basis. Operating margins increased slightly to 1.8% (2022: 1.7%) reflecting strong core performance as well as the financial recovery in our Seafood business which is on track.

Our UK based food service company, Fairfax Meadow continues to grow revenues and win new business. The strategically well-placed customer base offers opportunity to expand the range of Hilton Foods products offered to food service.

Europe

Adjusted operating profit of £20.4m (2022: £19.9m) on revenue of £553.8m (2022: £495.8m)

This operating segment covers the Group's meat, fish and vegetarian businesses and joint ventures in Holland, Belgium, Sweden, Denmark, Central Europe, Greece and Portugal.

Volumes were 1.7% lower although revenue increased by 9.3% on a constant currency basis due to raw material price inflation. Operating margins were 3.7% (2022: 4.0%). The results reflect strong performance in our Central Europe and Scandinavia based businesses and a full period's trading performance for Foppen, the smoked salmon business acquired in March 2022.

Operations at our Dalco vegan and vegetarian business in the Netherlands has been impacted by increased raw material costs and changes in consumer purchasing patterns, one key driver of which has been the flight to value during the cost of living crisis. We are proactively restructuring the business which will lead to the closure of our Oss facility to optimise the business at a single site centre of excellence. Our strong product offering, extensive market experience and focus on operational efficiency puts us in a strong position to continue to take advantage of market opportunities in this sector.

In June 2021 the Group's facility in Belgium suffered an extensive fire and we continue to work closely with insurers to progress the related claims.

APAC

Adjusted operating profit of £16.5m (2022: £13.0m) on revenue of £868.2m (2022: £827.7m)

In Australia, the Group operates plants in Bunbury, Western Australia, Melbourne, Victoria and Brisbane, Queensland. We also have a facility in Auckland, New Zealand.

Volumes during the period increased strongly by 6.8%. Revenues were 6.8% higher on a constant currency basis. Operating margins increased to 1.9% (2022: 1.6%) partly attributable to the recovery of higher interest costs under our cost plus contract. We continue to see strong performance in the APAC region delivered through our partnership with Woolworths.

Strategic progress

Following a challenging 2022, our UK seafood business recovery is progressing well with strong cost recovery plans delivering improvements to financial performance. Investment in automation has enhanced our efficiency and unlocked capacity to support future growth. There is also a new management team in place, who are successfully delivering on our recovery plan.

In Q3 2023 we will be launching our new Swedish food park through our retail partnership with ICA. The new facility will use the latest technology and automation to produce a range of new private label products including porridge and soup. It provides opportunity to broaden our customer product portfolio and unlock further growth in the territory.

We continue to develop and apply automation, robotics and technology services with our supply chain service offering providing a competitive advantage facing into sector challenges. In Denmark we have extended our crate wash services to other categories, cementing our position as a supply chain partner. We are also extending our services offering into the food service sector with a returnable crate model trial in the UK.

Delivery of our ESG commitments continues to progress. We have submitted more ambitious science-based targets which, once validated, will be in line with a 1.5°C trajectory. In partnership with retail partners in the UK, Netherlands and Sweden we have launched mince flow wrap, which achieves a 70% reduction in plastic packaging. So far we have saved 690 tonnes of plastic.

Investments in our facilities

Hilton continues to invest in all its facilities maintaining state of the art levels required to service our customers' growth, extend the range of products supplied to those customers and deliver both first class service levels and further increases in production efficiency. This investment ensures we can achieve low unit costs and competitive selling prices at increasingly higher levels of production throughput. Capital expenditure during the period was £27.8m (2022: £26.0m) which included investment in the new Sweden food park and in UK factory automation.

Financial review

Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation, exceptional items and IFRS 16 lease adjustments. These adjustments are detailed in the Alternative performance measures note 16.

Revenue increased by 5.2% to £2,123.1m (2022: £2,018.6m restated) and by 5.2% on a constant currency basis reflecting higher volumes and raw material price inflation. Further details of revenue and volume growth by segment are detailed in the Review of operations above.

Adjusted operating profit for the first 28 weeks of 2023 was £41.8m, 1.4% higher than in the previous year (2022: £41.2m) and 0.6% higher on a constant currency basis. The adjusted operating profit margin was in line with H1 2022 at 2.0% (2022: 2.0%) but ahead of the adjusted margin of 1.8% for the 2022 full year. IFRS operating profit for the first 28 weeks of 2023 was £30.6m (2022: £30.8m) after charging exceptional costs of £7.7m (2022: £3.2m).

There were IFRS exceptional costs of £7.7m (2022: £3.2m) which related to £5.2m of additional costs incurred following the Belgium fire in 2021, £1.2m on tangible assets impaired due to the anticipated closure of the Dalco Oss facility and £1.3m of reorganisation costs.

Adjusted net finance costs excluding exceptional items and lease interest increased to £15.0m (2022: £6.8m) reflecting higher benchmark rates as well as higher borrowings following the Foppen acquisition in March 2022. Interest cover was 2.8 times (2022: 6 times). Similarly IFRS net finance costs increased to £19.3m (2022: £11.2m).

The adjusted taxation charge for the period was £6.8m (2022: £8.4m) representing an effective underlying tax rate of 25.2%, compared with 24.3% last year. The IFRS taxation charge was £3.8m (2022: £5.0m) representing an increased effective underlying tax rate of 34.0% (2022: 25.7%) attributable to the exceptional costs.

Net income represents profit for the year attributable to owners of the parent. Adjusted net income of £19.3m was 22.6% lower than last year (2022: £25.0m) primarily reflecting the significantly higher unrecoverable interest costs. IFRS net income was £6.8m (2022: £13.5m) impacted by the higher interest and exceptional costs.

Adjusted basic earnings per share of 21.6p in the first 28 weeks of 2023 were 22.9% below 28.0p last year reflecting lower net income. Similarly IFRS basic earnings per share was lower at 7.6p (2022: 15.1p).

Adjusted EBITDA increased to £67.5m for the period (2022: £66.6m) and IFRS EBITDA was £72.3m (2022: £71.9m).

In the first 28 weeks the Group generated £18.9m of cash inflow before acquisitions and financing activities (2022: cash outflow £17.4m). Net cash generated from operations of £48.1m (2022: £8.4m) reflects normalisation of working capital. During the period a further £1.6m was invested in Cellular Agriculture Ltd following the achievement of development milestones.

Cash balances at 16 July 2023 were £79.7m (2022: £96.9m), which with net of borrowings of £296.1m (2022: £317.9m), resulted in net bank debt of £216.5m (£221.0m at 17 July 2022 and £211.6m at 1 January 2023). At 16 July 2023 the Group had undrawn committed facilities under its syndicated banking facilities of £88.1m (£106.4m at 1 January 2023). These banking facilities are subject to covenants comprising net bank debt to EBITDA and interest cover. The Group had significant headroom under these covenants at 16 July 2023 of at least 33% for all these metrics.

The Group has maintained a progressive dividend policy since flotation. Hilton Foods remains financially strong with significant cash balances and undrawn loan facilities, and we continue to operate well within our banking covenants. The Board is satisfied that the Group has adequate headroom under its existing facilities, that it is appropriate to continue to operate and to maintain this dividend policy and have approved the payment of an interim dividend of 9.0p per ordinary share (2022: 7.1p). The interim dividend represents an increase of 26.8% on the interim dividend declared in the prior year and reflects a resumption in the interim dividend payout being approximately 30% of the previous year’s total dividend. This interim dividend amounting to £8.1m will be paid on 1 December 2023 to shareholders on the register at close of business on 3 November 2023.

Going concern

The Directors have performed a detailed assessment, including a review of the Group's budget and forecasts for the 2023 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The resilience of the Group has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its existing committed facilities which do not expire until 2027. The Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these interim financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements.

The Group's borrowings are detailed in note 12 to this report and the principal banking facilities which support the Group's existing and contracted new business, are committed. The Group is in full compliance with all its banking covenants and based on forecasts and sensitized projections is expected to remain in compliance. Future geographical expansion which is not yet contracted, and which is not built into our internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities, as and when they are required. During the 2022 financial year the Group renewed its banking facilities with a £424m five year revolving credit and term loan facility.

The Group's internal budgets and forward forecasts, which incorporate all reasonably foreseeable changes in trading performance, are regularly reviewed by the Board and show that it will be able to operate within its current banking facilities, taking into account available cash balances, for the foreseeable future.

The principal risks and uncertainties facing the Group's businesses

Hilton Foods has well developed processes and structures for identifying and subsequently mitigating the key risks which the Group faces. The most significant risks and uncertainties faced by the Group, together with the Group's risk management processes are detailed in the review of Risk management and principal risks on pages 26 to 31 of the Hilton Food Group plc 2022 Annual report. The principal risks and uncertainties identified in that report were:

- The progress of the Group's business is affected by the macroeconomic and geopolitical environment and levels of consumer spending;
- The Group's growth potential may be affected by the success of its customers and their sales growth;
- The Group strategy focuses on industry-leading customers who can exercise significant buying power and influence when it comes to contractual renewal terms at 5 to 15-year intervals;
- As Hilton Foods continues to grow there is more reliance on key personnel and their ability to manage growth, change, integration and compliance across new legislative and regulatory environments. This risk increases as the Group continues to expand with new customers and into new territories with potentially greater reliance on stretched skilled resource and execution of simultaneous growth projects;
- The Group's business strength is affected by its ability to maintain a wide and flexible global food supply base operating at standards that can continuously achieve the specifications set by Hilton Foods and its customers;
- Contamination within the upstream supply chain including outbreaks of disease and feed contaminants affecting livestock and fish;
- Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity;
- The Group's IT systems could be subject to cyber-attacks, including ransomware and fraudulent external email activity. These kinds of attacks are generally increasing in frequency and sophistication;
- A significant breach of health & safety legislation as complexity increases in managing sites across different product groups and geographies; and
- The Group's business and supply chain is affected by climate change risks comprising both physical and transition risks. Physical risks include long-term rises in temperature and sea levels as well as changes to the frequency and severity of extreme weather events. Transition risks include policy changes, reputational impacts, and shifts in market preferences and technology.

Cost of living crisis, increasing interest rates and the Russia-Ukraine War

The macroeconomic and geopolitical landscape, exacerbated by the Ukrainian war and increasing interest rates, is having an unprecedented impact on our supply chains, operations, consumers and customers. Energy price volatility and an acute cost of living crisis is impacting consumer spending and eating habits, although we are expecting this to ease as the rate of food price inflation slows.

We recognise the impact of increasing interest costs on all businesses and we continue to focus on ways of reducing our exposure including through the use of cash pooling and exploring working capital financing.

Our continued focus on cost control, innovation and factory efficiency is enabling us to manage the inflationary pressures the industry is currently facing. Through our strong customer relationships we are able to support consumers to navigate through these challenging times.

Brexit

We continue to monitor the UK and EU regulatory and trade environments as they evolve and amend processes and operations as required. We are working closely with our customers and supply chains to ensure preparation for the implementation of the Windsor Framework in Q4 2023. Our focus on technology and automation further reduces our risk exposure in this area.

The risks and uncertainties outlined above had no material adverse impact on the results for the 28 weeks to 16 July 2023 and are expected to remain virtually unchanged for the remainder of the 2023 financial year.

Steve Murrells
Chief Executive Officer

Matt Osborne
Chief Financial Officer

6 September 2023

Statement of Directors' responsibilities

The Directors confirm that the condensed consolidated interim financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

(a) an indication of important events that have occurred during the first 28 weeks and their impact on the condensed set of financial statements, and a description of principal risks and uncertainties for the remaining 24 weeks of the financial year; and
(b) material related party transactions in the first 28 weeks and any material changes in the related party transactions described in the last annual report.

The maintenance and integrity of the Hilton Food Group plc website is the responsibility of the Directors; the work carried out by the authors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

The Directors of Hilton Food Group plc are listed in the 2022 Hilton Food Group plc Annual report and financial statements. On 3 July 2023 Philip Heffer stepped down from the Board and Steve Murrells CBE joined the Board as Group CEO. There have been no other changes in Directors since 2 January 2023. A list of current Directors is maintained on the Hilton Food Group plc website at https://www.hiltonfoods.com/.

On behalf of the Board

Robert Watson OBE
Chairman

Matt Osborne
Chief Financial Officer

Condensed Consolidated Income statement

		28 weeks ended 16 July 2023	28 weeks Restated (note 2) 17 July 2022
Continuing operations	Note	**£'000**	£'000
Revenue	4	**2,123,139**	2,018,597
Cost of sales		**(1,901,347)**	(1,831,173)
Gross profit		**221,792**	187,424
Distribution costs		**(24,224)**	(18,314)
Other administrative expenses		**(159,980)**	(135,849)
Exceptional items	5	**(7,743)**	(3,183)
Total administrative expenses		**(167,723)**	(139,032)
Share of profit in joint ventures and associates		**772**	721
Operating profit	4	**30,617**	30,799
Finance income		**43**	19
Other finance costs		**(19,386)**	(11,191)
Exceptional finance costs	5	**-**	(75)
Total finance costs		**(19,386)**	(11,266)
Finance costs – net		**(19,343)**	(11,247)
Profit before income tax		**11,274**	19,552
Income tax expense		**(4,062)**	(6,526)
Exceptional tax credit	5	**228**	1,502
Total income tax expense	6	**(3,834)**	(5,024)
Profit for the period		**7,440**	14,528
Profit attributable to:			
Owners of the parent		**6,770**	13,455
Non-controlling interests		**670**	1,073
		7,440	14,528
Earnings per share for profit attributable to owners of the parent			
- Basic (pence)	8	**7.6**	15.1
- Diluted (pence)	8	**7.5**	14.9

The above condensed consolidated income statement should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of comprehensive income

	28 weeks ended 16 July 2023 £'000	28 weeks ended 17 July 2022 £'000
Profit for the period	**7,440**	14,528
Other comprehensive income/(expense)		
Currency translation differences	**(1,498)**	(714)
(Loss)/gain on cash flow hedges	**(3,252)**	1,756
Other comprehensive income/(expense) for the period net of tax	**(4,750)**	1,042
Total comprehensive income for the period	**2,690**	15,570
Total comprehensive income attributable to:		
Owners of the parent	**2,201**	14,421
Non-controlling interests	**489**	1,149
	2,690	15,570

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Balance sheet

	Note	**16 July 2023 £'000**	17 July 2022 £'000	1 January 2023 £'000
Assets				
Non-current assets				
Property, plant and equipment	9	**314,266**	316,743	327,611
Lease: Right-of-use asset	9	**195,869**	222,218	216,578
Intangible assets	9	**155,558**	153,732	160,480
Investments	10	**8,485**	5,723	6,208
Deferred income tax assets		**12,765**	12,224	13,801
		686,943	710,640	724,678
Current assets				
Inventories		**191,386**	176,259	206,729
Trade and other receivables		**261,209**	260,079	271,160
Current tax assets		**7,137**	6,484	5,995
Derivative financial instruments	15	**-**	4,540	-
Cash and cash equivalents		**79,676**	96,864	87,224
		539,408	544,226	571,108
Total assets		**1,226,351**	1,254,866	1,295,786
Equity and liabilities				
Equity				
Ordinary shares	13	**8,960**	8,938	8,943
Share premium		**144,926**	143,714	144,926
Employee share schemes reserve		**5,901**	6,405	5,004
Foreign currency translation reserve		**(3,696)**	(2,896)	(2,379)
Retained earnings		**154,411**	170,761	167,862
Reverse acquisition reserve		**(31,700)**	(31,700)	(31,700)
Merger reserve		**919**	919	919
Cashflow hedging reserve		**(2,466)**	1,756	786
		277,255	297,897	294,361
Non-controlling interests		**9,891**	6,157	10,956
Total equity		**287,146**	304,054	305,317
Liabilities				
Non-current liabilities				
Borrowings	12	**268,159**	287,460	270,510
Lease liabilities		**211,848**	236,202	230,152
Deferred income tax liabilities		**14,166**	12,939	15,921
		494,173	536,601	516,583
Current liabilities				
Borrowings	12	**27,971**	30,389	28,279
Lease liabilities		**14,048**	12,647	16,006
Trade and other payables		**396,364**	371,175	426,203
Derivative financial instruments	15	**6,649**	-	3,398
		445,032	**414,211**	**473,886**
Total liabilities		**939,205**	950,812	990,469
Total equity and liabilities		**1,226,351**	1,254,866	1,295,786

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of changes in equity

		Attributable to owners of the parent											
	Note	Share capital £'000	Share premium £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Cashflow hedge reserve £'000	Own shares £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 3 January 2022		8,893	142,043	6,990	(2,106)	176,449	(31,700)	919	-	(87)	301,401	6,548	307,949
Comprehensive income													
Profit for the period		-	-	-	-	13,455	-	-	-	-	13,455	1,073	14,528
Other comprehensive income													
Currency translation differences		-	-	-	(790)	-	-	-	-	-	(790)	76	(714)
Gain on cash flow hedging		-	-	-	-	-	-	-	1,756	-	1,756	-	1,756
Total comprehensive income for the period		-	-	-	(790)	13,455	-	-	1,756	-	14,421	1,149	15,570
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(349)	(349)
Issue of new shares	13	17	1,671	-	-	-	-	-	-	-	1,688	-	1,688
Adjustment in respect of employee share schemes		-	-	(470)	-	-	-	-	-	-	(470)	-	(470)
Settlement of employee share schemes		28	-	(115)	-	-	-	-	-	87	-	-	-
Dividends paid	7	-	-	-	-	(19,143)	-	-	-	-	(19,143)	(1,191)	(20,334)
Total transactions with owners		45	1,671	(585)	-	(19,143)	-	-	-	87	(17,925)	(1,540)	(19,465)
Balance at 17 July 2022		8,938	143,714	6,405	(2,896)	170,761	(31,700)	919	1,756	-	297,897	6,157	304,054
Balance at 2 January 2023		**8,943**	**144,926**	**5,004**	**(2,379)**	**167,862**	**(31,700)**	**919**	**786**	**-**	**294,361**	**10,956**	**305,317**
Profit for the period		**-**	**-**	**-**	**-**	**6,770**	**-**	**-**	**-**	**-**	**6,770**	**670**	**7,440**
Currency translation differences		**-**	**-**	**-**	**(1,317)**	**-**	**-**	**-**	**-**	**-**	**(1,317)**	**(181)**	**(1,498)**
Loss on cash flow hedging		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,252)**	**-**	**(3,252)**	**-**	**(3,252)**
Total comprehensive income for the period		**-**	**-**	**-**	**(1,317)**	**6,770**	**-**	**-**	**(3,252)**	**-**	**2,201**	**489**	**2,690**
Issue of new shares	**13**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Adjustment in respect of employee share schemes		**-**	**-**	**897**	**-**	**-**	**-**	**-**	**-**	**-**	**897**	**-**	**897**
Dividends paid	**7**	**-**	**-**	**-**	**-**	**(20,221)**	**-**	**-**	**-**	**-**	**(20,221)**	**(1,554)**	**(21,775)**
Total transactions with owners		**17**	**-**	**897**	**-**	**(20,221)**	**-**	**-**	**-**	**-**	**(19,307)**	**(1,554)**	**(20,861)**
Balance at 16 July 2023		**8,960**	**144,926**	**5,901**	**(3,696)**	**154,411**	**(31,700)**	**919**	**(2,466)**	**-**	**277,255**	**9,891**	**287,146**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Cash flow statement

	28 weeks ended 16 July 2023 £'000	28 weeks ended 17 July 2022 £'000
Cash flows from operating activities		
Cash generated from operations	**73,654**	27,975
Interest paid	**(19,386)**	(11,249)
Income tax paid	**(6,195)**	(8,359)
Net cash generated from operating activities	**48,073**	8,367
Cash flows from investing activities		
Acquisition of subsidiary	**-**	(81,821)
Purchase of non-controlling interest	**-**	(1,207)
Acquisition of investments in joint ventures and associates	**(1,635)**	-
Purchases of property, plant and equipment	**(26,151)**	(25,494)
Proceeds from sale of property, plant and equipment	**266**	48
Purchases of intangible assets	**(1,689)**	(447)
Interest received	**43**	2
Net cash used in investing activities	**(29,166)**	(108,919)
Cash flows from financing activities		
Proceeds from borrowings	**18,312**	313,618
Repayments of borrowings	**(13,743)**	(228,565)
Payment of lease liability	**(6,871)**	(7,651)
Dividends paid to owners of the parent	**(20,221)**	(19,143)
Dividends paid to non-controlling interests	**(1,554)**	(1,191)
Net cash generated (used in)/from financing activities	**(24,077)**	57,068
Net decrease in cash and cash equivalents	**(5,170)**	(43,484)
Cash and cash equivalents at beginning of the period	**87,224**	140,170
Exchange (losses)/gains on cash and cash equivalents	**(2,378)**	178
Cash and cash equivalents at end of the period	**79,676**	96,864

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the interim financial statements

1 General information

Hilton Food Group plc ("the Company") and its subsidiaries (together "the Group") is a leading international multi-protein food business.

The Company is a public company limited by shares incorporated and domiciled in the UK. The address of the registered office is 2–8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE. The registered number of the Company is 06165540.

The Company maintains a Premium Listing on the London Stock Exchange.

These interim financial statements were approved for issue on 6 September 2023.

These interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 1 January 2023 were approved by the Board of Directors on 23 April 2023 delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

These interim financial statements have been reviewed, not audited.

2 Basis of preparation

This consolidated interim financial report for the 28 weeks ended 16 July 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Going concern
The consolidated interim financial statements have been prepared on the going concern basis. The Group has undertaken a detailed going concern assessment, including a review of its budget and forecasts for the 2023 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The resilience of the Group in the face of uncertain challenges has then been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its existing committed facilities. The Directors are satisfied that the Group has adequate resources to continue to operate and meet its liabilities as they fall due for a period of at least 12 months from the date of signing these interim financial statements and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated interim financial statements.

Estimates and judgements
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 weeks ended 1 January 2023.

New and amended standards adopted by the Group
A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Prior year restatement
Following a review of the classification of revenue recognised in the prior period, intra-group revenue totalling £20.1m was identified as being included in the reported figure for external revenue. This has been adjusted in the comparatives presented with a corresponding reduction in cost-of-sales. There is no impact on reported profitability for the prior period and revenue reported for the full year 2022 is not affected as there was no margin charged on this intra-group revenue.

3 Accounting policies

The accounting policies adopted in the preparation of these interim results are consistent with those applied in the preparation of the Group's annual report for the year ended 1 January 2023 and corresponding interim reporting period.

The group has reviewed its exposure to climate related and other emerging business risks, but has not identified any risks that could impact the financial performance or position of the group as at 16 July 2023

The Group has recognised exceptional items during the period, the accounting policy in respect of these is summarised below.

Exceptional items

Exceptional items are not defined under IFRS. However, the Group classifies Exceptional Items as those that are separately identifiable by virtue of their size, nature or expected frequency and that therefore warrant separate presentation.

As detailed in note 5 during the period to 16 July 2023 the Group has recognised exceptional items in respect of costs associated with the fire at its facility in Belgium and re-organisation programs. The income statement separately shows the impact of the exceptional items on reported operating profit with further reconciliations between statutory and adjusted measures used by the Group presented in note 16. Presentation of these exceptional items and the reconciliations between adjusted and statutory measures is not intended to be a substitute for or intended to promote the adjusted measures above statutory measures.

Current income tax

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

4 Segment information

Management have determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors have considered the business from both a geographic and product perspective.

From a geographic perspective, the Executive Directors consider that the Group has four operating segments: i) UK & Ireland which comprises the Group's operations in United Kingdom and Republic of Ireland; ii) Europe which includes the Group's operations in the Netherlands, Sweden, Denmark, Central Europe and Portugal; iii) APAC comprising the Group's operations in Australia and New Zealand; and iv) Central costs. Previously, the UK & Ireland and Europe segments were reported on a combined basis as "Europe" but following the changes to the Group's organisational structure have now been shown separately. The restated segments are shown in the tables below.

From a product perspective the Executive Directors consider that the Group has only one identifiable product, wholesaling of food protein products including meat, fish and vegetarian. The Executive Directors consider that no further segmentation is appropriate, as all of the Group's operations are subject to similar risks and returns and exhibit similar long term financial performance.

The segment information provided to the Executive Directors for the reportable segments is as follows:

	Total segment revenue £'000	Operating profit/(loss) segment result £'000
28 weeks ended 16 July 2023		
UK & Ireland	**701,097**	**9,018**
Europe	**553,846**	**12,339**
APAC	**868,196**	**17,266**
Central costs	**-**	**(8,006)**
Total	**2,123,139**	**30,617**
28 weeks ended 17 July 2022 (Restated)		
UK & Ireland	695,137	6,762
Europe	495,788	10,617
APAC	827,672	14,177
Central costs	-	(757)
Total	2,018,597	30,799

The Group uses a number of alternative performance measures to assess underlying performance, these are explained and reconciled to the segmental results presented above in note 16. There is no inter-segment revenue included in the figures above.

	16 July 2023 £'000	17 July 2022 £'000 (Restated)	1 January 2023 £'000 (Restated)
Total assets			
UK & Ireland	**381,643**	328,577	394,602
Europe	**360,432**	409,670	375,334
APAC	**431,999**	481,656	481,229
Central costs	**32,375**	16,255	24,825
Total segment assets	**1,206,449**	1,236,158	1,275,990
Current income tax assets	**7,137**	6,484	5,995
Deferred income tax assets	**12,765**	12,224	13,801
Total assets per balance sheet	**1,226,351**	1,254,866	1,295,786

	16 July 2023 £'000	17 July 2022 £'000 (Restated)	1 January 2023 £'000 (Restated)
Total liabilities			
UK & Ireland	**166,084**	161,680	182,267
Europe	**178,953**	176,045	204,636
APAC	**379,749**	427,508	466,492
Central costs	**200,253**	172,640	121,153
Total segment liabilities	**925,039**	937,873	974,548
Deferred income tax liabilities	**14,166**	12,939	15,921
Total liabilities per balance sheet	**939,205**	950,812	990,469

5 Exceptional items

Group	Operating profit £'000	Finance costs £'000	Tax £'000	Profit after tax £'000	Operating profit £'000	Finance costs £'000	Tax £'000	Profit after tax £'000
	28 weeks ended 16 July 2023				28 weeks ended 17 July 2022			
Belgium fire	**5,239**	**-**	**-**	**5,239**	3,815	-	(954)	2,861
Acquisition of Foods Connected	**-**	**-**	**-**	**-**	(3,876)	-	-	(3,876)
Acquisition related costs	**-**	**-**	**-**	**-**	1,204	75	(229)	1,050
Reorganisation costs	**1,304**	**-**	**-**	**1,304**	2,040	-	(319)	1,721
Dalco Impairment	**1,200**	**-**	**(228)**	**972**	-	-	-	-
Total exceptional costs	**7,743**	**-**	**(228)**	**7,515**	3,183	75	(1,502)	1,756

Fire in Belgium
In June 2021 the Group's facility in Belgium suffered an extensive fire. The Group continues to work closely with its insurers to progress related insurance claims. The results for the period to 16 July 2023 do not include potential income that may be received in respect of these claims with the insurance proceeds therefore considered to be contingent assets; at this stage in the claims process the value of the contingent asset has yet to be determined. Legal claims have been made against the Group in connection with the fire, however at this stage the Group considers the likelihood of incurring financial liabilities as a result of them is remote.

Exceptional costs totalling £5,239,000 have been recognised in the period relating to additional costs incurred in continuing to supply our customer in Belgium in connection with the insurance claim and legal claims.

In the prior period exceptional costs totalling £3,815,000 were recognised relating to additional costs incurred in continuing to operate in Belgium.

Reorganisation Costs
During the period exceptional reorganisation costs of £1,304,000 have been recognised by the Group. These costs resulted from on-going efficiency and restructuring programs resulting in redundancies at a number of facilities operated by the Group.

Dalco Impairment of Property, Plant and Equipment
The intended closure of one of the sites operated by our Dalco business allows us to optimise production and drive efficiencies at a single site centre of excellence for our vegan and vegetarian products. An exceptional impairment charge of £1.2m has been recognised in respect of property, plant and equipment that the Group does not expect to be able to re-purpose for use in its other facilities.

6 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the 28 weeks to 16 July 2023 is 34.0%. The estimated average annual effective tax rate for the 28 weeks ended 17 July 2022 was 25.7%.

7 Dividends

	28 weeks ended 16 July 2023 £'000	28 weeks ended 17 July 2022 £'000
Final dividend paid 22.6p per ordinary share (2022: 21.5p)	**20,221**	19,143
Total dividends paid	**20,221**	19,143

The Directors have approved the payment of an interim dividend of 9.0p per share payable on 1 December 2023 to shareholders who are on the register at 3 November 2023. This interim dividend, amounting to £8.1m has not been recognised as a liability in these interim financial statements. It will be recognised in shareholders' equity in the 52 weeks to 31 December 2023.

8 Earnings per share

Basic earnings per share are 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.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

		28 weeks ended 16 July 2023		28 weeks ended 17 July 2022	
		Basic	**Diluted**	Basic	Diluted
Profit attributable to equity holders of the Company	(£'000)	**6,770**	**6,770**	13,455	13,455
Weighted average number of ordinary shares in issue	(thousands)	**89,525**	**89,525**	89,002	89,002
Adjustment for share options	(thousands)	**-**	**942**	-	1,221
Adjusted weighted average number of ordinary shares	(thousands)	**89,525**	**90,467**	89,002	90,223
Basic and diluted earnings per share	(pence)	**7.6**	**7.5**	15.1	14.9

9 Property, plant and equipment, right-of-use and intangible assets

	Property, plant and equipment £'000	**Lease: Right-of-use asset £'000**	**Intangible assets £'000**
28 weeks ended 17 July 2022			
Opening net book amount as at 4 January 2021	291,488	222,004	105,775
Exchange adjustments	7,996	2,994	175
Acquisition of subsidiary	16,992	3,214	50,851
Additions	25,494	4,376	447
Disposals	(109)	-	-
Lease modifications	-	38	-
Transfer	1,841	-	1,392
Depreciation and amortisation	(26,959)	(10,408)	(4,908)
Closing net book amount as at 17 July 2022	316,743	222,218	153,732
28 weeks ended 16 July 2023			
Opening net book amount as at 2 January 2022	**327,611**	**216,578**	**160,480**
Exchange adjustments	**(12,563)**	**(13,558)**	**(191)**
Additions	**26,151**	**2,348**	**1,689**
Disposals	**(340)**	**(86)**	**(760)**
Lease modifications	**-**	**46**	**-**
Reclassification to right of use asset	**(94)**	**94**	**-**
Depreciation and amortisation	**(25,253)**	**(9,553)**	**(5,706)**
Impairment	**(1,200)**	**-**	**-**
Transfers to/from intangibles	**(46)**	**-**	**46**
Closing net book amount as at 16 July 2023	**314,266**	**195,869**	**155,558**

The Group has commitments to purchase property, plant and equipment of £5,555,000 (2022: £11,557,000).

Given the current challenges in the alternative proteins market, alongside the wider inflationary environment an indicator of impairment was considered to exist at the interim balance sheet date and therefore an impairment assessment was performed in respect of the carrying value of the Dalco cash generating unit. The recoverable amount of the Dalco cash generating unit, calculated on a value in use basis, exceeded its carrying value and therefore no impairment was required. Key assumptions applied in the calculations of the recoverable amount were forecast EBITDA, a pre-tax discount rate of 9.7% and a growth rate of 2%.

The calculations are sensitive to changes in these assumptions with reasonable possible changes in assumptions being an increase in discount rate of 0.5%pts, a reduction in growth rate of 0.5%pts or a reduction in budgeted cashflows of 5%. Applying these reasonable sensitivities individually would result in an impairment charge of £1-2m.

No indicators for impairment of any of the other CGUs have been identified. As a result, management has not updated any other impairment assessments at the interim date.

10 Investments

Investments in joint ventures and associates

	28 weeks ended 16 July 2023 £'000	28 weeks ended 17 July 2022 £'000	52 weeks ended 2 January 2022 £'000
At the beginning of the period	**6,208**	5,539	5,539
Acquisitions	**1,635**	1,190	2,904
Profit for the period	**772**	721	1,235
Disposal of investment (note 11)	**-**	(1,750)	(2,925)
Dividends received	**-**	-	(672)
Effect of movements in foreign exchange	**(130)**	23	127
At the end of the period	**8,485**	5,723	6,208

11 Business Combinations

2023

There have been no business combinations in the period to 16 July 2023.

2022

Group	**Foods Connected Ltd £'000**
Property, plant and equipment	**71**
Intangibles-Technology	**2,849**
Brand and customer relationship intangibles	**6,964**
Trade and other receivables	**1,231**
Cash and cash equivalents	**230**
Trade and other payables	**(1,509)**
Deferred tax	**(1,882)**
Goodwill	**3,300**
Fair value of assets acquired	**11,254**

Consideration	
Issue of shares	**1,688**
Non-controlling interest	**3,939**
Deemed fair value of existing 50% interest	**5,627**
	11,254

On 7 July 2022 the Group completed the purchase of an additional 15% of Foods Connected Ltd. taking its interest from 50% to 65%. Foods Connected Ltd. provides software solutions for supply chain, procurement, food safety, quality and CSR.

Due to the timing of completion of the acquisition and the timing of other acquisition activity undertaken by the Group in 2022, the assessment of the fair values of assets and liabilities acquired and Goodwill was treated as provisional when the Group reported its 2022 annual results. Following further review the figures have now been confirmed as final and are in line with the figures reported in 2022.

Foods Connected Ltd
Consideration for the acquisition of the 15% interest in Foods Connected Ltd in 2022 totalled £1,688,000 comprised of 170,305 Hilton Food Group plc shares at Market Value taking the holding of Foods Connected to 65%. The acquisition of Foods Connected provides an opportunity to deliver growth through new customer agreements with retailers and manufacturers across Europe and Australia and provides HFG control over the business.

As a result of the acquisition, and to allow full consolidation of Foods Connected Ltd as a subsidiary the Group recognised an exceptional gain of £2,701,000 being the difference between the carrying value of its joint venture interest at the date of acquisition and its fair value.

The fair value of the technology acquired was established following a review undertaken by qualified personnel and reflects their existing use value.

The value of technology intangible assets used in the company's operations have been reviewed and valued at £2,849,000.

The value of customer relationships have also been assessed with the support of competent professionals. Customer relationships have been assessed to have a fair value of £6,964,000 and a useful economic life of 10 years. The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Goodwill of £3,300,000 has been recognised in 2022. Residual goodwill relates to the strategic benefits for Hilton of diversifying its business and the know-how of Foods Connected Ltd's employees.

The value of other assets and liabilities reflect the amounts expected to be realised or paid, respectively.

12 Borrowings

	16 July 2023 £'000	17 July 2022 £'000	1 January 2023 £'000
Current	**27,971**	30,389	28,279
Non-current	**268,159**	287,460	270,510
Total borrowings	**296,130**	317,849	298,789

Movements in borrowings is analysed as follows:

	28 weeks ended 16 July 2023 £'000	28 weeks ended 17 July 2022 £'000	52 weeks ended 1 January 2023 £'000
Opening amount	**298,789**	224,732	224,732
Exchange adjustments	**(7,228)**	8,064	6,832
New borrowings	**18,312**	313,618	295,790
Repayment of borrowings	**(13,743)**	(228,565)	(228,565)
Closing amount	**296,130**	317,849	298,789

13 Ordinary shares

	Number of shares (thousands)	**Ordinary shares £'000**	**Total £'000**
At 4 January 2021	88,935	889	8,893
Issue of new shares on exercise of employee share options	275	3	28
Issue of new shares relating to purchase of additional 15% interest in Foods Connected	170	2	17
At 17 July 2022	89,380	894	8,938
At 2 January 2023	**89,433**	**8,943**	**8,943**
Issue of new shares on exercise of employee share options	**169**	**17**	**17**
At 16 July 2023	**89,602**	**8,960**	**8,960**

All ordinary shares of 10p each have equal rights in respect of voting, receipt of dividends and repayment of capital.

14 Related party transactions

The Directors do not consider there to be one ultimate controlling party. The companies noted below are all deemed to be related parties by way of common Directors.

Transactions between related parties made on an arm's length basis were as follows:

Group sales:	**28 weeks ended 16 July 2023 £'000**	28 weeks ended 17 July 2022 £'000	53 weeks ended 1 January 2023 £'000
Sohi Meat Solutions Distribuicao de Carnes SA - Fee for services	**1,690**	1,708	3,190
Sohi Meat Solutions Distribuicao de Carnes SA - Recharge of joint venture costs	**225**	129	409
Agito Holdings Limited	**-**	-	464
Group purchases:			
Agito Holdings Limited	**2,840**	-	259

Amounts owing from related parties were as follows:

	16 July 2023 £'000	17 July 2022 £'000	1 January 2023 £'000
Agito Holdings Limited	**484**	-	464
Foods Connected Limited	**-**	56	-
Sohi Meat Solutions Distribuicao de Carnes SA	**263**	240	374

Amounts owing to related parties were as follows:

	16 July 2023 £'000	17 July 2022 £'000	1 January 2023 £'000
Agito Holdings Limited	**-**	-	259
Foods Connected Limited	**-**	56	-
Sohi Meat Solutions Distribuicao de Carnes SA	**439**	240	55

15 Financial instruments

The Group holds a number of financial instruments which are carried at cost which is the equivalent of their fair value unless otherwise stated below.

The Group has derivative financial instruments amounting to £6,649,000 liability (17 July 2022: £4,540,000 asset). The derivative financial instruments are plain vanilla derivatives including foreign currency options/forwards. The instruments that have a fair value where specific valuation techniques are used to arrive at the carrying value which include for foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date and for foreign currency options – option pricing models. These derivative financial instruments are classified as Level 2.

The fair values have been classified into three categories depending on the inputs used in the valuation technique.

The categories are as follows:
Level 1: quoted prices for identical instruments;
Level 2: directly or indirectly observable market inputs, other than Level 1 inputs; and
Level 3: inputs which are not based on observable market data.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- for foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the reporting date
- for foreign currency options – option pricing models (e.g. Black-Scholes model), and
- for other financial instruments – discounted cash flow analysis.

16 Alternative Performance Measures

The Group's performance is assessed using a number of alternative performance measures (APMs).

The Group's alternative profitability measures are presented before exceptional items, amortisation of certain intangible assets and depreciation of fair value adjustments made to property, plant and equipment acquired through business combinations and the impact of IFRS 16 - Leases.

The measures are presented on this basis, as management believe they provide useful additional information about the Group's performance and aids a more effective comparison of the underlying Group's trading performance from one period to the next.

Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement below.

28 weeks ended 16 July 2023	**Reported** £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	**Reported excluding IFRS 16** £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	**Adjusted** £'000
Operating profit - excl. exceptional items	**38,360**	9,459	(11,301)	**36,518**	-	5,252	**41,770**
Exceptional items	**(7,743)**	-	-	**(7,743)**	7,743	-	**-**
Operating profit	**30,617**	9,459	(11,301)	**28,775**	7,743	5,252	**41,770**
Net finance costs	**(19,343)**	4,330	-	**(15,013)**	-	-	**(15,013)**
Profit before income tax	**11,274**	13,789	(11,301)	**13,762**	7,743	5,252	**26,757**
Income tax expense	**(3,834)**	(1,454)	-	**(5,288)**	(228)	(1,234)	**(6,750)**
Profit for the period	**7,440**	12,335	(11,301)	**8,474**	7,515	4,018	**20,007**
Less non-controlling interest	**(670)**	(19)	-	**(689)**	-	-	**(689)**
Profit attributable to members of the parent	**6,770**	12,316	(11,301)	**7,785**	7,515	4,018	**19,318**
Depreciation, amortisation and impairment	**41,656**	(9,459)	-	**32,197**	(1,200)	(5,252)	**25,745**
EBITDA	**72,273**	-	(11,301)	**60,972**	7,743	-	**67,515**
Earnings per share	**pence**			**pence**			**pence**
Basic	**7.6**			**8.7**			**21.6**
Diluted	**7.5**			**8.6**			**21.4**

28 weeks ended 17 July 2022	Reported £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	Adjusted £'000
Operating profit - excl. exceptional items	**33,982**	10,314	(8,414)	**35,882**	-	5,308	**41,190**
Exceptional items	**(3,183)**	-	-	**(3,183)**	3,183	-	**-**
Operating profit	**30,799**	10,314	(8,414)	**32,699**	3,183	5,308	**41,190**
Net finance costs	**(11,247)**	4,372	-	**(6,875)**	75	-	**(6,800)**
Profit before income tax	**19,552**	14,686	(8,414)	**25,824**	3,258	5,308	**34,390**
Income tax expense	**(5,024)**	(653)	-	**(5,677)**	(1,502)	(1,166)	**(8,345)**
Profit for the period	**14,528**	14,033	(8,414)	**20,147**	1,756	4,142	**26,045**
Less non-controlling interest	**(1,073)**	(12)	-	**(1,085)**	-	-	**(1,085)**
Profit attributable to members of the parent	**13,455**	14,021	(8,414)	**19,062**	1,756	4,142	**24,960**
Depreciation, amortisation and impairment	**41,054**	(10,314)	-	**30,740**	-	(5,308)	**25,432**
EBITDA	**71,853**	-	(8,414)	**63,439**	3,183	-	**66,622**
Earnings per share	**pence**			**pence**			**pence**
Basic	**15.1**			**21.4**			**28.0**
Diluted	**14.9**			**21.1**			**27.7**

Segmental operating profit reconciles to adjusted segmental operating profit as follows:

28 weeks ended 16 July 2023	Reported £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	Adjusted £'000
UK & Ireland	**9,018**	1,508	(2,009)	**8,517**	1,242	3,039	**12,798**
Europe	**12,339**	1,900	(2,511)	**11,728**	6,439	2,213	**20,380**
APAC	**17,266**	5,992	(6,781)	**16,477**	-	-	**16,477**
Central costs	**(8,006)**	59	-	**(7,947)**	62	-	**(7,885)**
Total	**30,617**	9,459	(11,301)	**28,775**	7,743	5,252	**41,770**

28 weeks ended 17 July 2022	Reported £'000	Add back: IFRS 16 depreciation and interest £'000	Less: IAS 17 lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of intangibles & fair value adjustments £'000	Adjusted £'000
UK & Ireland	**6,762**	2,163	(1,886)	**7,039**	2,040	2,675	**11,754**
Europe	**10,617**	2,081	735	**13,433**	3,815	2,633	**19,881**
APAC	**14,177**	6,070	(7,263)	**12,984**	-	-	**12,984**
Central costs	**(757)**	-	-	**(757)**	(2,672)	-	**(3,429)**
Total	**30,799**	10,314	(8,414)	**32,699**	3,183	5,308	**41,190**

Independent review report to Hilton Food Group plc
Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Hilton Food Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the condensed consolidated interim financial statements of Hilton Food Group plc for the 28 weeks week period ended 16 July 2023 (the "period").

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

The interim financial statements comprise:

- the Condensed Consolidated Balance sheet as at 16 July 2023;
- the Condensed Consolidated Income statement and the Condensed Consolidated Statement of comprehensive income for the period then ended;
- the Condensed Consolidated Cash flow statement for the period then ended;
- the Condensed Consolidated Statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the condensed consolidated interim financial statements of Hilton Food Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

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

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

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The condensed consolidated interim financial statements, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the condensed consolidated interim financial statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the condensed consolidated interim financial statements, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the condensed consolidated interim financial statements based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
Belfast
6 September 2023