Annual Results for the twelve months ended 31 December 2023

Accelerating revenue growth, strong profit and cash generation
Raising medium term revenue guidance

Accelerating organic revenue growth of 7.2%[1], broad-based across all four chronic care categories

- AWC[2]: 9.5%[1] driven by strong performance in antimicrobials and growing position in wound biologics segment[3]
- OC[2]: 4.2%[1] driven by 6% growth in Convatec ostomy products with strength in Global Emerging Markets
- CC[2]: 6.5%[1] excellent customer service and higher reimbursement pricing in the US
- IC[2]: 8.7%[1] continued strong demand for infusion sets with multiple product launches in 2023

Reported revenue was $2,142m (2022: $2,073m), up 3.4% and 3.2% on a constant currency[4] basis, lower than organic because of the strategic exit of the non-core hospital care activities and related industrial sales in 2022

Further operating margin expansion

- Strong adjusted gross margin expansion of 150bps to 61.6% principally driven by improved mix and stronger pricing coupled with further productivity, partially offset by inflation and FX
- Adjusted operating profit margin of 20.2% (20.8% on a constant currency basis). Expansion of 70 bps (130 bps on a constant currency basis) with further progress in simplification and productivity of operating costs
- Adjusted operating profit up 7.0% to $432m. Reported operating profit increased to $263m (2022: $207m)

Delivering EPS and cashflow growth

- Adjusted diluted EPS increased 6.1% to 13.4 cents. Reported diluted EPS increased 106% to 6.3 cents
- Free cash flow to equity[5] rose to $228m (2022: $105m) resulting in equity cash conversion[5] of 83%

Strong new product pipeline - further strengthening competitive position

- Growing InnovaMatrix® and ConvaFoam™ in the US – positive clinician feedback
- Acquired innovative anti-infective nitric oxide technology platform
- Launching new compact hydrophilic catheter, GentleCath™ Air for Women, in Europe
- 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)

Confidence in outlook – improving earnings and cash generation

- In 2024: we expect 5-7% organic revenue growth, adjusted operating profit margin of at least 21.0% on a constant currency basis and double-digit growth in EPS and free cash flow to equity
- Medium-term: Based on the strength of the new product pipeline and improvements in commercial execution we have raised our organic revenue growth expectation to 5-7% p.a. (previously 4-6%), we also expect to reach a mid 20's% adjusted operating profit margin by 2026 or 2027 and to deliver double-digit compound annual growth in EPS and free cash flow to equity

Karim Bitar, Chief Executive Officer, commented:

"Convatec's revenue growth accelerated and was broad-based across all our categories. We further expanded our operating margin and increased earnings per share and free cash flow to equity.

"We remain focused on executing our FISBE 2.0 strategy. Given our innovative new product pipeline and strengthened competitive position, Convatec has pivoted to a higher level of organic sales growth. We are on track to deliver our medium-term margin guidance leading to double-digit compound growth in EPS and free cash flow to equity."

Key financial highlights

	Reported			Adjusted			
	FY 2023	FY 2022	Change	FY 2023	FY 2022	Change	CC Change
Revenue	$2,142m	$2,073m	3.4%	$2,142m	$2,073m	3.4%	3.2%
Operating profit	$263m	$207m	26.7%	$432m	$404m	7.0%	10.2%
Operating profit margin	12.3%	10.0%	2.3%pts	20.2%	19.5%	0.7%pts	1.3%pts
Diluted EPS	6.3 cents	3.1 cents	105.9%	13.4 cents	12.6 cents	6.1%	
Dividend per share	6.229	6.047	3.0%				

- Net debt[4] increased by $61m to $1,129m. Net debt to EBITDA ratio was maintained at 2.1x after $179m of M&A investment and $129m in capex investment to drive future growth, coupled with $111m dividend payment
- The Board recommends a final dividend of 4.460 cents resulting in full year dividend of 6.229 cents, an increase of 3%

Percentage movements throughout this release are calculated on actual unrounded numbers.
(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) and the acquisition of A Better Choice Medical (Jul'23)
(2) AWC is Advanced Wound Care; OC is Ostomy Care; CC is Continence Care and IC is Infusion Care
(3) Wound Biologics segment, as defined by SmartTRAK. This segment includes skin substitutes, active collagen dressings and topical drug delivery. Triad Life Sciences was renamed Advanced Tissue Technologies (ATT) following its acquisition in mid-March 2022. ATT began to contribute to the organic growth rate following the anniversary of the deal completion.
(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.
(5) 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 21 to 26). Equity cash conversion is a new non-IFRS financial measure introduced in the year and is calculated as Free cash to equity/Adjusted net profit.

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Investor and analyst presentation

The results presentation will be held in person at The Auditorium, Chartered Accountants' Hall, One Moorgate Place, London EC2R 6EA at 9.00am (UK time) today. 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.

Forthcoming events

Trading update for the 4 months ending 30 April 2024:	16 May 2024
Interim results:	30 July 2024

Dividend calendar

Ex Dividend	25 April 2024
Record Date	26 April 2024
AGM	16 May 2024
Payment date	23 May 2024

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. Convatec's revenues in 2023 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).

Chief Executive's Review

Convatec continued to successfully execute its FISBE 2.0 strategy, strengthening its competitive position and delivering on our forever caring promise for patients and customers. The various strategic initiatives actioned during the period enhanced the quality of the business and improved our financial performance and prospects.

Attractive growth prospects

Convatec operates in four categories of the structurally-growing, attractive chronic care markets. These have a combined market size of $14 billion p.a. and market growth rates of between 4-8% p.a. We are among the leaders in the categories in which we operate and expect to grow revenue in line with or faster than each market.

We serve a diverse set of chronic care markets, producing high-volume, high-quality consumables which our customers rely on, resulting in attractive recurring revenue. This diversity provides resilience and synergies, notably in areas such as biomaterial sciences, product and clinical development, automated manufacturing and shared supply chain capabilities. Consistent with our FISBE 2.0 strategy we have been investing in our innovation pipeline, building mission-critical capabilities, expanding capacity and increasing our resilience.

A chronic care focused business delivering sustainable and profitable growth

We continued to execute our FISBE strategy, strengthening our competitive position and our ability to consistently deliver sustainable and profitable growth. After a period of catch-up investment, equity cash conversion[5] has now normalised and this strong cash generation will support continued organic and inorganic investment for growth, consistent with our capital allocation priorities.

Over the course of 2023, we remained focused on delivering for our customers. Our continued focus on innovation resulted in six new products launching and the R&D function was strengthened by an increased emphasis on clinical and regulatory. We enhanced both our innovation pipeline and service proposition using cash generated to acquire three businesses.

We further simplified our organisation, closed a small factory in the Netherlands and opened a new Global Business Services centre in Kuala Lumpur, which in combination with Lisbon and Bogota, will provide 24x7 support. Our Centres of Excellence continued to positively impact the business, with better pricing and greater salesforce productivity as the Customer Relationship Management platform roll-out was completed for our top 12 markets.

Further details on the progress made under each pillar can be found on pages 6 and 7.

We achieved a strong financial performance

Group reported revenue of $2,142m rose 3.4% (2022: $2,073m), and 3.2% on a constant currency basis, lower than organic growth because of the strategic exit of the non-core hospital care activities and related industrial sales in 2022. Organic revenue growth was 7.2%, in line with our latest guidance.

Adjusted operating profit rose 7.0% (10.2% on a constant currency basis). Adjusted operating profit margin was 20.2% (2022: 19.5%) with mix/price, operations productivity and G&A spend reduction more than offsetting significant inflation, continued investment in R&D and commercial capabilities, as well as a 60 bps foreign exchange headwind. Over a two-year period Convatec has delivered 250bps of improvement in its adjusted operating profit margin.

In 2022, the Group incurred costs relating to the exit of the hospital care business. As a result, and also benefitting from a higher gross margin, the reported operating profit increased 26.7% over the previous year.

Adjusted diluted EPS increased by 6.1% primarily due to improvements in adjusted operating profit and a reduction in non-operating expenses more than offsetting an increase in finance costs from higher market interest rates.

Reported diluted EPS increased by 105.9% as the prior year was impacted by higher adjusting items mostly relating to the exit of hospital care and the Triad acquisition.

Capital expenditure during 2023 was $129m (2022: $144m) as we continued to invest for future growth, expanding our manufacturing lines and developing new digital technologies to deliver enhanced customer experiences .

Free cash flow to equity increased to $228m (2022: $105m). Equity cash conversion (free cash flow to equity as a proportion of adjusted net profit) was 83% (2022: 41.0%) primarily driven by a significantly lower working capital outflow, the increase in EBITDA and lower capital expenditure.

Net debt increased by $61m to $1,129m, following three acquisitions and the payment of the first year earnout for Triad Life Sciences acquisition, together totaling $179m. Our net debt to EBITDA ratio remained unchanged at 2.1x. We continue to target leverage of 2x over time but are comfortable temporarily going higher for appropriate M&A opportunities.

Revenue

Revenue increased by 3.4% on a reported basis, and by 3.2% on a constant currency basis. Adjusting for M&A and business restructuring[1] Group revenue rose 7.2% on an organic basis. This growth was broad-based with strong growth in Advanced Wound Care, Infusion Care and Continence Care and good growth in Ostomy Care.

	2023 $m	2022 $m	Reported growth / (decline)	Foreign Exchange impact	Constant Currency[2] growth / (decline)	Organic[4] growth
Revenue by Category						
Advanced Wound Care	**695.3**	620.7	12.0%	0.4%	11.6%	9.5%
Ostomy Care	**608.3**	583.0	4.3%	0.1%	4.2%	4.2%
Continence Care	**457.2**	425.4	7.5%	0.1%	7.4%	6.5%
Infusion Care	**370.9**	341.1	8.7%	0.0%	8.7%	8.7%
Revenue excluding hospital care exit	**2,131.7**	1,970.2	8.2%	0.2%	8.0%	7.2%
Exit of hospital care and related industrial sales[5]	10.7	102.3	(89.5)%	n/a	n/a	n/a
Total	**2,142.4**	2,072.5	3.4%	0.2%	3.2%	7.2%

(5) Relates to residual stock being sold during 2023

Advanced Wound Care

Revenue of $695 million increased 12.0% on a reported basis or 11.6% on a constant currency basis. On an organic basis revenue rose by 9.5%. This performance was enhanced by InnovaMatrix®, which contributed to organic growth from April.

The business achieved strong sales growth in North America supported by the growing position in the wound biologics segment[3], broad-based double-digit growth in GEM despite some market softness in China in H2 and good growth in Europe. Continued leadership in the antimicrobial segment enhanced the overall performance of the division.

We continued to make strategic progress in AWC during 2023, strengthening our position in the US with the launch of ConvaFoam™. Reaction from healthcare professionals has been encouraging with a number of ongoing evaluations as well as conversions from competitor product to ConvaFoam. InnovaMatrix® continued to achieve strong momentum in the large and rapidly growing wound biologics segment[3]. Feedback from clinicians has been positive.

In 2024 we will focus on:

- Rolling-out recent launches to new markets:
    - Launching ConvaFoam™ in Europe
    - Launching new iterations of InnovaMatrix® in the US
- Continuing to develop the future 2025+ AWC pipeline with:
    - a new nitric oxide dressing, a new enhanced hydrofibre dressing and ConvaVac™
- Improving commercial performance:
    - Further leverage Salesforce Effectiveness Centre of Excellence (CoE) in our focus markets
    - Further expand ATT salesforce and build synergies with existing AWC sales team

Ostomy Care

Revenue of $608 million was up 4.3% on a reported basis and increased 4.2% on constant currency and organic bases. The Ostomy Care category comprises Convatec ostomy products, our Flexi-Seal™ sales (fecal management system product) and non-Convatec ostomy products.

We are making positive progress with the turnaround in Ostomy Care, particularly with Convatec ostomy products, where revenue grew 6.3%. The business achieved double-digit growth in the Global Emerging Markets as it continued to win share. In North America 180 Medical grew ostomy sales well from a small base and New Patient Starts remained stable. There was a good performance in Europe although, as expected, further planned declines in non-Convatec product sales via Amcare™ UK partially offset this positive performance. The launch of the ESENTA™ brand of accessories continued to progress well. As anticipated, Flexi-Seal™ finished close to flat for the full year, having declined in the first half when it was lapping tough comparatives.

Strategic progress continued in the ostomy business, as the team prepared for the launch of our new one-piece convex pouching system, Esteem Body™ with Leak Defense™ in the US and Europe. Leak Defense™ refers to the exclusive combination of Convatec's gold-standard adhesives (Durahesive® and Modified Stomahesive®) coupled with the comprehensive, soft convexity range, which together are designed to adapt to the body for a secure seal that can help prevent leaks and achieve the desired wear time.

In 2024 we will focus on:

- Continuing to progress our innovation pipeline:
    - Launching our new Esteem Body™ in the US and certain European markets

- Developing a new Flexi-Seal™ Air product
- Developing a 2-piece Body portfolio for the future

- Further improving commercial execution across the continuum of care:
  - Bringing all the products we sell in the fast-growth accessories market under the ESENTA™ brand
  - Improving new patient starts in the US, with continued collaboration with Home Service Group ('HSG')
  - Enhancing engagement with patients, through Me+, and the interactions with healthcare professionals

Continence Care

Revenue of $457 million rose 7.5% on a reported basis and 7.4% on a constant currency, with modest incremental contribution from the two acquisitions. On an organic basis revenue rose 6.5%.

A strong operating performance was supported by higher reimbursement pricing in the US during the year and increasing patient adoption of Convatec products (Cure Medical and GentleCath™). The quality and breadth of the Convatec product portfolio have resulted in it growing as a proportion of overall sales, which is beneficial to the gross margin. In the US home service market (direct to consumer) we continued to gain share by providing world-class customer service.

We further strengthened the Home Service Group by acquiring A Better Choice Medical Supply LLC (Michigan) and All American Medical Supply Corp (New York), two North American continence care service businesses.

We made further progress building international sales and management teams, which has resulted in incremental sales in GEM and Europe which, although modest, were supportive to overall growth. We launched our new and improved GentleCath™ Air for Women 2.0 in Q4 2023 in France which has been well received by healthcare professionals and customers.

In 2024 we will focus on:

- Rolling-out launches to new markets:
  - Launching GC Air for Women in additional European markets and the US
  - Introducing Cure products into European and GEM markets
- Further improving commercial execution globally:
  - Integrating recent HSG acquisitions in the US
  - Continuing to build out and strengthen commercial teams in Europe
  - Leveraging improved customer service performance at Amcare UK

Infusion Care

Revenue of $371 million increased 8.7% on reported, constant currency and organic bases. This growth was primarily driven by sustained strong demand for our innovative infusion sets for people with diabetes. We supported our customers with multiple product launches during 2023: Medtronic's 780G insulin pump approval in the US, Beta Bionics iLet bionic pancreas system launch in the US and soft launch of Tandem's Mobi pump.

Our neria™ brand infusion sets, for non-insulin therapies, achieved strong double-digit growth, and included the launch of AbbVie's new Parkinson's drug therapy in Japan.

In 2024 we will focus on:

- Delivering for our diabetes customers given the continued strong demand for our infusion sets:
  - Scaling up MioAdvance Extended Wear Infusion Set following US launch of Medtronic's 780G
  - Supporting Tandem with the full launch of Mobi in the US
  - Supporting Beta Bionics following its iLet launch in the US
  - Supporting Ypsomed as they grow their durable pumps business
- Continuing to diversify patient base
  - Providing Neria sets for AbbVie Parkinson's launch in Europe and preparing for US launch, expected in 2024
  - Increasing penetration with European distributors of infusion sets for European palliative care and pain management
- Enhancing operations:
  - Increasing production capacity for future demand
  - Optimising existing production lines and further improving quality

Historical revenue data*

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

Reported Revenue $m	2019	2020	2021	2022	2023
Advanced Wound Care	570	547	592	621	695
Ostomy Care	569	590	615	583	608
Continence Care	342	363	405	426	457
Infusion Care	238	283	316	341	371
Group	1,719	1,783	1,928	1,971	2,131
Revenue from hospital care and industrial sales	108	112	110	102	11
Total Reported Group	1,827	1,895	2,038	2,073	2,142

Organic[4] growth/(decline) %	2019	2020	2021	2022	2023
Advanced Wound Care	0.5%	(2.7)%	9.2%	6.8%	9.5%
Ostomy Care	1.0%	4.5%	2.0%	1.7%	4.2%
Continence Care	5.4%	5.4%	3.4%	5.1%	6.5%
Infusion Care	2.2%	18.5%	11.5%	9.2%	8.7%
Group	2.3%	4.2%	5.3%	5.6%	7.2%

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 organic revenue growth of 8.4% compared with 7.2% globally. The US was our largest market and grew strongly, supported by the contribution from InnovaMatrix®. China, whilst still a small part of the overall group, remained a key strategic market where we continued to strengthen our position, growing double-digit and winning market share in both Ostomy Care and Advanced Wound Care.

Having **laid the foundations for customer net promoter score** (NPS) insight gathering, through a series of pilots in 2023, during 2024 we will focus on embedding actionable NPS insight more broadly across the business.

Innovate

We continued to invest to strengthen our Technology & Innovation capabilities and advance our pipeline; we **increased adjusted R&D expenditure** by 12.9% to $104 million (2022: $92 million), equivalent to 4.8% of sales.

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 healthcare professionals 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. We will be looking to secure the first regulatory approvals for the first wound care product in 2025.

We began launching our new compact catheter, **GentleCath™ Air for Women** with FeelClean™ Technology in France in Q4. This technology is designed for urethral protection and to reduce the risk of UTIs.

In Infusion Care we **continued to collaborate with a number of partners within and outside diabetes** and launched a number of products during the period:

- Infusion set with Beta Bionics new iLet bionic pancreas system
- Extended Wear Infusion Set in US with Medtronic 780G
- Infusion set for new Tandem Mobi pump, cleared by the FDA in July
- Infusion set for AbbVie Parkinson's therapy launch in Japan

Looking into 2024 we expect continued momentum with product launches. In Q1 we have begun to launch our new one-piece convex pouching system, Esteem Body™ with Leak Defense™ in Europe and the US. It is very early days but we are encouraged by the reaction from healthcare professionals so far.

We will also be leveraging our recent product launches by rolling them out in key geographies:
- InnovaMatrix® in certain GEM markets and, in the US, with new iterations;
- Begin the roll-out of ConvaFoam™ in Europe;
- GentleCath Air™ for Women in Europe and the US;

supporting AbbVie's Parkinson's drug launch in Europe and, later in the year, in the US.For 2025 and beyond we are also developing a richer pipeline with exciting new innovations, including:
- AWC: an enhanced hydrofibre, Nitric oxide wound dressing and ConvaVac (a single use negative pressure treatment);
- OC: Natura Body™;

- CC: GentleCath™ Air for Men v2.0; and
- IC: Further customer pump technology innovations including a potential new Parkinson's therapy

Simplify

We continued to make progress simplifying the organisation.

Adjusted G&A reduced to 8.1% of sales (2022: 8.9%), declining 6.4% to $173 million (2022: $185 million) as we continued to transition activities to our Global Business Services centres; allowing us to improve, standardise and automate processes, build internal expertise and consolidate our corporate office facilities footprint.

We opened a new GBS facility in Kuala Lumpur to provide 24-7 business service support to the Group in conjunction with Lisbon and Bogota, started the migration of HR services and created a new IT Centre of Excellence.

As part of our **Plant Network Optimisation initiative**, we closed a small factory in Roosendaal, the Netherlands, and migrated machines to our larger and more efficient site in Michalovce, Slovakia, which already manufactures similar Ostomy products.

In 2024, we intend to continue to embed our Global Business Services network, driving further efficiencies in finance, IT and HR. Our Global Quality and Operations function will continue to introduce smart factory tools and automation to the manufacturing footprint to drive enhanced productivity.

Build

Our Pricing Centre of Excellence (CoE), in collaboration with our business units, supported the **delivery of 100 bps of pricing improvement** on gross margin.

During the year we further **developed our clinical and regulatory functions** with a step up in clinical evidence generation and in scientific publications, and another year with more than 80 patent filings.

In 2024, we will continue to embed our CoEs within the business and drive commercial excellence. For example our Marketing CoE will drive our NPS customer loyalty measurement programme.

Execution

Our **Salesforce CoE has continued to roll out** the single CRM platform to all of our Top 12 markets. This is driving enhanced salesforce productivity by increasing call rates and improving targeting to priority (A,B,X) accounts.

Through improved commercial execution we are **winning share in the Global Emerging Markets** in both AWC and OC. Our sales in GEM continued to grow double digit, with revenue in China growing 30% notwithstanding the broader industry slow-down since the summer.

We have continued to focus on **execution excellence within our Global Quality and Operations function**, expanding capacity in IC, increasing automation on certain AWC product lines and further reducing complaints per million by c.12% during 2023.

We also made further **progress embedding our Convatec Cares responsible business strategy**, which underpins our commitment to embedding environmental, social and governance (ESG) practices.

In line with our goal to achieve net zero by 2045, we reduced Scope 1 and Scope 2 greenhouse gas emissions by 35% in 2023. We are pleased that our manufacturing sites now use 100% renewable electricity. In addition, our Scope 1, 2 and 3 (near term) targets were validated by Science-Based Targets Initiative (SBTi). We also received a 'B' from the Carbon Disclosure Project (CDP) in their 2023 ratings, recognising our progress.

Consistent with our commitment to diversity, equity and inclusion (DE&I) and wellbeing, we finished 2023 with 44% of the senior management team[1] being women, exceeding our 40% target.

Dividend

The Board recommends a 3% increase in the full year dividend to 6.229 cents per share (2022: 6.047 cents). The payout ratio of 46% (2022: 48%) of adjusted EPS remains modestly ahead of the target range of 35-45%. The Board remains confident of the Group's future prospects and this progressive dividend recommendation is consistent with the approach over the last 3 years.

Taking into consideration the recent trends in take up and the cost of operating, the Board has taken the decision to terminate the scrip dividend option.

2024 guidance and upgraded medium term outlook

In 2024, we expect organic revenue growth of 5-7%. We are also raising our medium-term organic revenue growth to 5-7% p.a. (previously 4-6% p.a.), given growing confidence in both the new product pipeline and improved commercial execution. This reflects our expectations of high single-digit growth in AWC and IC and mid single-digit growth in OC and CC.

We remain focused on expanding our operating margin by growing revenue, improving our mix/price and delivering on our simplification and productivity agenda. In 2024 we expect further improvement in the adjusted

[1] Convatec Executive Leadership Team and their direct reports, excluding administrative support

operating margin to at least 21%, on a constant currency, based on the current geo-political backdrop and an inflation expectation of 3-5%.

We expect adjusted net finance expense for 2024 to be $75-85 million. The adjusted book tax rate is expected to be approximately 24% with the cash tax rate at approximately 18%. We expect capex of $120-140million reflecting the continued investments we are making across the Group.

In the medium term, we are on track to deliver a mid-20s% adjusted operating margin in 2026 or 2027. This requires on average 100bps or more of expansion per annum, compared to the delivery of 125bps expansion per year over the last 2 years in a high inflation environment.

We have now pivoted to sustainable revenue growth, have started to deliver margin expansion and expect to achieve double digit compound growth in EPS and free cash flow to equity over the medium term.

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 will be set out in the Group's 2023 Annual Report and Accounts to be published later in the month.

The Board has reviewed the principal risks as at 31 December 2023 and made a number of changes to reflect our assessment of their movement from those identified in 2022, the effect on the Group, our evolving strategy and the current business environment. The principal risks have been assessed against the context of the global inflationary cost pressures that are impacting all businesses at present and the wider uncertain geopolitical climate. The overall profile for the risks set out below remains largely unchanged over the financial year in terms 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;
- People;
- Legal and Compliance;
- Environment and Communities; and,
- Tax and Treasury.

The risk landscape has changed for the following principal risks, since the publication of the 2022 Annual Report and Accounts:

- Strategy and Execution Delivery – strategically we are pivoting into FISBE 2.0 and, with work carried out to date, this principal risk is now considered normal business activity.
- Customer and Markets – has been elevated as the consequences of global macroeconomic factors may manifest themselves through financial constraints impacting healthcare pricing and reimbursement models.
- Political and Economic Environment - has been elevated reflecting the continuing global inflationary pressure challenges on all aspects of our cost base, as well as ongoing global supply chain constraints and volatile geopolitical environment.

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 broader risk landscape (including the sustained levels of inflation and interest rates, ongoing supply chain challenges and the continuing impacts of the wars in Ukraine and the Middle East) 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

Revenue grew by 3.4% on a reported basis, 3.2% on a constant currency basis and 7.2% on an organic basis. Constant currency growth was lower than organic growth due to the exit from the low-margin, low-growth hospital care activities during 2022.

The adjusted operating profit margin was 20.2%, representing an increase of 70bps over the previous year. Adjusting for foreign exchange headwinds, the expansion was 130bps, with pricing and mix benefits more than offsetting inflation and continued investment in commercial and R&D capabilities. Adjusted operating profit margin has increased by 250bps over the past two years.

Adjusted diluted earnings per share increased by 6.1% year-on-year to 13.4 cents per share, primarily due to improvements in adjusted operating profit and a reduction in adjusted non-operating expenses more than offsetting an increase in finance expenses. Reported diluted EPS more than doubled to 6.3 cents per share (2022: 3.1 cents per share).

Net cash generated from operations improved by 27.6% to $490.6 million ($384.5 million), with free cash flow to equity increasing by 116.8% to $228.3 million (2022: $105.3 million), driven by higher EBITDA and significantly better changes in working capital compared to the previous year. Equity cash conversion improved to 83.3% (2022: 41.0%).

We further enhanced the competitive position of the Group during the year, with the acquisition of an innovative anti-infective nitric oxide technology platform to strengthen our Advanced Wound Care portfolio, and two bolt-on acquisitions to strengthen our Home Services Group in the US.

In November 2023, the Group extended the term of its multicurrency revolving credit facility by one year and this is now committed to November 2028. The Group's term loan and $500.0 million senior unsecured notes remain in place and are committed until 2027 and 2029 respectively.

We remain confident of delivering sustainable future revenue growth and an adjusted operating margin in the mid-20s by 2026 or 2027, with double-digit compound annual growth in adjusted diluted EPS and free cash flow to equity.

Reported and Adjusted results

The Group's financial performance, measured in accordance with IFRS, is set out in the Condensed Consolidated Financial Statements and Notes thereto on pages 27 to 48 and referred to in this Annual Report as "reported" measures.

The commentary in this Financial review includes discussion of the Group's reported results and alternative performance measures (or adjusted measures) (APMs). Management and the Board use APMs as meaningful measures in monitoring the underlying 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 measures prepared in accordance with IFRS on pages 21 to 26.

Revenue and the revenue growth on constant currency and organic bases are non-IFRS financial measures and should not be viewed as replacements of IFRS reported revenue. Percentage movements throughout this report are calculated on actual unrounded numbers.

Group financial performance

	Reported 2023 $m	Reported 2022 $m	**Adjusted[1] 2023 $m**	Adjusted[1] 2022 $m
Revenue	**2,142.4**	2,072.5	**2,142.4**	2,072.5
Gross profit	**1,200.6**	1,103.9	**1,320.7**	1,245.6
Operating profit	**262.7**	207.3	**431.8**	403.7
Profit before income taxes	**167.4**	81.9	**357.2**	337.6
Net profit	**130.3**	62.9	**274.1**	256.8
Basic earnings per share (cents per share)	**6.4¢**	3.1¢	**13.4¢**	12.7¢
Diluted earnings per share (cents per share)	**6.3¢**	3.1¢	**13.4¢**	12.6¢
Dividend per share (cents)	**6.229¢**	6.047¢		

[1] These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS on pages 21 to 26.

Revenue

Group reported revenue for the year ended 31 December 2023 of $2,142.4 million (2022: $2,072.5 million) increased 3.4% year-on-year on a reported basis and 3.2% on a constant currency basis.

Adjusting for foreign exchange and acquisition and divestiture-related activities[2], Group revenue grew by 7.2% on an organic basis. This was driven by strong growth in Advanced Wound Care, Infusion Care and Continence Care and good growth in Ostomy Care. For more details about category revenue performance, refer to pages 4 to 5.

[2] Acquisitions were Starlight Science, A Better Choice Medical Supply and All American Medical Supply in 2023 and Triad Life Sciences in 2022. Divestitures related to the 2022 discontinuation of hospital care, related industrial sales and associated Russia operations (with the final discontinuances in early 2023).

Reported net profit

Reported gross margin increased from 53.3% to 56.0%. This was largely driven by pricing and mix benefits being partly offset by inflationary pressures and foreign exchange headwinds. Prior year comparatives also included higher one-time divestiture and termination costs primarily as a result of the hospital care and related industrial sales exit in 2022.

Reported operating profit increased by 26.7% to $262.7million, driven by improvements in the reported gross margin being partially offset by an increase in reported operating expenses of $41.3 million to $937.9 million. Increases in selling and distribution expenses of $36.6 million to $612.5 million and R&D of $18.0 million to $110.0 million were partly offset by a reduction in other operating expenses of $11.3 million (down from $13.8 million in 2022).

Reported net finance costs increased by $23.4 million to $75.5 million, primarily due to an additional $28.8 million of interest expense on borrowings due to higher market interest rates.

During the year, the fair value movement of the contingent consideration arising on acquisitions was $24.6 million (2022: $45.1 million).

Reported non-operating income/(expense), net decreased by $33.0 million to $4.8 million income (2022: $28.2 million expense) and principally consisted of foreign exchange gains of $0.2 million (2022: $14.2 million loss) and a gain of $3.9 million on divestiture-related activities relating to the sale of the Unometer™ trademarks during the year. The prior year also included the recycling of $12.2 million of

cumulative translation losses following the closure activities associated with the hospital care exit and a $2.0 million loss on divestitures.

The reported income tax expense for the year ended 31 December 2023 was $37.1 million (2022: $19.0 million) and this is explained further in the Taxation section below. The reported net profit was $130.3 million (2022: $62.9 million).

The basic reported earnings per share rose 105.6% to 6.4 cents (2022: 3.1 cents), reflecting the reported net profit divided by the basic weighted average number of ordinary shares of 2,038,653,228 (2022: 2,023,839,657).

Adjusted net profit

Adjusted gross profit increased by 6.0% to $1,320.7 million (2022: $1,245.6 million). The adjusted gross margin increased year-on-year from 60.1% to 61.6% due to a combination of price, mix and productivity benefits of 460bps being partially offset by inflation and foreign exchange headwinds of 250bps and 60bps respectively. The Group benefited from the impact of reduced volumes of low-margin and low-growth products following the hospital care exit in 2022 and the growing contribution from Advanced Tissue Technology (ATT).

Adjusted operating expenses saw a net increase of $47.0 million to $888.9 million, with increases in adjusted selling and distribution expenses and adjusted R&D partly offset by a reduction in adjusted general and administrative expenses.

Increases in adjusted selling and distribution expenses of $47.0 million to $611.9 million, primarily driven by higher headcount associated with growing the business, expansion in the acquired ATT business and higher labour inflation, were only partially offset by the exit of hospital care.

Increases in adjusted R&D of $11.9 million to $103.9 million reflected the continued investment in our future pipeline of new products and new R&D talent joining the business through the recent acquisitions over the past few years.

Adjusted G&A decreased by $11.9 million year-on-year to $173.1 million, reflecting the Group's focus on simplification and productivity, notably as we continued to build internal expertise and reduce external third party spend whilst also seeing the benefits of transitioning more activities to our Global Business Services (GBS) centre in Lisbon. Adjusted G&A as a percentage of revenue fell to 8.1% (2022: 8.9%)

A reconciliation between reported and adjusted operating expenses is provided in the Non-IFRS financial information section on pages 21 to 26. The Group achieved an adjusted operating profit of $431.8 million (2022: $403.7 million), delivering an adjusted operating margin of 20.2% (2022: 19.5%) despite ongoing inflationary headwinds and continued investments for growth.

Adjusted net profit increased 6.7% to $274.1 million (2022: $256.8 million). The increases in adjusted operating expenses (as explained above), finance expenses (driven by higher market interest rates) and adjusted income tax expense (which is explained below) were more than offset by strong adjusted gross margin improvement and a reduction in adjusted non-operating expenses of $14.9 million (driven by favourable foreign exchange impacts on intercompany transactions).

Adjusted basic and diluted EPS at 31 December 2023 were 13.4 cents and 13.4 cents respectively (2022: 12.7 cents and 12.6 cents).

Taxation

	Year ended 31 December			
	2023		2022	
	$m	**Effective tax rate**	$m	Effective tax rate
Reported income tax expense	**(37.1)**	**22.2%**	(19.0)	23.2%
Tax effect of adjustments	**(38.5)**		(41.7)	
Other discrete tax items	**(7.5)**		(20.1)	
Adjusted income tax expense	**(83.1)**	**23.3%**	(80.8)	23.9%

The Group's reported income tax expense was $37.1 million (2022: $19.0 million). The decrease in the reported effective tax rate was mainly driven by a one-off net tax benefit following the successful resolution of an uncertain tax position, which for the purpose of calculating the adjusted income tax expense, was treated as an adjusting item.

The adjusted effective tax rate of 23.3% for the year ended 31 December 2023 (2022: 23.9%) was 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 23). The decrease in the adjusted effective tax rate was principally driven by the impact of profit mix between jurisdictions in which the Group had a taxable presence.

Adjusting items

Management and the Board will make adjustments to the reported figures, where appropriate, to produce more meaningful measures in monitoring the underlying performance of the business - Alternative performance measures (APMs). The Group's APM policy can be found in the Non-IFRS financial information section on page 21 and in line with this, the following adjustments were made to derive adjusted operating profit and adjusted net profit.

	Operating profit $m		Fair value movement of contingent consideration $m		Non-operating income/(expense) $m		Income tax $m	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Reported	**262.7**	207.3	**(24.6)**	(45.1)	**4.8**	(28.2)	**(37.1)**	(19.0)
Amortisation of acquired intangibles	**136.2**	131.3	**-**	-	**-**	-	**(32.6)**	(29.2)
Acquisitions and divestitures	**10.1**	56.6	**24.6**	45.1	**(3.9)**	14.2	**(0.7)**	(11.3)
Termination benefits and related costs	**9.5**	7.1	**-**	-	**-**	-	**(2.0)**	(1.2)
Impairment of assets	**-**	1.4	**-**	-	**-**	-	**-**	-
Other adjusting items	**13.3**	-	**-**	-	**-**	-	**(3.2)**	-
Other discrete tax items	**-**	-	**-**	-	**-**	-	**(7.5)**	(20.1)
Adjusted	**431.8**	403.7	**-**	-	**0.9**	(14.0)	**(83.1)**	(80.8)

Adjustments made to derive adjusted operating profit in 2023 included the amortisation of acquired intangibles of $136.2 million (2022: $131.3 million), of which $93.2 million (2022: $93.0 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-related costs of $10.1 million (2022: $56.6 million) consisted of acquisition-related costs of $8.3 million (2022: $16.9 million) and divestiture-related costs of $1.8 million (2022: $39.7

million). Acquisition-related costs, which primarily consisted of deal-related fees, also included the inventory fair value release of $1.5 million (2022: $8.7 million) in respect of the Triad acquisition in 2022. Divestiture-related costs of $1.8 million were incurred as a result of the exit from the hospital care and related industrial sales activities.

Termination costs of $9.5 million were in respect of one-off, fundamental transformation projects and primarily due to the migration of HR services to our Global Business Services, the closure of the EuroTec factory in the Netherlands and a restructuring of activities in Switzerland. The latter two projects, in addition to the office footprint optimisation programme previously announced, contributed to other adjusting items of $13.3 million. These costs largely consisted of legal and professional fees, the impairment of right-of-use assets and property, plant and equipment and charges related to certain office closures.

During the year, the fair value movement of the contingent consideration arising on acquisitions was S24.6 million (2022: $45.1 million).

Net adjustments of $3.9 million made to non-operating income in 2023 wholly related to a gain made from the sale of the UnoMeter™ trademarks, previously part of hospital care. This is disclosed within Note 5 - Non-operating income/(expense), net to the Condensed Consolidated Financial Statements.

Of the total $169.1 million of adjusting items recognised within operating profit in the Consolidated Income Statement in the year (excluding tax impact), $16.1 million was cash-impacting in 2023 (2022: $11.1million). There was also a cash outflow of $7.5 million during the year in respect of adjusting items recorded as accruals in the prior year. In 2024, the total cash impact of adjusting items recognised within operating profit (including amounts accrued in previous years), is currently expected to be of a similar quantum to the 2023 total. For further information on Non-IFRS financial information, see pages 21 to 26.

In the year to 31 December 2023, other discrete tax items related to the tax benefit of $15.1 million resulting from a provision release following the successful resolution of an uncertain tax position, partially offset by tax expenses of $7.6 million in respect of a restructuring of activities Switzerland. In the year to 31 December 2022, other discrete tax items related to the tax benefit of $20.1 million resulting from the recognition of deferred tax assets following the acquisition of Triad Life Sciences. For further details on deferred taxation see Note 6 - Income taxes to the Condensed Consolidated Financial Statements.

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

Acquisitions

During the year, the Group completed three acquisitions. The acquisition of Starlight Science Limited in April 2023 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) a 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 payable capped at $105.1 million (£84.0 million). The provisional discounted fair value of the contingent consideration recognised at the date of acquisition was $66.7 million.

We also completed two small bolt-on acquisitions in 2023 (A Better Choice Medical Supply LLC and All American Medical Supply Corp) for a combined net cash outflow of $27.7 million to further strengthen our US Home Services Group. There was no contingent consideration associated with these two acquisitions.

During the year, $94.7 million was paid in respect of contingent consideration associated with the Triad Life Sciences acquisition, in addition to the $50.0 million paid in 2022 following achievement of two short-term milestones. As at 31 December 2023, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was $138.0 million (2022: $140.0 million). Refer to Note 10 - Acquisitions to the Condensed Consolidated Financial Statements for further details.

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 and accordingly, this has been identified as a key source of estimation uncertainty. Refer to Note 1.2 - Critical accounting judgements and key sources of estimation uncertainty to the Condensed Consolidated Financial Statements for further details.

Dividends

Dividends are distributed based on the distributable reserves of the Company, which are primarily derived from the dividends received from subsidiary companies and are not based directly on the Group's consolidated retained earnings. The distributable reserves of the Company at 31 December 2023 were $1,539.4 million (2022: $1,562.9 million).

The Board declared an interim dividend of 1.769 cents per share in August 2023 and has recommended a final 2023 dividend of 4.460 cents per share, which would bring the full year dividend to 6.229 cents per share (2022: 6.047 cents per share), an increase of 3% and a pay-out ratio when compared to adjusted net profit of 46% (2022: 48%). 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 and the Board's confidence in its future growth prospects. The Board has also taken the decision to terminate the scrip dividend option.

Refer to Note 8 - Dividends to the Condensed Consolidated Financial Statements for further information.

Cash Flow and Net Debt

	Adjusted 2023 $m
EBITDA[1]	527.1
Working capital movement[1]	(8.1)
(Loss) on foreign exchange derivatives	(4.8)
Adjusting items[2]	(23.6)
Capital expenditure	(129.2)
Operating cash flow[1,3]	361.4
Tax paid	(35.9)
Free cash to capital[1,3]	325.5
Net interest paid	(65.6)
Payment of lease liabilities	(22.7)
Other[4]	(8.9)
Free cash to equity[1,3]	228.3
Dividends[5]	(110.7)
Acquisitions & divestitures[6]	(178.8)
Movement in net debt	(61.2)
Net debt[1] at 1 January (excluding lease liabilities)	(1,068.1)
Net debt[1] at 31 December (excluding lease liabilities)	(1,129.3)

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.
2. Details of adjusting items are provided in the adjusting items cash movement table in the Non-IFRS financial information section. Of the total cash outflow of $23.6 million during the year, $7.5 million related to accruals recorded in the prior year.
3. Compared to 2022, the cash flow measures have been simplified in respect of their title. 'Net cash for cash conversion' has been renamed 'Operating cash flow' and 'Free cash flow (post-tax)' has been renamed 'Free cash flow to capital'. In addition, a new measure has been introduced, 'Free cash flow to equity' (as defined in the Reconciliation of Operating cash flow, free cash to capital and free cash to equity' table on page 25. 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 $2.8 million (2022: $6.6 million) and net FX loss on cash and borrowings of $6.7 million (2022: $4.9 million) offset by proceeds from PPE sales of $0.6 million (2022: nil).
5. Dividend cash payments of $110.7 million were made to shareholders during the year. This represented 87.3% of total dividends declared in the period, with the remaining 12.7% electing to settle via scrip dividends. The Board took the decision to terminate the scrip dividend option during the year.
6. Net acquisition and divestiture payments of $178.8 million consisted of the initial consideration payment of $56.7 million in respect of the acquisition of Starlight Sciences Limited, $27.7 million in respect of the acquisitions of A Better Choice Medical Supply LLC and All American Medical Supply Corp and $94.7 million in respect of the Year 1 earn out associated with the 2022 acquisition of Triad Life Sciences. These were offset by $0.3 million of income arising from divestiture-related activities.

EBITDA

Adjusted EBITDA increased by $27.1 million to $527.1 million (2022: $500.0 million), with the increase in adjusted gross profit of $75.1 million more than offsetting the increase in adjusted operating expenses of $47.0 million. These are explained in the adjusted net profit commentary section. A reconciliation of adjusted EBITDA to the closest IFRS measure is provided in the Non-IFRS financial information section on pages 21 to 26.

Free cash flow to capital

Free cash flow to capital increased by $138.1 million to $325.5 million (2022: $187.4 million), largely driven by a significantly lower working capital outflow (resulting in a movement year-on-year of $90.5 million), the increase in adjusted EBITDA of $27.1 million as explained above, a reduction in capital expenditure spend of $15.0 million and a reduction in cash tax paid of $17.0 million. These were partly offset by an increase in adjusting cash outflow items of $8.4 million, of which details are provided in the Non-IFRS financial information section on page 25.

The Group invested $129.2 million in capital expenditure (2022: $144.2 million) to increase manufacturing capacity and automation and improve information technology and digital tools.

The adjusted working capital outflow of $8.1 million (2022: $98.6 million outflow) improved significantly year-on-year, with increased inventory levels of $53.9 million on an adjusted basis largely offset by a $30.2 million decrease in trade and other receivables, a $10.5 million increase in trade and other payables and a $7.8 million reduction in restricted cash.

Increased inventory levels reflected strategic decisions to continue to build supply chain resilience across the Group, which was achieved in the first half of the year. There was a modest decline in inventory in the second half of the year.

The decrease in trade and other receivables reflected improving cash collections, coupled with a receivables financing arrangement entered by the Group during the year to normalise receivable terms for certain major customers, equating to $27.4 million, and favourable movements in the mark-to-market valuation of derivative financial assets.

The increase in trade and other payables of $10.5 million reflected standardisation of supplier payment terms implemented in the year as part of our simplification and productivity initiatives, coupled with some favourable timing impacts which will partly reverse in 2024. The increase was partially offset by a decrease in derivative financial liabilities as a result of the mark-to-market valuation at the year end.

Operating cash conversion[1] was 83.7% (2022: 59.5%). The increase in the ratio primarily reflected the significantly lower working capital outflow as commented on above. Further details are provided in the Non-IFRS financial information section.

1. The previous ratio called 'Adjusted cash conversion', calculated as Operating cash flow/Adjusted EBITDA, has been replaced by 'Operating cash conversion' and is now calculated as Operating cash flow/Adjusted operating profit. The Directors consider that this change results in consistency of cash flow measures and provides improved definition, clarity and insight.

Free cash flow to equity

Free cash flow to equity increased by $123.0 million to $228.3 million (2022: $105.3 million). This was driven by an increase in free cash flow to capital of $138.1 million as explained above and a decrease in the amortisation of financing fees of $3.8 million. These favourable movements were partly offset by higher finance expense payments of $15.7 million due to higher market interest rates.

Equity cash conversion[2] was 83.3% (2022: 41.0%).

2. A new measure has been introduced. 'Equity cash conversion' is calculated as Free cash flow to equity/Adjusted net profit. The Directors consider that this change results in consistency of cash flow measures and provides improved definition, clarity and insight.

Borrowings and net debt

	2023 $m	2022 $m
Borrowings	**(1,226.9)**	(1,211.9)
Lease liabilities	**(85.5)**	(88.3)
Total borrowings including lease liabilities	**(1,312.4)**	(1,300.2)
Cash and cash equivalents	**97.6**	143.8
Total borrowings including lease liabilities, net of cash	**(1,214.8)**	(1,156.4)
Net debt (excluding lease liabilities)	**(1,129.3)**	(1,068.1)
Net debt (excluding leases)/adjusted EBITDA	**2.1**	2.1

As at 31 December 2023, the Group's cash and cash equivalents were $97.6 million (31 December 2022 $143.8 million) and the debt outstanding on borrowings (net of deferred financing fees) was $1,226.9 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. In November 2023, the Group extended the term of its multicurrency revolving credit facility by an additional year and this is now committed to November 2028. The term loan remains committed to 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 31 December 2023, $459.4 million of the multicurrency revolving credit facility remained undrawn. This, combined with cash of $97.6 million, provided the Group with total liquidity of $557.0 million at 31 December 2023 (31 December 2022: $616.6 million). Of this, $21.1 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 $1,312.4 million (2022: $1,300.2 million). Offsetting cash of $97.6 million (2022: $143.8 million) and excluding lease liabilities, net debt was $1,129.3 million (2022: $1,068.1 million), equivalent to 2.1x adjusted EBITDA (2022: 2.1x adjusted EBITDA). For further information on borrowings see Note 11 - Borrowings to the Condensed Consolidated Financial Statements.

Covenants

At 31 December 2023, the Group was in compliance with all financial and non-financial covenants associated with the Group's outstanding debt.

The Group has two financial covenants, being net leverage and interest cover, each of which is defined, where applicable, within the borrowing documentation. The table below summarises the Group's most restrictive covenant thresholds and position as at 31 December 2023 and 2022.

	Maximum covenant net leverage	Actual covenant net leverage	Minimum covenant interest cover[1]	Actual covenant interest cover[1]
31 December 2023	**3.50x**	**2.30x**	**3.5x**	**7.0x**
31 December 2022	3.50x	2.28x	3.5x	9.9x

**Interest cover is adjusted EBITDA/interest expense (net) and net leverage is net debt/adjusted EBITDA in accordance with the definitions contained in underlying borrowing documentation and are not the same as the definitions of these measures presented in the Non-IFRS financial information section on pages 21 to 26 and applied in the commentary in this Financial review.*

Group financial position

At 31 December	**2023 $m**	2022 $m	Change $m
Intangible assets and goodwill	**2,234.1**	2,149.5	84.6
Other non-current assets	**609.6**	553.2	56.4
Cash and cash equivalents	**97.6**	143.8	(46.2)
Other current assets	**772.4**	745.5	26.9
Total assets	**3,713.7**	3,592.0	121.7
Current liabilities	**(536.4)**	(533.1)	(3.3)
Non-current liabilities	**(1,484.6)**	(1,449.2)	(35.4)
Equity	**(1,692.7)**	(1,609.7)	(83.0)
Total equity and liabilities	**(3,713.7)**	(3,592.0)	(121.7)

Intangible assets and goodwill

Intangible assets and goodwill increased by $84.6 million to $2,234.1 million (2022: $2,149.5 million). This increase was primarily driven by intangible assets and goodwill arising from the acquisitions during the year of $162.7 million, combined with intangible asset additions of $37.6 million and the net effect of foreign exchange of $38.9 million, being partially offset by the in-year amortisation of intangible assets of $154.6 million.

No triggers of impairments were identified during 2023.

Other non-current assets

Other non-current assets, including property, plant and equipment (PP&E), right-of-use assets (ROU assets), investment in financial assets, deferred tax assets, restricted cash and other assets increased by $56.4 million to $609.6 million (2022: $553.2 million). The increase reflected the continued investment in our manufacturing facilities, with additions in PP&E of $97.3 million and the net effect of foreign exchange of $16.5 million being partly offset by depreciation of $37.5 million and impairments of $2.7 million.

Included within other non-current assets was the investment made in the preference shares of BlueWind Medical in 2022. The fair value at 31 December 2023 decreased to $22.9 million (2022: $30.7 million) due to a downgrade in revised forecasts as a result of delays in obtaining regulatory approvals, with the movement taken to Other Comprehensive Income. Restricted cash reduced by $2.0 million primarily due to movements in amounts held in escrow arising from the Group's acquisitions, whilst ROU assets reduced by $4.7 million.

Current assets excluding cash and cash equivalents

Current assets, excluding cash and cash equivalents, increased by $26.9 million to $772.4 million (2022: $745.5 million), primarily driven by an increase in inventories of $59.2 million. Excluding a foreign exchange effect of $9.8 million, inventory increased on a reported basis by $49.4 million and was largely to build resilience across the Group. This was partly offset by reductions in trade and other receivables of $5.6 million (net of foreign exchange effect of $9.8 million), current tax receivable of $8.2 million, derivative financial assets of $12.8 million and restricted cash of $5.7 million.

Derivative financial assets decreased by $12.8 million due to movements in the mark-to-market valuations at the year end, whilst restricted cash fell by $5.7 million, driven by movements in cash held in escrow that arose from the Group's acquisitions.

Current liabilities

Current liabilities increased modestly by $3.3 million to $536.4 million (2022: $533.1 million), with an increase in trade and other payables of $42.1 million largely offset by decreases in derivative financial liabilities of $15.8 million, provisions of $16.5 million and current tax payable of $6.9 million.

Trade and other payables increased due to an extension to supplier payment terms following standardisation as part of our simplification and productivity initiatives, coupled with some favourable timing impacts which will partly reverse in 2024. Derivative financial liabilities decreased due to movements in the mark-to-market valuations at the year end.

Overall, provisions increased by $1.7 million, with provisions amounts less than one year decreasing by $16.5 million and amounts greater than one year increasing by $18.2 million. The overall increase was primarily due to an increase in restructuring provisions of $3.7 million offset by a reduction in contingent consideration payable of $2.0 million. Refer to Note 13 - Provisions to the Condensed Consolidated Financial Statements for further commentary.

Non-current liabilities

Non-current liabilities increased by $35.4 million to $1,484.6 million (2022: $1,449.2 million). This included an increase in non-current borrowings of $15.0 million, an increase in provisions of $18.2 million (see comments in current liabilities above) and an increase in deferred tax liabilities of $5.0 million primarily due to deferred tax recognised on the acquisition of Starlight Science Limited in the year.

These were partially offset by a reduction in lease liabilities of $3.2 million, as a result of the office footprint optimisation programme that commenced in 2023 as part of our simplification and productivity initiatives.

Going concern

In preparing their assessment of going concern, the Directors considered available cash resources, access to committed undrawn funding, financial performance and forecast performance, including continued implementation of the FISBE strategy, together with the Group's financial covenant compliance requirements and principal risks and uncertainties.

Management also applied the same severe but plausible downside scenarios utilised in the preparation of the Viability statement. Under each scenario, the Group retained significant liquidity and covenant headroom throughout the going concern period, i.e. 12 months from the date of this report. A reverse stress test, before corporate level mitigations, was also considered to demonstrate what reduction in revenue would be required in the next 12 months to create conditions which may lead to a potential covenant breach. For a breach of covenants to occur in the next 12 months, before corporate mitigation, the Group would need to experience a sustained revenue reduction of more than 10%

across all categories and markets. This was considered implausible given the Group's strong global market position, diversified portfolio of products and the corporate mitigations available to the Board and management.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Condensed Consolidated Financial Statements.

Financial control environment

The Group closely monitors the financial and IT general control environment (in respect of those IT controls that have an implication on the financial processes) using a formal control programme to confirm the effectiveness of key reporting and IT controls across our global operations, including self-certifications from control owners. Compliance was high throughout the year.

The Internal Controls team acts as the second of line of defence monitoring the controls framework, including monitoring responses, undertaking random sample testing of responses to supporting evidence and reviewing all notified financial and IT control failures to ensure that appropriate mitigating actions are taken to safeguard against risk of material financial misstatement.

Independent assurance on the control framework is given by the Internal Audit team, including key controls in their reviews of specific markets and GBS. In addition, key controls in the framework were tested by the external audit team as part of their controls reliance approach in 2023.

In response to the developments in corporate governance in the UK, the scope of the formal control programme was extended to include key non-financial metrics reported in the ARA, notably the ESG metrics currently in scope for limited assurance.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures (APMs) are those measures used by the Board and 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 of 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, particularly in respect of the amortisation of acquisition-related intangibles assets. 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.

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.

Amortisation of acquisition-related intangible assets

The Group's strategy is to grow both organically and through acquisition, with acquisitions being 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 are deemed adjusting items.

Acquisition-related costs relate to deal costs, integration costs and earn-out adjustments, including the 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 the gains or losses resulting from disposal or divestment of a 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 divestitures 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 material, one-time 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 relate to material, one-time initiatives which are part of the Group's strategy to improve productivity in the business and optimise cash flows. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying costs 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.

Organic revenue growth

Organic revenue growth represents the change in organic revenue year on year. Organic revenue represents reported revenue, as determined under IFRS, and excludes the impact of acquisitions, divestitures and currency exchange movements.

Cash flow measures

Operating cash flow is the net cash generated from operations, as determined under IFRS, less capital expenditure. Free cash flow to capital is defined as operating cash flow less tax paid. Free cash flow to equity reflects how effectively we are converting the profit we generate into cash (after accounting for working capital, capital investments, adjusting items, tax and interest).

Refer to page 25 for details on how these measures are calculated.

Reconciliation of reported earnings to adjusted earnings for the years ended 31 December 2023 and 2022

Year ended 31 December 2023	Revenue $m	Gross profit $m	Operating costs $m	**Operating profit $m**	Finance expense, net $m	Fair value movement of contingent consideration $m	Non-operating income, net $m	**PBT $m**	Income tax $m	**Net profit $m**
As reported	**2,142.4**	**1,200.6**	**(937.9)**	**262.7**	**(75.5)**	**(24.6)**	**4.8**	**167.4**	**(37.1)**	**130.3**
Amortisation of acquired intangibles	-	110.4	25.8	**136.2**	-	-	-	**136.2**	(32.6)	**103.6**
Acquisition-related costs	-	1.5	6.8	**8.3**	-	24.6	-	**32.9**	(1.4)	**31.5**
Divestiture-related costs/(income)	-	3.6	(1.8)	**1.8**	-	-	(3.9)	**(2.1)**	0.7	**(1.4)**
Termination benefits and related costs	-	2.1	7.4	**9.5**	-	-	-	**9.5**	(2.0)	**7.5**
Other adjusting items	-	2.5	10.8	**13.3**	-	-	-	**13.3**	(3.2)	**10.1**
Total adjustments including tax effect	**-**	**120.1**	**49.0**	**169.1**	**-**	**24.6**	**(3.9)**	**189.8**	**(38.5)**	**151.3**
Other discrete tax items	-	-	-	**-**	-		-	**-**	(7.5)	**(7.5)**
Adjusted	**2,142.4**	**1,320.7**	**(888.9)**	**431.8**	**(75.5)**	**-**	**0.9**	**357.2**	**(83.1)**	**274.1**

Amortisation	18.4
Depreciation	60.2
Impairment/write-off of assets	2.1
Share-based payments	14.6
Adjusted EBITDA	**527.1**

Year ended 31 December 2022	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Fair value movement of contingent consideration $m	Non-operating (expense), net $m	PBT $m	Income tax $m	Net profit $m
As reported[1]	2,072.5	1,103.9	(896.6)	207.3	(52.1)	(45.1)	(28.2)	81.9	(19.0)	62.9
Amortisation of acquired intangibles	-	111.6	19.7	131.3	-	-	-	131.3	(29.2)	102.1
Acquisition-related costs[1]	-	8.7	8.2	16.9	-	45.1	-	62.0	(3.5)	58.5
Divestiture-related costs	-	16.6	23.1	39.7	-	-	14.2	53.9	(7.8)	46.1
Termination benefits and related costs	-	4.8	2.3	7.1	-	-	-	7.1	(1.2)	5.9
Impairment of assets	-	-	1.4	1.4	-	-	-	1.4	-	1.4
Total adjustments including tax effect	-	141.7	54.7	196.4	-	45.1	14.2	255.7	(41.7)	214.0
Other discrete tax items	-	-	-	-	-		-	-	(20.1)	(20.1)
Adjusted	2,072.5	1,245.6	(841.9)	403.7	(52.1)	-	(14.0)	337.6	(80.8)	256.8

Amortisation	16.1
Depreciation	61.8
Impairment/write-off of assets	1.7
Share-based payments	16.7
Adjusted EBITDA	500.0

1. The comparatives have been re-presented, as outlined in Note 1.5 to the Financial Statements.

Adjusted operating profit margin of 20.2% (2022: 19.5%) is calculated as adjusted operating profit of $431.8 million (2022: $403.7 million) divided by revenue of $2,142.4 million (2022: $2,072.5 million). A reconciliation of adjusted operating profit to its closest IFRS measure is shown in the table above.

Reconciliation of reported operating costs to adjusted operating costs for the years ended 31 December 2023 and 31 December 2022

	2023					2022				
	S&D	**G&A**	**R&D**	**Other**	**Operating costs**	S&D	G&A	R&D	Other	Operating costs
	$m	**$m**	**$m**	**$m**	**$m**	$m	$m	$m	$m	$m
As reported	**(612.5)**	**(212.9)**	**(110.0)**	**(2.5)**	**(937.9)**	(575.9)	(214.9)	(92.0)	(13.8)	(896.6)
Amortisation of acquired intangibles	**-**	**19.8**	**6.0**	**-**	**25.8**	-	19.7	-	-	19.7
Acquisition-related costs	**-**	**6.8**	**-**	**-**	**6.8**	-	8.2	-	-	8.2
Divestiture-related costs/(income)	**(1.0)**	**(0.4)**	**-**	**(0.4)**	**(1.8)**	9.0	1.7		12.4	23.1
Impairment of assets	**-**	**-**	**-**	**-**	**-**	-	-	-	1.4	1.4
Termination benefits and related costs	**1.6**	**5.7**	**0.1**	**-**	**7.4**	2.0	0.3	-	-	2.3
Other adjusting items	**-**	**7.9**	**-**	**2.9**	**10.8**	-	-	-	-	-
Adjusted	**(611.9)**	**(173.1)**	**(103.9)**	**-**	**(888.9)**	(564.9)	(185.0)	(92.0)	-	(841.9)

Reconciliation of reported basic and diluted earnings per share to adjusted earnings per share for the years ended 31 December 2023 and 31 December 2022

	2023	**Adjusted 2023**	2022	Adjusted 2022
	$m	**$m**	$m	$m
Net profit attributable to the shareholders of the Group	**130.3**	**274.1**	62.9	256.8
		Number		Number
Basic weighted average ordinary shares in issue		**2,038,653,228**		2,023,839,657
Diluted weighted average ordinary shares in issue		**2,052,589,260**		2,040,247,468
	Cents per share	**Cents per share**	Cents per share	Cents per share
Basic earnings per share	**6.4**	**13.4**	3.1	12.7
Diluted earnings per share	**6.3**	**13.4**	3.1	12.6

Adjusted diluted EPS has increased by 6.1% and is calculated as adjusted diluted EPS for the current period less adjusted diluted EPS for the prior year, divided by the prior year adjusted diluted EPS. This is calculated on actual unrounded numbers.

Reconciliation of Operating cash flow, Free cash flow to capital, Free cash flow to equity

	Year ended 31 December	
	2023	2022
	$m	$m
Net cash generated from operations	**490.6**	384.5
Less: acquisition of property, plant and equipment and intangible assets	**(129.2)**	(144.2)
Operating cash flow[1]	**361.4**	240.3
Tax paid	**(35.9)**	(52.9)
Free cash flow to capital[1]	**325.5**	187.4
Net interest paid	**(65.6)**	(49.9)
Payment of lease liabilities	**(22.7)**	(20.7)
Financing fee amortisation	**(2.8)**	(6.6)
Foreign exchange (loss) on cash and borrowings	**(6.7)**	(4.9)
Proceeds from sale of property, plant and equipment	**0.6**	-
Free cash flow to equity[1]	**228.3**	105.3

1. The cash flow measures have also been simplified. 'Net cash for cash conversion' has been renamed 'Operating cash flow' and 'Free cash flow (post-tax)' has been renamed 'Free cash flow to capital'. In addition, a new measure has been introduced, 'Free cash flow 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.

Free cash flow to equity has increased by 116.8% to $228.3 million (2022: $105.3 million) and is calculated as the movement in free cash flow to equity year-on-year divided by the free cash flow to equity in the prior year. A reconciliation of free cash flow to equity to its closest IFRS measure is shown in the table above.

Reconciliation of reported and adjusted working capital movement

	Year ended 31 December	
	2023	2022
	$m	$m
Reported working capital movement	**(1.3)**	(62.5)
Increase/(decrease) in respect of acquisitions and divestitures	**3.1**	(39.2)
(Decrease)/increase in termination benefits	**(6.1)**	3.1
(Decrease) in respect of other adjusting items	**(3.8)**	-
Adjusted working capital movement	**(8.1)**	(98.6)

Cash outflows from adjusting items

	Year ended 31 December	
	2023	2022
	$m	$m
Acquisition and divestitures adjustments	**(13.6)**	(5.0)
Termination benefits and related costs adjustments	**(3.4)**	(10.2)
Other adjusting items	**(6.6)**	-
Cash outflows from adjusting items	**(23.6)**	(15.2)

Cash flow conversion

	Year ended 31 December	
	2023	2022
	$m	$m
Operating cash conversion[1]	**83.7%**	59.5%
Equity cash conversion[1]	**83.3%**	41.0%

1. 'Adjusted cash conversion', previously calculated as Operating cash flow/Adjusted EBITDA, has been replaced by 'Operating cash conversion' and is calculated as Operating cash flow/Adjusting operating profit. In addition, a new measure has been introduced. 'Equity cash conversion' is calculated as Free cash flow to equity/Adjusted net profit. The Directors consider that these changes result in consistency of cash flow measures and provide improved definition, clarity and insight.

Condensed Consolidated Financial Statements

Consolidated Income Statement
For the year ended 31 December 2023

	Notes	2023 $m	2022 $m
Revenue	2	**2,142.4**	2,072.5
Cost of sales		**(941.8)**	(968.6)
Gross profit		**1,200.6**	1,103.9
Selling and distribution expenses		**(612.5)**	(575.9)
General and administrative expenses		**(212.9)**	(214.9)
Research and development expenses		**(110.0)**	(92.0)
Other operating expenses	3	**(2.5)**	(13.8)
Operating profit		**262.7**	207.3
Finance income	4	**5.2**	5.5
Finance expense[1]	4	**(80.7)**	(57.6)
Fair value movement of contingent consideration[1]	13	**(24.6)**	(45.1)
Non-operating income/(expense), net[1]	5	**4.8**	(28.2)
Profit before income taxes		**167.4**	81.9
Income tax expense	6	**(37.1)**	(19.0)
Net profit		**130.3**	62.9
Earnings per share			
Basic earnings per share (cents per share)		**6.4¢**	3.1¢
Diluted earnings per share (cents per share)		**6.3¢**	3.1¢

[1]The comparatives have been re-presented as outlined in Note 1.5 to the Condensed Consolidated Financial Statements.

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 $m	2022 $m
Net profit		**130.3**	62.9
Items that will not be reclassified subsequently to the Consolidated Income Statement			
Remeasurement of defined benefit pension plans, net of tax		**(0.2)**	8.4
Fair value movement on equity investments	9	**(7.8)**	-
Items that may be reclassified subsequently to the Consolidated Income Statement			
Foreign currency translation		**54.9**	(113.6)
Realisation of cumulative translation adjustments		**-**	12.2
Effective portion of changes in fair value of cash flow hedges	12	**0.7**	(7.7)
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	12	**(0.8)**	16.5
Costs of hedging	12	**(0.5)**	(1.1)
Income tax in respect of items that may be reclassified		**0.1**	2.4
Other comprehensive income/(expense)		**46.4**	(82.9)
Total comprehensive income/(expense)		**176.7**	(20.0)

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

Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 $m	2022 $m
Assets			
Non-current assets			
Property, plant and equipment		**473.8**	400.4
Right-of-use assets		**74.7**	79.4
Intangible assets[1]		**935.3**	924.9
Goodwill[1]		**1,298.8**	1,224.6
Investment in financial assets	9	**22.9**	30.7
Deferred tax assets	6	**21.2**	26.6
Derivative financial assets	12	**–**	0.2
Restricted cash		**5.3**	7.3
Other non-current receivables		**11.7**	8.6
		2,843.7	2,702.7
Current assets			
Inventories		**396.1**	336.9
Trade and other receivables[1]		**333.7**	339.3
Current tax receivable[1]		**16.5**	24.7
Derivative financial assets	12	**13.6**	26.4
Restricted cash		**12.5**	18.2
Cash and cash equivalents		**97.6**	143.8
		870.0	889.3
Total assets		**3,713.7**	3,592.0
Equity and liabilities			
Current liabilities			
Trade and other payables		**388.7**	346.6
Lease liabilities		**20.7**	20.3
Current tax payable		**26.6**	33.5
Derivative financial liabilities	12	**16.7**	32.5
Provisions	13	**83.7**	100.2
		536.4	533.1
Non-current liabilities			
Borrowings	11	**1,226.9**	1,211.9
Lease liabilities		**64.8**	68.0
Deferred tax liabilities		**88.2**	83.2
Provisions	13	**71.3**	53.1
Derivative financial liabilities	12	**0.9**	0.3
Other non-current liabilities		**32.5**	32.7
		1,484.6	1,449.2
Total liabilities		**2,021.0**	1,982.3
Net assets		**1,692.7**	1,609.7
Equity			
Share capital		**251.5**	250.7
Share premium		**181.0**	165.7
Own shares		**(0.6)**	(1.5)
Retained deficit		**(888.7)**	(892.2)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(122.2)**	(177.1)
Other reserves		**172.8**	165.2
Total equity		**1,692.7**	1,609.7
Total equity and liabilities		**3,713.7**	3,592.0

[1] The comparatives have been re-presented as outlined in Note 1.5 to the Condensed Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Notes	Share capital $m	Share premium $m	Own shares $m	Retaine d deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserve s $m	Total $m
At 1 January 2022		247.0	142.3	(2.2)	(842.0)	2,098.9	(75.7)	126.5	1,694.8
Net profit		-	-	-	62.9	-	-	-	62.9
Other comprehensive (expense)/income:									
Foreign currency translation adjustment, net of tax		-	-	-	-	-	(113.6)	-	(113.6)
Realisation of cumulative translation adjustments		-	-	-	-	-	12.2	-	12.2
Remeasurement of defined benefit pension plans, net of tax		-	-	-	-	-	-	8.4	8.4
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	-	10.1	10.1
Other comprehensive (expense)/income		-	-	-	-	-	(101.4)	18.5	(82.9)
Total comprehensive (expense)/income		-	-	-	62.9	-	(101.4)	18.5	(20.0)
Dividends paid		-	-	-	(88.1)	-	-	-	(88.1)
Scrip dividend		1.1	23.4	-	(24.5)	-	-	-	-
Allotment of shares to Employee Benefit Trust		2.6	-	(2.6)	-	-	-	-	-
Share-based payments		-	-	-	-	-	-	16.6	16.6
Share awards vested		-	-	3.3	-	-	-	2.9	6.2
Excess deferred tax benefit from share-based payments		-	-	-	-	-	-	0.2	0.2
Transfer between reserves		-	-	-	(0.5)	-	-	0.5	-
At 31 December 2022		250.7	165.7	(1.5)	(892.2)	2,098.9	(177.1)	165.2	1,609.7
Net profit		**-**	**-**	**-**	**130.3**	**-**	**-**	**-**	**130.3**
Other comprehensive (expense)/income:									
Foreign currency translation adjustment, net of tax		**-**	**-**	**-**	**-**	**-**	**54.9**	**-**	**54.9**
Remeasurement of defined benefit pension plans, net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Changes in fair value of cash flow hedges, net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Changes in fair value of equity investments	9	**-**	**-**	**-**	**-**	**-**	**-**	**(7.8)**	**(7.8)**
Other comprehensive income/(expense)		**-**	**-**	**-**	**-**	**-**	**54.9**	**(8.5)**	**46.4**
Total comprehensive income/(expense)		**-**	**-**	**-**	**130.3**	**-**	**54.9**	**(8.5)**	**176.7**
Dividends paid	8	**-**	**-**	**-**	**(110.7)**	**-**	**-**	**-**	**(110.7)**
Scrip dividend	8	**0.8**	**15.3**	**-**	**(16.1)**	**-**	**-**	**-**	**-**
Share-based payments		**-**	**-**	**-**	**-**	**-**	**-**	**14.5**	**14.5**
Share awards vested		**-**	**-**	**0.9**	**-**	**-**	**-**	**1.5**	**2.4**
Excess deferred tax benefit from share-based payments		**-**	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
At 31 December 2023		**251.5**	**181.0**	**(0.6)**	**(888.7)**	**2,098.9**	**(122.2)**	**172.8**	**1,692.7**

Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	Notes	2023 $m	2022 $m
Cash flows from operating activities			
Net profit		**130.3**	62.9
Adjustments for			
Depreciation of property, plant and equipment		**37.5**	39.7
Depreciation of right-of-use assets		**22.7**	22.1
Amortisation of intangible assets		**154.6**	147.4
Income tax	6	**37.1**	19.0
Non-operating (income)/expense, net[1]	5	**(9.6)**	26.5
Fair value movement of contingent consideration	13	**24.6**	45.1
Finance costs, net[1]	4	**75.5**	52.1
Share-based payments		**14.6**	16.7
Impairment/write-off of intangible assets		**-**	6.3
Impairment/write-off of property, plant and equipment		**2.7**	9.2
Impairment/write-off of right-of-use assets		**1.9**	-
Change in assets and liabilities:			
Inventories		**(49.4)**	(36.3)
Trade and other receivables		**18.7**	(54.3)
Derivative financial assets		**11.5**	(9.3)
Other non-current receivables		**(1.1)**	3.0
Restricted cash		**7.8**	(11.8)
Trade and other payables[1]		**21.1**	14.7
Derivative financial liabilities		**(13.4)**	20.7
Provisions[1]		**4.8**	9.8
Other non-current payables[1]		**(1.3)**	1.0
Net cash generated from operations		**490.6**	384.5
Interest received		**5.2**	5.5
Interest paid		**(70.8)**	(55.4)
Payment of contingent consideration arising from acquisitions	13	**(21.7)**	-
Income taxes paid		**(35.9)**	(52.9)
Net cash generated from operating activities		**367.4**	281.7
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(129.2)**	(144.2)
Proceeds from sale of property, plant and equipment		**0.6**	-
Acquisitions, net of cash acquired	10	**(84.4)**	(123.3)
Payment of contingent consideration arising from acquisitions	13	**(73.0)**	(50.0)
Net cash inflow/(outflow) arising from divestitures		**0.3**	(0.1)
Investment in financial assets	9	**-**	(30.7)
Net cash used in investing activities		**(285.7)**	(348.3)
Cash flows from financing activities			
Repayment of borrowings		**-**	(842.5)
Proceeds from borrowings	11	**9.4**	714.2
Payment of lease liabilities		**(22.7)**	(20.7)
Dividends paid	8	**(110.7)**	(88.1)
Net cash used in financing activities		**(124.0)**	(237.1)
Net change in cash and cash equivalents		**(42.3)**	(303.7)
Cash and cash equivalents at beginning of the year		**143.8**	463.4
Effect of exchange rate changes on cash and cash equivalents		**(3.9)**	(15.9)
Cash and cash equivalents at end of the year		**97.6**	143.8

[1]The comparatives have been re-presented as outlined in Note 1.5 to the Condensed Consolidated Financial Statements.

1. Basis of preparation

1.1 General information

Convatec Group Plc (the Company) is a public limited company incorporated in the United Kingdom under the Companies Act of 2006. The Company's registered office is 7th Floor 20 Eastbourne Terrace, London, W2 6LG, United Kingdom.

The Company and its subsidiaries (collectively, the Group) are a global medical products and technologies group focused on therapies for the management of chronic conditions, with leading market positions in advanced wound care, ostomy care, continence care and infusion care.

The announcement is based on the Group's Consolidated Financial Statements which have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The 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 $0.1 million except where otherwise indicated.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 December 2023 and 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditor's reports on the 2023 and 2022 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

1.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS), 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 Consolidated 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 Consolidated Financial Statements, no critical accounting judgements have been identified. Management have identified one key source of estimation uncertainty in respect of the provision for contingent consideration on acquisitions. The nature of the uncertainty arises from both the estimation of the undiscounted amounts expected to be paid and the estimation of the timing of discrete payments.

The underlying drivers of the contingent consideration are determined in accordance with the contractual terms of the purchase agreements for each relevant acquisition and may vary depending on the amounts or timing of product revenues (including future revenues, which are inherently uncertain), particularly when it relates to products which are relatively new to market or not yet launched), the future achievement of regulatory clearance for new products, or other uncertainties deriving from the purchase agreement, which may be subject to negotiation. The Group estimates provisions for contingent consideration based on information available at the balance sheet date that includes forecasts that run up to 20 years into the future and expectations of when future events that trigger payments will happen. Future payment forecasts are discounted to present value in accordance with the requirements of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Actual results may differ from estimates or there may be delays to estimated timetables for regulatory clearances which would lead to a change in estimate of provisions for contingent consideration and

may vary materially within the next financial year. At 31 December 2023 the discounted estimate of provisions for contingent consideration was $138.0 million (see Note 10 - Acquisitions). Management has determined that a reasonable possible range of discounted outcomes within the next financial year is $50.0 million to $156.0 million.

1.3 Going concern

As discussed in the Financial review on pages 9 to 20, the overall financial performance of the business remains strong with a robust liquidity position.

As at 31 December 2023, the Group held cash and cash equivalents of $97.6 million (31 December 2022: $143.8 million), and borrowings of $1,226.9 million (31 December 2022: $1,211.9 million). The borrowings as at 31 December 2023 comprised of senior notes of $500.0 million, term loan of $250.0 million, and drawn multicurrency revolving credit facilities of $490.6 million, net of unamortised financing fees of $13.7 million. During the year, the term of the $950.0 million multicurrency revolving credit facility was extended by an additional year and is now committed to November 2028. The term loan and senior notes remain repayable in 2027 and 2029 respectively. $459.4 million of the multicurrency revolving credit facilities remained undrawn as at 31 December 2023, which together with cash and cash equivalents of $97.6 million, provided the Group with total liquidity of $557.0 million as at that date (2022: $616.6 million). The principal financial covenants remain unchanged and as at 31 December 2023, the Group was in compliance with its financial covenants.

In preparing their assessment of going concern, the Directors have considered available cash resources, financial performance and forecast performance, including strategy delivery, together with the Group's financial covenant compliance requirements and principal risks and uncertainties. The Directors have used cash flow forecasts and actual performance in 2023, the Board approved 2024 budget and longer-term strategic plan as foundations. The forecasts reflected the full potential funding requirements in relation to the remaining estimated contingent consideration payable in relation to the Group's acquisitions. The Directors have considered a going concern period to 31 December 2025, which is at least 12 months from the date of approval of the Consolidated Financial Statements.

Accordingly, at the time of approving these Consolidated Financial Statements, the Directors have a reasonable expectation that the Group and the Company 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 5 March 2024.

1.4 Accounting standards

New standards, interpretations and amendments applied for the first time

On 1 January 2023, the Group adopted the following amendments which are mandatorily effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimates (Amendments to IAS 8);*
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);*
- *IFRS 17 - Insurance contracts; and*
- *International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12).*

The adoption during the year of the amendments and interpretations has not had a material impact on the Consolidated Financial Statements.

Apart from these changes, the accounting policies set out in the Notes have been applied consistently to both years presented in these Consolidated Financial Statements.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback);*
- *IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current);* and
- *IAS 1 Presentation of Financial Statements (Amendment - Non-current liabilities with Covenants).*

The Group is currently assessing the impact of these new accounting standards and amendments and does not believe these will have a material impact on the Group.

Other interpretations and amendments
In addition to these issued standards, there are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet effective that have not yet been adopted by the Group because application is not yet mandatory, or they are not relevant for the Group.

1.5 Prior year re-presentation

Certain line items in the primary statements have been disaggregated to provide greater clarity, and accordingly, the corresponding 2022 comparative amounts have been re-presented for consistency and comparability between periods.

Within the Consolidated Income Statement, the fair value movement of contingent consideration has been presented separately. The 2022 comparative amount includes $15.6 million that was previously included within finance expense, and $29.5 million previously included within non-operating income/(expense), net.

Within the Consolidated Statement of Financial Position, intangible assets of $924.9 million and goodwill of $1,224.6 million are now disclosed separately; and current tax receivable of $24.7 million is disclosed separately from trade and other receivables.

Within the Consolidated Statement of Cash Flows, trade and other payables and other non-current payables have been re-presented to separately disclose the cash impact of movements in provisions of $9.8 million.

There is no impact on net profit, net assets, cash flows or any subtotals presented previously.

2. Revenue and segmental information

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

Pages 4 to 5 of the Chief Executive's Review provide further detail of category revenue.

During the year ended 31 December 2023, management reassessed its Chief Operating Decision Maker (CODM) and determined that Convatec's Executive Leadership Team (CELT) is now the CODM and no longer the Chief Executive Officer. The CODM 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. The financial information provided to CELT for decision-making purposes is produced 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 Group generates revenue across four major product categories. The following chart sets out the Group's revenue for the year ended 31 December by category:

	2023 $m	2022 $m
Advanced Wound Care	**695.3**	620.7
Ostomy Care	**608.3**	583.0
Continence Care	**457.2**	425.4
Infusion Care	**370.9**	341.1
Revenue excluding hospital care exit	**2,131.7**	1,970.2
Revenue from hospital care exit[1]	**10.7**	102.3
Total	**2,142.4**	2,072.5

1. Following the exit of hospital care in 2022, effective from 1 January 2023, Flexi-Seal™, our faecal management system, moved from the Continence & Critical Care category to the Ostomy Care category. 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 2022 comparatives have been re-presented to reflect these changes and to separately disclose revenue associated with the hospital care exit.

Geographic information

Geographic markets

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

	2023 $m	2022 $m
Europe	**647.8**	688.6
North America	**1,186.0**	1,090.3
Rest of World (RoW)[1]	**308.6**	293.6
Total	**2,142.4**	2,072.5

1. Rest of World (RoW) comprises all countries in Asia Pacific, Latin America (including Mexico and the Caribbean), the Middle East (including Turkey) and Africa.

3. Other operating expenses

Other operating expenses were as follows:

	2023 $m	2022 $m
Impairment of intangible assets	**-**	1.4
Impairment of property, plant and equipment and right-of-use assets	**2.5**	12.4
	2.5	13.8

Other operating expenses in the year consisted of $2.9 million of impairments in respect of property, plant and equipment and right-of-use assets as a result of the Group's transformation projects, offset by $0.4 million reversal of property, plant and equipment that was impaired in 2022 from the hospital care exit. The $13.8 million in the year ended 31 December 2022 related to the impairments of property, plant and equipment and intangible assets arising from the exit from hospital care and industrial sales-related activities.

4. Finance income and expense

Finance expenses arise from interest on the Group's borrowings and lease liabilities. Finance income arises from interest earned on investment of surplus cash.

Finance costs, net for the year ended 31 December were as follows:

	2023 $m	2022 $m
Finance income		
Interest income on cash and cash equivalents	**5.2**	5.5
Total finance income	**5.2**	5.5
Finance expense		
Interest expense on borrowings	**(75.2)**	(46.4)
Other financing-related fees[1]	**(7.2)**	(8.2)
Interest expense on interest rate derivatives	**-**	(1.4)
Interest expense on lease liabilities	**(3.5)**	(3.3)
Capitalised interest[2]	**5.4**	2.0
Other finance costs	**(0.2)**	(0.3)
Total finance expense	**(80.7)**	(57.6)
Finance costs, net	**(75.5)**	(52.1)

1. Other financing-related fees include the amortisation of deferred financing fees associated with the multicurrency revolving credit facilities, term loan facilities and senior notes.
2. Capitalised interest was calculated using the Group's weighted average interest rate over the year of 5.7% (2022: 3.4%), and will be treated as tax deductible.

5. Non-operating income/(expense), net

Non-operating income/(expense), net was as follows:

	Notes	2023 $m	2022 $m
Net foreign exchange gain/(loss)[1]		**3.7**	(13.5)
Realisation of cumulative translation adjustments		**-**	(12.2)
(Loss)/gain on foreign exchange forward contracts	12	**(4.3)**	15.8
Gain/(loss) on foreign exchange cash flow hedges	12	**0.8**	(16.5)
Gain/(loss) on divestiture[2]		**3.9**	(2.0)
Other non-operating income		**0.7**	0.2
Non-operating income/(expense), net[3]		**4.8**	(28.2)

1. The foreign exchange gain in 2023 primarily relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies. The Group uses foreign exchange forward contracts to manage these exposures in accordance with the Group's foreign exchange risk management policy.
2. As part of the hospital care exit, the UnoMeter™ trademarks were sold during the year, resulting in a gain of $3.9 million (2022: loss of $2.0 million arose from the sale of a subsidiary as part of the hospital care exit).
3. Of the total net non-operating expense, $4.8 million (2022: $1.7 million) relates to mark-to-market derivatives, the cash flow impact of which has been shown within the changes in working capital section of the Consolidated Statement of Cash Flows.

6. Income taxes

The note below sets out the current and deferred tax charges, which together comprise the total tax expense in the Consolidated Income Statement.

6.1 Taxation

The Group's income tax expense is the sum of the total current and deferred tax expense.

	2023 $m	2022 $m
Current tax		
Overseas taxation	**46.1**	46.8
Adjustment to prior years	**(5.5)**	(2.0)
Total current tax expense	**40.6**	44.8
Deferred tax		
Origination and reversal of temporary differences	**2.0**	(3.7)
Change in tax rates	**1.6**	(3.2)
Adjustment to prior years	**(4.5)**	1.2
Benefit from previously unrecognised tax losses	**(2.6)**	(20.1)
Total deferred tax benefit	**(3.5)**	(25.8)
Income tax expense	**37.1**	19.0

The adjustment to prior years included a net tax benefit of $15.1 million following the successful resolution of an uncertain tax position.

In 2022, the deferred tax movement included a benefit of $20.1 million in respect of the recognition of previously unrecognised tax losses in the US following the acquisition of Triad Life Sciences Inc.

6.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2023 was 22.2%, as compared with 23.2% for the year ended 31 December 2022.

Tax reconciliation to UK statutory rate

The table below reconciles the Group's profit before income taxes at the UK statutory rate to the Group's total income tax expense:

	2023 $m		2022 $m	
Profit before income taxes	**167.4**		81.9	
Profit before income taxes multiplied by rate of corporation tax in the UK of 23.52% (2022: 19.0%)	**39.4**		15.6	
Difference between UK and overseas tax rates[1]	**1.6**		3.0	
Non-deductible/non-taxable items	**7.2**		14.4	
Change in recognition of deferred tax assets	**2.6**		1.0	
Recognition of previously unrecognised US deferred tax assets	**(2.6)**		(20.1)	
Movement in provision for uncertain tax positions	**(17.5)**		2.5	
Other[2]	**6.4**		2.6	
Income tax expense and effective tax rate	**37.1**	**22.2%**	19.0	23.2%

1. This includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December.
2. Includes tax on unremitted earnings and prior year adjustments.

The Group has worldwide operations and therefore is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different tax jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms. The calculation of the Group's tax expense involves a degree of estimation and judgements in respect of certain items for which the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority,

specifically in relation to open tax and transfer pricing matters. Due to the high volume of intercompany transactions, the Group's evolving business model and the increasing complexity in interaction between multiple tax laws and regulations, transfer pricing requires judgement in determining the appropriate allocation of profits between jurisdictions. The Group assessed the impact of ongoing changes to the Group's operating model, the supporting documentation for the tax and transfer pricing positions, existing tax authority challenges, and the likelihood of new challenges by tax authorities.

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 movement includes resolutions of uncertain tax positions in the year.

The Group is monitoring tax reforms driven by the OECD's BEPS Pillar One and Pillar Two to reform international taxation rules. The Group has assessed the potential tax impact based on OECD model rules and draft and substantively enacted legislation in jurisdictions in which the Group operates and expects the tax impact to not be material in the foreseeable future. The United Kingdom enacted Pillar Two rules in the UK Finance (No.2) Act 2023 in 2023. This has no impact on the Group's results for the year ended 31 December 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 Two income taxes.

7. Earnings per share

Basic earnings per share is calculated based on the Group's net profit for the year attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is net of shares purchased by the Group and held as own shares.

Diluted earnings per share take into account the dilutive effect of all outstanding share options priced below the market price in arriving at the number of shares used in its calculation.

	2023	2022
Net profit attributable to the shareholders of the Group ($m)	**130.3**	62.9
Basic weighted average ordinary shares in issue (number)	**2,038,653,228**	2,023,839,657
Dilutive impact of share awards (number)	**13,936,032**	16,407,811
Diluted weighted average ordinary shares in issue (number)	**2,052,589,260**	2,040,247,468
Basic earnings per share (cents per share)	**6.4¢ per share**	3.1¢ per share
Diluted earnings per share (cents per share)	**6.3¢ per share**	3.1¢ per share

The calculation of diluted earnings per share does not contain any share options that were non-dilutive for the year (2022: 404,241), because the average market price of the Group's ordinary shares exceeded the exercise price (2022: the exercise price exceeded the average market price of the Group's ordinary shares).

8. Dividends

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**
Interim dividend 2023	**1.380**	**1.769**	**34.4**	**23.0**	**11.4**	**4,199,962**
Paid in 2023	**5.037**	**6.099**	**126.8**	**110.7**	**16.1**	**5,917,511**
Final dividend 2023 proposed	**3.517**	**4.460**	**91.4**			

The Company previously operated a scrip dividend scheme, allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. During 2023, the Board took the decision to terminate the scrip dividend option.

The final dividend proposed for 2023, to be distributed on 23 May 2024 to shareholders on the register at the close of business on 26 April 2024, is based upon the issued and fully paid share capital as at 31 December 2023 and is subject to shareholder approval at the Annual General Meeting on 16 May 2024. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.268/£1.00 determined on 5 March 2024.

The interim and final dividends for 2023 give a total dividend for the year of 6.229 cents per share (2022: 6.047 cents per share).

9. Investment in financial assets

The investment is in relation to the Group's investment in BlueWind Medical Limited in 2022 and the Group considers this investment to be strategic in nature and it is not held for trading.

The Group made an irrevocable election on initial recognition to designate the investment at fair value through other comprehensive income (FVOCI). It was initially recorded at fair value plus transaction costs and will be remeasured at subsequent reporting dates to fair value. The fair value of the investment at 31 December 2023 was $22.9 million (31 December 2022: $30.7 million), with the movement of $7.8 million taken to the Statement of Other Comprehensive Income, within the 'Fair value movement on equity investments' line. No dividends were recognised during the period.

In line with IFRS 13 Fair Value Measurement, this investment has been classified as Level 3 in the fair value hierarchy as its measurement is derived from significant unobservable inputs by reference to available information, including the current market value of similar instruments, recent financing rounds and discounted cash flows of the underlying net assets.

The fair value of the investment has been determined by using an average of three valuation methodologies, those being the precedent transaction method, the income approach method and the probability-weighted expected return model. The table below summarises the various methodologies used by the Group to fair value the investment, the inputs and the sensitivities applied.

10. Acquisitions

During the year to 31 December 2023, the Group completed the acquisitions of:

(1) Starlight Science Limited (Starlight), a pre-commercial UK-based company.
(2) A Better Choice Medical Supply LLC (ABCMS), a US-based intermittent catheter provider.
(3) All American Medical Supply Corp (AAMS), a New York home supplier of urinary catheters and compression stockings.

This note provides details of the transactions and the acquisition accounting that has been recorded to reflect the fair value of assets acquired and liabilities assumed as well as the intangible assets and goodwill recognised upon acquisition. This note also provides details of any fair value changes identified post-acquisition in respect of previous acquisitions that the Group has completed.

Starlight Science Limited (Starlight)

On 18 April 2023, the Group completed its acquisition of 100% of the share capital of Starlight Science Limited (Starlight), a UK-based company owned by 30 Technology Limited. The 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.

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 provisional discounted fair value of the contingent consideration at the date of acquisition was $66.7 million, discounted at 19.1%. Following completion of acquisition accounting, any changes in the fair value of the contingent consideration will be recorded in the Consolidated Income Statement in accordance with the Group's accounting policies.

A Better Choice Medical Supply LLC (ABCMS)

On 5 July 2023, the Group completed its acquisition of 100% of the share capital of A Better Choice Medical Supply LLC (ABCMS), a US-based intermittent catheter provider, to further strengthen the Group's Home Service Group. The company was founded in 2008 and is based out of White Lake, Michigan. The consideration for the acquisition was $26.6 million which included $3.0 million of deferred consideration paid into escrow. There is no earn out associated with this acquisition.

All American Medical Supply Corp (AAMS)

On 4 October 2023, the Group completed its acquisition of 100% of the share capital of All American Medical Supply Corp (AAMS), New York-focused home supplier of urinary catheters and compression stockings, to further strengthen the Group's Home Service Group. The company was founded in 2009 and is based out of Long Island, New York. The consideration for the acquisition was $1.5 million which included $0.3 million of deferred consideration paid into escrow. There is no earn out associated with this acquisition.

Assets acquired and liabilities assumed

Each of the transactions meet the definition of a business combination and have 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 at the acquisition dates:

	Starlight	ABCMS	All American	Total
	Provisional $m	*Provisional* $m	*Provisional* $m	*Provisional* $m
Non-current assets				
Property, plant & equipment	0.4	-	-	**0.4**
Right-of-use assets	1.3	0.3	-	**1.6**
Intangible assets	112.5	4.3	-	**116.8**
Current assets				**-**
Trade and other receivables	0.1	0.6	0.1	**0.8**
Cash and cash equivalents	–	0.2	-	**0.2**
Total assets acquired	**114.3**	**5.4**	**0.1**	**119.8**
Current liabilities				
Trade and other payables	(0.1)	(0.2)	-	**(0.3)**
Lease liabilities	(0.2)	-	-	**(0.2)**
Non-current liabilities				**-**
Lease liabilities	(1.1)	(0.3)	-	**(1.4)**
Deferred tax liabilities	(12.5)	-	-	**(12.5)**
Total liabilities assumed	**(13.9)**	**(0.5)**	**-**	**(14.4)**
Net assets acquired	**100.4**	**4.9**	**0.1**	**105.4**
Goodwill	23.0	21.5	1.4	**45.9**
Total	**123.4**	**26.4**	**1.5**	**151.3**
Initial cash consideration	56.7	23.5	1.2	**81.4**
Deferred purchase consideration paid into escrow[1]	–	3.0	0.3	**3.3**
Working capital adjustment[2]	–	(0.1)	–	**(0.1)**
Contingent consideration	66.7	–	–	**66.7**
Total consideration	**123.4**	**26.4**	**1.5**	**151.3**

Analysis of cash outflow in the Consolidated Statement of Cash Flows

	Starlight	ABCMS	All American	Total
	Provisional $m	*Provisional* $m	*Provisional* $m	*Provisional* $m
Initial cash consideration	56.7	23.5	1.2	**81.4**
Deferred purchase consideration paid into escrow[1]	-	3.0	0.3	**3.3**
Working capital adjustment[2]	-	(0.1)	-	**(0.1)**
Cash and cash equivalents acquired	-	(0.2)	-	**(0.2)**
Net cash outflow from acquisitions, net of cash acquired	**56.7**	**26.2**	**1.5**	**84.4**

1. $3.0 million for the acquisition of ABCMS and $0.3 million for the acquisition of All American was paid on closing into escrow as security and indemnity by the sellers for their obligations under the Merger Agreements. The escrow amounts are expected to be released within 2 years of the respective acquisition dates, subject to terms specified in the Merger Agreements.
2. This is the Group's calculation of the working capital adjustment and forms part of the initial consideration. The final amount was determined in accordance with the terms of the Merger Agreement and was finalised and paid by the reporting date.

The fair values of the assets acquired and liabilities assumed are provisional at 31 December 2023. 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 dates 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 dates.

The provisional fair value of trade and other receivables amounted to $0.8 million, with a gross contractual amount of $0.9 million. At the acquisition date, the Group's best estimate of the contractual cash flows expected not be collected amounted to $0.1 million.

The goodwill recorded, which is not deductible for tax purposes, represents the cost savings, operating synergies and future growth opportunities expected to result from combining the operations of the acquisitions with those of the Group.

The Starlight acquisition is included in the Advanced Wound Care CGU group, whilst ABCMS and AAMS are included in the Continence Care CGU group.

Acquisition-related costs

The Group incurred $6.2 million of acquisition-related costs directly related to the acquisitions completed or aborted in the year ended 31 December 2023, primarily in respect of legal and advisers' fees. The acquisition-related costs have been recognised in general and administrative expenses in the 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 31 December 2023 was $2.5 million, before recognising acquisition-related intangible asset amortisation charges of $6.0 million. If the acquisition had been completed at 1 January 2023, reported Group revenue would have remained unchanged and the Group profit for the period would have been $0.6 million lower for the year ended 31 December 2023, before recognising acquisition-related intangible asset amortisation additional charges of $6.0 million.

The revenue of ABCMS for the period from the acquisition date to 31 December 2023 was $3.5 million and net profit for the period was $1.6 million, before recognising acquisition-related intangible asset amortisation charges of $0.7 million. If the acquisition had been completed on 1 January 2023, reported Group revenue would have been $4.3 million higher and Group profit for the year would have been $0.8 million higher, before recognising acquisition-related intangible asset amortisation charges of $0.7 million.

The revenue of AAMS for the period from the acquisition date to 31 December 2023 was $0.9 million and net profit for the period was $0.4 million. No intangible assets were identified during the purchase price allocation therefore there is no acquisition-related intangible asset amortisation charge. If the acquisition had been completed at 1 January 2023, reported Group revenue would have been $0.7 million higher and net profit would have remained unchanged.

Fair value of contingent consideration at reporting date

Contingent consideration arising on business combinations is classified as a recurring fair value measurement within Level 3 of the fair value hierarchy, in line with IFRS 13 Fair Value Measurements. Key unobservable inputs in respect of the Group's acquisitions include actual results, management forecasts and an appropriate discount rate.

As at 31 December 2023, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was $138.0 million (2022: $140.0 million).

Management has determined that the potential range of undiscounted outcomes at 31 December 2023 is between $52.4 million and $265.4 million, from a maximum undiscounted amount of $354.2 million.

The table below shows an indicative basis of the sensitivity to the income statement and balance sheet at 31 December 2023.

	Sales forecast				Discount rate			
	5%	10%	-5%	-10%	1%	2%	-1%	-2%
Increase/(decrease) in financial liability and loss/(gain) in income statement	8.3	16.9	(8.3)	(16.5)	(2.3)	(4.4)	2.4	5.0

11. Borrowings

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

The Group's borrowings as at 31 December were as follows:

	Currency	Year of maturity	**2023** Face value $m	2022 Face value $m
Revolving Credit Facility[1]	USD/Euro	2028	**490.6**	477.2
Term Loan	USD	2027	**250.0**	250.0
Senior Notes	USD	2029	**500.0**	500.0
Interest-bearing borrowings			**1,240.6**	1,227.2
Financing fees[2]			**(13.7)**	(15.3)
Total carrying value of borrowings			**1,226.9**	1,211.9
Current portion of borrowings			**-**	-
Non-current portion of borrowings			**1,226.9**	1,211.9

1. Included within the Revolving Credit Facility was €100.0 million ($110.4 million) and £8.0 million ($8.2 million) at 31 December 2023 (2022: €145.0 million ($155.2 million)), representing 22.5% of RCF debt denominated in Euros, 2.1% of RCF debt denominated in GBP and 75.4% denominated in US dollars.
2. Financing fees of $13.7 million (2022: $15.3 million) related to the remaining unamortised fees incurred on the credit facilities of $7.8 million (2022: $8.4 million) and on the senior notes of $5.9 million (2022: $6.9 million).

Credit facilities

The credit facilities held by the Group are committed and available for the refinancing of certain existing financial indebtedness and general corporate purposes. The Group’s bank credit facility of $1.2 billion, which was refinanced in November 2022, comprises of a $250.0 million term loan and a $950.0 million multicurrency revolving credit facility. As at 31 December 2023, the term loan was fully drawn and $490.6 million of the revolving credit facility was drawn, with $459.4 million undrawn. During the year, the Group extended the term of its multicurrency revolving credit facility by an additional year and this is now committed to November 2028 (originally committed for a five-year term to November 2027). Transaction costs directly attributable to the extension have been capitalised and are amortised over the term of the facility using the effective interest rate method. The term loan remains committed for a five-year term to November 2027.

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 performance.

Financial covenants

The principal financial covenants are based on a permitted net debt to covenant-adjusted EBITDA[1] 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 31 December 2023, the permitted net debt to covenant-adjusted EBITDA[1] 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 EBITDA[1] ratio can increase to a maximum 4.00 times for permitted acquisitions or investments.

The Group was in compliance with all financial and non-financial covenants at 31 December 2023, with significant available headroom on the financial covenants (in excess of $603.3 million debt headroom on net debt to covenant-adjusted EBITDA[1]).

Excluding the impact of interest rate swaps, the weighted average interest rate on borrowings for the year ended 31 December 2023 was 5.7% (2022: 3.4%). The increase in the weighted average interest rate was due to rising underlying reference base rates on debt with floating rates.

Borrowings measured at fair value

The senior notes are listed and their fair value at 31 December 2023 of $450.1 million (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. At 31 December 2023, the estimated fair value of the Group's other borrowings was $774.9 million (2022: $762.4 million).

12. 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.

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar and EURO 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. 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 FVTPL to manage short-term foreign exchange exposure.

Cash flow hedges

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

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) as disclosed on pages 21 to 26..

	Currency	Effective date	Maturity date	2023 Notional amount $m	2023 Fair value[1] assets/ (liabilities) $m	2022 Notional amount $m	2022 Fair value[1] assets/ (liabilities) $m
3 Month LIBOR Float to Fixed Interest Rate Swap	USD	24 Jan 2020	24 Jan 2023	**-**	**-**	275.0	2.0
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	23 Jan 2023	23 Jan 2024	**90.0**	**0.4**	90.0	0.2
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	23 Jan 2023	23 Jul 2024	**40.0**	**0.1**	40.0	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	23 Jan 2023	23 Jan 2025	**50.0**	**0.2**	50.0	(0.3)
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	3 Aug 2023	3 Aug 2024	**50.0**	**-**	-	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	3 Aug 2023	3 Feb 2025	**50.0**	**-**	-	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	3 Aug 2023	4 Aug 2025	**50.0**	**-**	-	-
6 Month term EURIBOR Float to Fixed Interest Rate Swap	EUR	29 Sep 2023	29 Sep 2024	**55.2**	**(0.2)**	-	-
6 Month term SOFR Float to Fixed Interest Rate Swap	USD	29 Sep 2023	29 Sep 2025	**40.0**	**(0.5)**	-	-

1. The fair values of the interest rate swaps were disclosed in non-current derivative financial liabilities, current derivative financial liabilities and current derivative assets in the Consolidated Statement of Financial Position. There was no ineffectiveness recognised in the 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 contracts designated as cash flow hedges, disclosed in current derivative financial assets and liabilities, at 31 December:

	Term	2023 Notional amount $m	2023 Fair value assets/ (liabilities) $m	2022 Notional amount $m	2022 Fair value assets/ (liabilities) $m
Foreign exchange contracts	≤ 3 months	**453.0**	**8.0**	996.6	21.3
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	**195.9**	**4.4**	72.7	3.1
Derivative financial assets		**648.9**	**12.4**	1,069.3	24.4
Foreign exchange contracts	≤ 3 months	**760.7**	**(15.2)**	703.7	(30.2)
Foreign currency forward exchange contracts designated as cash flow hedges	≤ 12 months	**53.3**	**(1.3)**	132.8	(2.3)
Derivative financial liabilities		**814.0**	**(16.5)**	836.5	(32.5)

During the year ended 31 December 2023, the Group realised a net loss of $4.3 million (2022: $15.8 million gain) on foreign exchange forward contracts designated as FVTPL in Note 5 - Non-operating income/(expenses), net in the Consolidated Income Statement.

Impact of hedging on other comprehensive income

The following table presents the impact of hedging on other comprehensive income:

	2023 $m	2022 $m
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges:		
Interest rate swaps	**(1.3)**	3.3
Foreign currency forward exchange contracts designated as cash flow hedges	**2.0**	(11.0)
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	**(0.8)**	16.5
Cost of hedging	**(0.5)**	(1.1)
Total	**(0.6)**	7.7

13. Provisions

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions recognised by the Group are primarily in respect of restructuring, decommissioning, dilapidations, legal liabilities and contingent consideration. The contingent consideration provision recognised by the Group is in respect of acquisitions and includes amounts contingent on future events such as development milestones and sales performance.

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	**-**	**-**	**-**	**66.7**	**66.7**
Charged to income statement	**1.0**	**13.9**	**0.4**	**-**	**15.3**
Fair value movement of contingent consideration	**-**	**-**	**-**	**24.6**	**24.6**
Released to income statement	**-**	**(2.2)**	**-**	**-**	**(2.2)**
Utilised	**(1.3)**	**(8.3)**	**-**	**(94.7)**	**(104.3)**
Foreign exchange	**(0.1)**	**0.3**	**-**	**1.4**	**1.6**
31 December 2023	**2.4**	**14.0**	**0.6**	**138.0**	**155.0**
Current					**83.7**
Non-current					**71.3**

The expected payment profile of the discounted provisions at 31 December was as follows:

	2023 $m	**2022 $m**
Within 1 year	**83.7**	100.2
2 to 5 years	**58.8**	53.1
More than 5 years	**12.5**	-
Total	**155.0**	153.3

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 are in respect of the Group's strategic transformation activities. 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

The legal provision of $0.6 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

As at 31 December 2023, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was $138.0 million. During the year, contingent consideration of $66.7 million was recognised in respect of the Starlight acquisition and payments of $94.7 million were made in respect of the Triad Life Sciences acquisition ($73.0 million recognised within cash flows from investing activities and $21.7 million recognised within cash flows from operating activities in the Consolidated Statement of Cash Flows). The net charge to the income statement in respect of changes in the fair value of contingent consideration (based on the best estimates of the amounts payable as at 31 December 2023) was $24.6 million. In addition, there was a foreign exchange movement of $1.4 million from the re-translation of non-USD denominated balances.

Refer to Note 10 - Acquisitions for further details.

14. Commitments and contingencies

Capital commitments

At 31 December 2023, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $22.3 million (2022: $39.3 million).

Contingent liabilities

Other than disclosed elsewhere in these financial statements, there were no contingent liabilities recognised as at 31 December 2023 and 31 December 2022.

15. Subsequent events

The Group has evaluated subsequent events through to 5 March 2024, the date the Consolidated Financial Statements were approved by the Board of Directors.

On 5 March 2024, the Board proposed the final dividend in respect of 2023 subject to shareholder approval at the Annual General Meeting on 16 May 2024, to be distributed on 23 May 2024. See Note 8- Dividends to the Condensed Consolidated Financial Statements for further details.

16. Responsibility statement of the directors on the Annual Report

The Responsibility Statement below has been prepared in connection with the 2023 Annual Report. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- The Financial Statements, prepared in accordance with United Kingdom adopted international accounting standards which have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Group's and Company's performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 5 March 2024 and is signed on its behalf by:

Karim Bitar
Chief Executive Officer
5 March 2024

Jonny Mason
Chief Financial Officer
5 March 2024