6 August 2020

ConvaTec Group Plc

Interim results for the six months ended 30 June 2020

Solid H1 performance, strategy implementation on track, COVID-19 challenges continue

Key points:

- Group reported revenue of $908 million up 2.1% year on year, 4.3% in constant currency[1] driven by Continence and Critical Care and Infusion Care, partially offset by lower Advanced Wound Care revenue.
  - As expected, second quarter growth was impacted by lower volumes in Advanced Wound Care and by the unwinding of increased customers' inventories in Ostomy Care.
- The strategic transformation is progressing well; with investments proactively re-phased in response to conditions resulting from COVID-19.
  - Recurring transformation investment in 2020 expected to be between $50 million and $55 million (previously $60 million and $65 million), of which $16 million in the first half.
  - As a result, annual gross benefits in 2021 now expected to be between $130 million and $150 million (previously between $150 million and $170 million).
- Reported EBIT[4] of $113 million, 20.7% higher year on year, and Adjusted EBIT[2] of $182 million, 10.0% higher, reflecting the prior year rebate provision, temporary cost reductions due to COVID-19 and net productivity gains. Adjusted[2] EBIT margin increased to 20.0% (2019: 18.6%).
- Interim dividend of 1.717 cents declared, in line with the prior year.
- Reduction in leverage to 2.2x net debt/adjusted EBITDA[2, 3] (31 December 2019: 2.5x), adjusted cash conversion[2] of 73% (30 June 2019: 90%) with the prior year benefiting from favourable inventory movements.
- FY2020 outlook maintained: uncertainty and risk of disruption due to COVID-19 remains.
  - Lower revenue growth and higher transformation investment expected in the second half, alongside a return to higher operating expense levels.

Group revenue

	Six months ended 30 June 2020					Q2
	2020 $m	**2019 $m**	**Reported growth / (decline)**	**Foreign Exchange impact**	**Constant Currency[1] growth / (decline)**	**Constant Currency[1] growth**
Revenue by Franchise						
Advanced Wound Care	251	271	(7.6)%	(2.8)%	(4.8)%	(13.2)%
Ostomy Care	252	252	(0.2)%	(3.3)%	3.1%	(2.7)%
Continence and Critical Care	244	222	10.3%	(1.1)%	11.5%	12.0%
Infusion Care	161	144	11.9%	(0.7)%	12.6%	12.6%
Total	**908**	**889**	**2.1%**	**(2.2)%**	**4.3%**	**0.0%**

Karim Bitar, Chief Executive Officer, commented:

"In the first half, despite the disruption caused by COVID-19, we delivered a solid trading performance and continued to implement our strategy to Pivot to Sustainable and Profitable Growth.

Whilst there remains much work to do, we continue to push forward with key initiatives. In light of the current circumstances, we have accelerated some investments, in particular in our digital capabilities to respond to changes in customer engagement preferences, and our new operating model is embedding well. Conversely, other investments, such as salesforce expansions, have been deferred.

Looking ahead, we remain committed to supporting and protecting our colleagues and the people and care givers we serve, whilst continuing to maintain the resilience of our supply chain. We are conscious of COVID-19 related challenges in the second half, have taken proactive steps to address them where possible and are maintaining our full year outlook."

Reported results	Six months ended 30 June 2020	2019	Growth Reported	Constant Currency[1]
	$m (unless stated)			
Revenue	908	889	2.1%	4.3%
Gross margin	*54.1%*	*51.7%*	*240 bps*	
EBIT/Operating profit	113	94	20.7%	18.9%
EBIT margin	12.4%	10.5%	190 bps	
Earnings per share ($)	0.03	0.02	30.4%	
Dividend per share ($ cents)	1.717	1.717		

Adjusted[2] results	Six months ended 30 June 2020	2019	Growth Reported	Constant Currency[1]
	$m (unless stated)			
Revenue	908	889	2.1%	4.3%
Gross margin	*60.0%*	*58.6%*	*140 bps*	
EBIT/Operating profit	182	165	10.0%	9.3%
EBIT margin	20.0%	18.6%	140 bps	
Earnings per share ($)	0.06	0.06	8.9%	

Analyst and Investor call

There will be an analysts and investors call/webcast presentation today at 9.00am BST, which can be accessed live through the ConvaTec website www.convatecgroup.com/investors/reports. A recording will be available on the site shortly afterwards.

United Kingdom: **+44 20 3936 2999**
United States: **+1 646 664 1960**
All other locations: **+44 20 3936 2999**
Access Code: **271507**

The full text of this announcement and the presentation can also be downloaded from the website above.

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Financial Calendar

Ex-dividend date	3 September 2020
Dividend record date	4 September 2020
Scrip dividend election date	22 September 2020
Dividend payment date	15 October 2020
Q3 trading update	30 October 2020

About ConvaTec

ConvaTec is a global medical products and technologies company focused on therapies for the management of chronic conditions, with leading market positions in advanced wound care, ostomy care, continence and critical care, and infusion care. Our vision, which encompasses our purpose, is: *Pioneering trusted medical solutions to improve the lives we touch.* Our products provide a range of clinical and economic benefits including infection prevention, protection of at-risk skin, improved patient outcomes and reduced total cost of care. To learn more about ConvaTec, please visit www.convatecgroup.com

Operating Review for the six months ended 30 June 2020

Group revenue

Group revenue of $908 million increased 2.1% on a reported basis and 4.3% in constant currency[1]. This reflects robust growth in Continence and Critical Care and Infusion Care, partially offset by the decline in Advanced Wound Care and adverse foreign exchange movements of $19 million.

Advanced Wound Care revenue of $251 million declined 7.6% on a reported basis and 4.8% in constant currency[1], including a 13.2% decline in the second quarter. As expected, this was due to the negative impact of reduced elective surgeries, as well as lower non-surgical volumes.

The second quarter decline was broad based both geographically and across products. Despite reduced hospital visits, AQUACEL™ Ag+ / Advantage performed well, whilst our legacy products remain challenged.

Ostomy Care revenue of $252 million declined 0.2% on a reported basis and increased 3.1% in constant currency[1], despite a 2.7% decline in the second quarter, which was largely due to a partial reversal of customers' inventory building in the first quarter.

We achieved good growth in key emerging markets such as China, Brazil and Colombia driven by continued traction with our more recent Convex product launches, Esteem+™ Flex and Natura+™ Accordion.

Continence and Critical Care revenue of $244 million increased 10.3% on a reported basis and 11.5% in constant currency[1], including a 12.0% increase in the second quarter. First half growth included a $1.9 million contribution from Southlake Medical Supplies, acquired in October 2019.

The elevated growth in the first half was driven by COVID-19 related demand for Critical and Hospital Care products and continued good growth in Home Services Group in the US driven by GentleCath™ Glide.

Infusion Care revenue of $161 million increased 11.9% on a reported basis and 12.6% in constant currency[1] in both the first half and second quarter, driven by a strong performance in a growing pump market.

Adjusted EBIT[2]

Adjusted gross margin of 60.0% improved 140 basis points versus the prior year due to the impact of the rebate provision in the prior year, favourable foreign exchange movements and some net productivity gains which more than offset modest price and mix headwinds.

Operational expenditure increased $16 million on a constant currency basis driven by strategic investment in key markets such as the US and China, other transformation investment and costs related to Medical Device Regulations ("MDR"). This was partially offset by temporarily lower operating expenses driven by circumstances relating to COVID-19. On a reported basis operational expenditure increased $7 million, or 2.1%, year on year, including a $9 million positive impact from foreign exchange movements.

In the first half we incurred $25 million of one-off transformation investment ($14 million in the first half of 2019), whilst our recurring transformation investment grew to $16 million (negligible in the first half of 2019), and we also incurred $9 million of MDR costs ($1 million in the first half of 2019). We anticipate a significant increase in recurring transformation investments in the second half of the year. See page 4 below for further details.

As a result, Adjusted EBIT margin[2] was 20.0% in the first half, an increase of 140 basis points year on year.

Pivoting to Sustainable and Profitable Growth

The execution of our strategic transformation focusing on five pillars: **Focus, Innovate, Simplify, Build** and **Execute ("FISBE")**, is progressing well. However, as we adapt to the challenges resulting from COVID-19, we are proactively re-phasing our investments, pushing forward with increased impetus in certain areas, such as enhancing our digital capabilities, whilst delaying spend in others to reflect the current environment.

Focus: we are concentrating our efforts on key markets and categories. We have today announced the divestment of the skin care business and we will continue to rationalise our product portfolio, for example, in Ostomy Care.

Innovation: we are significantly increasing our investment in R&D; initial steps include augmenting our capabilities, with the elevation of our Technology function, recent key hires and the opening of our innovation centre in Boston. Commercially, we are making greater use of digital platforms to meet changing customer preferences.

Simplify: our new operating model is being embedded across the organisation, and our new Global Business Services centre in Lisbon, Portugal, is now operational and will focus on delivering improved service and efficiency.

Build: we are building core capabilities across the value chain; we are starting to improve our competencies in key areas such as salesforce effectiveness, design for manufacturing and pricing.

Execution: our Transformation Office is now well established and is continuing to drive a culture of execution excellence across the organisation.

As a result of the current circumstances and our re-phasing of investments, we are expecting that the increase in our recurring investment in the current year will be lower than previously communicated; we now expect this to be between $50 million and $55 million in 2020 (previously $60 million and $65 million).

- FY2020 one-off transformation investment
  - $50-55 million of operational costs (largely opex), of which $25 million in the first half.
  - c.$30 million capex, of which $12 million in the first half.
  - In addition, between $20 million and $25 million of costs to be excluded from adjusted EBIT[2], in line with our policy, of which $6 million in the first half.
- FY2020 recurring transformation investment
  - Between $50 million and $55 million in 2020 (previously $60 million and $65 million), of which $16 million in the first half.
- Annual gross benefits
  - As a result of the COVID-19 pandemic and the resulting deferral of some investments we expect annual gross benefits in 2021 will now be between $130 million and $150 million (previously between $150 million and $170 million).

Dividend

Whilst we remain mindful of the uncertainty due to COVID-19, the business is making progress and has a strong financial position; we are therefore declaring an interim 2020 dividend of 1.717 cents per share, in line with the prior year. See Dividends in the Financial Review for more detail.

Cash flow and leverage

The Group ended the period with net debt of $1,038 million (31 December 2019: $1,100 million), which amounted to 2.2x adjusted EBITDA[2, 3] (31 December 2019: 2.5x).

Adjusted net cash for cash conversion[2] was $163 million in the first half (30 June 2019: $184 million), with the year on year reduction largely as a result of the prior year benefiting from favourable inventory movements. As a result, adjusted cash conversion[2] was 73% (30 June 2019: 90%). See Capital structure and liquidity management in the Financial Review for more detail.

Divestment of Skin Care

In line with our strategic transformation and consistent with our five pillars, FISBE, we will **focus** on key markets and categories, and today we announce we have entered into an agreement with Medline Industries Inc. for the divestment of the non-core Skin Care business within Advanced Wound Care. The sales proceeds are expected to be approximately $29 million and we expect the transaction to complete in the third quarter of 2020. See note 11 in the Financial Statements for further details.

FY2020 Outlook and Guidance

As we expect a number of factors that drove a positive impact in the first half to reverse in the second half, we are maintaining our 2020 guidance of 2.0% to 3.5% constant currency[1] revenue growth and between 16% and 18% constant currency[1] adjusted EBIT margin[2], whilst remaining cautious about the risk of COVID-19 related disruption.

We expect the impact of reduced elective surgeries and lower non-surgical volumes as well as the unwinding of customer inventories to continue in the second half. In addition, whilst we expect to achieve good growth in Continence and Critical Care, we expect the higher, first half COVID-19 related demand to reduce, and there to be a negative impact from portfolio rationalisation in Ostomy Care. In addition, strategic transformation investment will increase in the second half, alongside a return to higher expense levels as the impact of COVID-19 reduces.

People
In these unprecedented times, the resilience, pragmatism and adaptability shown by colleagues in response to the pandemic has been fantastic to witness and the Board's heartfelt thanks goes out to all.

As previously announced, there have also been a number of Board changes during the period to enhance healthcare, financial and innovation expertise.

Brian May, formerly Chief Financial Officer of Bunzl plc from 2006 to 2019, joined the Board as a Non-Executive Director in March 2020. Brian has extensive financial and international business experience and will assume the Chair of the Remuneration Committee position following the departure of Dr. Ros Rivaz on 31st August 2020.

In July 2020, Heather Mason joined the Board as a Non-Executive Director. Heather spent 27 years with Abbott Laboratories where she held a number of global senior commercial, operational and international roles, and has deep healthcare sector knowledge.

In addition, and as we increase our focus on R&D and innovation, in September 2020, we will welcome Professor Constantin Coussios to the Board as a Non-Executive Director. Constantin is the Director of the Institute of Biomedical Engineering at the University of Oxford. In addition to his expertise in biomedical engineering, he brings first-hand experience of successfully developing innovative products from concept through to commercialisation.

Since March, we have continued to reinforce the strength of the executive team and we welcomed Natalia Kozmina, our new Chief Human Resources Officer, in June 2020. Natalia brings strong leadership skills across the value chain as well as key aspects of the human resources agenda including global talent, reward, organisational effectiveness, diversity and inclusion. Natalia has more than 20 years of global experience in healthcare, predominantly at Abbott Laboratories, in a variety of roles ranging from general management, product management and R&D.

2020 LTIP
In our 2019 Annual Report and Accounts on pages 130-131, the Remuneration Committee noted that the adjusted PBT targets for the 2020 LTIP awards for all participants would be set to align with the new strategy and operating model. The performance conditions that will be attached to the 2020 LTIP awards are set out in the table below, and are considered by the Committee to be appropriately stretching.

Measure	Weighting	Threshold (25% vesting)	Stretch (90% vesting)	Maximum (100% vesting)
Three-year compound annualised growth in adjusted PBT	75%	4.5% p.a.		10%p.a.
Three-year Relative TSR rank vs constituents of FTSE 350 excluding investment trusts	25%	Median	75th percentile	90th percentile

The adjusted PBT element shall vest on a straight line sliding scale between the performance measurement points. The TSR element will continue to vest at 25% for median performance, and require 90th percentile performance for full vesting. The Committee also concluded that it would be appropriate to introduce an intermediate 'stretch' target at the 75th percentile, for which 90% of this element shall vest. A straight-line sliding scale shall operate between 'threshold' and 'stretch', and between 'stretch' and 'maximum'.

The performance period is from 1st January 2020 to 31st December 2022, and all definitions are consistent with the descriptions in the 2019 Annual Report and Accounts.

To the extent the 2020 LTIP awards vest, vested shares will be required to be held by Directors for a further two-year post-vesting holding period. As previously announced, on 1 May 2020, Karim Bitar and Frank Schulkes were granted 2020 LTIP awards of 1,061,532 and 535,752 shares respectively.

Responding to COVID-19
Our focus has been on ensuring the health and wellbeing of our colleagues and we continue to support the people and care givers we serve by meeting the demand for our products and services.

In March we established a dedicated team, involving experts from around our global business, focused on key workstreams: medical, people; supply chain; customer interaction; and financial liquidity.

- **Medical:** Led by our Chief Medical Officer, we have closely monitored the developing scientific understanding of COVID-19, government regulations and the impact of evolving regulations on our people and the care givers we serve. We have also tracked cases within our colleagues versus local population trends. All of this scientific based analysis has guided our response to the challenges of COVID-19.

- **People:** All sites have adjusted work practices, including enhanced hygiene protocols and social distancing measures. We have temperature checking at our sites and provide personal protective equipment ("PPE"). We rapidly responded to all office-based colleagues becoming remote workers and drove access and adoption of IT tools to support the change, ensuring that our controls remained effective. These enhanced IT tools have also facilitated communication to colleagues and increased access to online training.
- **Supply Chain:** Our global quality and operations team has been working closely across our sites to maintain production capability and our warehouses. We have responded rapidly in our sites to evolving local government restrictions and requirements with the overriding focus being on the well-being of our colleagues. We are liaising regularly with our supply-chain partners including third-party manufacturers to work with them to ensure the sustainability of supply. To date, delivery to wholesalers, distributors, hospitals, and patients remains uninterrupted, and we continue to monitor the situation as it develops.
- **Customer interaction:** We are accelerating investment in our digital capabilities to enable us to use alternative digital and social media channels to communicate with customers, hospitals and clinicians alongside, and to complement, face to face interactions as access to healthcare facilities returns. Furthermore, we are investing in the advancement of e-commerce platforms to facilitate the purchasing and delivery of products.
- **Financial liquidity:** The maintenance of a strong cash position, together with an undrawn, revolving credit facility of $200 million, provided the Group with c.$650 million of liquidity at the end of June. Financial liquidity remains strong with a positive net cash inflow that is monitored on a daily basis.

It is relevant to note that a significant proportion of ConvaTec's revenue is generated in chronic categories and is of a recurring nature; however, in the second quarter we experienced negative demand as a result of COVID-19 within Advanced Wound Care and this is expected to continue to be a headwind in the second half.

We have not furloughed any colleagues as a result of COVID-19 nor made use of any government support programmes.

Whilst the future remains uncertain in relation to the pandemic, including the potential for a second wave, the Group has demonstrated both operational and financial resilience to date and we believe that delivery across our key workstreams and our future strategic transformation plans leave the business well positioned to remain successful under these difficult circumstances.

UK withdrawal from the European Union ("Brexit")

We continue to monitor the Brexit negotiations, assessing the potential effects on our organisation, and preparing contingency plans to address the potential outcomes. At this stage, management does not expect there to be material financial or operational impacts which could arise, as a result of Brexit. However, it remains unclear what the position will be for the UK after the transition period ends on 31 December 2020 and our planning will continue to evolve and adapt with the political developments.

(1) Constant currency growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.
(2) Certain financial measures in this document, including adjusted results, 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 (page 29).
(3) Last 12 months adjusted EBITDA of $462m.
(4) Adjusted EBIT is equivalent to adjusted operating profit and reported EBIT is equivalent to reported operating profit

Principal risks and uncertainties

We recognise that risk is inherent in our business. Identification, understanding, evaluation and response to the risks we face is fundamental to the effective development and delivery of our strategic priorities to ensure longer term viability and resilience.

Our principal risks, which the Board reviews and approves on a bi-annual basis, and details of our enterprise risk management framework are set out in the Group's 2019 Annual Report and Accounts on pages 24 to 33. Our system of risk management and internal control continues to develop and takes into account current internal and external factors and the Group's risk appetite, and updates to the principal risks and mitigation plans are made as required.

The Board has reviewed the principal risks that exist at 30 June 2020, taking into consideration the risks that existed during the first six months of 2020 and those that it believes will have an impact on the business over the remaining six months of the period. Our principal risks, as disclosed in our 2019 Annual Report and Accounts, other than in respect of the impacts of COVID-19, remain largely unchanged as at 30 June 2020 as to their potential effect on our ability to successfully deliver our strategy. The risk landscape, however, has become more challenging in light of the COVID-19 pandemic and the consequential emerging longer-term economic and social implications. The Board has considered the impact of COVID-19 on the Group's business and principal risks, the additional controls and mitigations required to address these challenges and reprioritised the principal risks accordingly.

The nature of ConvaTec's business and its geographic and product diversification, provides a level of mitigation to fluctuations in demand. As such, the Group has, to date and summarised earlier in the document, experienced minimal negative trading implications from the COVID-19 pandemic (except in those parts of our business linked to elective surgery and hospital visits more generally) and the Board believes this to be relevant to its future trading position. The Group has demonstrated operational strength in this challenging environment, meeting robust demand and continuing to drive forward with the transformation programme, which has been adapted to address the expectation of continued uncertainty and volatility in the business environment. COVID-19, however, has brought certain challenges to our people, manufacturing facilities, supply chain and the sales of our products that are linked to elective surgery. A Rapid Response Team was assembled in early March 2020 to actively focus on addressing these challenges in four key areas:

- People: All manufacturing sites have adjusted work practices, including in the area of social distancing and hygiene factors. All office-based employees were mandated to work remotely from home.
- Supply Chain: Maintaining manufacturing, principal warehouses and supporting the viability and sustainability of third-party supply chain and logistics partners so delivery to wholesalers, distributors, hospitals, and patients remained uninterrupted.
- Customers: Use of alternative digital and social media channels to communicate with customers, hospitals and clinicians and continuing to optimise e-commerce platforms to facilitate the purchasing and delivery of products.
- Liquidity: Ensuring the maintenance of a strong cash position and directly accessible, undrawn, revolver credit line of $200 million. Financial liquidity remains strong with a positive net cash inflow that is closely monitored on a daily basis.

Information on the Group's approach to the COVID-19 pandemic is found on pages 4 and 5 of this document. The Group is closely monitoring and responding to the course of COVID-19 and its known and potential impacts on our business units and markets, whilst implementing interventions to mitigate external risk beyond our control. A transition from the Rapid Response Team to a New Normal Oversight Team that focuses on medium-term efforts as part of the Transformation Office has been undertaken to ensure the Group remains well positioned for long-term success. We recognise that there are additional emerging risks as a result of the longer-term implications of the pandemic, particularly in respect of: the geopolitical environment as trade conditions may place pressure on markets and supply chains across all businesses; the global economy potentially continues to contract from the effects of national lockdowns and responses; the possible threat of a new wave of protectionist policies as countries take stock of events; and, pricing and reimbursement, as healthcare systems adapt to the new economic context and the financial cost of containing and responding to the initial and any subsequent national and localised waves and spikes.

Principal risks continue to be appropriately mitigated and work continues to reduce the net exposure. As a result of COVID-19 challenges, however, the risk profile of four of our principal risks (Legal and Compliance, Information

Security, Global Operations and Supply Chain, Pricing and Reimbursement) listed below has altered. In addition, the nature of the Brexit principal risk has been extended to include the wider emerging Geopolitical landscape. A summary of the principal risks and how the risk profile has altered in respect of four of the risks is provided below:

- Change and Transformation - The scale of our transformation programme is significant. Successful delivery through robust change management processes and investment in infrastructure and capabilities is required to realise our vision and pivot to sustainable and profitable growth. A material delay or challenge in realisation of our forecasts, including as a result of COVID-19, may affect the transformation or growth of our business areas resulting in a failure to meet stakeholder and shareholder expectations.
- Legal and Compliance - Our business is subject to a complex environment of laws and regulations across multiple jurisdictions. We seek to fully comply with all market and corporate obligations and requirements. Real or perceived failure to do so, or adjust to a change in conditions (including COVID-19 effects on the business environment) and increase in scrutiny, could result in adverse consequence such as penalties, a decrease in corporate trust from stakeholders or additional compliance measures. The risk profile has increased due to tightening market conditions and COVID-19 led business changes resulting in the need to enhance our control environment to ensure we continue to comply with policies and industry codes across our business, distributors and supply chain. Additional compliance resources have been onboarded in North America and Europe and we have increased and enhanced virtual ethics education provided to business commercial teams. We intend to onboard new third-party providers to further develop the management of fair market value compensation to health care professionals, develop the management of external funding requests (such as charitable contributions and medical educational grants) and to undertake assessments of the business needs of healthcare professionals.
- Information Security - We rely upon our complex technology systems, network and information management processes to support the effective operation of our global business. Failure to ensure that our systems, data management and related controls are effective, available, and integral and secure, including those of our third-party partners and during the current COVID-19 environment, could adversely affect our ability to maintain continuity in our operations and the trust of our customers, stakeholders and shareholders to provide a robust platform for our business. The risk profile has increased following a rise in illegal cyber security activity across businesses over the first six months of 2020 due to COVID-19 and the switch to a broader homeworking environment for our employees. Security, data management and privacy improvements and updates have been implemented in response, and these changes also reduce exposure to cyber incidents from employee homeworking. We continue to improve the resilience of our existing network and applications to reduce exposure from the cyber security threat.
- Global Operations and Supply Chain - We invest in the maintenance, development and innovation of our manufacturing assets to provide resilience in our operational integrity and performance. We rely on resilient and cost-effective supply chain partners and third parties for quality products, raw materials and services to support our operations and to comply with legal, regulatory and ethical obligations. Failure to respond to events, including pandemics and any increase in extreme weather patterns from climate change, that result in production and / or supply chain delays, adverse product quality and health, safety and environmental incidents could result in underperformance or a loss of confidence in our ability to deliver our strategic objectives. The risk profile has increased following the challenges to the viability and sustainability of our operations brought about as a result of COVID-19, and the potential for recurrent and sustained waves, including internal (manufacturing plant hygiene) and external (supply chain and logistics partner resilience) factors. Bespoke manufacturing plant hygiene protocols have been implemented, including temperature screening and social distancing and PPE. We continue to perform an ongoing assessment and review of supply chain partners' COVID-19 risk exposure.
- Geopolitical (formerly Brexit) - The Group has revised this risk to a broader Geopolitical principal risk. In our 2019 Annual Report and Accounts we anticipated geopolitical risk factors to be realised in 2020; however, the COVID-19 situation has exacerbated this risk and it is now prudent to elevate the wider consequences of continued emerging volatility in the international political climate alongside that of final trade agreements between the UK and EU on the Group's trading conditions. Our global operations and markets are affected by changes in the international political climate, particularly tariff structure changes, sanctions or other trade limiting actions. These emerging changes can be brought about by national approaches to trade policy, electoral campaigns, regional geopolitical tensions and nationalism; resulting in the potential implementation of national healthcare reforms and local market tariffs, changes to regulation, legislation, tax and corporate governance

requirements, consumer / customer protection and effects on the security of supply chain in the markets where we operate. There is potential heightened risk associated with Brexit final trade agreements on Group trading conditions including Group EU and UK production plants and employees, the Netherlands' logistics hub and sales in all EU countries. A failure to adapt to these factors could impact the ability to source commodities and services, operate in certain markets and / or retain a presence in current locations. Compliance, Legal, Regulatory and Investor Relations teams are in place to liaise with stakeholders externally and respond to changing requirements. We continue to monitor the final Brexit and other geo-political (such as US:China and, as a result of the recent UK Government decision on Huawei involvement in UK 5G telecommunication networks, UK:China) trade agreements processes, taking into consideration the disruption already being faced by COVID-19, and assess any further mitigating actions that are required.

- Failure to Attract, Engage and Retain Leadership Talent - To transform our business we need to attract, retain and develop skilled and talented people. Failure to secure the right level of capability and capacity, particularly in our senior management, develop a talent pipeline and successfully manage cultural transformation, ambitious technical-change programmes, changes to our current structure and / or effects of high business disruption (e.g. COVID-19) will adversely affect our ability to transform our business, achieve our strategic objectives and deliver growth.
- Product Innovation and Intellectual Property - Sustainable innovation in our product and development pipeline is fundamental to future growth, and the ability to respond to disruptive new technologies, changing customer behaviour, requirements and demand. Failure to invest in and develop safe, effective, profitable long-life products to meet market needs and fill unmet medical needs, deliver development programmes during the current COVID-19 climate or maintain sufficient IP protection, could result in lost market share, underperformance and a lack of confidence in our operational integrity to deliver in line with expectations.
- Quality and Regulatory - We are subject to oversight by a number of regulatory jurisdictions that continue to implement significant obligations and scrutinise how we operate. Failure to absorb any cost increase, fulfil emerging obligations or produce products and packaging that meet stringent customer and environmental criteria, or operate inadequate manufacturing and quality system procedures could result in our inability to supply or a requirement to recall a product, with the potential for patient class actions and individual patient liability claims, due to non-compliance with regulatory bodies or a failure to meet stakeholder expectations or due to patient harm from faulty products.
- Pricing and Reimbursement - Growth and value in our markets rely on our product and future innovation pipeline meeting customer demands and a competitive pricing strategy. Failure to respond to changing customer behaviours and reimbursement rates, pricing pressure from large and consolidating buying groups, competitor movements and any reduction in local and national Government healthcare budgets, including as a result of any emerging longer-term consequences from COVID-19, could erode our market performance, financial return and ability to maintain confidence with stakeholders and shareholders. The risk profile has increased following the deterioration in the overall global economic outlook and the resultant potential emerging impact to healthcare systems and customers as they adapt to the new economic context. We have formed a market access centre of excellence to focus on reimbursement, including the effects of COVID-19, on our business and the markets in which we operate
- Forecasting and Market Conditions - Failure to identify, react or plan effectively to changes in market conditions, customer demand or any perceived lack of demand visibility on a timely basis, including those driven by the current COVID-19 environment particularly affecting elective surgery and hospital visits in general, could result in suboptimal decisions, underperformance and adverse trading results. We rely on effective business planning and accurate forecasting that link operational manufacturing, commercial and supply processes to make effective management decisions and prioritise how we use our resources.
- Macroeconomic, Foreign Exchange and Tax - Our financial performance and price competitiveness are dependent on the management of exposure to changes in macroeconomics, particularly foreign exchange and interest rate movements, the effects of COVID-19 on the existing economic environment and tax obligations, including duties and tariffs. Failure to respond to events that have a direct impact on our credit, ratings, cash-flow and liquidity could result in an increase in the cost of and access to financing. An inability to maintain robust financial and tax systems to fulfil accurate financial statements and filing requirements, underpinned by appropriate accounting and tax judgements, could result in inadequate disclosure or material misstatement.

Forward Looking Statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group’s control. “Forward-looking statements” are sometimes identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “aims”, “anticipates”, “expects”, “intends”, “plans”, “predicts”, “may”, “will”, “could”, “shall”, “risk”, “targets”, “forecasts”, “should”, “guidance”, “continues”, “assumes” or “positioned” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places and include, but are not limited to, statements regarding the Group’s intentions, beliefs or current expectations concerning, amongst other things, results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These 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. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Forward-looking statements are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements set out in this Presentation. Past performance of the Group cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this document and the Group and its directors, officers, employees, agents, affiliates and advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this document.

First Half Financial Highlights

The following table sets forth the Group's revenue and expense items for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	Reported 2020 $m	Reported 2019 $m	**Adjusted[(a)] 2020 $m**	Adjusted[(a)] 2019 $m
Revenue	**908.0**	888.9	**908.0**	888.9
Cost of sales	**(416.4)**	(429.7)	**(363.1)**	(368.0)
Gross profit	**491.6**	459.2	**544.9**	520.9
Gross margin %	**54.1%**	51.7%	**60.0%**	58.6%
Selling and distribution expenses[(b)]	**(218.2)**	(228.3)	**(218.2)**	(228.3)
General and administrative expenses[(b)]	**(124.8)**	(113.6)	**(109.3)**	(103.7)
Research and development expenses	**(35.6)**	(23.7)	**(35.6)**	(23.7)
Operating profit	**113.0**	93.6	**181.8**	165.2
Operating margin %	**12.4%**	10.5%	**20.0%**	18.6%
Finance costs, net	**(26.3)**	(32.1)	**(26.3)**	(32.1)
Non-operating expense, net	**(5.2)**	(0.2)	**(5.2)**	(0.2)
Profit before income taxes	**81.5**	61.3	**150.3**	132.9
Income tax expense	**(22.4)**	(16.8)	**(28.5)**	(21.9)
Net profit	**59.1**	44.5	**121.8**	111.0
Net profit %	**6.5%**	5.0%	**13.4%**	12.5%
Basic and diluted earnings per share ($ per share)	**0.03**	0.02	**0.06**	0.06
Dividend per share (cents)	**1.717**	1.717		

(a) These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS on pages 29 to 33.

(b) Following a review of cost allocations, general and administrative expenses of $12.1 million (2019: $13.6 million) principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

The commentary in this review includes discussion of reported and alternative performance measures. Management uses alternative performance measures as a meaningful supplement to reported measures. These measures are disclosed in accordance with the European Securities and Markets Authority guidelines and are explained and reconciled to the most directly comparable measure prepared in accordance with International Financial Reporting Standards ("IFRS") on pages 29 to 33. Further detail on the Group's financial performance, measured in accordance with IAS 34, *Interim Financial Reporting* as adopted by the European Union, is set out in the Financial Statements and selected notes thereto on pages 16 to 28.

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

Revenue

Group revenue by franchise is disclosed on page 1 of this interim results announcement.

On a reported basis revenue increased by 2.1% to $908.0 million for the six months to 30 June 2020 (2019: $888.9 million). On a constant currency basis, this represented revenue growth of 4.3%, attributable to strong performance in Continence and Critical Care (11.5%) as a result of demand driven by COVID-19, as well as growth in Infusion Care (12.6%) driven by continued strong orders from customers due to growth in the insulin pump market. Overall, Ostomy Care grew 3.1% in the first half but declined 2.7% in Q2 reflecting destocking following the initial increase in orders in the early stages of the pandemic. This growth across the three franchises was partially offset by headwinds in Advanced Wound Care (-4.8%), primarily as a result of reduced elective surgeries, and by the unwinding of increased customers' inventories in Ostomy Care.

The Group's revenue performance for the six months ended 30 June 2020 is discussed in the Group's Operating Review on page 3.

	Six months ended 30 June						
	2020	2019	**Reported growth**	**Constant currency revenue**	**Constant currency growth**	**Foreign exchange impact**	
	$m	$m	**%**	$m	%	**$m**	**%**
Revenue by geography							
Americas	**493.5**	462.4	6.7 %	500.4	8.2 %	(6.9)	(1.5)%
EMEA	**346.8**	358.0	(3.1)%	357.7	(0.1)%	(10.9)	(3.0)%
APAC	**67.7**	68.5	(1.2)%	69.2	1.0 %	(1.5)	(2.2)%
Total	**908.0**	888.9	2.1 %	927.3	4.3 %	(19.3)	(2.2)%

Americas revenue grew by 6.7% on a reported basis and 8.2% on a constant currency basis reflecting a strong revenue performance in Home Services Group ("HSG") combined with growth in Latin America and the effect of the prior year rebate provision offset by the reduction in elective surgeries which created a headwind in Advanced Wound Care revenues in North America.

Europe, Middle East and Africa (“EMEA”) revenue declined by 3.1% on a reported basis and was flat on a constant currency basis. Strong revenue growth in Infusion Care was offset by the COVID-19 related Advanced Wound Care decline.

Asia Pacific (“APAC”) reported revenue fell by 1.2%, reflecting unfavourable foreign exchange but increased by 1.0% on a constant currency basis. This reflects a good performance in Australia and New Zealand offset by the effect of COVID-19 in the wider APAC region.

Gross margin

Reported gross profit increased by $32.4 million and gross margin increased to 54.1% (2019: 51.7%), reflecting productivity gains, the effect of the prior year rebate provision, a year-on-year reduction in the amortisation of intangible assets and the effect of foreign exchange.

On an adjusted basis, gross margin for the six months to 30 June 2020 was 60.0%, compared to 58.6% for the comparative period in 2019, driven by net productivity gains more than offsetting price/mix headwinds (60 bps), together with the effect of the prior year rebate provision (40 bps) and favourable foreign exchange (40 bps).

Operating profit

On a reported basis, operating profit for the six months to 30 June 2020 was $113.0 million, an increase of $19.4 million (2019: $93.6 million) principally reflecting the increases in revenue and gross margin noted above, and suspended cost incurrence as a result of COVID-19 partially offset by an increase in costs associated with our ongoing Transformation Initiative and an increase in MDR costs of $7.6 million.

On an adjusted basis operating profit for the six months to 30 June 2020 was $181.8 million, an increase of $16.6 million (2019: $165.2 million), reflecting the drivers of the reported increase.

Finance and non-operating expenses

The table below presents a summary of finance and non-operating expense, net on a reported and adjusted basis.

	Six months ended 30 June			
	Reported 2020 $m	Reported 2019 $m	**Adjusted 2020 $m**	Adjusted 2019 $m
Finance costs, net	**(26.3)**	(32.1)	**(26.3)**	(32.1)
Non-operating expenses, net	**(5.2)**	(0.2)	**(5.2)**	(0.2)
Total	**(31.5)**	(32.3)	**(31.5)**	(32.3)

Finance costs, net, decreased by $5.8 million to $26.3 million for the six months ended 30 June 2020. The decrease is mainly driven by a reduction in both the Group's level of borrowing and associated weighted average interest rate on borrowings (net of interest rate hedge).

Non-operating expense, net of $5.2 million (2019: $0.2 million) relates primarily to foreign exchange losses arising on intercompany loans as a result of the weakening of certain emerging market currencies in the first quarter of the year, primarily related to the effect of the COVID-19 crisis on the global economy.

Taxation

	Six months ended 30 June			
	Reported 2020 $m	Reported 2019 $m	**Adjusted[(a)] 2020 $m**	Adjusted[(a)] 2019 $m
Profit before taxation	**81.5**	61.3	**150.3**	132.9
Tax expense	**(22.4)**	(16.8)	**(28.5)**	(21.9)
Effective tax rate ("ETR")	**27.5%**	27.4%	**19.0%**	16.5%

(a) The tax effects of the adjustments relating to non-IFRS financial measures are explained and reconciled on pages 29 to 33.

For the six months ended 30 June 2020, the Group reported an income tax expense of $22.4 million (2019: $16.8 million). The Group's reported effective tax rate of 27.5% for the period remains in line with prior year (2019: 27.4%). The effective tax rate includes the impact of taxable losses in the US on which a deferred tax asset is not recognised.

After adjusting for certain financial measures that the Group believes are useful supplemental indicators of future operating performance, the adjusted effective tax rate on continuing operations was 19.0% for the six months ended 30 June 2020 (2019: 16.5%). The increase in the adjusted effective tax rate is primarily due to an increase in the Swiss tax rate and the revaluation of the net deferred tax liability in the UK from 17% to 19% following the reversal of the change in corporation tax rate originally due to come into effect from 1 April 2020. The impact of COVID-19 has been considered but it has not resulted in a change to the reported or adjusted ETR.

Capital structure and liquidity management

The Group has a robust funding position following the refinancing in October 2019. This provided $1.5 billion of financing through two five-year committed loan facilities expiring in October 2024. At 30 June 2020, the Group's net debt was $1,037.9 million (31 December 2019: $1,100.3 million) representing borrowings of $1,489.2 million (31 December 2019: $1,486.1 million) partially offset by cash and cash equivalents of $451.3 million (31 December 2019: $385.8 million). Additionally, at 30 June 2020 and 31 December 2019, the Group's revolving credit facility of $200.0 million was undrawn and available, providing the Group with liquidity of $651.3 million at 30 June 2020 (31 December

2019: $585.8 million). The Group's net debt to adjusted EBITDA ratio at 30 June 2020 was 2.2x (31 December 2019: 2.5x).

The Group had net current assets of $653.3 million (31 December 2019: $571.0 million) and net assets of $1,525.0 million (31 December 2019: $1,561.0 million). The increase in net current assets is principally attributable to the increase in cash and cash equivalents.

COVID-19

In response to COVID-19, the Group has undertaken, on a regular basis throughout the crisis, a detailed review of both the potential short-term effects of the crisis on working capital and longer-term forecast liquidity position.

In order to assess the short-term implications, and as part of the actions taken by the dedicated rapid response team, management has been closely monitoring the liquidity position of the Group. Cash collections have remained strong, there has been no deterioration in Days Sales Outstanding ("DSO") or trade receivables aging and, as a result cash generation continues to be robust. Although adjusted cash conversion reduced to 72.9% (2019: 89.8%) this reflects adjusted EBITDA being more than offset by higher capex investment and increased inventories resulting from higher customer demand against reductions in inventory in the prior year.

Longer term, the Group has assessed its liquidity forecast and ability to continue trading as a going concern. The Group has a strong balance sheet with $451.3 million of available cash and $200 million of undrawn committed facilities at 30 June 2020. As noted above, leverage, measured by net debt to adjusted EBITDA, continues to improve and was at 2.2x on 30 June 2020 (31 December 2019: 2.5x). COVID-19 has introduced additional uncertainty into the future and in response to this we have undertaken regular reviews of our businesses and the resulting projections of future performance under a range of potentially severe but plausible downside scenarios. We have assessed our headroom under each scenario against committed facilities and key financial covenants over the going concern period, being 12 months from 5 August 2020, although we have extended our review to the next covenant measurement date of 31 December 2021. The scenarios have focused on Advanced Wound Care, where the reduction in elective surgeries and fewer hospital and clinic visits has the potential to significantly reduce revenue, and supply chain disruption throughout the Group. Under all scenarios, the Group continues to have headroom against the financial covenants and good liquidity during the going concern period. For further information, refer to Note 1 of the interim financial statements.

Dividend

Reflecting our view on the potential of the Group over the medium to long term and its financial strength, we are maintaining our interim 2020 dividend at 1.717 cents per share, in line with the interim dividend for 2019. This is consistent with our stated policy of 35% to 45% of Adjusted net profit. The Board has taken into consideration balancing the return to shareholders and the potential effects of COVID-19 including the downside scenarios referenced above. The decision to maintain the dividend reflects the Board's confidence in the future performance of the Group, our resilience during the COVID-19 pandemic to date and the underlying financial strength, distributable reserves position and cash generation of the Group.

Cash flow and working capital

Net cash generated from operating activities was $155.1 million and $194.0 million in the six months to 30 June 2020 and 2019, respectively. The decrease of $38.9 million primarily reflects an increase in working capital requirements of $20.4 million (2019: decrease of $36.6 million) and the receipt of $30.0 million in 2019 in relation to the gross settlement of a foreign exchange forward contract which was not repeated in 2020, offset by the increase in EBITDA of $13.6 million after non-cash items are added back. The working capital movement principally results from the settlement of Group incentive schemes in the first half of 2020, when no such payments were made in 2019, and an increase in inventory levels to satisfy the increase in demand.

The increase in cash and cash equivalents of $65.5 million is primarily driven from net cash generated from operating activities of $155.1 million, offset by property, plant and equipment of $36.7 million representing investment in our manufacturing lines, as well as in our digital capabilities and our newly operational global business services function. In addition, the Group made a cash payment respect of the final dividend for 2019 of $38.0 million, net of the scrip dividend issue of $37.8 million, and made lease liability payments of $10.3 million.

Cash conversion

Cash conversion is a measure we use to ensure we derive value from our operations and supports our decision making for potential future investments.

Our reported cash conversion for the six months to 30 June 2020 was 76.2% (2019: 106.0%), which reflects an increase in inventory levels during the period driven by investment to meet demand requirements, the settlement of 2019 employee incentive programmes (2019: $nil) and an increase in capital investment. Reported cash conversion in 2019 included the timing of the receipt of $30.0 million on a foreign exchange forward contract as described above.

Adjusted cash conversion was 72.9% (2019: 89.8%). The decrease is in line with reported cash conversion as above, but excluding the impact of the foreign exchange forward contract in the comparative for the six months ended 30 June 2019.

	Six months ended 30 June			
	Reported 2020 $m	Reported 2019 $m	**Adjusted[(a)] 2020 $m**	Adjusted[(a)] 2019 $m
EBITDA	**209.8**	197.2	**223.4**	204.7
Add: non-cash items	**7.2**	6.2	**—**	0.1
Working capital	**(20.4)**	36.6	**(23.8)**	10.0
PP&E	**(36.7)**	(30.9)	**(36.7)**	(30.9)
Cash generated from operations, net of PP&E	**159.9**	209.1	**162.9**	183.9
Cash conversion	**76.2%**	106.0%	**72.9%**	89.8%

(a) Adjusted EBITDA, adjusted working capital and adjusted non-cash items are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the cash conversion table on page 32.

	Six months ended 30 June			
	Reported 2020 $m	Reported 2019 $m	**Adjusted 2020 $m**	Adjusted 2019 $m
Cash generated from operations, net of PP&E	**159.9**	209.1	**162.9**	183.9
Tax paid	**(14.5)**	(16.5)	**(14.5)**	(16.5)
Free cash flow	**145.4**	192.6	**148.4**	167.4

2020 Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2020 $m	2019 restated[a] $m
		(unaudited)	*(unaudited)*
Revenue	2	**908.0**	888.9
Cost of sales		**(416.4)**	(429.7)
Gross profit		**491.6**	459.2
Selling and distribution expenses		**(218.2)**	(228.3)
General and administrative expenses		**(124.8)**	(113.6)
Research and development expenses		**(35.6)**	(23.7)
Operating profit		**113.0**	93.6
Finance costs, net		**(26.3)**	(32.1)
Non-operating expense, net	3	**(5.2)**	(0.2)
Profit before income taxes		**81.5**	61.3
Income tax expense	4	**(22.4)**	(16.8)
Net profit		**59.1**	44.5
Earnings per share			
Basic and diluted earnings per share ($ per share)		**0.03**	0.02

(a) Following a review of cost allocations, general and administrative expenses of $12.1 million (2019: $13.6 million) principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

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

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June 2020 $m	2019 $m
		(unaudited)	*(unaudited)*
Net profit		**59.1**	44.5
Other comprehensive loss			
Items that will not be reclassified subsequently to Consolidated Income Statement			
Remeasurement of defined benefit pension plans	6	**(2.1)**	—
Change in pension asset restriction	6	**4.7**	—
Items that may be reclassified subsequently to Consolidated Income Statement			
Exchange differences on translation of foreign operations		**(58.5)**	(4.6)
Effective portion of changes in fair value of cash flow hedges	8	**(10.4)**	(9.2)
Income tax relating to items that may be reclassified		**2.0**	2.5
Other comprehensive loss		**(64.3)**	(11.3)
Total comprehensive (loss)/income		**(5.2)**	33.2

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

Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2020 $m**	31 December 2019 $m
		(unaudited)	*(audited)*
Assets			
Non-current assets			
Property, plant and equipment		**317.9**	321.6
Right-of-use assets		**84.2**	84.5
Intangible assets and goodwill		**2,063.2**	2,166.9
Deferred tax assets		**56.1**	55.0
Derivative financial assets	8	**—**	1.0
Restricted cash		**4.4**	3.6
Other non-current receivables		**12.4**	8.9
		2,538.2	2,641.5
Current assets			
Inventories		**288.5**	281.8
Trade and other receivables		**299.8**	300.7
Cash and cash equivalents		**451.3**	385.8
		1,039.6	968.3
Total assets		**3,577.8**	3,609.8
Equity and liabilities			
Current liabilities			
Trade and other payables		**269.8**	289.3
Borrowings	7	**40.9**	40.8
Lease liabilities		**16.7**	18.4
Current tax payable		**51.5**	44.6
Provisions		**7.4**	4.2
		386.3	397.3
Non-current liabilities			
Borrowings	7	**1,448.3**	1,445.3
Lease liabilities		**72.3**	70.1
Deferred tax liabilities		**106.7**	107.8
Provisions		**1.3**	1.7
Derivative financial liabilities	8	**9.4**	—
Other non-current payables		**28.5**	26.6
		1,666.5	1,651.5
Total liabilities		**2,052.8**	2,048.8
Net assets		**1,525.0**	1,561.0
Equity			
Share capital		**245.0**	242.9
Share premium		**106.4**	70.7
Own shares		**(8.4)**	(10.8)
Retained deficit		**(864.4)**	(847.7)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(157.6)**	(99.1)
Other reserves		**105.1**	106.1
Total equity		**1,525.0**	1,561.0
Total equity and liabilities		**3,577.8**	3,609.8

Condensed Consolidated Statement of Changes in Equity

	Share capital	**Share premium**	**Own shares**	**Retained deficit**	**Merger reserve**	**Cumulative translation reserve**	**Other reserves**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 1 January 2020 *(audited)*	**242.9**	**70.7**	**(10.8)**	**(847.7)**	**2,098.9**	**(99.1)**	**106.1**	**1,561.0**
Net profit	—	—	—	**59.1**	—	—	—	**59.1**
Other comprehensive loss:								
Foreign currency translation adjustment, net of tax	—	—	—	—	—	**(58.5)**	—	**(58.5)**
Remeasurement of defined benefit pension plans, net of tax	—	—	—	—	—	—	**(2.1)**	**(2.1)**
Change in pension asset restriction	—	—	—	—	—	—	**4.7**	**4.7**
Effective portion of changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	**(8.4)**	**(8.4)**
Total other comprehensive loss	—	—	—	—	—	**(58.5)**	**(5.8)**	**(64.3)**
Total comprehensive loss	—	—	—	**59.1**	—	**(58.5)**	**(5.8)**	**(5.2)**
Dividends paid	—	—	—	**(38.0)**	—	—	—	**(38.0)**
Scrip dividend	**2.1**	**35.7**	—	**(37.8)**	—	—	—	—
Share-based payments	—	—	—	—	—	—	**7.2**	**7.2**
Share awards vested	—	—	**2.4**	—	—	—	**(2.4)**	—
At 30 June 2020 *(unaudited)*	**245.0**	**106.4**	**(8.4)**	**(864.4)**	**2,098.9**	**(157.6)**	**105.1**	**1,525.0**

	Share capital	Share premium	Own shares	Retained deficit	Merger reserve	Cumulative translation reserve	Other reserves	Total
	$m	$m	$m	$m	$m	$m	$m	$m
At 1 January 2019 *(audited)*	240.7	39.8	(6.8)	(744.5)	2,098.9	(124.2)	113.3	1,617.2
Net profit	—	—	—	44.5	—	—	—	44.5
Other comprehensive loss:								
Foreign currency translation adjustment, net of tax	—	—	—	—	—	(4.6)	—	(4.6)
Effective portion of changes in fair value of cash flow hedges, net of tax	—	—	—	—	—	—	(6.7)	(6.7)
Total other comprehensive loss	—	—	—	—	—	(4.6)	(6.7)	(11.3)
Total comprehensive income	—	—	—	44.5	—	(4.6)	(6.7)	33.2
Dividends paid	—	—	—	(59.1)	—	—	—	(59.1)
Scrip dividend	1.5	18.5	—	(20.0)	—	—	—	—
Share-based payments	—	—	—	—	—	—	6.0	6.0
Share awards vested	—	—	1.4	—	—	—	(1.4)	—
At 30 June 2019 *(unaudited)*	242.2	58.3	(5.4)	(779.1)	2,098.9	(128.8)	111.2	1,597.3

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2020 $m	2019 $m
Cash flows from operating activities		*(unaudited)*	*(unaudited)*
Net profit		**59.1**	44.5
Adjustments for			
Depreciation of property, plant and equipment		**18.3**	17.1
Depreciation of right-of-use assets		**10.9**	11.1
Amortisation		**67.3**	75.4
Income tax expense	4	**22.4**	16.8
Non-operating expense, net	3	**5.2**	0.2
Finance costs, net		**26.3**	32.1
Share-based payments		**7.2**	6.1
Write-off of property, plant and equipment		**0.3**	0.1
Changes in assets and liabilities:			
Inventories		**(14.4)**	11.0
Trade and other receivables		**(6.1)**	(20.1)
Other non-current assets		**(3.6)**	1.0
Restricted cash		**(0.8)**	—
Trade and other payables		**0.4**	15.2
Other financial liabilities[(a)]		**—**	29.9
Other non-current payables		**4.1**	(0.4)
Net cash generated from operations		**196.6**	240.0
Net interest paid		**(27.0)**	(29.5)
Income taxes paid		**(14.5)**	(16.5)
Net cash generated from operating activities		**155.1**	194.0
Cash flows from investing activities			
Acquisition of property, plant and equipment, capitalised software and development		**(36.7)**	(31.5)
Change in restricted cash		**—**	0.4
Net cash used in investing activities		**(36.7)**	(31.1)
Cash flows from financing activities			
Repayment of borrowings		**—**	(31.0)
Payment of lease liabilities		**(10.3)**	(10.4)
Dividend paid	5	**(38.0)**	(59.1)
Net cash used in financing activities		**(48.3)**	(100.5)
Net change in cash and cash equivalents		**70.1**	62.4
Cash and cash equivalents at beginning of the period		**385.8**	315.6
Effect of exchange rate changes on cash and cash equivalents		**(4.6)**	(2.0)
Cash and cash equivalents at end of the period		**451.3**	376.0

(a) Other financial liabilities for the six months ended 30 June 2019 includes the receipt of $30.0 million which was the gross settlement of a foreign exchange forward contract. The net settlement of this instrument was an overall payment of $nil, but due to a timing difference, $30.0 million was received 28 June 2019 and $30.0 million was paid on 1 July 2019.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting standards

ConvaTec Group Plc (the "Company") is a company incorporated in the United Kingdom. The accompanying unaudited Condensed Consolidated Financial Statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, *Interim Financial Reporting* as adopted by the European Union.

The interim Condensed Consolidated Financial Statements should be read in conjunction with the 2019 ConvaTec Group Plc Annual Report and Accounts, which were prepared in accordance with IFRS as adopted by the European Union. The accounting policies adopted by the Group in preparation of these interim Condensed Consolidated Financial Statements are consistent with those set out in the 2019 Annual Report and Accounts, except for those described below as new standards and interpretations applied for the first time.

These interim Condensed Consolidated Financial Statements and the comparatives are not statutory financial statements. The statutory financial statements for the Group in respect of the year ended 31 December 2019 have been reported on by the Group's auditor and delivered to the Registrar of Companies. The audit report on those accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

The Condensed Consolidated Financial Statements for the six months ended 30 June 2020 were approved by the Board on 5 August 2020.

New standards and interpretations applied for the first time

On 1 January 2020, the Group adopted the following new or amended IFRS and interpretations issued by the International Accounting Standards Board ("IASB"):

- *Amendments to References to the Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

Their adoption has not had a material impact on the Condensed Consolidated Financial Statements.

The transition away from LIBOR and other IBORs (together "IBOR Reform") will remove IBOR as an interest rate benchmark for financial instruments, including floating rate debt and interest rate swaps held by the Group. There is uncertainty as to the timing and the methods of transition for replacing existing IBOR benchmark rates with alternative rates. The Group has considered whether hedge relationships continue to qualify for hedge accounting as at 30 June 2020. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected transition deadline. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 30 June 2020 and IBOR Reform is not considered to have an impact on the Group as at this date. We will continue to monitor market developments throughout the remainder of 2020.

New standards and interpretations not yet applied

At the date of approval of these Condensed Consolidated Financial Statements, there were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially relevant for the Group and which have not yet been applied.

Going concern

The Directors have, at the time of approving these Condensed Consolidated Financial Statements, a reasonable expectation that the Group and the Company will have adequate liquid resources to meet its 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 August 2020.

As discussed, the overall financial performance of the business remains robust and we are retaining our guidance for the full year. As at 30 June 2020, the Group held cash and cash equivalents of $451.3 million and two multicurrency term loans totalling $1.5 billion, of which $900 million is available until October 2024. The remaining $600 million is amortising requiring $45.0 million to be repaid within the next 12 months. The Group also has access to a $200.0 million multicurrency revolving credit facility, which remains undrawn. In preparing their assessment of going concern the Directors have considered available cash resources, performance to date and forecast performance for 18 months from the balance sheet date together with the Group's financial covenant compliance requirements (as embedded in the term loans) and principal risks and uncertainties. The Board has reviewed a number of severe but plausible COVID-19 downside scenarios which include assumptions regarding substantial reductions in elective procedures in the remainder of 2020, with the potential to materially affect Advanced Wound Care revenue, and a significant supply chain disruption event across the Group. The scenarios include possible mitigating actions achieved through reductions in both operating cost and capital expenditure, both of which are in management's control to effect. Under each scenario, the Group continues to meet all financial covenants with material headroom and maintains sufficient liquidity to enable the Group to meet its obligations as they fall due for a period of at least twelve months from the date of approving the Condensed Consolidated Financial Statements and to continue to implement its strategy and the related transformation. The impact of a reverse stress test was considered but the conditions of the reverse stress test were not considered to be reasonably probable.

Accordingly, having reviewed the downside scenarios, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis in preparing the interim financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the interim financial statements requires judgements, estimates and assumptions to be made that affect the application of accounting policies and the reported value of assets and liabilities in our balance sheet and results within our income statement.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2019. In the application of each of our accounting policies, management has considered the potential impact of COVID-19 and this is further discussed below.

In preparing the Annual Report and Accounts 2019, two key sources of estimation uncertainty were identified, which could potentially result in a material adjustment within the next financial year to the carrying value of certain assets, being "Impairment of finite-lived assets" and "Recognition of deferred tax assets". Management has reviewed the position at the interim balance sheet date.

Impairment of finite-lived assets

As part of the Transformation Initiative, a product portfolio review was undertaken in 2019 which resulted in the identification of impairment triggers in relation to certain of the Group's intangible assets. As a result, an impairment review was performed in accordance with IAS 36, *Impairment of Assets*. This resulted in the Group recognising an impairment of $103.6 million for product-related intangible assets in the year ended 31 December 2019.

No impairment of assets has been recognised in the six months ended 30 June 2020 and the performance of the finite-lived assets has been in line with expectations. The assessment of the reasonably possible outcomes that could impact the recoverable amount remain consistent with those disclosed on page 144 in the 2019 ConvaTec Group Plc Annual Report and Accounts.

Recognition of deferred tax assets

At 31 December 2019 the Group recognised a deferred tax asset of $23.0 million following the Swiss tax reform, which was substantively enacted on 4 October 2019. The value of the deferred tax asset of $23.0 million remains unchanged at 30 June 2020 as there has been no change to the underlying assumptions and estimate made at 31 December 2019. The deferred tax asset is calculated on a best estimate basis using a specific methodology that is permitted under Swiss law. Given the anticipated future transformative changes in the business, there is uncertainty in the calculation of the deferred tax asset and it remains subject to review as a key source of estimation uncertainty. Once the impact to the Group's Swiss operations as a result of the transformative changes has been determined, it is reasonably possible that the recalculation of the carrying value of the deferred tax asset could require a material adjustment.

COVID-19 accounting considerations

In preparing the interim financial statements the current and potential implications of COVID-19 on defining critical accounting judgements and key sources of estimation uncertainty and the potential effect on the carrying value of items on the balance sheet have been considered together with the evaluation of the adoption of the going concern assumption, as discussed above.

The potential impacts of COVID-19 have been assessed in the preparation of the balance sheet specifically in relation to impairment triggers for property, plant and equipment, goodwill and indefinite-lived intangibles. No additional critical accounting judgements or key sources of estimation uncertainty have been identified from this assessment.

The carrying values of property, plant and equipment are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. The majority (c.90%) of the carrying value of the Group's property, plant and equipment relates to our manufacturing sites. These sites have continued to operate within normal parameters, with appropriate safety precautions and requirements implemented during H1 2020 and therefore there is no indicator of impairment in relation to COVID-19.

Goodwill and indefinite-lived intangible assets are not subject to amortisation but tested for impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. Management has considered whether the effect of COVID-19 is a trigger for impairment. In light of the robust H1 2020 financial performance, reiteration of guidance in relation to the full year and the headroom on the impairment sensitivity testing performed as at 31 December 2019, management has concluded that there is no indicator of impairment in relation to COVID-19.

2. Segment information

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

Page 3 of the Operating Review provide further detail of franchise revenue.

The Group's CEO, who is the Group's Chief Operating Decision Maker, 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 geographic infrastructures and support functions between the franchises. Financial information relating to revenues provided to the CEO for decision-making purposes is made on both a franchise and regional basis, however profitability measures are presented and resources allocated on a Group-wide basis.

Revenue by franchise

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

Revenue by franchise	Six months ended 30 June 2020 $m	2019 $m
Advanced Wound Care	**250.9**	271.4
Ostomy Care	**251.8**	252.2
Continence & Critical Care	**244.3**	221.4
Infusion Care	**161.0**	143.9
Total	**908.0**	888.9

Geographic information

The following table sets out the Group's revenue in each geographic market in which customers are located:

Geographic markets	Six months ended 30 June 2020 $m	2019 $m
EMEA	**346.8**	358.1
Americas	**493.5**	462.3
APAC	**67.7**	68.5
Total	**908.0**	888.9

Details on revenue performance is discussed in the First Half Financial Review on page 3.

3. Non-operating expense, net

Non-operating expense, net was as follows:

	Six months ended 30 June 2020 $m	2019 $m
Net foreign exchange losses[(a)]	**5.1**	0.1
Other expense	**0.1**	0.1
Non-operating expense, net	**5.2**	0.2

(a) The foreign exchange losses in 2020 primarily relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies.

4. Income taxes

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

For the six months ended 30 June 2020, the Group recorded an income tax expense of $22.4 million (2019: $16.8 million). The Group's reported effective tax rate of 27.5% remains in line with the prior year (2019: 27.4%). The effective tax rate includes the impact of taxable losses in the US on which a deferred tax asset is not recognised.

5. Dividends

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

In determining the level of dividend in the year, the Board considers the following factors and risks that may influence the proposed dividend:
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments, in line with the Group's Strategic Plan;
- The potential impact of COVID-19 on the performance of the Group; and
- Principal risks of the Group including the risks associated with the COVID-19 pandemic (as disclosed in the 2019 Annual Report and Accounts on pages 28 to 33 and updated on pages 7 to 9 of this interim results announcement).

The Board paid the 2019 final dividend in May 2020 and proposes an interim dividend to be paid in October 2020. The Board has taken into consideration balancing the return to shareholders, the potential effects of COVID-19 and the additional investment in transformation in the period. The decision to maintain the dividend reflects the Board's confidence in the future performance of the Group, our resilience during the COVID-19 pandemic and the underlying financial strength, distributable reserves position and cash generation of the Group. Further details of the Group's considerations and rationale for its policy in respect of the dividend distribution are given in the Directors' report in the 2019 Annual Report and Accounts on page 132.

	pence per share	cents per share	Total $m	Settled in cash $m	Settled via scrip $m	No of scrip shares issued
Final dividend 2018	3.097	3.983	79.1	59.1	20.0	11,198,285
Interim dividend 2019	1.404	1.717	33.9	20.8	13.1	6,159,842
Paid in 2019	4.501	5.700	113.0	79.9	33.1	17,358,127
Final dividend 2019	3.095	3.983	75.8	38.0	37.8	16,991,621
Paid in 2020 to date	**3.095**	**3.983**	**75.8**	**38.0**	**37.8**	**16,991,621**
Interim dividend 2020 proposed	**1.306**	**1.717**	**34.3**			

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

The proposed interim dividend for 2020, to be distributed on 15 October 2020 to shareholders registered at the close of business on 4 September 2020, is based upon the issued and fully paid share capital as at 30 June 2020. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.315/£1.00 determined on 5 August 2020. A scrip dividend alternative will be offered allowing shareholders to elect by 22 September 2020 to receive their dividend in the form of new ordinary shares.

Distributable reserves

Distributable reserves equate to the retained surplus of the Company, ConvaTec Group Plc. The capacity of the Company to make dividend payments is primarily determined by the availability of these distributable reserves (which are fully realised) and cash resources. The Company principally derives distributable reserves from dividends paid by subsidiary companies.

At 30 June 2020, the retained surplus of ConvaTec Group Plc was $1,433.0 million (31 December 2019: $1,528.5 million). The movements in distributable reserves were as follows:

	$m
At 1 January 2020	**1,528.5**
Total comprehensive loss for the period	**(19.7)**
Dividends paid	**(38.0)**
Scrip dividend	**(37.8)**
Retained surplus at 30 June 2020	**1,433.0**

6. Post-employment benefits

The Group operates a number of defined benefit and defined contribution pension plans for its employees. Each individual plan is subject to the applicable laws and regulations of the country in which the plan operates. The Group has defined benefit plans in six European countries. The most significant plans are in the UK, Switzerland and Germany. Further details of the Group's defined benefit plans can be found on page 165 of the 2019 Annual Report and Accounts.

On 24 March 2020, the Trustee of the UK plan completed a buy-in transaction whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Aviva Life & Pensions UK Limited ("Aviva"), under which the benefits payable to defined benefit members are now fully insured. The Scheme paid $12.6 million to Aviva on 30 March 2020 to fund the buy-in premium. The Group intends to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments.

An actuarial valuation for the UK plan has been prepared by an independent actuary and a net pension asset of $2.4 million (31 December 2019: $nil) is recognised in the Consolidated Statement of Financial Position. An expense of $0.2 million is recognised in the Consolidated Income Statement and a loss on remeasurement of $2.1 million is recognised in the Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020.

Surplus assets within the plan are only recognised to the extent that they are recoverable in accordance with IFRIC Interpretation 14, *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* ("IFRIC 14"). Certainty over the recoverability of the surplus has resulted in a gain of $4.7 million recognised in the Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020.

The net impact on the Group's interim financial statements of valuations prepared for the Group's other defined benefit plans as at 30 June 2020 was negligible.

7. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from bank term loans together with a committed revolving credit facility. In October 2019, the Group voluntarily prepaid and discharged all outstanding contractual obligations under its previous credit agreement and refinanced under a new five year credit agreement.

The Group's outstanding borrowings are outlined in the table below:

	Currency	Year of maturity	**30 June 2020** Face value $m	31 December 2019 Face value $m
Revolving Credit Facilities	Multicurrency	2024	—	—
Term Loan Facility A[(a)]	USD/Euro	2024	**601.3**	600.9
Term Loan Facility B[(b)]	USD/Euro	2024	**901.9**	901.4
Total interest-bearing liabilities			**1,503.2**	1,502.3
Financing fees			**(14.0)**	(16.2)
Total carrying value of borrowings from credit facilities			**1,489.2**	1,486.1
Less: current portion of borrowings			**40.9**	40.8
Total non-current borrowings			**1,448.3**	1,445.3

(a) Included within Term Loan Facility A at 30 June 2020 and 31 December 2019 is €161.3 million denominated in Euros representing 30% of Facility A borrowings denominated in Euros and 70% denominated in US dollars.

(b) Included within Term Loan Facility B at 30 June 2020 and 31 December 2019 is €242.0 million denominated in Euros representing 30% of Facility B borrowings denominated in Euros and 70% denominated in US dollars.

At 30 June 2020, the Group was in compliance with all financial and non-financial covenants associated with the Group's outstanding debt.

Borrowings not measured at fair value

At 30 June 2020, the estimated fair value of the Group's borrowings approximated $1,541.4 million (31 December 2019: $1,513.2 million). The fair value of the Group's borrowings is based on discounted cash flows using a current borrowing rate and are categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13, *Fair Value Measurements.*

8. 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 borrowing facilities.

Financial instruments are classified as Level 2 in the fair value hierarchy in accordance with IFRS 13, *Fair Value Measurements*, based upon the degree to which the fair value movements are observable. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (prices from third parties) or indirectly (derived from third-party prices).

The fair values are based on market values of equivalent instruments. The following table presents the Group's outstanding interest rate swaps at 30 June 2020 and 31 December 2019 respectively:

	Effective Date	**Maturity Date**	**Notional amount at 30 June 2020 $m**	**Fair value liabilities[(a)] $m**	Notional amount at 31 December 2019 $m	Fair value assets[(a)] $m
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	**275.0**	**(9.4)**	275.0	1.0

(a) The fair values of the interest rate swaps are shown in derivative financial liabilities/assets in the Consolidated Statement of Financial Position. Finance costs, net in the Consolidated Income Statement includes the negligible ineffective impact of the interest rate swaps.

At 30 June 2020, the interest rate swaps were in a $9.4 million liability position (31 December 2019: $1.0 million asset). The reduction in fair value follows a reduction in US interest rates in the six months to 30 June 2020 as a response to the global COVID-19 pandemic.

The Group has assessed its ability to continue to apply hedge accounting at 30 June 2020 and concluded the hedge to be effective.

Foreign exchange forward contracts
The following table presents the Group's outstanding foreign exchange forward contracts:

			30 June 2020		31 December 2019	
	Term	**Financial Statement line item**	**Notional amount $m**	**Fair value $m**	Notional amount $m	Fair value $m
Foreign exchange contracts	30-45 days	Trade and other receivables	**367.7**	**1.3**	130.7	1.0
Foreign exchange contracts	30-45 days	Trade and other payables	**71.1**	**(0.2)**	136.0	(2.2)
			438.8	**1.1**	266.7	(1.2)

9. Foreign exchange

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

		Six months ended 30 June		Year ended 31 December
Currency	Average rate/Closing rate	**2020**	2019	2019
EUR/USD	Average	**1.10**	1.13	1.12
	Closing	**1.12**	1.14	1.12
GBP/USD	Average	**1.26**	1.29	1.28
	Closing	**1.24**	1.27	1.33
DKK/USD	Average	**0.15**	0.15	0.15
	Closing	**0.15**	0.15	0.15

10. Commitments and contingent liabilities

Capital commitments
At 30 June 2020, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $22.4 million (30 June 2019: $17.4 million).

Contingent liabilities
Liability claims
On 31 May 2019, ConvaTec Inc. filed a lawsuit against Scapa Group plc (trading as Scapa Tapes North America LLC) and Webtec Converting LLC seeking a declaration that the company was within its rights to terminate a contract between the parties. On 10 July 2019, the defendants filed a motion seeking dismissal of the declaratory judgement action, and Scapa Tapes North America LLC filed a separate complaint seeking damages of $83.8 million against ConvaTec Inc. in relation to the contract cancellation. ConvaTec Inc., in turn, has asserted a claim for damages against Scapa Tapes North America LLC and Scapa Group plc. All claims are being litigated before the Connecticut state court in the United States and the court has directed the parties to proceed with discovery and has tentatively scheduled trial for October 2021. The Group's Board, in conjunction with its legal advisors, do not believe the claim has merit and no provision is recognised as at 30 June 2020.

11. Subsequent events

The Group has evaluated subsequent events through 5 August 2020, the date the Condensed Consolidated Financial Statements were approved by the Board of Directors.

On 30 July 2020, the Group signed an agreement to sell the trade and assets of its US Skincare product line, a limited product range within Advanced Wound Care, for an expected consideration of approximately $29 million. The sale is expected to complete in Q3 2020. The offer was deemed non-adjusting and did not meet the criteria to be recognised as held for sale as at 30 June 2020.

On 5 August 2020, the Board declared the interim dividend to be distributed on 15 October 2020. Refer to Note 5 - Dividends for further details.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that Group management believe are not related to the underlying performance of the Group and provide a meaningful supplement to the reported numbers to provide meaningful insight on how the business is managed and measured on a day-to-day basis. Reconciliations for these adjusted measures determined under IFRS are shown on pages 30 to 32. The definitions of adjusted measures are provided within the reconciliation tables.

These items are excluded from the adjusted measures to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically gains or losses/costs arising from events that are not considered part of the core operations of the business or are considered to be significant in nature. They may cross several accounting periods. We also adjust for the tax effect of these items. The APMs are consistent with those disclosed in the 2019 Annual Report and Accounts. The Group has made no adjustment to the Group's reported results related to COVID-19.

Adjusted profit items, excluding the impact of tax, for the six months ended 30 June 2020 and 2019 comprise the following credits or costs that are reflected in the reported measures:

- Amortisation of intangible assets relating to acquisitions pre 1 January 2018 (ongoing) ($62.4 million and $70.2 million respectively).
- Termination benefits in relation to major change programmes ($6.4 million and $1.4 million respectively).

Adjusted cash conversion for the six months ended 30 June 2019 excludes a receipt of $30.0 million in relation to the gross settlement of a foreign exchange forward contract. The net settlement of this instrument had no overall impact on the Group's cash conversion however, due to a timing difference, $30.0 million was received 28 June 2019 and $30.0 million was paid on 1 July 2019.

Acquisition related amortisation of intangible assets

Our adjusted measures exclude the amortisation of intangible assets arising from acquisitions made before 1 January 2018. After 1 January 2018, amortisation in relation to incremental "bolt-on" acquisitions is not excluded as smaller acquisitions are part of our Group strategy and should be included in our reported and adjusted measures. The Board will review significant acquisitions on a case-by-case basis to determine whether the exclusion of the amortisation of the acquired intangibles would provide a more meaningful comparison of our results.

Termination benefits and related costs

Termination benefits and related costs arise from Group-wide initiatives to reduce the recurring cost base and improve efficiency in the business. 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 discreet qualifying items are identified these costs are highlighted and excluded from the calculation of our adjusted measures. Restructuring-related costs not related to termination benefits are reported in the normal course of business.

Reconciliation of reported earnings to adjusted earnings for the six months ended 30 June 2020 and 2019

Six months ended 30 June 2020	Revenue $m	Gross profit $m	Operating costs $m	**Operating profit $m**	Finance costs, net $m	Non-operating expense, net $m	**PBT $m**	Taxation $m	**Net profit $m**
Reported	**908.0**	**491.6**	**(378.6)**	**113.0**	**(26.3)**	**(5.2)**	**81.5**	**(22.4)**	**59.1**
Amortisation of pre-2018 acquisition intangibles	—	53.3	9.1	**62.4**	—	—	**62.4**	(4.9)	**57.5**
Termination benefits and other related costs	—	—	6.4	**6.4**	—	—	**6.4**	(1.2)	**5.2**
Total adjustments and their tax effect	—	53.3	15.5	**68.8**	—	—	**68.8**	(6.1)	**62.7**
Adjusted	**908.0**	**544.9**	**(363.1)**	**181.8**	**(26.3)**	**(5.2)**	**150.3**	**(28.5)**	**121.8**

Software and R&D amortisation	**3.9**
Post-2017 acquisition amortisation	**1.0**
Depreciation	**29.2**
Write-off of property, plant and equipment	**0.3**
Share-based payments	**7.2**
Adjusted EBITDA	**223.4**

Termination benefits and other related costs were $6.4 million, pre-tax, in the six months ended 30 June 2020. The Transformation Initiative is a global multi-year transformation programme which will simplify the way in which the business operates. We expect to incur c.$35 million of severance and associated retention costs over 2020 and 2021.

Six months ended 30 June 2019	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance costs, net $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $m
Reported	888.9	459.2	(365.6)	93.6	(32.1)	(0.2)	61.3	(16.8)	44.5
Amortisation of pre-2018 acquisition intangibles	—	61.7	8.5	70.2	—	—	70.2	(5.1)	65.1
Termination benefits and other related costs	—	—	1.4	1.4	—	—	1.4	—	1.4
Total adjustments and their tax effect	—	61.7	9.9	71.6	—	—	71.6	(5.1)	66.5
Adjusted	888.9	520.9	(355.7)	165.2	(32.1)	(0.2)	132.9	(21.9)	111.0

Software and R&D amortisation	4.7
Post-2017 acquisition amortisation	0.5
Depreciation	28.2
Share-based payments	6.1
Adjusted EBITDA	204.7

Termination benefits and other related costs were $1.4 million, pre-tax, in the six months to 30 June 2019 and related to the transition of the head office support functions from the US to the UK and restructuring of geographical sales teams. These programmes were completed in 2019.

Reconciliation of reported operating costs to adjusted operating costs for the six months ended 30 June 2020 and 30 June 2019

	Six months ended 30 June							
	2020				2019			
	S&D[(a)]	**G&A[(b)]**	**R&D[(c)]**	**Operating costs**	S&D[(a)]	G&A[(b)]	R&D[(c)]	Operating costs
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Reported[(d)]	**(218.2)**	**(124.8)**	**(35.6)**	**(378.6)**	(228.3)	(113.6)	(23.7)	(365.6)
Amortisation of pre-2018 acquisition intangibles	**—**	**9.1**	**—**	**9.1**	—	8.5	—	8.5
Termination benefits and other related costs	**—**	**6.4**	**—**	**6.4**	—	1.4	—	1.4
Adjusted	**(218.2)**	**(109.3)**	**(35.6)**	**(363.1)**	(228.3)	(103.7)	(23.7)	(355.7)

(a) "S&D" represents selling and distribution expenses

(b) "G&A" represents general and administrative expenses

(c) "R&D" represents research and development expenses

(d) Following a review of cost allocations, general and administrative expenses of $12.1 million (2019: $13.6 million) principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

Reconciliation of basic and diluted reported earnings per share to adjusted earnings per share for the six months ended 30 June 2020 and 30 June 2019

	Six months ended 30 June			
	Reported 2020	**Adjusted 2020**	Reported 2019	Adjusted 2019
	$m	**$m**	$m	$m
Net profit attributable to the shareholders of the Group	**59.1**	**121.8**	44.5	111.0
		Number		Number
Basic weighted average ordinary shares in issue		**1,983,903,773**		1,966,554,877
Diluted weighted average ordinary shares in issue		**1,997,251,095**		1,971,471,328
	$ per share	**$ per share**	$ per share	$ per share
Basic and diluted earnings per share	**0.03**	**0.06**	0.02	0.06

Cash conversion for the six months ended 30 June 2020 and 30 June 2019

	Six months ended 30 June	
	2020	2019
	$m	$m
Reported Operating profit/EBIT	**113.0**	93.6
Depreciation of property, plant and equipment	**18.3**	17.1
Depreciation of right-of-use assets	**10.9**	11.1
Amortisation	**67.3**	75.4
Write-off of property, plant and equipment	**0.3**	—
Reported EBITDA	**209.8**	197.2
Non-cash items in EBITDA		
Share-based payment expense	**7.2**	6.1
Disposals	**—**	0.1
	7.2	6.2
Working capital movement	**(20.4)**	36.6
Capital expenditure	**(36.7)**	(30.9)
Reported net cash for cash conversion	**159.9**	209.1
Less: tax paid	**(14.5)**	(16.5)
Reported free cash flow	**145.4**	192.6

Reconciliation of Adjusted EBITDA, Adjusted Non-Cash Items, Adjusted Working Capital and Adjusted Net Cash (for Adjusted Cash Conversion measurement)		
Reported EBITDA	**209.8**	197.2
Share-based payment expense	**7.2**	6.1
Termination benefits and other related costs	**6.4**	1.4
Total adjustments (a)	**13.6**	7.5
Adjusted EBITDA	**223.4**	204.7
Reported non-cash items	**7.2**	6.2
Share-based payment expense	**(7.2)**	(6.1)
Total adjustments (b)	**(7.2)**	(6.1)
Adjusted non-cash items	**—**	0.1
Reported working capital movement	**(20.4)**	36.6
(Increase)/decrease in severance provision	**(3.4)**	3.4
Increase in other financial liabilities due to foreign exchange forward contract	**—**	(30.0)
Total adjustments (c)	**(3.4)**	(26.6)
Adjusted working capital movement	**(23.8)**	10.0
Reported net cash for cash conversion	**159.9**	209.1
Total adjustments above (a), (b), (c)	**3.0**	(25.2)
Adjusted net cash for cash conversion	**162.9**	183.9
Less: tax paid	**(14.5)**	(16.5)
Adjusted free cash flow	**148.4**	167.4
Reported cash conversion	**76.2%**	106.0%
Adjusted cash conversion	**72.9%**	89.8%

Net debt

Net debt, which is used to monitor the leverage of the business, is calculated as the carrying value of current and non-current borrowings on the face of the Condensed Consolidated Statement of Financial Position (Note 7 - Borrowings), net of cash and cash equivalents.

	30 June 2020	31 December 2019
	$m	$m
	Reported	Reported
Borrowings	**1,489.2**	1,486.1
Lease liabilities	**89.0**	88.5
Total interest-bearing borrowings	**1,578.2**	1,574.6
Cash and cash equivalents	**(451.3)**	(385.8)
Net debt (including leases)	**1,126.9**	1,188.8
Net debt	**1,037.9**	1,100.3
Leverage[(a)]	**2.2**	2.5

(a) Leverage is calculated as net debt / last 12 months adjusted EBITDA.

Directors' Responsibilities Statement

The Directors confirm that to the best of their knowledge:

- the Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 as adopted by the European Union; and

- the interim management report includes a fair review of the information required by:

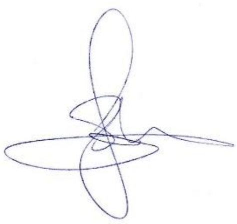
  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

The Board of Directors of ConvaTec Group Plc on 5 August 2020 are the same as those listed in the 2019 Annual Report with the exception of Brian May, who joined as a Non-Executive Director on 2 March 2020, and Heather Mason, who joined as a Non-Executive Director on 1 July 2020.

By order of the Board:

Karim Bitar	Chief Executive Officer	5 August 2020



Frank Schulkes	Chief Financial Officer	5 August 2020

INDEPENDENT REVIEW REPORT TO CONVATEC GROUP PLC

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2020 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Group in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
5 August 2020