

Convatec Group Plc
Interim Results for the six months ended 30 June 2023
Accelerating revenue growth and expanding operating margin
Raising full year guidance

Accelerating organic revenue growth of 6.6%¹, broad-based across all four categories:

- AWC: 8.7%¹ with significant growth in ATT² and strong performance in Global Emerging Markets
- OC: 3.1%¹ driven by 6.5%¹ growth in Convatec ostomy products, moderated by Flexi-Seal™ phasing
- CC: 7.6%¹ good operating performance supported by higher reimbursement pricing in the US
- IC: 7.5%¹ ongoing strong demand for our innovative infusion sets, as expected

Reported revenue growth was 1.1% and 2.7% on a constant currency⁴ basis reduced by the strategic exit of the hospital care activities and related industrial sales in 2022

Further expansion of the adjusted operating margin by 70 bps to 20.3%:

- Improved mix of profitability across and within categories, stronger pricing and increased productivity more than offset COGS inflation, resulting in 220bps of gross margin expansion
- Continued good progress in simplification and productivity, particularly in G&A, was more than offset by targeted investments for future growth and inflationary headwinds

Adjusted operating profit was \$214.1m (H1 2022: \$204.3m). Reported operating profit was \$123.4m (H1 2022: \$87.1m)

Further strengthening of competitive position

- Successfully launching Innovamatrix® and ConvaFoam™ in the US – positive clinical feedback
- Acquired innovative anti-infective nitric oxide technology platform – potential applications across categories
- Broadening customers and applications in IC – partnerships with Beta Bionics (iLet insulin pump in the US), AbbVie and Mitsubishi Tanabe (Parkinson's), Medtronic (780G in the US) and Tandem (Mobi in the US)

Raising 2023 guidance to reflect growth across all categories and acceleration in AWC

- Expect organic revenue growth to be between 6.0-7.5% (previously 5.0-6.5%) and;
- Adjusted operating profit margin of at least 20.5% on a constant currency basis (previously at least 19.7%)

Karim Bitar, Chief Executive Officer, commented:

"This performance demonstrates the momentum Convatec is building - revenue growth is accelerating and we are expanding our operating margin, despite ongoing investments to drive future growth and the challenging inflationary backdrop. Given the strength of performance and the encouraging outlook, particularly in AWC, we are increasing our guidance for the full year.

"We remain focused on further strengthening the business as we execute our FISBE 2.0 strategy. We have now pivoted to sustainable revenue growth and are expanding our operating margin. We are increasingly confident of delivering sustainable future growth and an operating margin in the mid-20s."

Key financial highlights

	Reported results			Adjusted ³ results			
	H1 2023	H1 2022	Change	H1 2023	H1 2022	Change	CC Change ⁴
Revenue	\$1055m	\$1045m	1.1%	\$1055m	\$1045m	1.1%	2.7%
Operating profit	\$123.4	\$87.1	41.7%	\$214.1m	\$204.3m	4.8%	7.0%
<i>Operating profit margin</i>	11.7%	8.3%	3.4%pts	20.3%	19.6%	0.7%pts	
Diluted earnings per share	2.7 cents	2.4 cents	12.5%	6.8 cents	6.5 cents	4.6%	
Dividend per share	1.769	1.717	3.0%				

- Reported diluted EPS 2.7 cents. Adjusted³ diluted EPS 6.8 cents up 4.6% with higher adjusted net finance expense³ offset by lower non-operating and tax expenses
- Net debt³ increased by \$229 million following strategic M&A investments, capex and working capital. Leverage was 2.5x net debt³/adjusted EBITDA³ (FY 2022: 2.1x)
- Interim dividend of 1.769 cents declared – a 3% increase (H1 2022: 1.717 cents)

(1) Organic growth presents period over period growth at constant currency, adjusted for: Triad Life Sciences acquisition (Mar'22) the exit of hospital care and related industrial sales and the reconfigured business in Russia (May'22)

(2) Triad Life Sciences was renamed Advanced Tissue Technologies (ATT) following its acquisition in mid-March 2022. It produces products in the Wound Biologics segment, as defined by SmartTRAK. This segment includes skin substitutes, active collagen dressings and topical drug delivery. ATT began to contribute to the organic growth rate following the anniversary of the deal completion. ATT accounted for 29% of AWC's organic growth during the first half

(3) Certain financial measures in this document, including adjusted results above, are not prepared in accordance with International Financial Reporting Standards (IFRS). All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in the Non-IFRS Financial Information below (pages 33 to 38)

(4) Constant currency growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.

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Investor and analyst presentation

The results presentation will be held in person at UBS, 5 Broadgate Circle, London, EC2M 2QS at 9am (UK time). The event will be simultaneously webcast and the link can be found [here](#).

The full text of this announcement and the presentation for the analyst and investors meeting can be found on the 'Results, Reports & Presentations' page of the Convatec website www.convatecgroup.com/investors/reports.

About Convatec

Pioneering trusted medical solutions to improve the lives we touch: Convatec is a global medical products and technologies company, focused on solutions for the management of chronic conditions, with leading positions in advanced wound care, ostomy care, continence care and infusion care. With around 10,000 colleagues, we provide our products and services in almost 100 countries, united by a promise to be forever caring. Our solutions provide a range of benefits, from infection prevention and protection of at-risk skin, to improved patient outcomes and reduced care costs. Group revenues in 2022 were over \$2 billion. The company is a constituent of the FTSE 100 Index (LSE:CTEC). To learn more about Convatec, please visit <http://www.convatecgroup.com>

Forward Looking Statements

This document includes certain forward-looking statements with respect to the operations, performance and financial condition of the Group. Forward-looking statements are generally identified by the use of terms such as "believes", "estimates", "aims", "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "targets", "continues", or their negatives or other similar expressions. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies that are difficult to predict and many of which are outside the Group's control. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved. Forward-looking statements are not guarantees of future performance and such uncertainties and contingencies, including the factors set out in the "Principal Risks" section of the Strategic Report in our Annual Report and Accounts, could cause the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, to differ materially from the position expressed or implied in the forward-looking statements set out in this document. Past performance of the Group cannot be relied on as a guide to future performance.

Forward-looking statements are based only on knowledge and information available to the Group at the date of preparation of this document and speak only as at the date of this document. The Group and its directors, officers, employees, agents, affiliates and advisers expressly disclaim any obligations to update any forward-looking statements (except to the extent required by applicable law or regulation).

Operating Review for the six months ended 30 June 2023

Revenue

Total Group revenue for the period was \$1,055 million. Revenue increased by 1.1% on a reported basis following the exit of the hospital care activities and related industrial sales in 2022. On a constant currency basis revenue rose 2.7%. Adjusting for M&A and business exits (see footnote 1 above) Group revenue rose 6.6% on an organic basis.

	Six months ended 30 June					
	H1 2023 \$m	H1 2022 \$m	Reported growth / (decline)	Foreign Exchange impact	Constant Currency ² growth / (decline)	Organic ⁴ growth
Revenue by Category						
Advanced Wound Care	338	307	10.4%	(2.6)%	13.0%	8.7%
Ostomy Care	300	298	0.7%	(2.4)%	3.1%	3.1%
Continence Care	221	206	7.3%	(0.3)%	7.6%	7.6%
Infusion Care	186	174	7.2%	(0.3)%	7.5%	7.5%
Revenue excluding hospital care exit	1,045	985	6.2%	(1.7)%	7.9%	6.6%
Exit of hospital care and related industrial sales	10 ⁵	60	(83.5)%	n/a	n/a	n/a
Total	1,055	1,045	1.1%	(1.6)%	2.7%	6.6%

(5) Relates to residual stock being sold during H1 2023

Advanced Wound Care revenue of \$338 million increased 10.4% on a reported basis or 13.0% on a constant currency basis. On an organic basis revenue rose by 8.7%. This performance was enhanced by Advanced Tissue Technologies (ATT), which contributed to organic growth from April.

The business achieved strong growth in Europe and Global Emerging Markets, especially China, where we continued to win market share as we broadened our presence and developed robust relationships with the hospitals. Good growth in North America was supported by ATT in the US. InnovaMatrix[®] continued to deliver strong momentum in the large and rapidly growing wound biologics segment². Feedback from clinicians has been positive, including for the new InnovaBurn[®] product. ConvaFoam[™] launched in the US in January and the reaction from healthcare professionals has been encouraging.

Given the strong growth year to date, significant momentum in ATT and the positive response to ConvaFoam[™] we now expect double digit organic revenue growth for AWC for 2023, and expect the category to deliver high single digit growth on an ongoing basis.

Ostomy Care revenue of \$300 million was up 0.7% on a reported basis and increased 3.1% on a constant currency basis and organic basis.

Sales of Convatec ostomy products grew 6.5%. The business achieved double-digit growth in Global Emerging Markets as it continued to win share in key markets such as China and Colombia, supported by its Direct to Consumer and high touch service propositions. There was a good performance in Europe although, as expected, further planned declines in non-Convatec product sales via HSG/Amcare[™] UK masked this positive performance. In North America, new patient starts remained stable and HSG continued to grow referrals with new ostomy patients. Overall, we improved the mix and consequently the margins.

Growth for the overall category was moderated by the inclusion of Flexi-Seal[™] this year, our innovative faecal management system, which declined 9.3% as it lapped tough Covid comparatives. We expect a recovery in Flexi-Seal[™] during the remainder of the year given easing comparatives and the recent sole supplier contract win of the HealthTrust GPO.

Given this expected improvement in Flexi-Seal[™] coupled with good growth in Convatec ostomy products we continue to expect mid-single digit growth for this combined category in 2023.

Continence Care revenue of \$221 million rose 7.3% on a reported basis and 7.6% on a constant currency and organic basis.

A strong operating performance was supported by higher reimbursement pricing in the US this year and increasing share of Convatec (Cure Medical and GentleCath[™]) products. We made further progress building the commercial teams in Europe and are beginning to develop a presence in the Global Emerging Markets. From an innovation perspective we are on track to launch our new and improved GentleCath[™] Air for Women 2.0 in Q4 2023 in France.

Based on the favourable pricing development, we expect mid to high-single digit growth for Continence Care this year.

Infusion Care revenue of \$186 million increased 7.2% on a reported basis and 7.5% on a constant currency basis and organic basis. This growth was primarily driven by sustained strong demand for our innovative infusion sets

for people with diabetes. It was supported by double digit growth of our neria™ brand infusion sets, for non-insulin therapies such as subcutaneous infusion of immunoglobulins (linked to cancer and autoimmune diseases) and pain management medications. We continue to expect Infusion Care to grow high single digits in 2023 with further progress in H2 given Medtronic's 780G insulin pump approval in the US, Beta Bionics iLet bionic pancreas system launch in the US, AbbVie's Parkinson's launch in Japan and preparations for Tandem's Mobi commercial launch.

We remain confident our Infusion Care business can continue to grow at high single digits on an ongoing basis. This is driven by underlying growth in diabetes (~3% p.a.) coupled with the expectation of increased world-wide insulin pump penetration (currently only ~5% penetration) as more insulin-intensive patients choose automated insulin delivery over multiple daily injections. Recent data from Seagrove, an expert diabetes market research firm, expects durable pumps to grow approximately 8% CAGR between 2023-2028 while patch & hybrid pumps are expected to grow approximately 16% CAGR over the same period. This reflects the importance of choice for varying patient needs across the globe such as glycemic control, discretion, convenience and cost. Our confidence is further underpinned by our innovation pipeline with extended wear infusion sets, new durable pumps, such as Tandem's discrete Mobi pump and Beta Bionic's new iLet pump, and the potential to contribute to patch & hybrid pumps. In addition, we expect double digit growth in areas such as Parkinson's disease and immunoglobulin deficiency.

Historic revenue data*

* Provided to reflect revised category definitions announced in March '23, following the exit of hospital care.

Reported Revenue \$m	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023
Advanced Wound Care	294	298	307	314	338
Ostomy Care	311	304	298	285	300
Continance Care	193	211	206	220	221
Infusion Care	155	162	174	167	186
Group	953	975	985	986	1045
Revenue from exit of hospital and industrial sales	55	55	60	42	10
Total Reported Group	1008	1030	1045	1028	1055

Organic ⁴ growth/(decline) %	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023
Advanced Wound Care	16.3%	3.4%	7.3%	6.3%	8.7%
Ostomy Care	5.0%	(0.8)%	1.2%	2.3%	3.1%
Continance Care	3.0%	3.1%	4.5%	5.7%	7.6%
Infusion Care	9.7%	13.3%	13.2%	3.6%	7.5%
Group	7.4%	3.4%	6.4%	4.7%	6.6%

Executing on our FISBE strategy

The execution of our FISBE (Focus, Innovate, Simplify, Build, Execute) strategy is progressing well.

Focus

- We continued to **focus on our top 12 markets**, achieving revenue growth of 6.4% on a constant currency basis compared to 2.7% globally. The US continues to be our largest market and grew strongly, supported by the contribution from ATT. China, whilst still a small part of the overall group, is a key strategic market where we continue to strengthen our position, grow double digit and win market share
- In July we **further strengthened our Home Services Group** through the acquisition of A Better Choice Medical Supply for \$27 million. The US home supplier of urinary catheters, based in Waterford, Michigan (near Detroit) will be integrated into our HSG business in the coming months.

Innovate

- We continued to invest to strengthen our Technology & Innovation capabilities and advance our pipeline; we **increased adjusted R&D expenditure** by 9.3% to \$52 million in H1 (H1 2022: \$47 million), equivalent to 4.9% of sales
- During H1 we started **launching ConvaFoam™ in the US**, which is strengthening our competitive position in the very large and growing foam segment. Feedback from evaluations has been encouraging, with HCPs particularly positive about its exudate and adhesion properties
- In April, we **acquired a highly innovative anti-infective nitric oxide technology** platform with a unique natural antimicrobial mode of action, backed by compelling scientific and clinical data. Convatec is well positioned to commercialise this technology across a variety of medtech device applications starting with Advanced Wound Care, with the first product expected to be launched in 2025
- During the period **Beta Bionics launched their new iLet bionic pancreas system** and we are partnering as sole supplier of the infusion sets
- We also have **four further launches scheduled for H2**:
 - o Extended Wear Infusion Set in US with Medtronic 780G which has received FDA clearance
 - o Infusion set for new Tandem Mobi pump, cleared by the FDA in July
 - o AbbVie in Japan, with Europe later this year subject to regulatory approval
 - o GentleCath™ Air for Women 2.0 in Q4 in France

Simplify

- As part of our **Plant Network Optimisation** initiative, we announced our plan to move manufacturing operations from the EuroTec facility in Roosendaal, the Netherlands, to our larger and more efficient site in Michalovce, Slovakia, which already manufactures similar Ostomy products. The intended move will take place in H2'23 and is expected to deliver savings and improved productivity given the more integrated position of Slovakia within the network
- **Adjusted G&A reduced to 8.2% of sales** (H1 2022: 9.7%), declining 14.9% to \$87 million (H1 2022: \$102 million) as we continued to transition activities to our Global Business Services centres; improve, standardise and automate processes, build internal expertise and consolidate our corporate office facilities

Build

- Our Pricing Centre of Excellence (CoE), in collaboration with our business units, **achieved 110 bps of pricing improvement**
- Our Salesforce CoE has continued to roll out the single CRM platform to Global Emerging Markets and is driving enhanced salesforce productivity by increasing call rates by 10% and improving targeting

Execution

- Through excellent commercial execution we are **winning share in the Global Emerging Markets** in both AWC and OC. Our sales in GEM continue to grow double digit
- We made **further progress with our Environmental, Social & Governance (ESG)** agenda particularly with respect to building a business where our people can thrive. We rolled out an executive education series to engage our senior leaders in diversity, equity and inclusion practices. In addition, we are on track for 100% renewable energy across all our manufacturing sites by the end of the year

Strong financial performance

Group revenue for the period was \$1,055 million. Revenue increased by 1.1% on a reported basis, following the exit of the hospital care activities and related industrial sales in 2022. On a constant currency basis revenue rose 2.7%.

Adjusted gross profit rose 4.7% to \$657 million (H1 2022: \$628 million). Adjusted gross profit margin increased by 220bps over the prior year with pricing, mix and productivity benefits more than offsetting the ongoing COGS inflation. Reported gross profit was \$592 million (H1 2022: \$555 million).

Adjusted operating expenses increased 4.6% year on year on a reported basis. Higher labour cost inflation and additional investment in growth initiatives, such as ATT sales force expansion and R&D investment, was partially offset by a 150 bps reduction in G&A.

Total adjusted operating profit increased by 4.8% to \$214 million (H1 2022: \$204 million) or 7.0% on a constant currency basis. The adjusted operating profit margin was 20.3% in the first half, an increase of 70 bps versus prior year. Reported operating profit was \$123 million (H1 2022: \$87 million).

Adjusted diluted EPS was up 4.6% with operating profit growth and a lower adjusted tax and non-operating expenses partially offset by higher finance expenses, given market interest rate rises and higher gross debt.

Reported EPS was up 12.5% reflecting higher reported net profit.

Cash flow and leverage

Free cash flow (pre-tax) was \$70 million (H1 2022: \$89 million) during the period. The \$10 million increase in adjusted EBITDA to \$262 million (H1 2022: \$252 million), \$3 million reduction in one-time expenses and \$5 million lower capital expenditure was largely offset by additional investment in working capital of \$124 million (H1 2022: \$92 million). The increase in working capital principally reflected higher inventory, to build resilience and some operational stocking ahead of the EuroTec closure, summer holidays and the new FlexiSeal™ GPO contract. In addition, there was an increase in receivables due to timing of receipts, particularly in ATT, and sales phasing.

Adjusted cash conversion (calculated by dividing free cash flow (pre-tax) by adjusted EBITDA) was 26.8% (H1 2022: 35.5%.) The decline in the ratio primarily reflected the decision to build inventory and the increase in receivables.

Free cash to equity was \$10 million (H1 2022: \$42 million). The \$32 million decline from the prior year period principally reflected the lower free cash flow (pre-tax) coupled with higher interest, lease and other expenses.

The Group continued to invest inorganically – spending \$57 million on the acquisition of the innovative nitric oxide platform. A further \$95 million was paid for the first year performance related earn-out for ATT. After dividends of \$88 million, net debt increased by \$229m.

The Group ended the period with gross debt, including IFRS 16 lease liabilities, of \$1,465 million (31 December 2022: \$1,300 million). Offsetting cash of \$77 million (31 December 2022: \$144 million) and excluding lease liabilities, net debt was \$1,298 million (31 December 2022: \$1,068 million), equivalent to 2.5x adjusted EBITDA (31 December 2022: 2.1x adjusted EBITDA).

Dividend

The Board is declaring a 3% increase in the interim dividend to 1.769 cents per share (H1 2022: 1.717) reflecting continued confidence in the future performance of the Group and cash generation.

Group 2023 outlook

We are pleased with the performance we have achieved so far in 2023 and are increasing our full year guidance.

We now expect full year organic revenue growth to be 6.0-7.5%, given the broad-based growth across all categories and acceleration in AWC, primarily driven by ATT.

Given the strong start to the year with mix, pricing and simplification and productivity benefits, we now expect operating margin in 2023 to expand to at least 20.5% on a constant currency basis.

If current spot rates were to hold for the remainder of the year, the estimated tailwind for FY 2023 revenue would be approximately 90bps and the impact on full year adjusted operating margin would be approximately 60 bps of FX headwind.

We expect adjusted net finance expense for the full year to be towards the upper end of the \$70-80 million range previously provided, given the higher debt following M&A investment and the higher market interest rates. The adjusted book tax rate is expected to be approximately 24%. We still expect Capex of around \$120-140 million for the full year reflecting the continued growth and automation investments we are making across the Group. We expect leverage at year end to be approximately 2.3x, absent any further M&A and taking into account the anticipated inventory reduction in the second half. Overall, at the full year, inventory is expected to be \$20-40 million higher than December 2022.

We have now pivoted to sustainable revenue growth and are focused on driving margin expansion. We are increasingly confident of delivering sustainable future growth and an operating margin in the mid-20s.

Principal risks

The Board reviews and agrees our principal risks on a bi-annual basis taking account of our risk appetite together with our evolving strategy, current business environment and any emerging risks that could impact the business. Our system of risk management and internal control continues to develop and updates to the principal risks and mitigation plans are made as required in response to changes in our risk landscape. Details of our enterprise risk management framework are set out in the Group's 2022 Annual Report and Accounts on pages 88 to 97.

The Board has reviewed the principal risks as of 30 June 2023, taking into consideration the risks that existed during the first six months of 2023 and those that it believes will have an impact on the business over the remaining six months of the current financial year. The principal risks have been assessed against the context of the global inflationary pressures that are impacting all businesses at present. The overall profile of our risks remains consistent with the position presented in the Group's 2022 Annual Report and Accounts. Our principal risks are set out below and listed in order of their potential impact on our ability to successfully deliver on our strategy:

- Operational Resilience and Quality;
- Information Systems, Security and Privacy;
- Innovation and Regulatory;
- Customer and Markets;
- Political and Economic Environment;
- People;
- Legal and Compliance;
- Strategy and change management;
- Environment and Communities; and,
- Tax and Treasury.

The Board assesses the overall risk profile of the Group to ensure it is within our risk appetite. In making this assessment the Board considered the continued upward pressure from the macro-economic environment and broader risk landscape (including the high levels of inflation, increasing interest rates, ongoing supply chain challenges and the continuing impacts of the war in Ukraine) on the business environment and any continued or additional impact on the Group's business and principal risks, coupled with the controls and mitigations in place to address these challenges. In the main, as our processes and risk mitigations further develop and mature, we have continued to manage the challenges facing the wider business landscape and build further resilience into our operations. Principal risks continue to be appropriately mitigated and we work to ensure that each risk remains within our risk appetite.

Financial Review for six months ended 30 June 2023

Group financial performance

	Six months ended 30 June			
	Reported	Reported	Adjusted ¹	Adjusted ¹
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Revenue	1,055.5	1,044.5	1,055.5	1,044.5
Gross profit	592.4	554.9	657.4	628.1
Operating profit	123.4	87.1	214.1	204.3
Net finance expense	(45.5)	(28.2)	(33.9)	(23.0)
Profit before income taxes	76.0	46.1	180.4	174.3
Income tax (expense)/benefit	(20.3)	2.2	(41.5)	(43.2)
Net profit for the period	55.7	48.3	138.9	131.1
Basic earnings per share (cents per share)	2.7	2.4	6.8	6.5
Diluted earnings per share (cents per share)	2.7	2.4	6.8	6.5
Dividend per share (cents)	1.769	1.717		

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS in the Non-IFRS financial information section on pages 33 to 38.

Reported and Adjusted results

The Group's financial performance measured in accordance with IFRS (IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom) is set out in the Condensed Consolidated Interim Financial Statements and Notes and is referred to in this review as "reported".

The commentary in this review includes discussion of the Group's reported results and alternative performance measures (or adjusted results) ('APMs'). Management and the Board use APMs as meaningful supplemental measures in monitoring the performance of the business. These measures are disclosed in accordance with the ESMA guidelines and are explained and reconciled to the most directly comparable reported measure prepared in accordance with IFRS in the Non-IFRS financial information section on pages 33 to 38.

The commentary includes discussion of revenue on a constant currency basis. Constant currency removes the effect of fluctuations in exchange rates to focus on underlying revenue performance. Constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's revenue performance in the respective period. Revenue and revenue growth on a constant currency basis are non-IFRS financial measures and should not be viewed as a replacement of IFRS reported revenue. Organic growth represents period-on-period growth at constant currency, excluding acquisition and divestiture activities.

Revenue

Group reported revenue for the six months ended 30 June 2023 of \$1,055.5 million (H1 2022: \$1,044.5 million) increased 1.1% year-on-year on a reported basis, following the exit of the hospital care activities and related industrial sales in 2022. Revenue increased 2.7% on a constant currency basis. Group revenue grew by 6.6% on an organic basis, driven by strong growth in Advanced Wound Care, Infusion Care and Continence Care and good growth in Ostomy Care.

For more details about the category revenue performance, refer to the Operating Review.

Reported net profit

Reported gross margin increased year-on-year from 53.1% to 56.1%, including a change in mix, following the exit of hospital care and the growing contribution from Advanced Tissue Technologies (“ATT”). This was supported by an improvement in pricing and the easier prior year comparators, which included higher divestiture-related costs associated with the exit from hospital care and industrial sales activities.

Reported operating profit was \$123.4 million, an increase of \$36.3 million on the prior period. Reported operating expenses increased slightly by \$1.2 million to \$469.0 million (H1 2022: \$467.8 million), with increases in selling and distribution expenses of \$17.4 million and R&D of \$6.4million offset by reductions in G&A of \$8.4 million and other operating expenses of \$14.2 million.

The increase in selling and distribution costs, including higher headcount associated with growing the business, expansion in the acquired ATT business and higher labour inflation, was only partially offset by the exit of hospital care. The increase in R&D reflected the continued investment in our future pipeline of new products and new R&D talent joining the business through the recently acquired businesses of ATT and 30 Technology’s nitric oxide platform.

The improvement in G&A continued to reflect the Group’s focus on simplification and productivity, notably as we continued to build internal expertise and reduce external consultancy spend whilst also seeing the benefits of transitioning more finance and IT activities to our Global Business Services (“GBS”) centres in Lisbon and Bogota.

Other operating expenses were nil during the period (H1 2022: \$14.2 million), with the prior period costs primarily relating to the exit from hospital care and related industrial sales activities.

Reported net finance expenses increased by \$17.3 million to \$45.5 million in the six months to 30 June 2023 (H1 2022: \$28.2 million), reflecting an additional \$10.9 million of net finance expenses due to a combination of higher market interest rates and increase in average net debt, and \$6.4 million for the unwind of discount relating to the contingent consideration arising from the acquisitions of Cure Medical in 2021, Triad Life Sciences in 2022 and 30 Technology’s nitric oxide platform in 2023.

Reported non-operating expenses decreased by \$10.9 million to \$1.9 million (H1 2022: \$12.8 million) and principally consisted of a remeasurement charge of \$2.1 million (H1 2022: \$5.8 million) in the period relating to the contingent consideration payable in respect of the Group’s acquisitions, plus foreign exchange gains of \$0.1 million (H1 2022: \$7.0 million loss).

The reported income tax expense for the six months ended 30 June 2023 was \$20.3 million (H1 2022: \$2.2 million benefit) and this is explained further in the Taxation and Tax strategy section below. After income tax expense of \$20.3 million (H1 2022: \$2.2 million benefit), the reported net profit was \$55.7 million (H1 2022: \$48.3 million). The basic reported earnings per share rose 12.5% to 2.7 cents (H1 2022: 2.4 cents), reflecting the reported net profit divided by 2,036,308,534 ordinary shares (H1 2022: 2,018,377,510 ordinary shares).

Adjusted net profit

Adjusted gross profit increased by 4.7% to \$657.4 million (H1 2022: \$628.1 million). The adjusted gross margin increased year-on-year from 60.1% to 62.3%, driven by mix, pricing and productivity benefits, partially offset by cost inflation.

The Group achieved adjusted operating profit of \$214.1 million (H1 2022: \$204.3 million), delivering a further adjusted operating margin expansion to 20.3% (H1 2022: 19.6%), despite ongoing inflationary headwinds and continued investments for growth. Increases in adjusted selling and distribution expenses of \$30.3 million, primarily driven by higher headcount, and adjusted R&D of \$4.4million, were partially offset by reductions in adjusted G&A of \$15.2 million, resulting in a net increase of \$19.5 million in adjusted operating expenses. A reconciliation between reported and adjusted operating expenses is provided in the Non-IFRS financial information section.

Adjusted G&A as a percentage of revenue was 8.2% (H1 2022: 9.7%).

Adjusted net profit increased 5.9% to \$138.9 million (H1 2022: \$131.1 million). The increases in operating expenses (as explained in the reported net profit section) and finance costs due to higher market interest rates, were more than offset by strong gross margin improvements, a reduction in non-operating expenses and a \$1.7 million decrease in adjusted income tax expense (which is explained below).

Adjusted basic and diluted adjusted EPS at 30 June 2023 increased by 4.6% to 6.8 cents and 6.8 cents respectively (H1 2022: 6.5 cents and 6.5 cents), reflecting the higher adjusted net profit of \$138.9 million (H1 2022: \$131.1million) divided by 2,036,308,534 basic ordinary shares and 2,049,996,858 diluted ordinary shares respectively (H1 2022: 2,018,377,510 basic ordinary shares and 2,031,279,646 diluted ordinary shares).

Taxation and tax strategy

	Six months ended 30 June			
	2023		2022	
	\$m	Effective tax rate	\$m	Effective tax rate
Reported income tax (expense)/benefit	(20.3)	26.7%	2.2	(4.8%)
Tax effect of adjustments	(21.2)		(25.7)	
Other discrete tax items	-		(19.7)	
Adjusted income tax expense	(41.5)	23.0%	(43.2)	24.8%

The Group's reported income tax expense for the six months ended 30 June 2023 was \$20.3 million (H1 2022: \$2.2 million benefit). The increase in the reported effective tax rate is mainly driven by the decrease in tax benefit on deferred tax recognition in 2022 on previously unrecognised US losses, partially offset by lower tax expense due to profit mix between jurisdictions with different tax rates.

The adjusted effective rate of 23.0% for the six months ended 30 June 2023 (H1 2022: 24.8%) is after reflecting the tax impact of items treated as adjusting items (further details can be found in the Reconciliation of reported earnings to adjusted earnings table in the Non-IFRS financial information section on page 35). The decrease in adjusted effective tax rate was principally driven by deferred tax benefit on previously unrecognised tax losses and the profit mix between jurisdictions with different tax rates.

Alternative performance measures (APMs)

In line with the Group's APM policy, the following adjustments were made to derive adjusted operating profit and adjusted profit before tax.

	Six months ended 30 June					
	Operating profit		Finance expense		Non-operating expense	
	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m
Reported	123.4	87.1	(45.5)	(28.2)	(1.9)	(12.8)
Amortisation of acquired intangibles	67.0	67.4	-	-	-	-
Acquisitions and divestitures	9.9	41.7	11.6	5.2	2.1	5.8
Termination benefits and related costs	3.5	6.7	-	-	-	-
Other adjusting items	10.3	-	-	-	-	-
Impairment of assets	-	1.4	-	-	-	-
Adjusted	214.1	204.3	(33.9)	(23.0)	0.2	(7.0)

In line with Group's APM policy, adjustments made to derive adjusted operating profit for the six months ended 30 June 2023 included the amortisation of acquired intangibles of \$67.0 million (H1 2022: \$67.4 million), of which \$46.4 million (H1 2022: \$47.3 million) resulted from intangible assets arising from the spin-out from Bristol-Myers Squibb in 2008 and will be fully amortised by December 2026.

Acquisition and divestiture costs were \$9.9 million (H1 2022: \$41.7 million), of which \$2.2 million principally related to the exit from the hospital care and industrial sales activities and \$7.7 million primarily related to the acquisition of 30 Technology's nitric oxide platform and the remaining inventory fair value release in respect of the Triad acquisition.

Terminations costs of \$3.5 million were in respect of transformation projects and primarily due to the planned closure of the EuroTec factory in the Netherlands. Other adjusting items of \$10.3 million were in respect of two ongoing programmes; our plant network optimisation as announced in the May Trading Update and the facilities optimisation programme.

The adjustment of \$11.6 million made to derive adjusted finance expenses for the six months ended 30 June 2023 wholly related to the discount unwind in respect of contingent consideration payable on the Starlight, Triad Life Sciences and Cure Medical acquisitions.

Adjustments made to derive adjusted non-operating expenses for the six months ended 30 June 2023 related to remeasurement charges of \$2.1 million in respect of the contingent consideration payable on the Triad Life Sciences acquisition.

Of the total of \$104.4 million of adjusting items, \$88.0 million were non-cash items. For further information on Non-IFRS financial information, see pages 33 to 38.

The Board, through the Audit and Risk Committee, continuously reviews the Group's APM policy to ensure that it remains appropriate and represents the way in which the performance of the Group is managed.

Strategic progress

The Group continued to explore and execute opportunities to strengthen its competitive position in its four key categories and top markets. During 2023, this included the acquisition of a highly innovative nitric oxide technology platform and our plant network optimisation to move manufacturing operations from the EuroTec facility in Roosendaal, the Netherlands, to our larger site in Michalovce, Slovakia.

The Group continued to strengthen its product pipeline, with ConvaFoam™ launching in the US in January. Initial feedback from clinical evaluations has been strong.

We are on track for further new product and customer launches in 2023 and 2024, including:

- The Group is the sole supplier to Beta Bionics for the iLet Bionic Pancreas which received FDA 510(k) clearance in May and is set for commercial launch in the US in H2 2023
- Extended Wear Infusion Set in US with Medtronic 780G which received FDA clearance in June
- Tailored infusion set for Tandem's new Mobi pump in the US which received FDA clearance in July
- neria™ guard infusion set for AbbVie's ABBV-951 Parkinson's disease therapy, which launched in Japan in H2, with Europe later this year subject to regulatory approval
- GentleCath™ Air for Women 2.0 in Q4 2023
- Esteem Body™ to be launched by Q1 2024 in the US

Acquisitions

On 18 April 2023, the Group completed its acquisition of Starlight Science Limited (Starlight), a UK-based R&D company. The acquisition of Starlight included the highly innovative anti-infective nitric-oxide technology platform, which complements the Group's Advanced Wound Care portfolio and has potential applications across the Group's other categories. In addition to the initial consideration of \$56.7 million (£45.3 million), the sellers may earn contingent consideration up to a maximum of \$163.9 million (£131.0 million), in the form of (i) milestone payment of \$58.8 million (£47.0 million) due upon regulatory clearances in the US and Europe; and (ii) earnout payments based on sales of products over the lifetime of the acquired patents, with the maximum earnout capped at \$105.1 million (£84.0 million). Refer to Note 5 - Acquisitions in the Condensed Consolidated Finance Statements for further details.

During the period, the Group paid \$94.7 million in respect of contingent consideration associated with sales performance during the first-year post-completion of the Triad Life Sciences acquisition. Based on the latest available information, the discounted fair value of the remaining contingent consideration as at 30 June 2023 was \$47.5 million (31 December 2022: \$130.8 million). This is due to be paid by 2024, subject to achieving specified measures under the Merger Agreement. Refer to Note 5 - Acquisitions in the Condensed Consolidated Finance Statements for further details.

The Group has contingent consideration of up to \$10.0 million in respect of the Cure Medical acquisition in 2021, which is based upon post-acquisition performance targets and due to be paid by 2024. The discounted fair value of the contingent consideration as at 30 June 2023 was \$9.5 million (31 December 2022: \$9.2 million).

Dividends

Dividends are distributed based on the realised distributable reserves of the parent company, Convatec Group Plc ("the Company"), which are primarily derived from dividends received from subsidiary companies and are not based directly on the Group's retained earnings. The realised distributable reserves of the Company at 30 June 2023 were \$1,455.1 million (31 December 2022: \$1,562.9 million). The factors considered by the Board that may influence the proposed dividend are disclosed in Note 4 - Dividends in the Condensed Consolidated Financial Statements.

The Board has decided to increase the interim 2023 dividend by 3% to 1.769 cents per share. Our stated policy is a pay-out ratio of 35% to 45% of adjusted net profit but this is interpreted flexibly over time to reflect the underlying performance of the business. The decision to increase the dividend reflects the good progress on pivoting to sustainable and profitable growth and confidence in the Group's future prospects.

Cash Flow and Net Debt

	Adjusted 2023 \$m	Adjusted 2022 \$m
EBITDA ¹	261.5	251.7
Working capital movement ¹	(124.2)	(92.4)
(Loss)/gain on foreign exchange derivatives	(1.9)	3.4
Adjusting items ²	(6.7)	(9.2)
Capital expenditure	(58.7)	(64.1)
Free cash flow (pre-tax)^{1,3}	70.0	89.4
Tax paid	(16.2)	(19.1)
Free cash to capital^{1,3}	53.8	70.3
Net interest paid	(28.4)	(21.9)
Payment of lease liabilities	(11.2)	(10.4)
Other ⁴	(4.5)	3.8
Free cash to equity^{1,3}	9.7	41.8
Dividends ⁵	(87.7)	(58.9)
Acquisitions ⁶	(151.4)	(178.9)
Movement in net debt	(229.4)	(196.0)
Net debt ¹ at 1 January (excluding lease liabilities)	(1,068.1)	(881.2)
Net debt¹ at 30 June (excluding lease liabilities)	(1,297.5)	(1,077.2)

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the Non-IFRS financial information section on pages 33 to 38.
2. Details of adjusting items are provided in the adjusting items cash movement table in the Non-IFRS financial information section.
3. The cash flow measures have also been simplified. 'Net cash for cash conversion' has been renamed 'Free cash flow (pre-tax)' and 'Free cash flow (post-tax)' has been renamed 'Free cash to capital'. In addition, a new measure has been introduced, 'Free cash to equity' (as defined in the table above). The Directors consider that these changes result in consistency of cash flow measures and provide improved definition, clarity and insight.
4. Other consisted of financing fees amortisation \$1.4 million (H1 2022: \$2.0 million), net FX loss on cash and borrowings of \$3.6 million (H1 2022: \$5.8 million gain) and proceeds from PPE sales of \$0.5 million (H1 2022: nil).
5. Dividend cash payments of \$87.7 million were made to shareholders in the period in respect of the 2022 final dividend. This represented 94.9% of total dividends declared in the period, with the remaining 5.1% electing to settle via scrip dividends.
6. Acquisition payments of \$151.4 million consisted of the initial consideration payment of \$56.7 million in respect of the acquisition of Starlight and \$94.7 million in respect of the Year 1 earn out associated with the 2022 acquisition of Triad Life Sciences.

EBITDA

Adjusted EBITDA increased by \$9.8 million, largely driven by the increase in reported operating profit of \$36.3 million (as explained in the net profit commentary) and a \$10.4 million reduction in impairment charges (which was higher in the prior period due to the hospital care exit), being offset by reductions in adjusting items of \$14.9 million. A reconciliation of EBITDA to adjusted EBITDA is provided in the Non-IFRS financial information section.

Free cash flow (pre-tax)

Free cash flow (pre-tax) decreased by \$19.4 million, with the increase in EBITDA and reduction in capital expenditure being more than offset by the increase in working capital.

The Group invested \$58.7 million in capital expenditure to further strengthen our manufacturing lines and digital technologies.

The increase in adjusted working capital in the period ended 30 June 2023 was primarily driven by increased inventory levels of \$67.8 million and increases in trade and other receivables of \$35.1 million. Increased inventory levels reflected strategic decisions to build resilience of raw materials across the Group and the planned stocking of finished goods for expected facility shutdowns, new contract wins and the launch of ConvaFoam™. Increases in trade and other receivables reflected sales phasing and the timing of receipts.

Cash conversion was 29.1% (H1 2022: 41.4%) and adjusted cash conversion was 26.8% (H1 2022: 35.5%). Further details are provided in the Non-IFRS financial information section. The decline in the ratio primarily reflected the strategic decision to build inventory for resilience, coupled with sales phasing and timing of receipts from customers.

Free cash to equity

Free cash to equity reduced by \$32.1 million. This was driven by a reduction in free cash flow (pre-tax) of \$19.4 million as explained above, higher finance cost payments of \$6.5 million due to a combination of higher market interest rates and increase in average net debt and a \$8.3 million movement in other, primarily due to net adverse foreign exchange movements on cash and cash equivalents and borrowings.

Borrowings and net debt

	30 June 2023	31 December 2022
	\$m	\$m
Borrowings	1,374.0	1,211.9
Lease liabilities	91.1	88.3
Total borrowings including lease liabilities	1,465.1	1,300.2
Cash and cash equivalents	(76.5)	(143.8)
Total borrowings including lease liabilities, net of cash	1,388.6	1,156.4
Net debt (excluding lease liabilities)	1,297.5	1,068.1
Net debt (excluding lease liabilities)/adjusted EBITDA¹	2.5	2.1

1. Net debt excludes lease liabilities and adjusted EBITDA for the twelve months to 30 June 2023 has been used in this calculation.

As at 30 June 2023, the Group's cash and cash equivalents were \$76.5 million (31 December 2022: \$143.8 million) and the debt outstanding on borrowings was \$1,374.0 million (31 December 2022: \$1,211.9 million).

The Group's banking facilities comprise of a multicurrency revolving credit facility of \$950.0 million and a term loan of \$250.0 million, both with maturity in November 2027. The Group's \$500.0 million senior unsecured notes, issued in October 2021, remain in place with maturity in October 2029.

As at 30 June 2023, \$312.0 million of the multicurrency revolving credit facility remained undrawn (31 December 2022: \$472.8 million). This, combined with cash of \$76.5 million (31 December 2022: \$143.8 million), provided the Group with total liquidity of \$388.5 million at 30 June 2023 (31 December 2022: \$616.6 million). Of this, \$20.8 million was held in territories where there are restrictions related to repatriation (31 December 2022: \$19.2 million).

The Group ended the period with total borrowings, including IFRS 16 lease liabilities, of \$1,465.1 million (31 December 2022: \$1,300.2 million). Offsetting cash of \$76.5 million (31 December 2022: \$143.8 million) and excluding lease liabilities, net debt was \$1,297.5 million (31 December 2022: \$1,068.1 million), equivalent to 2.5x adjusted EBITDA (31 December 2022: 2.1x adjusted EBITDA), with the increase being driven by strategic investments such as the acquisition of Starlight, the Triad earn out payment and continued investment in inventory and capital expenditure.

Covenants

At 30 June 2023, the Group was in compliance with all financial and non-financial covenants associated with the Group's outstanding debt.

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2023 \$m	2022 \$m
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2	1,055.5	1,044.5
Cost of sales		(463.1)	(489.6)
Gross profit		592.4	554.9
Selling and distribution expenses		(304.7)	(287.3)
General and administrative expenses		(110.7)	(119.1)
Research and development expenses		(53.6)	(47.2)
Other operating expenses		-	(14.2)
Operating profit		123.4	87.1
Finance income		2.2	0.7
Finance expense		(47.7)	(28.9)
Non-operating expense, net		(1.9)	(12.8)
Profit before income taxes		76.0	46.1
Income tax (expense)/benefit	3	(20.3)	2.2
Net profit for the period		55.7	48.3
Earnings per share			
Basic earnings per share (cents per share)		2.7¢	2.4¢
Diluted earnings per share (cents per share)		2.7¢	2.4¢

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2023	2022
		\$m	\$m
		<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period		55.7	48.3
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to the Consolidated Income Statement:			
Fair value movements on equity investments		(8.7)	-
Items that may be reclassified subsequently to the Consolidated Income Statement:			
Foreign currency translation, net of tax		49.6	(110.8)
Effective portion of changes in fair value of cash flow hedges		-	(7.7)
Costs of hedging		-	0.2
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement		(1.1)	10.2
Income tax relating to items that may be reclassified		(0.1)	(0.9)
Other comprehensive income/(expense)		39.7	(109.0)
Total comprehensive income/(expense)		95.4	(60.7)

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2023 \$m (unaudited)	31 December 2022 \$m (audited)
Assets			
Non-current assets			
Property, plant and equipment		432.8	400.4
Right-of-use assets		80.2	79.4
Intangible assets and goodwill		2,260.1	2,149.5
Investment in financial assets		22.0	30.7
Deferred tax assets		27.7	26.6
Derivative financial assets	7	0.5	0.2
Restricted cash		6.8	7.3
Other non-current receivables		9.9	8.6
		2,840.0	2,702.7
Current assets			
Inventories		407.5	336.9
Trade and other receivables		404.0	364.0
Derivative financial assets	7	11.0	26.4
Restricted cash		13.7	18.2
Cash and cash equivalents		76.5	143.8
		912.7	889.3
Total assets		3,752.7	3,592.0
Equity and liabilities			
Current liabilities			
Trade and other payables		342.3	346.6
Lease liabilities		20.6	20.3
Current tax payable		36.7	33.5
Derivative financial liabilities	7	9.6	32.5
Provisions	8	128.3	100.2
		537.5	533.1
Non-current liabilities			
Borrowings	6	1,374.0	1,211.9
Lease liabilities		70.5	68.0
Deferred tax liabilities		97.9	83.2
Provisions	8	15.7	53.1
Derivative financial liabilities	7	-	0.3
Other non-current liabilities		31.4	32.7
		1,589.5	1,449.2
Total liabilities		2,127.0	1,982.3
Net assets		1,625.7	1,609.7
Equity			
Share capital		250.9	250.7
Share premium		170.2	165.7
Own shares		(0.7)	(1.5)
Retained deficit		(928.9)	(892.2)
Merger reserve		2,098.9	2,098.9
Cumulative translation reserve		(127.5)	(177.1)
Other reserves		162.8	165.2
Total equity		1,625.7	1,609.7
Total equity and liabilities		3,752.7	3,592.0

Condensed Consolidated Statement of Changes in Equity

	Notes	Share capital \$m	Share premium \$m	Own shares \$m	Retained deficit \$m	Merger reserve \$m	Cumulative translation reserve \$m	Other reserves \$m	Total \$m
At 1 January 2023 (audited)		250.7	165.7	(1.5)	(892.2)	2,098.9	(177.1)	165.2	1,609.7
Profit for the period		-	-	-	55.7	-	-	-	55.7
Other comprehensive income/(expense):									
Foreign currency translation adjustment, net of tax		-	-	-	-	-	49.6	-	49.6
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	-	(1.2)	(1.2)
Change in fair value of equity investments		-	-	-	-	-	-	(8.7)	(8.7)
Other comprehensive income/(expense)		-	-	-	-	-	49.6	(9.9)	39.7
Total comprehensive income/ (expense)		-	-	-	55.7	-	49.6	(9.9)	95.4
Dividends paid	4	-	-	-	(87.7)	-	-	-	(87.7)
Scrip dividend	4	0.2	4.5	-	(4.7)	-	-	-	-
Share-based payments		-	-	-	-	-	-	7.4	7.4
Share awards vested		-	-	0.8	-	-	-	0.1	0.9
At 30 June 2023 (unaudited)		250.9	170.2	(0.7)	(928.9)	2,098.9	(127.5)	162.8	1,625.7

	Notes	Share capital \$m	Share premium \$m	Own shares \$m	Retained deficit \$m	Merger reserve \$m	Cumulative translation reserve \$m	Other reserves \$m	Total \$m
At 1 January 2022 (audited)		247.0	142.3	(2.2)	(842.0)	2,098.9	(75.7)	126.5	1,694.8
Profit for the period		-	-	-	48.3	-	-	-	48.3
Other comprehensive (expense)/income:									
Foreign currency translation adjustment, net of tax		-	-	-	-	-	(110.8)	-	(110.8)
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	-	1.8	1.8
Other comprehensive (expense)/income		-	-	-	-	-	(110.8)	1.8	(109.0)
Total comprehensive (expense)/income		-	-	-	48.3	-	(110.8)	1.8	(60.7)
Dividends paid	4	-	-	-	(58.9)	-	-	-	(58.9)
Scrip dividend	4	0.9	18.0	-	(18.9)	-	-	-	-
Allotment of shares to Employee Benefit Trust		2.6	-	(2.6)	-	-	-	-	-
Share-based payments		-	-	-	-	-	-	8.1	8.1
Share awards vested		-	-	2.6	-	-	-	(2.5)	0.1
At 30 June 2022 (unaudited)		250.5	160.3	(2.2)	(871.5)	2,098.9	(186.5)	133.9	1,583.4

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2023 \$m	2022 \$m
Cash flows from operating activities		<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period		55.7	48.3
Adjustments for			
Depreciation of property, plant and equipment		18.3	20.0
Depreciation of right-of-use assets		11.4	11.0
Amortisation of intangible assets		76.4	75.6
Income tax expense/(benefit)	3	20.3	(2.2)
Non-operating expense, net		-	16.2
Finance costs, net		45.5	28.2
Share-based payments		7.5	8.2
Impairment/write-off of intangible assets		-	5.6
Impairment/write-off of right-of-use assets		1.9	-
Impairment/write-off of property, plant and equipment		1.9	8.6
Change in assets and liabilities:			
Inventories		(63.5)	(21.6)
Trade and other receivables		(35.1)	(32.3)
Derivative financial assets		13.9	(6.8)
Other non-current receivables		(0.3)	3.3
Restricted cash		5.0	(13.5)
Trade and other payables		(5.1)	(10.4)
Derivative financial liabilities		(22.9)	10.2
Other non-current payables		(2.2)	5.1
Net cash generated from operations		128.7	153.5
Interest received		2.2	0.7
Interest paid		(30.6)	(22.6)
Income taxes paid		(16.2)	(19.1)
Net cash generated from operating activities		84.1	112.5
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(58.7)	(64.1)
Acquisitions, net of cash acquired	5	(56.7)	(123.2)
Proceeds from sale of property, plant and equipment and other assets		0.5	-
Payment of contingent consideration arising from acquisitions	5	(94.7)	(25.0)
Investment in financial assets		-	(30.7)
Net cash used in investing activities		(209.6)	(243.0)
Cash flows from financing activities			
Proceeds from borrowings	6	158.7	15.5
Payment of lease liabilities		(11.2)	(10.4)
Dividends paid	4	(87.7)	(58.9)
Net cash generated from/(used in) financing activities		59.8	(53.8)
Net change in cash and cash equivalents		(65.7)	(184.3)
Cash and cash equivalents at beginning of the period		143.8	463.4
Effect of exchange rate changes on cash and cash equivalents		(1.6)	(7.5)
Cash and cash equivalents at end of the period		76.5	271.6

1. Basis of preparation and accounting standards

Convatec Group Plc (the "Company") is a public limited company incorporated in the United Kingdom. The accompanying unaudited Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the United Kingdom. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the 2022 Convatec Group Plc Annual Report and Accounts, which were prepared in accordance with the United Kingdom adopted international accounting standards.

These Condensed Consolidated Interim Financial Statements and the comparatives are unaudited, except where otherwise indicated, and do not constitute statutory financial statements. The statutory financial statements for the Group in respect of the year ended 31 December 2022 have been reported on by the Group's auditor and delivered to the Registrar of Companies. The audit report on those accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The auditors have carried out a review of the Condensed Consolidated Interim Financial Statements in accordance with the guidance contained in ISRE (UK and Ireland) 2410 'Review of Interim Financial Information Performance by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom.

The Condensed Consolidated Interim Financial Statements are presented in US dollars (USD), reflecting the profile of the Group's revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to the nearest \$0.1 million except where otherwise indicated.

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2023 were approved by the Board on 1 August 2023.

New standards and interpretations applied for the first time

The accounting policies adopted by the Group in preparation of these Condensed Consolidated Interim Financial Statements are consistent with those set out in the 2022 Annual Report and Accounts, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

On 1 January 2023, the Group adopted the new IFRS 17 *Insurance Contracts* standard and the four amendments, *Definition of Accounting Estimates - Amendments to IAS 8*, *Disclosure of Accounting Policies - Amendments to IAS 1*, *IFRS Practice Statement 2, Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*, and *International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12*, and the annual improvements to the IFRS standards

2018-2020. The adoptions had no material impact on the Group's Condensed Consolidated Interim Financial Statements.

New standards and interpretations not yet applied

There were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

Going concern

In preparing their assessment of going concern, the Directors have considered available cash resources, financial actual and forecast performance, including strategy delivery, together with the Group's financial covenant compliance requirements and principal risks and uncertainties. The Group's liquidity remained strong as management continues to monitor its liquidity requirements to ensure there is sufficient cash to meet operational needs and maintain adequate headroom.

The Board has reviewed the downside scenarios as disclosed in the 2022 Annual Report and Accounts and has concluded that these scenarios remain aligned to the Group's principal risks and continue to adequately reflect the financial risk of downside events and circumstances during the going concern period. Under each scenario the Group retains significant liquidity and covenant headroom throughout the going concern period.

The Board has carried out reverse stress test against the forecast base case to determine the performance levels that would result in a breach of covenants and considered a breach to be implausible given the Group's strong global market position and diversified portfolio of products and the mitigations available to the Board and management, which include minimising capital expenditure to critical requirements and reducing levels of discretionary spend.

Accordingly, at the time of approving these Condensed Consolidated Interim Financial Statements, the Directors have a reasonable expectation that the Group will have adequate liquid resources to meet their respective liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 1 August 2023.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Condensed Consolidated Interim Financial Statements and the sources of estimation uncertainty that are considered to be "key estimates" due to their potential to give rise to material adjustments in the Group's Consolidated Financial Statements within the next financial year.

In preparing the Condensed Consolidated Interim Financial Statements, no critical accounting judgements have been identified, which is consistent with the Consolidated Financial Statements for the year ended 31 December 2022.

Valuation of the contingent consideration in relation to the acquisition of Triad

The valuation of the contingent consideration in relation to the acquisition of Triad in 2022 has been identified as a key estimate. The contingent consideration is based on both specified post-acquisition financial and non-financial performance targets as defined by the purchase agreement. Management have identified that reasonably possible changes in certain key assumptions and

forecasts may cause the calculated fair value of the contingent consideration to vary materially within the next financial year.

The contingent consideration is fair valued at each reporting period with key inputs including a weighted probability of different scenarios and revenue projections based on internal forecasts, discounted using appropriate discount rates. Actual revenue results may differ from estimates, leading to a change in the fair value of the contingent consideration. Management have determined that the potential range of discounted outcomes within the next financial year is between nil and \$153.8 million, from a maximum undiscounted contingent consideration of \$180.3 million. The estimated discounted fair value of the remaining contingent consideration payable as at 30 June 2023 was \$47.5 million.

The timing and amount of future contingent elements of consideration is therefore considered a key source of estimation uncertainty. Refer to Note 5 - Acquisitions for more information.

2. Segment information

The Board considers the Group's business to be a single segment entity engaged in the development, manufacture and sale of medical products and technologies. R&D, manufacturing and central support functions are managed globally for the Group. Revenues are managed both on a category and geographic basis. This note presents the performance and activities of the Group as a single segment.

During the period to 30 June 2023, management reassessed its Chief Operating Decision Maker (CODM) and determined that the Chief Executive Officer is no longer the Group's CODM and that Convatec's Executive Leadership Team (CELT) is the function that allocates resources and evaluates the Group's global product portfolios on a revenue basis and evaluates profitability and associated investment on an enterprise-wide basis due to shared infrastructures and support functions between the categories. Financial information in respect of revenues provided to the CELT for decision-making purposes is made on both a category and geographic basis. Resources are allocated on a Group-wide basis, with a focus on both category and the key markets but primarily based on the merits of individual proposals. The change in CODM does not impact the Group's single segment assessment.

Revenue by category

The following table sets out the Group's revenue by category:

	Six months ended 30 June	
	2023	2022¹
	\$m	\$m
Advanced Wound Care	338.5	306.7
Ostomy Care	300.0	298.0
Continence Care	220.7	205.7
Infusion Care	186.3	173.8
Revenue excluding hospital care exit	1,045.5	984.2
Revenue from hospital care exit	10.0	60.3
Total	1,055.5	1,044.5

1. Following the exit of hospital care in 2022, effective from 1 January 2023, Flexi-Seal™, our faecal management system, moved from Continence & Critical Care to Ostomy Care. The remaining industrial sales, predominantly continence-related supplies for B2B customers moved from Infusion Care to Continence Care. Continence & Critical Care has been renamed to Continence Care. The H1 2022 comparatives have been re-presented to reflect these changes and to separately disclose revenue associated with the hospital care exit.

Revenue by geography

The following table sets out the Group's revenue by regional geographic market in which third-party customers are located:

	Six months ended 30 June	
	2023	2022
	\$m	\$m
North America	572.5	527.0
Europe	327.8	363.7
Rest of World ("RoW")	155.2	153.8
Total	1,055.5	1,044.5

3. Income taxes

The Group's income tax expense is accrued using the tax rate that would be applicable to expected annual total earnings (i.e. the estimated average annual effective income tax rate applied to the profit before tax).

The tax charge for the six months ended 30 June 2023 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 31 December 2023 using rates substantively enacted as at 30 June 2023.

For the six months ended 30 June 2023, the Group recorded an income tax expense of \$20.3 million (30 June 2022: \$2.2 million benefit). The Group's reported effective tax rate for the period ended 30 June 2023 was an expense of 26.7% as compared with a benefit of 4.8% for the period ended 30 June 2022. The current year tax expense includes the effect of non-deductible acquisition-related costs. The prior year benefit included a net tax benefit in respect of previously unrecognised tax losses in the US, which was partially offset by the tax expense on the utilisation of US Federal tax losses that were fully recognised as a deferred tax asset following the acquisition of Triad.

The Group continues to believe it has made adequate provision for uncertain tax positions on open issues in accordance with IFRIC 23 *Uncertainty over Income Tax Treatments*. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of discussions with relevant tax authorities or, where applicable, appeal proceedings.

The Group continues to monitor tax reforms driven by the OECD's BEPS Pillar 1 and 2 project to reform international taxation rules. The Group's assessment of the potential tax impact to the Group based on OECD model rules and draft legislations available in jurisdictions which the Group operates in, remains unchanged to the position as at 31 December 2022 (Refer to Note 6.2 within the 2022 Annual Report and Accounts). Since then, the UK has substantively enacted the legislation to implement the Pillar 2 rules as from 1 January 2024. The Group will reassess the tax impact once new legislation becomes available in other jurisdictions which the Group operates in, particularly those expected in the next six months. This has no impact on the Group's result for the six months ended 30 June 2023. The Group has applied the temporary exception as detailed in the IASB announcement "International Tax Reform—Pillar Two Model Rules", which amended IAS 12 *Income Taxes*, and therefore has not recognised nor disclosed information about deferred tax assets and liabilities related to Pillar 2 income taxes.

4. Dividends

The Board ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholder dividends, and the purchase of shares for employee share scheme incentives. The Company principally derives distributable reserves from dividends received from subsidiary companies.

In determining the level of dividend in the year, the Board considers the following factors and risks that may influence the proposed dividend:

- The underlying performance of the business;
- The Board's confidence in the Group's future growth prospects;
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments, in line with the Group's strategic plan; and
- Principal risks of the Group.

The Board paid the 2022 final dividend in May 2023. In declaring the 2023 interim dividend, the Board has taken into consideration balancing the return to shareholders, the potential impact on other stakeholders and the additional investment in transformation in the period. The Board reviewed the financial strength of the Group, the Group's dividend policy together with s172 considerations and has reviewed the realised distributable reserves position of the Company and the forecast cash generation of the Group for the next two years from the date of the dividend payment.

Dividends paid and proposed were as follows:

	pence per share	cents per share	Total \$m	Settled in cash \$m	Settled via scrip \$m	No of scrip shares issued
Final dividend 2021	3.161	4.154	77.8	58.9	18.9	7,192,010
Interim dividend 2022	1.410	1.717	34.8	29.2	5.6	2,107,103
Paid in 2022	4.571	5.871	112.6	88.1	24.5	9,299,113
Final dividend 2022	3.657	4.330	92.4	87.7	4.7	1,717,549
Paid in 2023 to date	3.657	4.330	92.4	87.7	4.7	1,717,549
Interim dividend 2023 proposed	1.380	1.769	36.2			

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

The proposed interim dividend for 2023, to be distributed on 28 September 2023 to shareholders registered at the close of business on 18 August 2023 is based upon the issued and fully paid share capital as at 30 June 2023. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of \$1.282/£1.00 determined on 1 August 2023. A scrip dividend alternative will be offered allowing shareholders to elect by 7 September 2023 to receive their dividend in the form of new ordinary shares.

5. Acquisitions

Starlight Science Limited (Starlight)

Description of the transaction

On 18 April 2023, the Group completed its acquisition of 100% of the share capital of Starlight Science Limited (Starlight), a UK-based company that was owned by 30 Technology Limited. The business acquisition of Starlight included the anti-infective nitric-oxide technology platform and new product pipeline, which complements the Group's Advanced Wound Care portfolio and strengthens the Group's ability to provide best-in-class solutions for patients.

The total undiscounted maximum consideration is \$220.6 million (£176.3 million). In addition to the initial consideration of \$56.7 million (£45.3 million), the sellers may earn contingent consideration up to a maximum of \$163.9 million (£131.0 million), in the form of (i) milestone payment of \$58.8 million (£47.0 million) due upon regulatory clearances in the US and Europe; and (ii) earnout payments based on sales of products over the lifetime of the acquired patents, with the maximum earnout capped at \$105.1 million (£84.0 million).

The discounted fair value of the contingent consideration at the date of acquisition was \$66.3 million. Following completion of acquisition accounting, any changes in the fair value of the contingent consideration will be recorded in the Condensed Consolidated Income Statement in accordance with the Group's accounting policies.

Assets acquired and liabilities assumed

The transaction meets the definition of a business combination and has been accounted for under the acquisition method of accounting. The following table summarises the provisional fair values of the assets acquired and liabilities assumed as of the acquisition date:

	\$m <i>Provisional</i>
Non-current assets	
Property, plant and equipment	0.4
Right-of-use assets	1.3
Intangible assets - product related	113.3
Current assets	
Trade and other receivables	0.1
Total assets acquired	115.1
Current liabilities	
Trade and other payables	(0.1)
Lease liabilities	(0.2)
Non-current liabilities	
Lease liabilities	(1.1)
Deferred tax liabilities	(12.5)
Total liabilities assumed	(13.9)
Net assets acquired	101.2
Goodwill	21.8
Total	123.0
Initial cash consideration	56.7
Contingent consideration	66.3
Total consideration	123.0
Analysis of cash outflow in the Condensed Consolidated Statement of Cash Flows	\$m
Initial cash consideration	56.7
Net cash outflow from acquisitions, net of cash acquired	56.7

The fair values of the assets acquired and liabilities assumed remain provisional as at 30 June 2023 due to the proximity of the acquisition to the date of approval of the Condensed Consolidated

Financial Statements. The Group will finalise these amounts as it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recognised at the acquisition date. The Group will finalise these amounts no later than one year from the acquisition date.

The goodwill recorded, which is partially deductible for tax purposes, represents the cost savings, operating synergies and future growth opportunities expected to result from combining the operations of Starlight with those of the Group. The Starlight acquisition is included in the Advanced Wound Care CGU group.

The carrying value of the Group's goodwill increased to \$1,271.6 million at 30 June 2023 (31 December 2022: \$1,224.6 million) as a result of the acquisition of Starlight (\$21.8 million) and foreign exchange movements (\$25.2 million).

Acquisition-related costs

The Group incurred \$5.0 million of acquisition-related costs directly related to the Starlight acquisition in the period to 30 June 2023, primarily related to advisors' fees. These acquisition-related costs have been recognised in general and administrative expenses in the Condensed Consolidated Income Statement.

Revenue and profit

As Starlight is in a pre-commercial state, there is no revenue to date. The loss for the period from the acquisition date to 30 June 2023 was \$0.5 million, before recognising acquisition-related intangible asset amortisation charge of \$1.9 million. If the acquisition had been completed at 1 January 2023, reported Group revenue would not have changed and the Group profit for the period would have been \$0.6 million lower for the six month period to 30 June 2023, before recognising acquisition-related intangible asset amortisation additional charge of \$1.9 million.

Triad Life Sciences

On 14 March 2022, the Group completed its acquisition of 100% of the share capital of Triad Life Sciences.

Fair value of contingent consideration at reporting date

The discounted fair value of the remaining contingent consideration at 30 June 2023 was \$47.5 million (31 December 2022: \$130.8 million). During the period, \$94.7 million was paid in respect of the Year 1 Earn out, as calculated in accordance with the terms of the Merger Agreement.

Management reviewed the fair value of the remaining contingent consideration, based on the most recent Board approved strategic plan and forecast information. Consequently, the discounted fair value of the remaining contingent consideration in respect of the Year 2 Earn out was increased to \$47.5 million, with a remeasurement charge of \$2.1 million being recognised in non-operating expenses in the Condensed Consolidated Income Statement.

The amount of discount unwind recognised in the Condensed Consolidated Income Statement during the period was \$3.5 million and shown within finance expenses. Refer to Note 8 - Provisions for the movement in the contingent consideration during the period.

This is due to be paid within three years of the acquisition date, subject to achieving the specified targets. Any changes in fair value at each reporting date will be recorded in the Consolidated Income Statement in accordance with the Group's accounting policy. Management have determined that the

potential range of discounted outcomes is between \$nil and \$153.8 million, from a maximum undiscounted contingent consideration of \$180.3 million.

Fair value inventory uplift

As part of the initial acquisition accounting, a \$10.2 million fair value uplift was applied to the carrying value of inventory held at the acquisition date, of which \$8.7 million was expensed in the year ended 31 December 2022. The fair value adjustment related to work-in-progress and finished goods and was calculated as the estimated selling price less costs to complete and sell the inventory, associated margins on these activities, and holding costs.

During the period ended 30 June 2023, the remaining \$1.5 million was expensed to cost of goods sold in the Condensed Consolidated Income Statement.

Cure Medical

On 15 March 2021, the Group acquired 100% of the share capital of Cure Medical.

Fair value of contingent consideration at reporting dates

As at 31 December 2022, the Group had provided for the maximum contingent consideration of \$10.0 million, which was discounted to \$9.2 million. Management have reviewed the expectation of the contingent consideration based on the most recent Board-approved strategic plan and forecast information and the forecast financial performance is expected to exceed original expectations.

The discounted fair value of the contingent consideration as at 30 June 2023 was \$9.5 million. The amount of discount unwind recognised within finance expenses in the Condensed Consolidated Income Statement during the period was \$0.3 million.

6. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from senior notes and credit facilities, including a committee revolving credit facility.

The Group's consolidated borrowings were as follows:

	Currency	Year of maturity	30 June 2023 Face value \$m	31 December 2022 Face value \$m
Revolving Credit Facility ¹	Multicurrency	2027	638.0	477.2
Term Loan	USD	2027	250.0	250.0
Senior Notes	USD	2029	500.0	500.0
Interest-bearing borrowings			1,388.0	1,227.2
Financing fees ²			(14.0)	(15.3)
Carrying value of borrowings			1,374.0	1,211.9
Current portion of borrowings			-	-
Non-current portion of borrowings			1,374.0	1,211.9

- Included within the Revolving Credit Facility as at 30 June 2023 was €105.0 million (\$114.5 million), representing 18% of RCF debt denominated in Euros and 82% denominated in US dollars. As at 31 December 2022, this was €145.0 million (\$155.2million), representing 32.5% of RCF debt denominated in Euros and 67.5% denominated in US dollars.
- Financing fees of \$14.0 million (31 December 2022: \$15.3 million) related to the remaining unamortised fees incurred on the credit facilities and senior notes.

Credit facilities

The Group's credit facility for \$1.2 billion comprises of a \$250.0 million term loan and a \$950.0 million multicurrency revolving credit facility, both committed for a five-year term. As at 30 June 2023, the term loan was fully drawn and \$638.0 million of the revolving credit facility was drawn, with \$312.0 million undrawn.

The principal financial covenants are based on a permitted net debt to covenant-adjusted EBITDA¹ ratio and interest cover test as defined in the credit facilities agreement. Testing is required on a semi-annual basis, at June and December, based on the last 12 months' financial performance. At 30 June 2023, the permitted net debt to covenant-adjusted EBITDA¹ ratio was a maximum of 3.50 times and the interest cover a minimum of 3.50 times, terms as defined by the credit facilities agreement. In accordance with the credit facilities agreement, the net debt to covenant-adjusted EBITDA¹ ratio can increase to a maximum 4.00 times for permitted acquisitions or investments.

Senior notes

Unsecured senior notes of \$500.0 million are subject to an interest cover financial covenant as defined in the indentures which is a minimum of 2.0 times, with testing required annually at 31 December on the last 12 calendar months' financial performances.

Financial covenants

The Group was in compliance with all financial and non-financial covenants at 30 June 2023, with significant available headroom on the financial covenants (in excess of \$380.0 million debt headroom on the net debt to covenant-adjusted EBITDA¹).

Borrowings measured at fair value

The senior notes are listed and their fair value at 30 June 2023 of \$437.6 million (31 December 2022: \$430.8 million) has been obtained from quoted market data and therefore categorised as a Level 1 measurement in the fair value hierarchy under IFRS 13 *Fair Value Measurements*. For the Group's other borrowings, the fair value is based on discounted cash flows using a current borrowing rate and is categorised as a Level 2 measurement. As at 30 June 2023, the estimated fair value of the Group's other borrowings was \$926.9 million (31 December 2022: \$762.4 million).

¹ Covenant-adjusted EBITDA is calculated based on terms as defined in the credit facilities agreement. This is different to adjusted EBITDA, which is an alternative performance measure (APM).

7. Financial instruments

A derivative financial instrument is a contract that derives its value from the performance of an underlying variable, such as foreign exchange rates or interest rates. The Group uses derivative financial instruments to manage foreign exchange and interest rate risk arising from its operations and financing. Derivative financial instruments used by the Group are foreign exchange forwards and interest rate swaps.

The Group utilises interest rate swap agreements, designated as cash flow hedges, to manage its exposure to variability in expected future cash outflows attributable to the changes in interest rates on the Group's committed borrowing facilities.

Financial instruments are classified as Level 1, Level 2, or Level 3 in the fair value hierarchy in accordance with IFRS 13 *Fair Value Measurements*, based upon the degree to which the fair value movements are observable. Level 1 fair value measures are defined as those with quoted (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or

liability, either directly (prices from third parties) or indirectly (derived from third-party prices). Level 3 fair value measurements are defined as those derived from significant unobservable inputs. The only instrument classified as Level 1 are the senior notes, given the availability of quoted market price (Note 6 - Borrowings). The Group's derivative financial instruments, discussed below, are classified as Level 2, and the Group's equity investment in preference shares, together with contingent consideration arising on business combinations (Note 5 - Acquisitions), are classified as Level 3.

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar-denominated debt, in accordance with the Group's risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

In accordance with Group policy, the Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions for up to one year. When a commitment is entered into, a layered approach is taken when hedging the currency exposure, ensuring that no more than 100% of the transaction exposure is covered. The currencies hedged by forward foreign exchange contracts are US dollars, Swiss francs, Pound sterling, Danish krone and Japanese yen.

The Group further utilises foreign exchange contracts and swaps classified as fair value through profit or loss (FVTPL) to manage short-term foreign exchange exposure.

Cash flow hedges

The fair values are based on market values of equivalent instruments. The following table presents the Group's outstanding interest rate swaps, which are designated as cash flow hedges, at 30 June 2023 and 31 December 2022 respectively:

	Effective date	Maturity date	30 June 2023		31 December 2022	
			Notional amount	Fair value ¹ assets / (liabilities)	Notional amount	Fair value ¹ assets / (liabilities)
			\$m	\$m	\$m	\$m
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	-	-	275.0	2.0
6 Month term SOFR Float to Fixed Interest Rate Swap	23 Jan 2023	23 Jan 2024	90.0	0.4	90.0	0.2
6 Month term SOFR Float to Fixed Interest Rate Swap	23 Jan 2023	23 July 2024	40.0	0.3	40.0	-
6 Month term SOFR Float to Fixed Interest Rate Swap	23 Jan 2023	23 Jan 2025	50.0	0.2	50.0	(0.3)

Disclosed as:

Non-current derivative financial asset	0.5	0.2
Current derivative financial asset	0.4	2.0
Non-current derivative financial liability	-	(0.3)
Current derivative financial liability	-	-

1. The fair values of the interest rate swaps are shown in current derivative financial liabilities in the Condensed Consolidated Statement of Financial Position. There is no ineffectiveness recognised in the Condensed Consolidated Income Statement.

Foreign exchange forward contracts

The following table presents the Group's outstanding foreign exchange forward contracts valued at FVTPL and foreign currency forward exchange contracts designated as cash flow hedges, which form part of current derivative financial assets and current derivative financial liabilities:

	Term	30 June 2023		31 December 2022	
		Notional amount	Fair value assets / (liabilities)	Notional amount	Fair value assets / (liabilities)
		\$m	\$m	\$m	\$m
Foreign exchange contracts designated as FVTPL	≤ 3 months	571.2	7.9	996.6	21.3
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	119.7	2.7	72.7	3.1
Derivative financial assets		690.9	10.6	1,069.3	24.4
Foreign exchange contracts designated as FVTPL	≤ 3 months	468.7	(7.9)	703.7	(30.2)
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	76.7	(1.7)	132.8	(2.3)
Derivative financial liabilities		545.4	(9.6)	836.5	(32.5)

8. Provisions

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group are primarily in respect of restructuring, dilapidations, legal liabilities and contingent consideration relating to acquisitions.

The movements in provisions are as follows:

	Dilapidations \$m	Restructuring \$m	Legal \$m	Contingent consideration \$m	Total \$m
1 January 2023	2.8	10.3	0.2	140.0	153.3
Contingent consideration from acquisitions	-	-	-	66.3	66.3
Charged/(released) to the income statement	0.6	8.3	0.1	2.1	11.1
Utilised	(1.2)	(3.6)	-	(94.7)	(99.5)
Discount unwind	-	-	-	11.6	11.6
Foreign exchange	-	0.2	-	1.0	1.2
30 June 2023	2.2	15.2	0.3	126.3	144.0
Current provision	-	15.2	-	113.1	128.3
Non-current provision¹	2.2	-	0.3	13.2	15.7

1. The expected timings of the payment of contingency considerations are disclosed in Note 5 - Acquisitions. The timing for other non-current provisions is undefined.

Dilapidation provisions

Dilapidation provisions are in respect of contractual obligations, on the expiry of a lease, to return leased properties in the condition which is specified in the individual leases.

Restructuring provisions

Restructuring provisions related mainly to the exit from low-margin hospital care and industrial sales activities announced in 2022, the move and integration of the EuroTec facility in Netherlands to our Slovakia plant as part of the transformation journey, and the facilities optimisation programme. All restructuring provisions are supported by detailed plans and a valid expectation has been raised in those affected as required by the Group's accounting policy.

Legal provision

Legal provision of \$0.3 million is in respect of ongoing cases. Legal issues are often subject to uncertainties over the timing and the final amounts of any settlement.

Contingent consideration

Contingent consideration arising from business combinations is fair valued on acquisition and at each reporting period.

As a result of the acquisition of Starlight on 18 April 2023, the sellers may earn contingent consideration as described in Note 5 - Acquisitions. The discounted fair value of the contingent consideration at the date of acquisition was \$66.3 million. During the period to 30 June 2023, \$2.0 million of discount unwind was recognised in the Condensed Consolidated Income Statement.

As at 30 June 2023, the discounted fair value of the contingent consideration payable in respect of the Triad Life Sciences acquisition was \$47.5 million, with an increase of \$2.1 million arising from management's view that the latest available financials are expected to exceed original expectations and the unwind of discount of \$9.3 million during the period, partly offset by the payments of \$94.7 million to the sellers following completion of the first earnout period.

As at 30 June 2023, the discounted fair value of the contingent consideration payable in respect of the Cure Medical acquisition was \$9.5 million, and it remained at the maximum amount payable based on latest available financials. During the period to 30 June 2023, \$0.3 million of discount unwind was recognised in the Condensed Consolidated Income Statement. Refer to Note 5 - Acquisitions for further details.

9. Foreign exchange

The following table summarises the exchange rates used for the translation of currencies into US dollars that have the most significant impact on the Group results:

Currency	Average rate/ Closing rate	Six months ended 30 June		Year ended 31 December
		2023	2022	2022
USD/EUR	Average	1.08	1.09	1.05
	Closing	1.09	1.05	1.07
USD/GBP	Average	1.23	1.30	1.24
	Closing	1.27	1.22	1.20
USD/DKK	Average	0.15	0.15	0.14
	Closing	0.15	0.14	0.14

10. Commitments and contingencies

Capital commitments

At 30 June 2023, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of \$21.7 million (31 December 2022: \$39.3 million).

Contingent liabilities

There are no contingent liabilities recognised as at 30 June 2023 and 31 December 2022.

11. Subsequent events

The Group has evaluated subsequent events through to 1 August 2023, the date the Condensed Consolidated Interim Financial Statements were approved by the Board of Directors.

On 5 July 2023, the Group completed the acquisition of 100% of share capital of A Better Choice Medical Supply LLC, a US-based intermittent catheter provider, for upfront cash consideration of \$26.5 million. Further disclosures have not been provided as the initial accounting for the business combination was incomplete due to the proximity of acquisition date to the date the Condensed Consolidated Interim Financial Statements were authorised for issue.

On 1 August 2023, the Board declared an interim dividend to be distributed on 28 September 2023. Refer to Note 4 - Dividends for further details.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures (APMs) are those measures used by management on a day-to-day basis in their assessment of profit and performance and comparison between periods. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that the Board believes distort the understanding of the quality of earnings and cashflows as, by their size or nature, they are not considered part of the core operations of the business. Adjusted measures also form the basis for performance measures for remuneration, e.g., adjusted operating profit.

It should be noted that the Group's APMs may not be comparable to other similarly titled measures used by other companies and should not be considered in isolation or as a substitute for the equivalent measures calculated and presented in accordance with IFRS.

In determining whether an item should be presented as an allowable adjustment to IFRS measures, the Group considers items which are significant either because of their size or their nature and arise from events that are not considered part of the core operations of the business. These tend to be one-off events but may still cross more than one accounting period. Recurring items may be considered in respect of the amortisation of acquisition related intangibles assets in order to provide comparability between peer groups where such assets may have been internally generated and therefore, are not reflected on that company's balance sheet with a resulting amortisation charge. If an item meets at least one of these criteria, the Board, through the Audit and Risk Committee, then exercises judgement as to whether the item should be classified as an allowable adjustment to IFRS performance measures.

Adjustments to derive adjusted operating profit, excluding the impact of tax, for the six months ended 30 June 2023 and 2022 include following costs:

- Amortisation of intangible assets in respect of material acquisitions (\$67.0 million and \$67.4 million respectively).
- Costs incurred in respect of acquisition activities (\$21.4 million and \$21.2 million respectively).
- Costs incurred in respect of divestiture activities in respect of the exit from hospital care business and related industrial sales activities (\$2.2 million and \$31.5 million respectively).
- Termination benefits in respect of the Group's restructuring programme and exit from hospital care and related industrial sales activities (\$3.5 million and \$6.7 million respectively).
- Other adjusting items (\$10.3 million and nil respectively).
- Impairment of assets (nil and \$1.4 million respectively).

The tax effect of the adjustments is reflected in the adjusted tax expense to remove the tax impact from adjusted net profit and adjusted earnings per share.

Adjusted EBITDA, which is used to calculate the metric of adjusted cash conversion and adjusted working capital, is calculated by adding back share-based payments to adjusted EBIT, together with the annual depreciation and amortisation charge.

Amortisation of acquisition-related intangible assets

The Group's strategy is to grow both organically and through acquisition, with acquisitions targeted to strengthen our position in key geographies and/or business categories or which provide access to new technology. The nature of the businesses acquired includes the acquisition of significant intangible assets, which are required to be amortised. The Board and management regard the amortisation as a distortion to the quality of earnings and it has no cash implications in the year. The

amortisation also distorts comparability with peer groups where such assets may have been internally generated and, therefore, not reflected on their balance sheet. Amortisation of acquisition-related intangible assets is, by its nature, a recurring adjustment.

Acquisition-related activities

Costs directly related to potential and actual strategic transactions which have been executed, aborted or are in-flight and which would improve the strategic positioning of the Group are deemed adjusting items.

Acquisition-related costs relate to deal costs, integration costs and earn-out adjustments including discounting impact which are incurred directly as a result of the Group undertaking or pursuing an acquisition. Deal costs are wholly attributable to the deal, including legal fees, due diligence fees, bankers' fees/commissions and other direct costs incurred as a result of the actual or potential transaction. Integration costs are wholly attributable to the integration of the target and based on integration plans presented at the point of acquisition, including the cost of retention of key people where this is in excess of normal compensation, redundancy of target staff and early lease termination payments.

Adjusted measures in relation to acquisitions also include aborted deal costs.

Divestiture-related activities

Divestiture-related activities comprise of the gains or losses resulting from disposal of assets or divestment of business as a result of a sale, major business change or restructuring programme. These include write-down of non-current assets, provisions to recognise inventories at realisable value, provisions for costs of exiting contracts and associated legal fees, and any other directly attributable costs. Any income from the ultimate disposal of a business or subsidiary is included in the gain or loss. Adjusted measures in relation to divestiture also include aborted deal costs.

Impairment of assets

Impairments, write-offs and gains and losses from defined programmes and where the Group considers the circumstances of such event are not reflective of normal business trading performance or when transactions relate to acquisition-related intangible assets where the amortisation is already excluded from the calculation of adjusted measures.

Termination benefits and related costs

Termination benefits and other related costs arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business, including divestitures from non-strategic activities. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to termination benefits (including retention) without condition of continuing employment in respect of major Group-wide change programmes. Where discrete qualifying items are identified these costs are highlighted and excluded from the calculation of adjusted measures. Due to their nature, these adjusted costs may span more than one year.

Other adjusting items

Other adjusting items costs relate to initiatives which are part of the Group's strategy to improve productivity in the business and optimise cash outflow. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to directly attributable costs of the initiatives and any realignment costs. Due to the nature of the initiatives, these adjusted costs may span more than one year.

Reconciliation of reported earnings to adjusted earnings for the six months ended 30 June 2023 and 2022

	Revenue	Gross profit	Operating costs	Operating profit	Finance expense	Non-operating expense	PBT	Taxation	Profit for the period
Six months ended 30 June 2023	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
As reported	1,055.5	592.4	(469.0)	123.4	(45.5)	(1.9)	76.0	(20.3)	55.7
Amortisation of acquired intangibles	-	56.1	10.9	67.0	-	-	67.0	(16.0)	51.0
Acquisition-related costs	-	1.5	6.2	7.7	11.6	2.1	21.4	(1.2)	20.2
Divestiture-related costs	-	2.7	(0.5)	2.2	-	-	2.2	(0.5)	1.7
Termination benefits and related costs	-	2.2	1.3	3.5	-	-	3.5	(0.9)	2.6
Other adjusting items	-	2.5	7.8	10.3	-	-	10.3	(2.6)	7.7
Total adjustments including tax effect	-	65.0	25.7	90.7	11.6	2.1	104.4	(21.2)	83.2
Adjusted	1,055.5	657.4	(443.3)	214.1	(33.9)	0.2	180.4	(41.5)	138.9
Software and R&D amortisation				9.4					
Impairment/write-off of assets				0.8					
Depreciation				29.7					
Share-based payments				7.5					
Adjusted EBITDA				261.5					

	Revenue	Gross profit	Operating costs	Operating profit	Finance expense	Non-operating expense	PBT	Taxation	Profit for the period
Six months ended 30 June 2022	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
As reported	1,044.5	554.9	(467.8)	87.1	(28.2)	(12.8)	46.1	2.2	48.3
Amortisation of acquired intangibles	-	56.9	10.5	67.4	-	-	67.4	(15.0)	52.4
Acquisition-related costs	-	4.0	6.2	10.2	5.2	5.8	21.2	(1.6)	19.6
Divestiture-related costs	-	7.6	23.9	31.5	-	-	31.5	(7.5)	24.0
Impairment of assets	-	-	1.4	1.4	-	-	1.4	-	1.4
Termination benefits and other related costs	-	4.7	2.0	6.7	-	-	6.7	(1.6)	5.1
Total adjustments and their tax effect	-	73.2	44.0	117.2	5.2	5.8	128.2	(25.7)	102.5
Other discrete tax items	-	-	-	-	-	-	-	(19.7)	(19.7)
Adjusted	1,044.5	628.1	(423.8)	204.3	(23.0)	(7.0)	174.3	(43.2)	131.1
Software and R&D amortisation				8.2					
Depreciation				31.0					
Share-based payments				8.2					
Adjusted EBITDA				251.7					

Within the amortisation of acquired intangibles for the six months period to 30 June 2023 of \$67.0 million, \$46.4 million related to intangible assets arising from the spin-out from Bristol-Myers Squibb in 2008. The carrying amount of these intangible assets at 30 June 2023 was \$289.5 million, and will be fully amortised by 31 December 2026.

Acquisition-related costs of \$21.4 million are mainly related to actual strategic transactions which have been executed and which seek to improve the strategic positioning of the Group, and \$0.4 million of aborted deal costs. Deal and integration costs of \$5.0 million were incurred during the period on the acquisition of Starlight in April 2023. Also included in acquisition-related costs are \$2.1 million of remeasurement charge on contingent consideration, \$11.6 million of discounting unwind and \$1.5 million release of inventory fair value uplift in respect of the Triad acquisition. The net cash impact in relation to acquisition-related costs was \$5.1 million in the period.

Divestiture-related costs of \$2.2 million are directly related to the phased exit from the low margin hospital care business and industrial sales portfolio and included the write-off of inventories. The majority of the costs of the exit were incurred in 2022, with minimal costs in 2023. The net cash impact in relation to this was \$0.2 million in the period.

Termination benefits and other related costs of \$3.5 million are primarily in respect of the severance costs from the Group's restructuring activities. The net cash impact of these costs was \$1.1 million in the period.

Other adjusting items of \$10.3 million are in relation to the Group's initiatives to improve productivity in the business and optimise cash outflow, including the move and integration of the EuroTec facility in Netherlands to our Slovakia plant and the facilities optimisation programme. The net cash impact of these costs was \$0.3 million in the period.

There are no discrete tax items during the period. In the six months to 30 June 2022, other discrete tax items relate to the tax benefit of \$19.7 million resulting from recognition of deferred tax following the acquisition of Triad.

Reconciliation of operating costs to adjusted operating costs for the six months ended 30 June 2023 and 2022

	Six months ended 30 June									
	2023				2022					
	S&D ¹	G&A ²	R&D ³	Operating costs	S&D ¹	G&A ²	R&D ³	Other ⁴	Operating costs	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
As reported	(304.7)	(110.7)	(53.6)	(469.0)	(287.3)	(119.1)	(47.2)	(14.2)	(467.8)	
Amortisation of acquired intangibles	-	9.0	1.9	10.9	-	10.5	-	-	10.5	
Acquisition-related costs	-	6.3	-	6.3	-	6.2	-	-	6.2	
Divestiture-related costs	(0.5)	-	-	(0.5)	10.7	0.4	-	12.8	23.9	
Impairment of assets	-	-	-	-	-	-	-	1.4	1.4	
Termination benefits and related costs	-	1.2	0.1	1.3	1.7	0.3	-	-	2.0	
Other adjusting items	-	7.7	-	7.7	-	-	-	-	-	
Adjusted	(305.2)	(86.5)	(51.6)	(443.3)	(274.9)	(101.7)	(47.2)	-	(423.8)	

1. "S&D" represents selling and distribution expenses.

2. "G&A" represents general and administrative expenses.

3. "R&D" represents research and development expenses.

4. "Other" relates to the impairment of assets from the Group's withdrawal from the hospital care and industrial sales portfolio.

Reconciliation of basic and diluted earnings per share to adjusted earnings per share for the six months ended 30 June 2023 and 2022

	Six months ended 30 June			
	2023	Adjusted 2023	2022	Adjusted 2022
	\$m	\$m	\$m	\$m
Net profit for the period attributable to the shareholders of the Group	55.7	138.9	48.3	131.1
	Number		Number	
Basic weighted average ordinary shares in issue	2,036,308,534		2,018,377,510	
Diluted weighted average ordinary shares in issue	2,049,996,858		2,031,279,646	
	cents per share		cents per share	
Basic earnings per share	2.7	6.8	2.4	6.5
Diluted earnings per share	2.7	6.8	2.4	6.5

Free cash flow (pre-tax), free cash to capital and free cash to equity measures for the six months ended 30 June 2023 and 30 June 2022

	Six months ended 30 June	
	2023	2022
	\$m	\$m
Operating profit	123.4	87.1
Depreciation of property, plant and equipment	18.3	20.0
Depreciation of right-of-use assets	11.4	11.0
Amortisation of intangible assets	76.4	75.6
Impairment/write-off of property, plant and equipment and intangible assets	3.8	14.2
Share-based payments	7.5	8.2
EBITDA¹	240.8	216.1
Non-cash items		
Working capital movement	(110.2)	(66.0)
(Loss)/gain on foreign exchange derivatives	(1.9)	3.4
Net cash generated from operations	128.7	153.5
Acquisitions of property, plant and equipment and intangible assets	(58.7)	(64.1)
Free cash flow (pre-tax)	70.0	89.4
Tax paid	(16.2)	(19.1)
Free cash to capital	53.8	70.3
Net interest paid	(28.4)	(21.9)
Payment of lease liabilities	(11.2)	(10.4)
Financing fee amortisation	(1.4)	(2.0)
Foreign exchange impact on cash	(1.6)	(7.5)
Foreign exchange impact on borrowings	(2.0)	13.3
Proceeds on sale of property, plant and equipment	0.5	-
Free cash to equity	9.7	41.8

1. During the period, EBITDA was redefined to exclude share-based payment charges (non-cash item) of \$7.5 million (H1 2022: \$8.2 million) and bring it in line with adjusted EBITDA. Consequently, the prior period comparative has been restated by \$8.2 million.

Reconciliation of Adjusted EBITDA, Adjusted working capital movement and Adjusting items cash movement (to calculate Adjusted cash conversion)

	Six months ended 30 June	
	2023 \$m	2022 \$m
EBITDA¹	240.8	216.1
Acquisition & divestiture related activities	9.9	28.9
Termination benefits and other related costs	3.5	6.7
Other adjusting items	7.3	-
Adjusted EBITDA	261.5	251.7
Working capital movement	(110.2)	(66.0)
Increase in termination benefits	(2.4)	(0.7)
Increase in respect of acquisitions & divestitures	(4.6)	(25.7)
Increase in respect of other adjusting items	(7.0)	-
Adjusted working capital movement	(124.2)	(92.4)
Adjusting items cash movement:		
Acquisition & divestitures adjustments	(5.3)	(2.6)
Termination benefits and related costs adjustments	(1.1)	(6.6)
Other adjusting items	(0.3)	-
Total adjusting items²	(6.7)	(9.2)
(Loss)/gain on foreign exchange derivatives	(1.9)	3.4
Acquisitions of property, plant and equipment and intangible assets	(58.7)	(64.1)
Free cash flow (pre-tax)	70.0	89.4
Cash conversion (Free cash flow (pre-tax)/EBITDA)	29.1%	41.4%
Adjusted cash conversion (Free cash flow (pre-tax)/Adjusted EBITDA)	26.8%	35.5%

1. During the period, EBITDA was redefined to exclude share-based payment charges (non-cash item) of \$7.5 million (H1 2022: \$8.2 million) and bring it in line with adjusted EBITDA.

2. These are the cash flow impacts to the adjusted items shown in the reconciliation of earnings to adjusted earnings tables on page 35.

Net debt

Net debt is calculated as the carrying value of current and non-current borrowings, net of cash and cash equivalents and excluding lease liabilities.

	30 June 2023 \$m	31 December 2022 \$m
Borrowings	1,374.0	1,211.9
Lease liabilities	91.1	88.3
Total borrowings including lease liabilities	1,465.1	1,300.2
Cash and cash equivalents	(76.5)	(143.8)
Total borrowings including lease liabilities, net of cash	1,388.6	1,156.4
Net debt (excluding lease liabilities)	1,297.5	1,068.1
Net debt (excluding lease liabilities)/adjusted EBITDA¹	2.5	2.1

1. Adjusted EBITDA for the 12 months to 30 June 2023 has been used in this calculation.

Directors' Responsibilities Statement

The Directors confirm that to the best of their knowledge:

- The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 as adopted by the United Kingdom; and
- The interim management report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The composition of the Board of Directors of Convatec Group plc has not changed since reported in the 2022 Annual Report and Accounts. A list of current Directors is maintained on our corporate website (www.convatecgroup.com).

By order of the Board:

Karim Bitar

Chief Executive Officer

1 August 2023

Jonny Mason

Chief Financial Officer

1 August 2023

INDEPENDENT REVIEW REPORT TO CONVATEC GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 11.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023, is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules 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 (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion 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 entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
1 August 2023