

Boparan Holdings Limited
(“Boparan Holdings”, the “Company” or the “Group”)

Agreement of Heads of Terms with Pension Trustee and Trading Update

London, United Kingdom, 21 July 2020

Agreement of Heads of Terms with Pension Trustee

In connection with the Northern Foods Acquisition, on 21 January 2011, Boparan Holdings Limited (the “**Company**”), the parent company of 2 Sisters Food Group, entered into a deed of agreement with Northern Foods Trustees Limited (the “**Pension Trustee**”), as subsequently amended from time to time, relating to the Northern Foods Pension Scheme and the Northern Foods Builder Pension Scheme.

The Company is pleased to announce that on 13 July 2020, it entered into heads of terms (the “**Heads of Terms**”) with the Pension Trustee for the Northern Foods Pension Scheme in respect of the scheme’s ongoing funding following an actuarial valuation as at 31 March 2019 (the “**2019 Valuation**”). The Heads of Terms set out the main terms which have been agreed between the Company and the Pension Trustee, in principle, and are subject to final terms, which will be recorded in a new deed of agreement, in replacement of any preceding deeds of agreement.

The following items are pursuant to the Heads of Terms:

- The funding rate will remain unchanged at £20 million per year until 1 April 2022, when it will increase to £25 million per year for the three-year period ending 31 March 2025. Thereafter, the funding rate is expected to increase to £31.6 million per year until the completion of the recovery period at the end of March 2034.
- A pre-agreed formula determines additional payments of between 20% and 30% of the net proceeds received from any disposals of Northern Foods Limited businesses which will be automatically paid to the Northern Foods Pension Schemes.
- Additional payments equal to 21% of the Group’s EBITDA above £180 million (the “**EBITDA Additional Payments**”) will also be made to the Northern Foods Pension Schemes. The £180 million threshold will be reduced by an agreed amount following any disposal of certain subsidiaries of Northern Foods Limited.
- The Heads of Terms provide that no EBITDA Additional Payments will be paid from the commencement of Financial Year 2026.

In addition, the Company will provide a guarantee in respect of all payments due under the relevant schedule of contributions agreed for the purposes of the 2019 Valuation. It is also expected that the Company and the Pension Trustee will agree further guarantees in respect of future disposals of prescribed Group entities, the liability under such guarantees to be capped at the difference between the amount determined as per the existing basis, and the amount resulting from the Northern Foods Pension Schemes’ share of proceeds from any disposals of the Northern Foods Limited businesses.

The Heads of Terms further provide that, subject to certain conditions, the Northern Foods Pension Schemes will benefit from a last ranking security interest over certain collateral in the form of a “silent” lien only, which will be released if the existing secured debt is fully repaid. Any subsequent secured refinancing will entitle the Northern Foods Pension Scheme to either (i) share security with senior creditors on a first-ranking *pari passu* basis or (ii) be granted separate standalone security interests over certain assets of the Group, in each case if certain thresholds are exceeded. Pursuant to the Heads of Terms, the security matching protocol will cease to apply when the scheme actuary, after review by and in consultation with the Company, confirms that the funding level is 100% or higher on a self-sustaining basis on two consecutive 12 month dates.

Finally, the Heads of Terms provide that the Group and the Trustee will work together to look at opportunities to further de-risk the investment strategy of the Northern Foods Pension Schemes.

Trading Update: *Business turnaround continues and EBITDA margins remain resilient despite Covid-19 impact*

The Company’s financial performance to date in the 4th quarter of its fiscal year 2020 (11 weeks to 11 July 2020) continues the improvements achieved in the previous 12 months through the implementation of the operational turnaround.

Despite experiencing a larger impact relating to COVID-19 in the 4th quarter compared to the 3rd quarter, with a particularly difficult trading environment for the Group’s European business, the Company’s financial results for the period thus far have been generally ahead of the plan outlined in its 3rd quarter results announcement on 18 June 2020 and have resulted in a stronger than expected Like-for-Like EBITDA growth, now estimated at a range of £35-£38 million for the 4th quarter.

For the second consecutive quarter, the Group also expects to generate underlying positive free cash flow during the 4th quarter, despite absorbing cash restructuring costs relating to the closure of Pennine Foods.

The Company continues to monitor markets to determine an adequate window for a potential refinancing of its existing capital structure.

In addition, the Company continues to implement its strategy by further simplifying its structure, aiming at ultimately becoming a poultry-focused business. To reach this objective, the Company continues to explore the disposal of non-core businesses, such as its bakery division, but the Group will only dispose of these businesses when the time is right and the Company is confident of realising the best value.

COVID-19 Update

The COVID-19 pandemic continues in the U.K. and globally. Whilst managing employee absence, social distancing and materials shortages have been challenging operationally, we have thus far been able to off-set the financial impacts through cost base and margin improvements and have seen no operational impacts that we expect to have a material adverse effect on the results of our operations. We will continue to prioritise the safety of our products and people, whilst stepping up to play our part in feeding the nation. As previously announced, the Company temporarily suspended production at one of its UK facilities, on 18 June 2020, after an outbreak of COVID-19 was confirmed. However, we successfully resumed operations on 3 July 2020 and have not seen any adverse material effect on our financial results as a consequence of this temporary suspension; mainly due to our ability to transfer volumes for other sites. The health and wellbeing of our employees remains of utmost importance in all of the Company's operations.

Our Board continues to monitor developments closely in the market and is regularly apprised of the COVID-19 situation for the Company. A COVID-19 crisis management committee was set up which met daily from the beginning of the outbreak until 10 July 2020, since then it has met thrice weekly, and crisis protocols have been activated across all functions. Having utilised the government's Coronavirus Job Retention Scheme where necessary, we have also implemented additional cost saving measures including: expenses reductions; tighter control of labour and material usage; and an acceleration of the closure of the Company's meals factory in Pennine.

Ronald Kers, Chief Executive of Boparan Holdings Limited, commented:

"The Board is pleased to have agreed Heads of Terms with the Pension Trustee with regards to ongoing funding of the scheme. This has been a very constructive process which has concluded in a successful outcome for both parties. I am also pleased with the Company's financial and operational performance through the COVID-19 pandemic and this is in the large part down to our people and the great efforts that they have gone to in order to ensure that the Company played its part in feeding the nation. The Board continues to look to the future with confidence, as it explores all suitable avenues to further strengthen its long-term financial position and continues to implement the turnaround strategy and measures to mitigate the impact of COVID-19 and build on its market leading position."

Enquiries:

Please go to the Investor Relations section of the corporate website

www.2sfg.com/investors/

A copy of this announcement will also be made available at

www.2sfg.com/investors/latest-news/

About Boparan Holdings:

Boparan Holdings is the parent company for 2 Sisters Food Group with headquarters in Birmingham. We are a leading food manufacturer with strong market positions in Poultry, Meals and Bakery categories. We focus on delivering the highest quality products to our customers at the lowest cost.

This announcement contains forward-looking statements in relation to Boparan Holdings Limited (the "**Company**") and its subsidiaries. By its very nature, forward-looking information requires the Company to make assumptions that may not materialise or that may not be accurate. Forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Company that could cause the actual performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise, except as required by law.