UDG Healthcare plc
Interim Report 2020

19 May 2020: UDG Healthcare plc ("UDG Healthcare" or "Group"), a leading international healthcare services provider, announces its results for the six months to 31 March 2020, in which the Group delivered a strong first half performance and an update on the impact of COVID-19.

Key updates

- Strong H1 FY20 performance well ahead of prior year:
    - Adjusted diluted earnings per share (EPS) increased by 16% (16% on a constant currency basis)
    - Underlying* net revenue growth of 4%. Total net revenue growth of 10% on a constant currency basis
    - Underlying* adjusted operating profit growth of 10%. Total adjusted operating profit increased by 24% on a constant currency basis, reflecting continued growth in Ashfield and Sharp
        - Ashfield's operating profit increased by 24% on a constant currency basis, driven by good underlying growth in Communications & Advisory, and the benefit of 2019 acquisitions
        - Sharp performed very strongly, with operating profit increasing by 24% on a constant currency basis driven by strong underlying growth across the division
    - Adjusted net operating margin increased from 12.0% to 13.6%
- Robust balance sheet with net debt to EBITDA of 0.3x** and a continued strong cash flow conversion performance
- In May, Sharp completed the acquisition of a packaging facility in the U.S., adding incremental capacity to the U.S. commercial packaging business
- COVID-19 impact:
    - The health and wellbeing of our people and serving our clients remains the Group's priority
    - H2 FY20 performance expected to be impacted by COVID-19
    - Ongoing mitigation plans being implemented across the Group
    - As previously announced in the April 2020 trading update, FY20 interim dividend suspended and FY20 financial guidance withdrawn due to current uncertainty

**underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity*
***calculated in line with financial covenant requirements*

Chief Executive's comment

Chief Executive Officer, Brendan McAtamney commented:

"The Group's priority remains on protecting the health and wellbeing of our people and serving our clients during this challenging time. I am immensely proud of the continued hard work and resilience of our people and want to reiterate my continued appreciation for their dedication and commitment.

As announced in our April 2020 trading update, we delivered a strong first half performance, well ahead of the prior year, driven by underlying growth and acquisitions in Ashfield, and strong demand in our Sharp business. While we expect to see an impact from COVID-19 in the second half, we are implementing plans across the Group to mitigate this.

UDG is a strong and diversified business, underpinned by excellent long-term market fundamentals and a robust balance sheet and cash flow position. While uncertainty remains, I am confident the decisive actions taken now will ensure we remain well positioned through the crisis and beyond."

Financial Results – six months to 31 March 2020

IFRS based	**31 March 2020 $'m**	31 March 2019 $'m	Increase/ (decrease) %
Revenue	**693.6**	656.6	6
Operating profit	**68.5**	34.1	n/m
Profit before tax	**62.3**	30.3	n/m
Diluted earnings per share ("EPS") (cent)	**22.03**	9.27	n/m
Dividend per share (cent)	**-**	4.46	(100)

	31 March 2020	31 March 2019	30 September 2019
Net debt ($'m)	**58.2**	56.8	80.5
Net debt ($'m) including IFRS 16 lease liabilities	**157.1**	n/a	n/a
Net debt/annualised EBITDA (times)	**0.3**	0.3	0.4

Alternative performance measures[1]

	31 March 2020 $'m	31 March 2019 $'m	Increase %	Constant currency increase %
Revenue	**693.6**	656.6	6	6
Net Revenue	**596.2**	546.2	9	10
Adjusted operating profit	**81.3**	65.6	24	24
Adjusted profit before tax	**75.0**	61.8	21	21
Adjusted diluted earnings per share ("EPS") (cent)	**23.64**	20.32	16	16

COVID-19 update and outlook

Protecting the wellbeing of our people
Since the start of the COVID-19 outbreak, the Group's priority has been the health and wellbeing of our people and their families. A global response team established in the initial stages of the outbreak, made up of representatives from across the Group, continues to convene on a regular basis to review existing measures to protect colleagues and manage these as required.

Across all of our businesses, we have put in place additional health and safety measures to protect our people. At our Sharp sites, these measures include providing incremental personal protective equipment, additional cleaning and hygiene services, and adapting shift patterns to enable required social distancing. In Ashfield the vast majority of our employees are working remotely.

We have also developed and launched a number of wellbeing initiatives and resources, which are available to all employees across the Group. Launched during wellbeing week, our employee microsite, "Wellspace", contains free webinars, useful resources, activities and classes to support physical and mental wellbeing.

Continuing to deliver for our clients
Despite the impact of COVID-19 on activity and operations, our people have shown incredible commitment and dedication in light of the unprecedented challenges presented by this outbreak. As a result, the Group has continued to deliver for clients to the extent possible during this challenging time, aided by our significant investments in technology in recent years.

We also continue to use our expertise to support our clients in their efforts to find a treatment for COVID-19, including packaging, distribution and medical information services on several clinical trials related to COVID-19. Our teams in Ashfield have adapted rapidly to ensure we can deliver services such as field-based training, clinical educators, patient support programs and live events virtually to our clients.

Supporting the communities we operate in
The Group has a long record of supporting local communities through hands-on projects and charitable fundraising. Over the last few months we have been supporting the communities we operate in through foodbank donations, charitable fundraising, a donation to #fuellingthefrontline, an initiative in Ireland to provide essential and nutritious meals to Frontline Heroes fighting COVID-19, as well as donating personal protective equipment to hospitals and manufacturing face shields for front line workers from surplus materials.

Impact on our operations
Within Ashfield, as a dynamic and technology-enabled business, we continue to serve our clients remotely where possible, although we have seen some project deferrals and cancellations. In-field based activities in Ashfield (particularly in our Meetings and Events business, field-based representatives, clinical educator business and audit services in STEM) are experiencing more significant disruption and reduced activity.

In Sharp, where we package critical and in some cases life-saving medicines for patients, the business has been categorised as essential and therefore continues to operate. Demand within Sharp remains very robust. Temporary disruption to production schedules and capacity resulting from the additional health and safety measures, along with workforce availability, is expected to reduce our efficiency and revenue. Actions to mitigate these impacts are being implemented, resulting in workforce availability sequentially improving, and the social distancing measures being partially offset by incremental automation.

Cost management
The Group is actively adopting tighter cost control measures to mitigate the potential negative impacts from COVID-19. These measures have included: the reduction of appropriate variable costs; tight control of discretionary expenditure; a recruitment freeze; reducing freelancer expenditure; and a temporary reduction in labour, including reduced working hours and furloughing of employees.

The Board and Senior Executive Team have voluntarily agreed to take a 20% reduction in their respective fees and base salary for at least the next three months.

Balance sheet, liquidity and dividend
The Group has a robust financial position with a strong balance sheet and liquidity profile, and a net debt to EBITDA ratio of 0.3x at 31 March 2020 (as defined by our debt agreements) which compares to the Group's banking covenant of 3.5x net debt to EBITDA. The Group also has access to committed undrawn debt facilities of $230m.

Having regard for all stakeholders' interests and the wider societal challenges, the Board took the decision at the time of the April 2020 trading update to suspend an interim dividend for H1 FY20. The Board has committed to keeping this decision under review during the financial year as the effects of the COVID-19 outbreak become clearer.

Group outlook
As communicated at the time of our April 2020 trading update, the Group expects lower activity levels than previously anticipated during the second half of FY20. As a result, the Group withdrew its constant currency EPS guidance for FY20 in light of the ongoing uncertainty and near-term challenges presented by the COVID-19 outbreak.

During FY19 and the first half of FY20, the Group delivered a strong underlying growth performance, supplemented by the benefits of recent acquisition activity. The Group's strong and diversified business, accompanied by excellent market fundamentals and its robust financial position, leaves it well placed to deliver renewed strong growth over the medium term.

Upcoming financial results
The Group will issue its Third Quarter Trading Update on Wednesday, 5th August 2020.

Notes:
[1]Alternative performance measures ("APMs) are financial measurements that are not required under International Financial Reporting Standards (IFRS) which represent the generally accepted accounting principles (GAAP) under which the Group reports. APMs are presented to provide readers with additional financial information that is regularly reviewed by management. The Group believes that the presentation of these non-IFRS measurements provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. APMs should not be considered in isolation or as a substitute for an analysis of results as reported under IFRS. See "Additional Information" on page 36 for definitions and reconciliations to the closest respective equivalent GAAP measure.

Ashfield

Six months to 31 March	**2020 $'m**	**2019 $'m**	*Actual Growth*	*Underlying Growth[2]*
Revenue				
Communications & Advisory	**220.4**	174.6	*26%*	*6%*
Commercial & Clinical	**287.5**	316.4	*(9%)*	*(7%)*
Total	**507.9**	491.0	*3%*	*(3%)*
Net revenue[1]				
Communications & Advisory	**201.0**	154.5	*30%*	*7%*
Commercial & Clinical	**209.4**	226.1	*(7%)*	*(5%)*
Total	**410.4**	380.6	*8%*	*0%*
Adjusted operating profit[3]				
Communications & Advisory	**41.1**	30.0	*37%*	*8%*
Commercial & Clinical	**17.5**	17.4	*1%*	*0%*
Total	**58.6**	47.4	*24%*	*5%*
Adjusted operating margin[3]				
Operating margin (on revenue)	**11.5%**	9.7%		
Net operating margin (on net revenue)	**14.3%**	12.5%		

[1] Net revenue represents reported revenue adjusted for revenue associated with pass-through costs, for which the Group does not earn a margin. There are no pass-through revenues in Sharp.
[2] Underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity.
[3] Adjusted operating profit is operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items.

Ashfield delivered a strong performance in H1 FY20, driven by good underlying growth and the benefit of acquisitions made in 2019 within Ashfield Communications and Advisory.

Ashfield generated net revenue[1] of $410.4 million and adjusted operating profit[3] of $58.6 million, 8% and 24% respectively ahead of the same period last year. Adjusting for the impact of currency translation movements and the contribution from acquisitions, underlying[2] net revenue growth was flat and underlying operating profit increased by 5%. Ashfield's net operating margin improved from 12.5% to 14.3%.

Ashfield Communications & Advisory, which now represents over 70% of Ashfield's operating profits, performed strongly in the period. Net revenue increased by 30% and operating profit increased by 37%, including the benefit of the FY19 acquisitions of Putnam and Incisive Health. On an underlying basis, net revenue increased by 7% and operating profit increased by 8%.

Ashfield Commercial & Clinical performed in line with previously communicated expectations. Net revenue declined compared to the same period last year, including the disposal of Ashfield's pharmacovigilance business. Operating profit growth in the period was flat, reflecting the benefits of 2019 restructuring completed primarily within the European business.

As demonstrated during H1 FY20, Ashfield continues to perform strongly, delivering on its strategy to diversify and expand its service offering, demonstrate increasing collaboration across the division and execute strategic acquisitions to complement existing business capabilities. Ashfield remains well positioned for continued underlying growth in line with the Group's medium-term outlook, although we anticipate some parts of the business will be impacted in the near term by the outbreak of COVID-19 as detailed above.

Sharp

Six months to 31 March	2020 $'m	2019 $'m	*Actual Growth*	*Underlying Growth*[1]
Revenue	**185.8**	165.6	*12%*	*13%*
Adjusted operating profit[2]	**22.7**	18.2	*25%*	*24%*
Adjusted operating margin %[2]	**12.2%**	11.0%		

[1] *Underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity.*

[2] *Adjusted operating profit is operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items.*

Sharp delivered a very strong performance during the period, generating revenue of $185.8 million and adjusted operating profit[2] of $22.7 million, 12% and 25% respectively ahead of the same period last year. Sharp's operating margin improved from 11.0% to 12.2%.

Sharp's very strong performance was driven by increasing demand for the packaging of serialised specialty and biotech products, which was a trend in FY19 and continued in H1 FY20. Sharp is well positioned to serve this continued increase in demand following additional operating investments made in people and capacity during 2019. Demand for Sharp's traditional packaging services also continues to remain strong.

In May 2020, Sharp completed the acquisition of a packaging facility for approximately $5 million close to its existing campus in Allentown, Pennsylvania, which will provide incremental capacity to the U.S. commercial packaging business. This investment positions Sharp favourably to meet the increasing demand from new and existing clients across all packaging formats.

Sharp continues to experience strong demand, with a robust pipeline of new business. Due to the implementation of additional health and safety measures, along with workforce availability, as a result of the COVID-19 outbreak, the business is experiencing temporary disruption to production schedules and capacity which is expected to reduce efficiency and output in the near term. Actions to mitigate these impacts are being implemented. As a consequence, workforce availability is sequentially improving, while the impact of social distancing measures is being addressed through increased automation.

Beyond the impacts of COVID-19, Sharp's strong pipeline of business, its robust market position and recently added additional capacity, leave it well placed to meet client demand and deliver continued strong growth in line with the Group's medium-term outlook.

Analyst presentation

In line with government guidance on social distancing, the company has decided not to proceed with a physical results presentation. Instead management will host a live audio webcast and conference call at 8.30am BST today, Tuesday, 19 May 2020. If you wish to dial-in the details are below:

Conference call registration link: https://secure.emincote.com/client/udghealthcare/udg003/vip_connect

Webcast registration link: https://secure.emincote.com/client/udghealthcare/udg003

It is suggested participants dial-in at least 15 minutes prior to the start time in order to ensure a timely start to the briefing. Please note that questions will only be taken from the conference call.

A replay of the audio webcast can be accessed after the presentation via the same webcast link above.

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About UDG Healthcare plc
UDG Healthcare plc (LON: UDG) is a leading international partner of choice delivering advisory, communication, commercial, clinical and packaging services to the healthcare industry, employing 9,000 people with operations in 26 countries and delivering services in over 50 countries.

UDG Healthcare plc operates across two divisions: Ashfield and Sharp.

Ashfield - Ashfield is a global leader in commercialisation services for the pharmaceutical and healthcare industry, operating across three broad areas of activity: advisory, communications and commercial & clinical services. It focuses on supporting healthcare professionals and patients at all stages of the product life cycle. The division provides field and contact centre sales teams, healthcare communications, patient support, audit, advisory, medical information and event management services to over 300 healthcare companies.

Sharp - Sharp is a global leader in contract commercial packaging and clinical trial packaging services for the pharmaceutical and biotechnology industries, operating from state-of-the-art facilities in the US and Europe.

The company is listed on the London Stock Exchange and is a constituent of the FTSE 250.

For more information, please go to: www.udghealthcare.com.

Forward-looking information
Some statements in this announcement are or may be forward looking statements. In particular, any statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated cost savings and synergies and the execution of the Group's strategy, are forward looking statements. They represent expectations for the Group's business, including statements that relate to the Group's future prospects, developments and strategies, and involve risks and uncertainties both general and specific, because they relate to events and depend upon circumstances that will occur in the future. The Group has based these forward looking statements on assumptions regarding present and future strategies of the Group and the environment in which it will operate in the future. However, because they involve known and unknown risks, uncertainties and other factors including but not limited to general economic, political, financial, health, security and business factors, as well as international, national and local conditions which are beyond the Group's control, actual results, performance, operations or achievements expressed or implied by such forward looking statements may differ materially from those expressed or implied by such forward looking statements and accordingly you should not rely on these forward looking statements in making investment decisions. Any forward looking statements speak only as of the date they are made and, except as required by applicable law or regulation, neither the Group nor any other party intends to update or revise these forward-looking statements after the date these statements are published, whether as a result of new information, future events or otherwise. Nothing in this document should be construed as a profit forecast. UDG Healthcare plc and its directors accept no liability to third parties.

Finance Review

for the six months to 31 March 2020

IFRS based	31 March 2020 $'m	31 March 2019 $'m	Increase/ (decrease) %
Revenue	**693.6**	656.6	6
Operating profit	**68.5**	34.1	n/m
Profit before tax	**62.3**	30.3	n/m
Diluted earnings per share ("EPS") (cent)	**22.03**	9.27	n/m
Dividend per share (cent)	**-**	4.46	(100)

Alternative performance measures[1]

	31 March 2020 $'m	31 March 2019 $'m	Increase	Constant currency increase
Revenue	**693.6**	656.6	6	6
Net Revenue	**596.2**	546.2	9	10
Adjusted operating profit	**81.3**	65.6	24	24
Adjusted profit before tax	**75.0**	61.8	21	21
Adjusted diluted earnings per share ("EPS") (cent)	**23.64**	20.32	16	16

Revenue

Revenue of $693.6 million for the period is 6% ahead of 2019 (6% on a constant currency basis). Ashfield revenue increased by 3% and Sharp revenue increased by 12%. Group underlying net revenue increased by 4%, excluding the impact of foreign exchange, acquisitions and disposals.

Adjusted operating profit

Adjusted operating profit of $81.3 million is 24% ahead of 2019 (24% on a constant currency basis).

Adjusted net operating margin

The adjusted net operating margin for the businesses for the period is 13.6%, ahead of 12.0% in 2019.

Adjusted profit before tax

Net interest costs for the period of $6.3 million are higher than 2019, primarily due to the Group's adoption of IFRS 16 Leases on 1 October 2019. Interest income was also impacted by lower interest income on US cash deposits. This delivered an adjusted profit before tax of $75.0 million.

Taxation

The effective taxation rate has increased from 17.8% in 2019 to 21.0% in 2020, due to an increase in the proportion of profit earned in the U.S.

Adjusted diluted earnings per share

Adjusted diluted earnings per share ('EPS') is 16% ahead (16% on a constant currency basis) of 2019 at 23.64 $ cent.

Exceptional items

The Group incurred an exceptional gain of $9.6 million after tax in the period.

During the period, Ashfield disposed of Ashfield Pharmacovigilance, a U.S. based subsidiary that provides safety and risk management services supporting healthcare organisations. The business was not considered core to Ashfield's operations and the disposal resulted in a gain of $5.3 million. The related tax charge was $0.1 million.

In the measurement of the Group's current tax liabilities, there are transactions and calculations, for which the ultimate tax determination can be both complex and uncertain. During the period, the Group recognised a credit of $4.4 million on the remeasurement of current tax liabilities as a consequence of the resolution of a historic uncertain tax position.

Foreign exchange

The Group operates in 26 countries, with its primary foreign exchange exposure being the translation of local income statements and balance sheets into U.S. dollar for Group reporting purposes. The retranslation of non-U.S. dollar profits to U.S. dollar has not resulted in a change to the reported adjusted diluted EPS growth of 16%.

The average H1 FY20 exchange rates were $1: £0.7797 and $1: €0.9051 (2019: $1: £0.7725 and $1: €0.8783).

[1] See "Additional Information" on page 36 for more information and reconciliations to the closest respective equivalent GAAP measures.

Cash flow
The table displayed below includes information for the periods ended 31 March 2020 and 2019.

	2020 **$'000**	2019 $'000
Net cash inflow from operating activities	**97,526**	63,538
Net cash outflow from investing activities	**(43,182)**	(43,739)
Net cash outflow from financing activities	**(38,762)**	(28,248)
Net change in cash and cash equivalents	**15,582**	(8,449)
Effect of exchange rate changes on cash and cash equivalents	**313**	(2,435)
Cash and cash equivalents at beginning of period	**135,228**	180,099
Cash and cash equivalents end of period	**151,123**	169,215

Net cash inflow from operating activities
The net cash inflow from operating activities is $97.5 million (2019: $63.5 million).

	2020 **$'000**	2019 $'000
Adjusted EBITDA	**107,099**	83,284
Interest paid	**(5,930)**	(4,158)
Income taxes paid	**(17,348)**	(9,595)
Working capital decrease	**20,298**	2,075
Other cash outflows	**(6,593)**	(8,068)
Net cash inflow from operating activities	**97,526**	63,538

Adjusted EBITDA in the first half of 2020 benefited from the inclusion of $8.9 million due to the adoption of IFRS 16 *Leases* on 1 October 2019. Income taxes paid increased mainly due to changes in payment dates under UK legislation, along with increased profitability. Working capital decreased by $20.3 million (2019: $2.1 million decrease). The decrease in working capital is principally due to the timing of client prepayments and strong cash collection in the period. Other cash outflows of $6.6 million relates to transaction costs paid of $0.9 million and exceptional items outflow of $5.7 million relating to the 2019 exceptional charge (2019 cash flows of $8.1 million relate to transaction costs paid of $0.7 million and exceptional items outflow of $7.4 million).

Net cash outflow from investing activities
Net cash outflow from investing activities is $43.2 million, compared to $43.7 million in 2019. During the period, $19.3 million was invested in property, plant and equipment, primarily for Sharp's U.S. operations. Acquisition activity in the period resulted in net cash payments of $21.8 million, and deferred and contingent consideration outflows of $8.9 million. The Group received net cash of $9.9 million following the disposal of Ashfield Pharmacovigilance in the period.

Net cash outflow from financing activities
Net cash outflow from financing activities increased by $10.5 million to $38.8 million in the period, principally due to the Group's adoption of IFRS 16 Leases during the period. The impact of adoption includes $7.9 million of capital lease payments within financing activities.

Balance sheet
Net debt at the end of the period is $58.2 million ($151.1 million cash and $209.3 million debt). Including lease liabilities, net debt at the end of the period is $157.1 million. The net debt to annualised EBITDA ratio is 0.3 times debt (2019: 0.3 times) and net interest is covered 27.2 times (2019: 24.1 times) by annualised EBITDA. Financial covenants in our principal debt facilities exclude lease liabilities under IFRS 16 and are based on net debt to EBITDA being less than 3.5 times and EBITDA interest cover being greater than three times.

Return on capital employed
The Group's ROCE is 14.1% up from 12.2% at 31 March 2019. Details of this calculation are on page 38.

Dividends
During the period, the final dividend for 2019 (12.34 $ cent per share) was paid, giving rise to a reduction in shareholders' funds of $30,887,000. Having regard for all stakeholders' interests and the wider societal challenges, the Board have taken the decision to suspend an interim dividend.

Principal risks and uncertainties

The Transparency (Directive 2004/109/EC) Regulations 2007 require the disclosure of the principal risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year.

The Group operates within a highly regulated environment and the expectations of our key stakeholders, which include our clients and regulators, are very high. Our services include, for example, communicating to healthcare professionals, pharmaceutical packaging and the distribution of pharmaceutical products for use in clinical trials. We focus on making sure that we deliver these services correctly and in a compliant way. However, failure to do so could result in adverse consequences for patients and our clients, so the risks that we face in delivering our services are potentially significant.

The Group's ability to avoid or mitigate these risks is underpinned by detailed risk registers maintained by each of the Group's divisions and business units. These risk registers identify the risks, as well as the plans for addressing them, and the consolidated Group risk register is reviewed by the executive directors on a regular basis. The consolidated risk register is also reviewed by the Risk, Investment and Financing Committee and the Chairman of that committee reports to the Board on the outcome of each review.

Information on the Group's approach to the COVID-19 pandemic is found in the "COVID-19 update and outlook" section above. The Group is closely monitoring the spread of COVID-19 and its known and potential impacts on our divisions and business units. Given the continued impact of COVID-19 within jurisdictions where the Group operates, 'Pandemic risk' has also been identified as a principal risk and uncertainty.

The principal risks and uncertainties identified by the risk management process as facing the Group are detailed below:

Strategic

Risk	Impact	Mitigation
Value generation from acquisitions	Acquisitive growth remains a core element of the Group's strategy. A failure to execute and properly integrate acquisitions may impact the Group's projected revenue growth and its ability to capitalise on the synergies they bring and/or to maintain and develop the associated talent pool.	All potential acquisitions are assessed and evaluated to ensure that the Group's defined strategic and financial criteria are met. A discrete integration process and post integration review is developed for each acquisition. This process is supported by experienced management with a view to achieving identified benefits, cultivating talent and minimising general and specific integration risks.
Innovation and insight	The continued success of the Group has been dependent upon the development and delivery of innovative solutions to our clients. Examples include serialised packaging and multichannel contract sales and contact centre solutions. An inability to predict client and market trends and develop and deliver such innovation would be a risk to the maintenance of our market leading positions in the various sectors in which we operate.	Innovation and insight is at the fore of all business and acquisition strategies set down by the Senior Executive Team (SET). At a divisional level, each management team has a responsibility to identify current and projected client and market demands for new service offerings and market changes and have designated roles within their business units tasked to deliver on this.
Client diversification	As the Group's activities consolidate and further acquisitions are completed, the Group's client base may become more concentrated, making the Group more susceptible to competitive, client merger or procurement led threats.	In individual business units where there is a high dependence on a small number of key clients, the threats and opportunities are reviewed by divisional management at each business review. The impact that any potential acquisition may have on client concentration is considered as part of the acquisition assessment process.
Client outsourcing strategy	The Group's activities may be impacted by changes to pharma company outsourcing strategy, such as pharma companies reducing their roster of preferred vendors, or the wholesale outsourcing to holding companies that meet all of their service requirements.	In order to maintain or develop a preferred vendor relationship with our target clients, acquisitions can be used to fill any key gaps in client coverage or service offering. The key is to maintain strong client relationships and to keep abreast of potential changes in their business strategies. We have developed an agile Business Development strategy to maximise our value to clients.
Talent management	The success of the Group is built upon effective management teams that consistently deliver superior performance. If the Group cannot attract, retain and develop suitably qualified, experienced and motivated employees, this could have an impact on business performance.	Talent requirements of the Group are monitored to ensure businesses meet prevailing and anticipated requirements in term of skills, competencies and performance. There is strong focus on key talent management practices including leadership and management development, succession planning and performance management. A formal talent review process is implemented globally and local talent reviews are conducted and linked to the global process.

Principal risks and uncertainties (continued)

Risk	Impact	Mitigation
Economic, Political, Legislative, Regulatory and Tax	The global macroeconomic, political, regulatory, legislative and taxation environment may have a detrimental impact on our client base, the markets in which they operate, the services we can offer them and our operations in those markets. Such detrimental impacts could result from Brexit, for example, or trade tensions which remain elevated in many parts of the world.	The Group continues to review its portfolio of investments through the annual strategic review process and through constant challenge at a SET and Board level. Acquisitions and new service offerings are sought which improve the balance of our investments and give greater exposure to innovative and growing market segments. As previously noted, reduced exposure to the U.K., and other steps taken by the Group, significantly mitigate the potential impact of Brexit to the Group as a whole.
Operational		
Pandemic risk	The COVID-19 outbreak is an unprecedented global event whose impacts and duration are not yet fully known. The Group expects COVID-19 to impact operations and performance, and to result in continued uncertainty for the Group, its clients and the wider global economy	The diversified nature of the Group's businesses, our robust balance sheet, and the market fundamentals that underpin our businesses inherently provide mitigation to the Group from pandemic risk. The activation of Group business continuity plans provides an additional layer of mitigation and the Group continues to actively monitor and assess the potential and realised impacts of COVID-19.
Patient risk	Throughout the Group medicines and medical devices can be packaged, supplied or administered directly to patients. The risk of inappropriate advice, packaging, supply or administration could lead to a negative patient experience.	The level of automation within the Group's packaging facilities continues to increase. The serialisation of packaging processes continues and in addition, the use of electronic batch records will improve assurance and reduce the risk of human error in packaging. The implementation and utilisation of validated software in our patient support programs continues with the introduction of an electronic quality management system in addition to our Health Cloud CRM. Administration of medicines to patients or providing patient support is covered by a detailed client contract with the Marketing Authorisation Holder (MAH), fully approved scripts, and a divisional clinical governance framework.
Regulatory Compliance	The Group has many legal and regulatory obligations, including in respect of:(a) protection of patient information (such as HIPAA and GDPR); and (b) patient and employee health and safety. In addition, many of the Group's activities are subject to stringent licensing regulations, for example, FDA, EMEA and national agency manufacturing, packaging and promotional regulations and more recently the serialisation requirements under the Falsified Medicines Directive (FMD). A failure to meet any of these could result in regulatory restrictions, financial penalties, the inability to operate, or products and services being defective, harming patients and potentially giving rise to very significant liability.	Maintenance of legal, regulatory and quality standards is a core value of the Group. The Sharp Division is subjected to routine FDA, EMEA and national agency inspections and so is required to be 'audit ready' at all times. Patient education and information programmes are reviewed to ensure compliance with regulation and codes of practice and are subject to regular assessment by the Quality and Risk & Compliance teams. Regular data protection training, gap analyses and auditing continues across global locations with a focus on local data protection law compliance.
IT Systems	The ability of the Group to support operations and provide its services effectively and competitively is dependent on technology and information systems that are appropriately integrated and that meet current and anticipated future business, regulatory and security requirements.	The Group's technology and information systems and infrastructure are the subject of an ongoing programme to ensure that they are capable of meeting the Group's strategic intent and future requirements. Enhanced governance procedures are in place to ensure alignment with the strategic direction of the Group.
Contract risk	The underlying terms of the Group's commercial relationships drive the profitability of the Group. The nature of the Group's business means that the Group could be exposed to undue cost or liability if it agrees inappropriate terms.	The Group has adopted processes for identifying and mitigating against undue risks in all prospective commercial relationships, supported by personnel with expertise and/or experience in key commercial risk areas.

Principal risks and uncertainties (continued)

Risk	Impact	Mitigation
Cyber security	The global threat is increasing due to the activities of criminal organisations and nation states targeting valuable business and personal information through increasingly sophisticated means. These advanced and persistent threats are targeted at business-critical data using, for example, phishing attempts, impersonation, and ransomware for financial and other gain.	The Group has implemented multi-layered information security defences to identify vulnerabilities and protect against attacks. To meet the increasing cyber threat, our systems, procedures and resources are continuously being reviewed and enhanced to detect and respond effectively to cyber events. Cyber simulation software has been sourced to ensure continuous user awareness.
Business continuity	The Group is exposed to risks that, should they arise, may give rise to the interruption of critical business processes that could adversely impact the Group or its clients. COVID-19 has resulted in such interruptions with varying impacts across Group businesses.	Group business continuity plans have been activated to varying degrees based upon the COVID-19 impacts on individual businesses. COVID-19 business continuity responses include enhanced health and safety measures, the use of technology to enable remote working across much of the organisation and the virtual delivery of services to clients, and cost control measures.
Financial		
Financial controls	The Group's resources and finances must be managed in accordance with rigorous standards and stringent controls. A failure to meet those standards or implement appropriate controls may result in the Group's resources being improperly utilised or its financial statements being inaccurate or misleading.	The financial controls of the Group, as well as their effectiveness, are monitored by the Board in the context of the standards to which the Group is subject and the expectations of its stakeholders. This monitoring is supported by a dedicated internal audit function. The Group's financial function, systems and controls are also subject to periodic review to ensure that they remain robust and fit for purpose.
Liquidity	The Group is exposed to liquidity, interest rate, currency and credit risks.	The management of the financial risks facing the Group is governed by policies reviewed and approved by the Board. These policies primarily cover liquidity risk, interest rate risk, currency risk and credit risk. The primary objective of the Group's policies is to minimise financial risk at a reasonable cost. The Group does not trade in financial instruments.
Foreign exchange	The Group's reporting currency is the U.S. dollar. Given the nature of the Group's businesses, exposure arises in the normal course of business to other currencies, principally sterling and euro.	The majority of the Group's activities are conducted in the local currency of the country of operation. As a consequence, the primary foreign exchange risk arises from the fluctuating value of the Group's net investment in different currencies. Our strategic intent is to proportionally grow the U.S. as a source of earnings at a faster rate than other markets which will lower the foreign exchange risk for the Group.

Statement of Directors

in respect of the half-yearly financial report

Each of the directors confirms that to the best of their knowledge and belief:

- the condensed set of interim financial statements comprising the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, and the related notes have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU;

- the half-yearly financial report includes a fair review of the information required by:

  (a) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, 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 Group's auditor has not reviewed this condensed half-yearly financial report.

On behalf of the Board[i]

P. Gray Director	B. McAtamney Director

18 May 2020

(i) The Board of UDG Healthcare plc is disclosed on the Company's website, www.udghealthcare.com.

Condensed consolidated income statement

for the six months ended 31 March 2020

	Notes	**Six months ended 31 March 2020** **Pre-exceptional items (Unaudited) $'000**	**Exceptional items (Unaudited) (Note 5) $'000**	**Total 31 March 2020 (Unaudited) $'000**	Six months ended 31 March 2019 Pre-exceptional items (Unaudited) $'000	Exceptional items (Unaudited) (Note 5) $'000	Total 31 March 2019 (Unaudited) $'000
Revenue	3	**693,590**	**-**	**693,590**	656,639	-	656,639
Cost of sales		**(491,046)**	**-**	**(491,046)**	(478,765)	-	(478,765)
Gross profit		**202,544**	**-**	**202,544**	177,874	-	177,874
Selling and distribution expenses		**(105,627)**	**-**	**(105,627)**	(96,812)	-	(96,812)
Administration expenses		**(11,879)**	**-**	**(11,879)**	(11,384)	-	(11,384)
Other operating expenses		**(21,524)**	**-**	**(21,524)**	(19,209)	(15,164)	(34,373)
Other operating income	6	**-**	**5,257**	**5,257**	-	-	-
Transaction costs		**(1,201)**	**-**	**(1,201)**	(813)	-	(813)
Share of joint ventures' profit/(loss) after tax	4	**954**	**-**	**954**	(418)	-	(418)
Operating profit		**63,267**	**5,257**	**68,524**	49,238	(15,164)	34,074
Finance income	7	**2,065**	**-**	**2,065**	8,566	-	8,566
Finance expense	7	**(8,319)**	**-**	**(8,319)**	(12,332)	-	(12,332)
Profit before tax		**57,013**	**5,257**	**62,270**	45,472	(15,164)	30,308
Income tax expense		**(11,395)**	**4,379**	**(7,016)**	(7,324)	209	(7,115)
Profit for the financial period		**45,618**	**9,636**	**55,254**	38,148	(14,955)	23,193
Profit attributable to:							
Owners of the parent		**45,609**	**9,636**	**55,245**	38,144	(14,955)	23,189
Non-controlling interest		**9**	**-**	**9**	4	-	4
		45,618	**9,636**	**55,254**	38,148	(14,955)	23,193
Earnings per ordinary share:							
Basic earnings per share - cent	8			**22.07**			9.32
Diluted earnings per share - cent	8			**22.03**			9.27

Condensed consolidated statement of comprehensive income

for the six months ended 31 March 2020

	Notes		**Six months ended 31 March 2020 (Unaudited) $'000**		Six months ended 31 March 2019 (Unaudited) $'000
Profit for the financial period			**55,254**		23,193
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Remeasurement gain/(loss) on Group defined benefit schemes	16		**2,719**		(2,408)
Deferred tax on Group defined benefit schemes			**(586)**		535
			2,133		(1,873)
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment			**773**		3,534
Group cash flow hedges:					
- Effective portion of cash flow hedges – movement into reserve		**7,612**		11,754	
- Effective portion of cash flow hedges – movement out of reserve		**-**		(6,412)	
Effective portion of cash flow hedges	12		**7,612**		5,342
- Movement in deferred tax – movement into reserve		**(952)**		(1,469)	
- Movement in deferred tax – movement out of reserve		**-**		801	
Net movement in deferred tax	12		**(952)**		(668)
			7,433		8,208
Total other comprehensive income for the period			**9,566**		6,335
Total comprehensive income for the period			**64,820**		29,528
Total comprehensive income attributable to:					
Owners of the parent			**64,804**		29,524
Non-controlling interest			**16**		4
			64,820		29,528

Condensed consolidated statement of changes in equity

for the six months ended 31 March 2020

	Equity share Capital	Share Premium	Other reserves (Note 12)	Retained earnings	**Attributable to owners of the parent**	Non-controlling Interest	**Total Equity**
	$'000	$'000	$'000	$'000	**$'000**	$'000	**$'000**
At 1 October 2019	**14,678**	**198,978**	**(142,759)**	**829,459**	**900,356**	**207**	**900,563**
Change in accounting policy (Note 21)	-	-	-	**1,924**	**1,924**	**-**	**1,924**
Restated total equity at the beginning of the financial year	**14,678**	**198,978**	**(142,759)**	**831,383**	**902,280**	**207**	**902,487**
Profit for the financial period	-	-	-	55,245	**55,245**	9	**55,254**
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	7,612	-	**7,612**	-	**7,612**
Deferred tax on cash flow hedges	-	-	(952)	-	**(952)**	-	**(952)**
Translation adjustment	-	-	766	-	**766**	7	**773**
Remeasurement gain on defined benefit schemes	-	-	-	2,719	**2,719**	-	**2,719**
Deferred tax on defined benefit schemes	-	-	-	(586)	**(586)**	-	**(586)**
Total comprehensive income for the period	**-**	**-**	**7,426**	**57,378**	**64,804**	**16**	**64,820**
Transactions with shareholders:							
New shares issued	31	24	-	-	**55**	-	**55**
Issued in settlement of deferred consideration[1]	40	6,160	-	-	**6,200**	-	**6,200**
Share-based payment expense	-	-	2,628	-	**2,628**	-	**2,628**
Dividends paid to equity holders	-	-	-	(30,887)	**(30,887)**	-	**(30,887)**
Release from share-based payment reserve	-	-	(3,469)	3,469	**-**	-	**-**
At 31 March 2020 – unaudited	**14,749**	**205,162**	**(136,174)**	**861,343**	**945,080**	**223**	**945,303**

[1]The Company issued 723,775 ordinary shares in the period as a part settlement of the deferred consideration for the acquisition of STEM Marketing which the Group acquired in the year ended 30 September 2017.

	Equity share capital	Share premium	Other reserves (Note 12)	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 October 2018	14,643	197,837	(135,955)	808,647	885,172	171	885,343
Change in accounting policy	-	-	-	3,822	3,822	-	3,822
Restated total equity at the beginning of the financial year	14,643	197,837	(135,955)	812,469	888,994	171	889,165
Profit for the financial period	-	-	-	23,189	23,189	4	23,193
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	5,342	-	5,342	-	5,342
Deferred tax on cash flow hedges	-	-	(668)	-	(668)	-	(668)
Translation adjustment	-	-	3,534	-	3,534	-	3,534
Remeasurement loss on defined benefit schemes	-	-	-	(2,408)	(2,408)	-	(2,408)
Deferred tax on defined benefit schemes	-	-	-	535	535	-	535
Total comprehensive income for the period	-	-	8,208	21,316	29,524	4	29,528
Transactions with shareholders:							
New shares issued	6	679	-	-	685	-	685
Share-based payment expense	-	-	2,521	-	2,521	-	2,521
Dividends paid to equity holders	-	-	-	(29,224)	(29,224)	-	(29,224)
Release from share-based payment reserve	-	-	(621)	621	-	-	-
At 31 March 2019 – unaudited	14,649	198,516	(125,847)	805,182	892,500	175	892,675

Condensed consolidated balance sheet

as at 31 March 2020

	Notes	**As at 31 March 2020 (Unaudited) $'000**	As at 31 March 2019 (Unaudited) $'000	As at 30 September 2019 (Audited) $'000
ASSETS				
Non-current				
Property, plant and equipment	9	**182,122**	181,529	176,305
Goodwill	10	**570,309**	513,606	547,520
Intangible assets	10	**230,617**	226,505	241,615
Investment in joint ventures and associates	10	**11,104**	9,497	10,216
Right of use assets	11	**85,753**	-	-
Contract fulfilment assets		**5,815**	3,870	5,327
Derivative financial instruments	13	**21,639**	12,003	15,395
Deferred income tax assets		**5,418**	5,885	5,178
Employee benefits	16	**9,535**	9,652	7,636
Total non-current assets		**1,122,312**	962,547	1,009,192
Current				
Inventories		**24,641**	26,314	25,253
Trade and other receivables		**380,315**	375,210	370,350
Contract fulfilment assets		**6,013**	3,538	5,315
Cash and cash equivalents	13	**151,123**	169,215	135,228
Current income tax assets		**2,235**	814	4,385
Derivative financial instruments	13	**8,993**	2,704	8,878
Total current assets		**573,320**	577,795	549,409
Total assets		**1,695,632**	1,540,342	1,558,601
EQUITY				
Equity share capital		**14,749**	14,649	14,678
Share premium		**205,162**	198,516	198,978
Other reserves	12	**(136,174)**	(125,847)	(142,759)
Retained earnings		**861,343**	805,182	829,459
Equity attributable to owners of the parent		**945,080**	892,500	900,356
Non-controlling interest		**223**	175	207
Total equity		**945,303**	892,675	900,563
LIABILITIES				
Non-current				
Interest-bearing loans and borrowings	13	**174,875**	240,681	174,734
Lease liabilities	13	**83,515**	-	-
Other payables		**15,200**	16,994	23,853
Provisions	14	**79,765**	49,724	74,193
Deferred income tax liabilities		**39,394**	42,694	39,263
Total non-current liabilities		**392,749**	350,093	312,043
Current				
Interest-bearing loans and borrowings	13	**65,119**	21	65,297
Lease liabilities	13	**15,353**	-	-
Trade and other payables		**258,816**	258,175	246,685
Current income tax liabilities		**2,273**	14,868	14,380
Provisions	14	**16,019**	24,510	19,633
Total current liabilities		**357,580**	297,574	345,995
Total liabilities		**750,329**	647,667	658,038
Total equity and liabilities		**1,695,632**	1,540,342	1,558,601

Condensed consolidated cash flow statement

for the six months ended 31 March 2020

	Note	**Six months ended 31 March 2020 (Unaudited) $'000**	Six months ended 31 March 2019 (Unaudited) $'000
Cash flows from operating activities			
Profit before tax		**62,270**	30,308
Finance income	7	**(2,065)**	(8,566)
Finance expense	7	**8,319**	12,332
Exceptional items	5	**(5,257)**	15,164
Operating profit		**63,267**	49,238
Share of joint ventures' (profit)/loss after tax	4	**(954)**	418
Transaction costs		**1,201**	813
Depreciation of property, plant and equipment	9	**11,331**	11,764
Depreciation of right of use assets	11	**8,128**	-
Profit on disposal of property, plant and equipment		**(26)**	(678)
Amortisation of intangible assets	10	**21,524**	19,208
Share-based payment expense		**2,628**	2,521
Increase in contract fulfilment assets		**(1,015)**	(403)
Decrease/(increase) in inventories		**614**	(7,943)
Increase in trade and other receivables		**(7,550)**	(12,023)
Increase in trade payables and other payables		**28,249**	22,444
Exceptional items paid		**(5,732)**	(7,379)
Transaction costs paid		**(861)**	(689)
Cash generated from operations		**120,804**	77,291
Interest paid		**(5,930)**	(4,158)
Income taxes paid		**(17,348)**	(9,595)
Net cash inflow from operating activities		**97,526**	63,538
Cash flows from investing activities			
Interest received		**730**	1,112
Purchase of property, plant and equipment		**(19,315)**	(17,661)
Proceeds from disposal of property, plant and equipment		**35**	808
Investment in intangible assets – computer software		**(3,826)**	(4,337)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	15	**(21,785)**	-
Deferred consideration paid		**(6,182)**	(22,889)
Deferred contingent consideration paid	14	**(2,763)**	(772)
Disposal of subsidiaries (net of cash and cash equivalents disposed)	6	**9,924**	-
Net cash outflow from investing activities		**(43,182)**	(43,739)
Cash flows from financing activities			
Proceeds from issue of shares (including share premium thereon)		**55**	685
Repayments of interest-bearing loans and borrowings		**(158)**	-
Proceeds from interest-bearing loans and borrowings		**134**	367
Principal elements of lease payments (2019: decrease in finance leases)		**(7,906)**	(76)
Dividends paid to equity holders of the Company		**(30,887)**	(29,224)
Net cash outflow from financing activities		**(38,762)**	(28,248)
Net increase/(decrease) in cash and cash equivalents		**15,582**	(8,449)
Translation adjustment		**313**	(2,435)
Cash and cash equivalents at beginning of period		**135,228**	180,099
Cash and cash equivalents at end of period		**151,123**	169,215
Cash and cash equivalents is comprised of:			
Cash at bank and short-term deposits		**151,123**	169,215

1. Reporting entity

UDG Healthcare plc (the "Company") is a company domiciled in Ireland. The unaudited condensed consolidated interim financial information of the Company for the six months ended 31 March 2020, are comprised of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures and associates.

The financial information presented herein does not amount to statutory financial statements that are required by Section 347 of the Companies Act, 2014 to be annexed to the annual return of the Company. The financial information does not include all the information and disclosures required in the annual financial statements. The statutory financial statements for the year ended 30 September 2019 will be annexed to the annual return and filed with the Registrar of Companies. The audit report on those statutory financial statements was unqualified and did not contain any matters to which attention was drawn by way of emphasis.

2. Statement of compliance and basis of preparation

Basis of preparation

These unaudited condensed consolidated interim financial statements ("the interim accounts") for the six months ended 31 March 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting, as endorsed by the European Union. These interim accounts do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent published consolidated financial statements of the Group.

The preparation of interim financial statements requires the use of certain critical accounting estimates, judgements and assumptions. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, relate primarily to goodwill impairment testing, revenue recognition, income tax expense, employee benefit obligations, share-based payments and valuation of provisions. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Changes to key estimates and judgements in the six month period include: updates on the review of goodwill for impairment (Note 10); a change to certain actuarial assumptions (Note 16); and key judgments on the adoption of IFRS 16 Leases (Note 21). The income tax expense for the six month period is calculated by applying the directors' best estimate of the effective tax rate applicable to the profit for the period.

The Group has assessed the principal risks and uncertainties outlined on page 9, including the COVID-19 pandemic and the impact it is having on economic activity. The Group is actively monitoring the impact of COVID-19 and adopting cost control measures to mitigate against the potential future impact of weaker demand in some of our businesses. These measures have included: the reduction of appropriate variable costs; tight control of discretionary expenditure; a recruitment freeze; a pay reduction for Executive Management and the Board; and a temporary reduction in labour including reduced working hours and furloughing employees. There are also a number of COVID-19 government support schemes that are available to the Group in the jurisdictions where operations are located.

The financial impact of COVID-19 is not quantifiable due to the uncertainty over the length of time that the health crisis and related restrictions will continue to exist. The Group has modelled a number of scenarios including where the restrictions imposed as a result of the pandemic and the downturn in economic activity continues for the period to the end of September 2020. Further possible downside risk has been incorporated into forecasts through a widening of sensitivities.

In the scenarios modelled, the Group continues to have significant liquidity headroom on its existing financing facilities. At 31 March, the Group has

- unrestricted cash and cash equivalents of $151.1 million;
- unused committed debt facilities of up to $230 million from a multi-currency revolving senior bank credit facility expiring in May 2025; and
- bank overdraft facilities of $5.5 million renewable on an annual basis.

The Group has a low gearing with a net debt of $58.2m and net debt to annualised EBITDA ratio of 0.3, excluding IFRS 16 lease liabilities. The next debt repayment of approximately $58 million is due in September 2020, and there are no material debt maturities thereafter until September 2023.

Having considered the Group's forecasts, sensitivity analysis and the Group's significant financial headroom, the directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

As permitted by the Transparency (Directive 2004/109/EC) Regulations 2007 this Interim Report is available on www.udghealthcare.com. However, if a physical copy is required, please contact the Company Secretary.

2. Statement of compliance and basis of preparation (continued)

Accounting policies

The accounting policies applied in the interim accounts are the same as those applied in the 2019 Annual Report, except for the adoption of new standards, interpretations and standard amendments effective for the Group for the period commencing 1 October 2019. The Group has had to change its accounting policies as a result of adopting IFRS 16 *Leases.* Details on the impact of adoption of new accounting standards and interpretations are outlined in Note 21.

3. Segmental analysis

The Group's operations are divided into the following operating segments each of which operates in a distinct sector of the healthcare services market:

Ashfield - Ashfield is a global leader in commercialisation services for the pharmaceutical and healthcare industry, operating across three broad areas of activity: advisory, communications and commercial & clinical services. It focuses on supporting healthcare professionals and patients at all stages of the product life cycle. The division provides field and contact centre sales teams, healthcare communications, patient support, audit, advisory, medical information and event management services to over 300 healthcare companies.

Sharp - Sharp is a global leader in contract commercial packaging and clinical trial packaging services for the pharmaceutical and biotechnology industries, operating from state-of-the-art facilities in the US and Europe.

The segmental analysis of the business corresponds with the Group's organisational structure and the Group's internal reporting for the purpose of managing the business and assessing performance as reviewed by the Group's Chief Operating Decision Maker (CODM), which the Group has defined as Brendan McAtamney (Chief Executive Officer). The amount of revenue and operating profit under the Group's operating segments is as follows:

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Revenue		
Ashfield	**507,839**	491,027
Sharp	**185,751**	165,612
	693,590	656,639

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Operating profit before acquired intangible amortisation, transaction costs and exceptional items		
Ashfield	**58,596**	47,408
Sharp	**22,702**	18,194
	81,298	65,602
Amortisation of acquired intangibles	**(16,830)**	(15,551)
Transaction costs	**(1,201)**	(813)
Exceptional items	**5,257**	(15,164)
Operating profit	**68,524**	34,074
Finance income	**2,065**	8,566
Finance expense	**(8,319)**	(12,332)
Profit before tax	**62,270**	30,308
Income tax expense	**(7,016)**	(7,115)
Profit after tax for the period	**55,254**	23,193

3. Segmental analysis (continued)

Disaggregated revenue

	Six months ended 31 March 2020		
	Over time $'000	**Point in time $'000**	**Total $'000**
Ashfield			
Communications & Advisory	**220,363**	**-**	**220,363**
Commercial & Clinical	**286,010**	**1,466**	**287,476**
Ashfield	**506,373**	**1,466**	**507,839**
Sharp	**184,622**	**1,129**	**185,751**
Group	**690,995**	**2,595**	**693,590**

	Six months ended 31 March 2019		
	Over time $'000	Point in time $'000	Total $'000
Ashfield			
Communications & Advisory	174,619	-	174,619
Commercial & Clinical	314,994	1,414	316,408
Ashfield	489,613	1,414	491,027
Sharp	161,245	4,367	165,612
Group	650,858	5,781	656,639

Revenue is recognised when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from the good or service. Revenue is recognised over time where i) there is a continuous transfer of control to the customer; or ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. Other revenue contracts are recognised at a point in time when control of the good or service transfers to the customer.

Geographical analysis of revenue

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Republic of Ireland	**2,696**	3,403
United Kingdom	**126,286**	127,145
North America	**454,634**	414,662
Rest of the World	**109,974**	111,429
	693,590	656,639

4. Share of joint ventures' profit/(loss) after tax

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Revenue	**39,706**	33,196
Expenses, including tax	**(37,798)**	(34,032)
Profit/(loss) after tax	**1,908**	(836)
Group's equity interest	**49.99%**	49.99%
Group's share of profit/(loss) after tax	**954**	(418)

5. Exceptional items

Exceptional items are those which, in management's judgement, should be disclosed separately by virtue of their nature or amount. Such items are included within the Income Statement caption to which they relate and are separately disclosed in the notes to the Group Interim Financial Statements. The Group realised an exceptional gain of $9.6 million after tax in the period.

The Group reports the following exceptional items:

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Gain on disposal of subsidiary	**5,257**	-
Legal costs and settlements	**-**	(15,164)
Net exceptional items pre-tax	**5,257**	(15,164)
Exceptional tax credit	**4,420**	-
Tax effect of exceptional items	**(41)**	209
Net exceptional items after tax	**9,636**	(14,955)

In January 2020, Ashfield disposed of Ashfield Pharmacovigilance, a U.S. based subsidiary that provides safety and risk management services supporting healthcare organisations. The business was not considered core to Ashfield's operations. As further outlined in note 6, the disposal resulted in a gain of $5.3 million. The related tax charge was $0.1 million.

In the measurement of the Group's current tax liabilities, there are transactions and calculations, for which the ultimate tax determination can be both complex and uncertain. During the period, the Group recognised a credit of $4.4 million on the remeasurement of current tax liabilities as a consequence of the resolution of a historic uncertain tax position.

In the prior period, the Group recognised $15.0 million of an exceptional charge after tax primarily relating to the settlement of a claim relating to the Group's disposal of United Drug in 2016 and other legal costs relating to protecting an Ashfield trademark.

6. Disposal of subsidiaries

On 10 January 2020 the Group completed the disposal of Ashfield Pharmacovigilance, which was part of the Ashfield operating segment, based in the U.S. The following tables summarise the consideration received, profit on disposal and the net cash flow arising on the disposal:

	Six months ended 31 March 2020 $'000
Consideration	
Cash consideration received	**10,924**
Total consideration received	**10,924**
Assets and liabilities disposed of	
Property, plant and equipment	**1,004**
Intangible assets	**198**
Goodwill	**1,450**
Deferred tax assets	**213**
Trade and other receivables	**2,165**
Trade and other payables	**(529)**
Cash and cash equivalents	**1,000**
Net assets disposed of	**5,501**
Gain on disposal	
Total consideration received	**10,924**
Net assets disposed of	**(5,501)**
Disposal costs	**(166)**
Net profit on disposal of subsidiaries	**5,257**
Net cash flow from disposal of subsidiaries	
Cash and cash equivalents received	**10,924**
Cash and cash equivalents disposed of	**(1,000)**
Net cash inflow from disposal of subsidiaries	**9,924**

The cash inflow from disposal of subsidiaries is presented within cash flows from investing activities in the Group Cash Flow Statement. The net gain on disposal is presented as an exceptional item (Note 5) within other operating income.

7. Finance income and expense

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Finance income		
Income arising from cash deposits	**684**	1,240
Fair value adjustments to guaranteed senior unsecured loan notes	**172**	627
Foreign currency gain on retranslation of guaranteed senior unsecured loan notes	**1,179**	6,412
Ineffective portion of cash flow hedges	**-**	88
Net finance income on pension scheme obligations	**30**	199
	2,065	8,566
Finance expense		
Interest on bank loans and other loans		
-wholly repayable within 5 years	**(3,494)**	(3,569)
-wholly repayable after 5 years	**(926)**	(955)
Interest on lease liabilities (2019: Interest on finance leases)	**(1,526)**	(1)
Interest on overdrafts	**(53)**	(30)
Interest on deferred acquisition consideration	**-**	(99)
Unwinding of discount on provisions	**(969)**	(639)
Fair value adjustments to fair value hedges	**(172)**	(627)
Fair value of cash flow hedges transferred to equity	**(1,179)**	(6,412)
	(8,319)	(12,332)
Net finance expense	**(6,254)**	(3,766)

8. Earnings per ordinary share

	Six months ended 31 March 2020 $'000	Six months ended 31 March 2019 $'000
Profit attributable to owners of the parent	**55,245**	23,189
Adjustment for amortisation of acquired intangible assets (net of tax)	**12,591**	11,909
Adjustment for transaction costs (net of tax)	**1,083**	773
Adjustment for exceptional items (net of tax)	**(9,636)**	14,955
Adjusted profit attributable to owners of the parent	**59,283**	50,826

	2020 Number of shares	2019 Number of shares
Weighted average number of shares	**250,273,185**	248,802,272
Number of dilutive shares under option	**513,713**	1,267,485
Weighted average number of shares, including share options	**250,786,898**	250,069,757

	2020	2019
Basic earnings per share – $ cent	**22.07**	9.32
Diluted earnings per share – $ cent	**22.03**	9.27
Adjusted basic earnings per share – $ cent[1]	**23.69**	20.43
Adjusted diluted earnings per share - $ cent[1]	**23.64**	20.32

[1] Adjusted profit attributable to owners of the parent in the six months ended 31 March 2020 is stated before the amortisation of acquired intangible assets ($12.6m, net of tax), transaction costs ($1.1m, net of tax), and exceptional items ($9.6m, net of tax).

Non–IFRS information

The Group reports certain financial measurements that are not required under International Financial Reporting Standards (IFRS) which represent the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that the presentation of these non–GAAP measurements provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations and to measure executive management's performance based remuneration.

Treasury shares have been excluded from the weighted average number of shares in issue used in the calculation of earnings per share. A total of 2,197,997 (2019: 2,247,738) anti-dilutive share options have been excluded from the calculation of diluted earnings per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period.

9. Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Assets under construction $'000	**Total $'000**
At 1 October 2019						
Opening net book amount	84,088	82,160	38	5,530	4,489	**176,305**
Additions in the period	485	14,849	-	1,437	813	**17,584**
Arising on acquisition	-	327	-	33	-	**360**
Depreciation	(2,231)	(7,269)	-	(1,831)	-	**(11,331)**
Disposals in period	-	(2)	-	(7)	-	**(9)**
Disposal of subsidiaries		(757)		(247)		**(1,004)**
Reclassifications	(4,518)	6,519	(36)	887	(2,852)	**-**
Translation adjustment	108	68	-	(8)	49	**217**
At 31 March 2020	**77,932**	**95,895**	**2**	**5,794**	**2,499**	**182,122**
At 31 March 2020						
Cost or deemed cost	118,420	188,099	47	27,728	2,499	**336,793**
Accumulated depreciation	(40,488)	(92,204)	(45)	(21,934)	-	**(154,671)**
Net book amount	**77,932**	**95,895**	**2**	**5,794**	**2,499**	**182,122**

10. Movement in goodwill, intangible assets and investment in joint ventures and associates

	Goodwill $'000	**Intangible assets $'000**	**Investment in joint ventures and associates $'000**
At 1 October 2019	547,520	241,615	10,216
Investment in computer software	-	3,826	-
Amortisation of acquired intangible assets	-	(16,830)	-
Amortisation of computer software	-	(4,694)	-
Arising on acquisitions	23,152	6,120	-
Disposal of subsidiaries	(1,450)	(198)	-
Share of joint ventures' profit after tax	-	-	954
Translation adjustment	1,087	778	(66)
At 31 March 2020	**570,309**	**230,617**	**11,104**

The Group has performed a half year assessment of impairment risk. The scenarios outlined in note 2 have been incorporated in the half year impairment review. The discount rate applied in reviewing impairment incorporate an additional COVID-19 risk factor and sensitivity analysis has been widened on discount rates and cash flow forecasts.

As previously disclosed in the 2019 Annual Report, the Ashfield Commercial & Clinical UK cash generating unit ('CGU') is sensitive to changes in key assumptions, in particular to changes in the discount rate. The goodwill allocated to the CGU is $35.8 million and the excess of value-in-use over carrying value from the impairment review was $9.0m. If the discount rate used in the model was increased by 0.9% there would be no headroom in the CGU, holding all other variables constant. While the base impairment model does not indicate that an impairment exists in the CGU, should the underlying assumptions and forecasts attributable to the CGU differ in the future, this may result in an impairment of goodwill of the CGU.

11. Right of use assets

	Six months ended 31 March 2020 $'000
At 1 October 2019 (Note 21)	81,161
Additions	12,854
Arising on acquisition	253
Depreciation	(8,128)
Termination of lease contracts	(231)
Modification of lease contracts	137
Translation adjustment	(293)
At 31 March 2020	**85,753**

12. Other reserves

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	**Total $'000**
At 1 October 2019	(7,816)	16,605	(144,219)	(7,676)	347	**(142,759)**
Effective portion of cash flow hedges	7,612	-	-	-	-	**7,612**
Deferred tax on cash flow hedges	(952)	-	-	-	-	**(952)**
Share-based payment expense	-	2,628	-	-	-	**2,628**
Release from share-based payment reserve	-	(3,469)	-	-	-	**(3,469)**
Translation adjustment	-	-	766	-	-	**766**
At 31 March 2020	**(1,156)**	**15,764**	**(143,453)**	**(7,676)**	**347**	**(136,174)**

13. Net debt

	As at 31 March 2020 $'000	As at 31 March 2019 $'000	As at 30 Sept 2019 $'000
Current assets			
Cash at bank and short-term deposits	**151,123**	169,215	135,228
Derivative financial instruments	**8,993**	2,704	8,878
Non-current assets			
Derivative financial instruments	**21,639**	12,003	15,395
Current liabilities			
Interest-bearing loans and borrowings	**(65,119)**	-	(65,278)
Finance leases	**-**	(21)	(19)
Non-current liabilities			
Interest-bearing loans and borrowings	**(174,875)**	(240,680)	(174,704)
Finance leases	**-**	(1)	(30)
Net debt	**(58,239)**	(56,780)	(80,530)
Current liabilities			
Lease liabilities	**(15,353)**	-	-
Non-current liabilities			
Lease liabilities	**(83,515)**	-	-
Net debt including lease liabilities	**(157,107)**	(56,780)	(80,530)

14. Provisions

	Deferred contingent consideration $'000	Onerous leases $'000	Restructuring and other costs $'000	**Total $'000**
At 1 October 2019	78,184	1,537	14,105	**93,826**
Release to income statement	-	-	(118)	**(118)**
Arising on acquisition	10,461	-	-	**10,461**
Utilised during the period	(2,763)	(58)	(5,674)	**(8,495)**
Unwinding of discount	969	-	-	**969**
Reclassification	-	(1,310)	240	**(1,070)**
Translation adjustment	43	8	160	**211**
At 31 March 2020	**86,894**	**177**	**8,713**	**95,784**
Non-current	79,761	-	4	**79,765**
Current	7,133	177	8,709	**16,019**
Total	**86,894**	**177**	**8,713**	**95,784**

The Group availed of the practical expedient on adoption of IFRS 16 Leases to rely on the assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Consequently, right of use assets were adjusted on transition by the amount of the provisions for onerous leases recognised at 30 September 2019. The remaining onerous lease balance relates to a lease with a lease term of less than one year from the date of adoption of the standard (Note 21).

15. Acquisition of subsidiary undertakings

The Group completed the acquisition of 100% of Canale Communications, Inc. ('CanaleComm') on 12 November 2019. CanaleComm is a U.S.-based healthcare strategic communications agency, with specialist capabilities in corporate communications, public relations and investor relations. CanaleComm is presented as part of the Ashfield operating segment, and significantly strengthens the Group's public relations offering in the U.S.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the above acquisition due to the recent acquisition date. Any amendments to these acquisition fair values within the 12-month timeframe from the date of acquisition will be disclosed in the 2020 Annual Report as stipulated by IFRS 3 Business Combinations.

	Arising on Acquisition $'000
Property, plant and equipment	**360**
Right of use assets	**253**
Intangible assets – arising on acquisition	**6,120**
Trade and other receivables	**1,854**
Trade and other payables	**(640)**
Lease liabilities	**(253)**
Deferred tax liabilities	**(100)**
Cash acquired	**60**
Net assets acquired	**7,654**
Goodwill	**23,152**
Consideration	**30,806**
Satisfied by:	
Cash consideration	**20,345**
Deferred contingent consideration	**10,461**
Total consideration	**30,806**
Net cash outflow - arising on acquisitions	
Cash consideration	**20,345**
Less: Cash and cash equivalents	**(60)**
Net cash outflow – Business combinations completed in the period	**20,285**
Deposit in escrow for business combinations (Note 22)	**1,500**
Net cash outflow	**21,785**

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. The significant factors giving rise to the goodwill include the value of the workforce and management teams within the business acquired, the enhancement of the competitive position of the Group in the marketplace and the strategic premium paid by UDG Healthcare plc to create the combined Group. The goodwill arising from acquisitions that is expected to be tax deductible is $23,152,000.

The intangible assets arising on the acquisition primarily relate to the trade names, customer relationships, and customer contracts. The gross contractual value of trade and other receivables on acquisition amounted to $1,874,000. The fair value of trade and other receivables recognised on acquisition was $1,854,000. No contingent liabilities were recognised on the acquisition completed during the six month period ended 31 March 2020.

The total transaction related costs for completed and aborted acquisitions amounts to $1,201,000. These are presented separately in the Group Income Statement.

Contingent consideration is payable to the sellers of CanaleComm after three years, based on the achievement of certain profit targets. The fair value of contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payments to present value at the acquisition date. For contingent consideration to become payable, the pre-defined profit thresholds must be achieved by the acquired business. On an undiscounted basis, the future payments for which the Group may be liable in respect of the current period acquisition ranges from $nil to $11,000,000.

15. Acquisition of subsidiary undertakings (continued)

The Group's results for the six month period ended 31 March 2020 included the following amounts in respect of the business acquired during the period:

	Six months ended 31 March 2020 $'000
Revenue	**3,772**
Profit for the period	**406**

The proforma revenue and profit of the Group for the six month period ended 31 March 2020 would have been $694,344,000 and $55,294,000 respectively had the acquisition taken place at the start of the reporting period. The proforma results for the period include the estimate of tax expense and amortisation of intangible assets recognised on acquisition.

16. Employee benefits

	Employee benefit asset $'000
Employee benefit asset at 1 October 2019	**7,636**
Current service cost	**(1,627)**
Interest	**30**
Contributions paid	**809**
Remeasurement gain	**2,719**
Translation adjustment	**(32)**
Employee benefit asset at 31 March 2020	**9,535**

As set out in the consolidated financial statements for the year ended 30 September 2019, the Group operates a number of defined benefit pension schemes which are funded by the payments of contributions to separately administered trust funds. The ROI schemes have a remeasurement gain in the period arising from a change in the assumptions used to measure liabilities of the plan. The U.S. scheme has a remeasurement loss in the period resulting from lower than expected returns on plan assets. In the ROI schemes, there is no longer a salary increase assumption due to the accrual of pension benefits ceasing from 1 December 2015.

The principal assumptions are as follows:

	Republic of Ireland Schemes		**United States Scheme**	
	As at 31 March 2020	As at 30 September 2019	**As at 31 March 2020**	As at 30 September 2019
Rate of increase in salaries	**n/a**	n/a	**2.75-4.00%**	2.75-4.00%
Rate of increase in pensions	**0-1.00%**	0-1.25%	**0.00%**	0.00%
Inflation rate	**1.00%**	1.25%	**2.75%**	2.75%
Discount rate	**1.85%**	0.85%	**3.00%**	3.00%

17. Financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated balance sheet at 31 March 2020, are as follows:

	Carrying value $'000	Fair value $'000
Financial assets		
Trade and other receivables	354,799	354,799
Derivative financial assets	30,632	30,632
Cash and cash equivalents	151,123	151,123
	536,554	**536,554**
Financial liabilities		
Trade and other payables	169,419	169,419
Interest-bearing loans and borrowings	239,994	239,994
Lease liabilities	98,868	98,868
Deferred contingent consideration	86,894	86,894
	595,175	**595,175**

The fair values of the financial assets and liabilities disclosed in the above tables have been determined using the methods and assumptions set out below.

Trade and other receivables/payables

For receivables and payables the carrying value less impairment provision is deemed to reflect fair value, where appropriate.

Cash and cash equivalents

For cash and cash equivalents, the nominal amount is deemed to reflect fair value.

Interest-bearing loans and borrowings (excluding lease liabilities)

The fair value of interest-bearing loans and borrowings is based on the fair value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for movements in credit spreads.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Valuation techniques and significant unobservable inputs

Fair value hierarchy of assets and liabilities measured at fair value

The Group has adopted the following fair value hierarchy in relation to its financial instruments that are carried in the balance sheet at fair value as at the period end:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. Financial instruments (continued)

The following table sets out the fair value of all financial assets and liabilities that are measured at fair value:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value				
Designated as hedging instruments				
Cross currency interest rate swaps	-	30,632	-	30,632
	-	**30,632**	**-**	**30,632**
Liabilities measured at fair value				
At fair value through profit or loss				
Deferred contingent consideration	-	-	86,894	86,894
	-	**-**	**86,894**	**86,894**

Summary of derivatives:

	Amount of financial assets/liabilities as presented in the balance sheet $'000	**Related amounts not offset in the balance sheet $'000**	**31 March 2020 Net $'000**	Amount of financial assets/liabilities as presented in the balance sheet $'000	Related amounts not offset in the balance sheet $'000	31 March 2019 Net $'000
Derivative financial assets	**30,632**	**-**	**30,632**	14,707	-	14,707
Derivative financial liabilities	**-**	**-**	**-**	-	-	-

All derivatives entered into by the Group are included in Level 2 of the fair value hierarchy and consist of cross currency interest rate swaps. The fair values of cross currency interest rate swaps are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include, where appropriate, adjustments to take account of the credit risk of the Group entity and counterparty.

Deferred contingent consideration

Deferred contingent consideration is included in Level 3 of the fair value hierarchy. Details of movements in the period are included in Note 14. The deferred contingent consideration liability arises from acquisitions completed by the Group. The fair value is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate. The expected payment is determined separately in respect of each individual earn out agreement taking into consideration the expected level of profitability of each acquisition. The provision for deferred contingent consideration is in respect of acquisitions completed during financial years 2017 to 2020.

The significant unobservable inputs are:

- forecasted weighted average EBIT growth rate 14.6% (2019: 13%); and
- risk adjusted discount rate 0.7% - 2.8% (2019: 0.02% - 2.75%).

Inter-relationship between significant unobservable inputs and fair value measurement:

The estimated fair value would increase/(decrease) if:

- the EBIT growth rate was higher/(lower); and
- the risk adjusted discount rate was lower/(higher).

17. Financial instruments (continued)

For the fair value of deferred contingent consideration, a reasonable possible change to one of the significant unobservable inputs at 31 March 2020, holding the other inputs constant, would have the following effects:

	Increase $'000	Decrease $'000
Effect of change in assumption on income statement		
Annual EBIT growth rate (1% movement)	742	(801)
Risk-adjusted discount rate (1% movement)	(1,792)	1,827

Financial ratios

Financial covenants in our principal debt facilities are based on net debt to EBITDA being less than 3.5 times and EBITDA interest cover being greater than three times.

	31 March 2020 Times	31 March 2019 Times
Net debt to annualised EBITDA	0.3	0.3
Annualised EBITDA interest cover	27.2	24.1

The financial ratios calculated above exclude the impact of IFRS 16, in line with financial covenant requirements.

18. Dividends

During the first half of the financial year, the final dividend for 2019 (12.34 $ cent per share) was paid, giving rise to a reduction in shareholders' funds of $30,887,000.

19. Foreign currency

The principal exchange rates used in translating sterling and euro balance sheets and income statements were as follows:

	31 March 2020	31 March 2019
	$1=Stg£	$1=Stg£
Balance sheet (closing rate)	**0.8091**	0.7640
Income statement (average rate)	**0.7797**	0.7725
	$1=Euro€	$1=Euro€
Balance sheet (closing rate)	**0.9127**	0.8901
Income statement (average rate)	**0.9051**	0.8783

20. Related parties

The Group trades in the normal course of business with its joint venture undertakings. The aggregate value of these transactions is not material in the context of the Group's financial results.

The Group's investment in Magir Limited has been classified as an asset held for sale at 31 March 2020. The Group has provided a loan to Magir, gross of interest, of Stg£11,958,000 (2019: Stg£11,561,000).

IAS 24 Related Party Disclosures requires the disclosure of compensation paid to the Group's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. UDG Healthcare classifies directors, the Company Secretary and members of its executive team as key management personnel. This executive team is the body of senior executives that formulates business strategy along with the directors, follows through on the implementation of that strategy and directs and controls the activities of the Group on a day to day basis.

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of $4,466,000 for the six months ended 31 March 2020 (2019: $6,009,000).

21. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and the new accounting policies that have been applied from 1 October 2019, where they are different to those applied and disclosed in the 2019 Annual Report.

New and amended standards and interpretations effective during 2020
IFRS 16 Leases
IFRS 16 replaced IAS 17 Leases and related interpretations. The standard addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about leasing activities. A key change arising from IFRS 16 is that most of the leases previously accounted for as operating leases under IAS 17 are now accounted for on the Balance Sheet, similar to the accounting for finance leases previously.

Accounting policy
All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Such leases are accounted for on a straight line expense basis.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, discounted using the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period in which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before the commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight line basis over the remaining term of the lease or over the remaining economic life of the asset if this is determined to be shorter than the lease term.

When the estimate of the term of any lease is revised, for example due to reassessing the probability of exercising an extension or termination option, the carrying amount of the lease liability is adjusted to reflect the payments to be made over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised, except in this case the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining revised lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification. If the renegotiation results in one or more additional assets being leased for an amount equal to the standalone price for the additional right of use assets obtained, the modification is accounted for as a separate lease in accordance with the above policy. In all other cases where the renegotiation increases the scope of the lease, the lease liability is remeasured using the discount rate applicable on the modification date, with the right of use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right of use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right of use asset is adjusted by the same amount.

For contracts that include both a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to separate the non-lease components and exclude these from the lease liability calculations.

21. Changes in accounting policies (continued)

Implementation of IFRS 16
IFRS 16 was adopted by the Group on 1 October 2019 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application, without restatement of comparative figures. With this approach, lease liabilities and right of use assets were recognised for the remaining lease payments on identified lease contracts at date of application, discounted at the appropriate incremental borrowing rate. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The impact of adopting the new standard on the Group Balance Sheet as at 1 October 2019 is outlined as follows:

	30 September 2019 Previously reported $'000	IFRS 16 Adjustments $'000	1 October 2019 Adjusted $'000
Non-current assets			
Right of use assets	-	81,161	**81,161**
Deferred income tax assets	5,178	1,936	**7,114**
Current assets			
Trade and other receivables	370,350	(868)	**369,482**
Equity			
Retained earnings	829,459	1,924	**831,383**
Non-current liabilities			
Interest-bearing loans and borrowings	174,734	(30)	**174,704**
Lease liabilities	-	79,467	**79,467**
Other payables	23,853	(7,630)	**16,223**
Provisions	74,193	(181)	**74,012**
Deferred income tax liabilities	39,263	12	**39,275**
Current liabilities			
Interest-bearing loans and borrowings	65,297	(19)	**65,278**
Lease liabilities	-	14,620	**14,620**
Trade and other payables	246,685	(5,045)	**241,640**
Provisions	19,633	(889)	**18,744**

21. Changes in accounting policies (continued)

The Group's total future minimum lease payments under non-cancellable operating leases at 30 September 2019 amounted to $125,497,000 and are reconciled to the lease liability recognised at 1 October 2019 as follows:

Reconciliation of operating lease commitments to IFRS 16 lease liability on transition	**Land & Buildings $'000**	**Motor Vehicles $'000**	**Plant, Equipment, & Other $'000**	**Total $'000**
Operating lease commitments under IAS 17 at 30 September 2019	112,070	10,800	2,327	**125,197**
Adjusted for impact of:				
Finance lease liabilities recognised under IAS 17 as at 30 September 2019	-	-	49	**49**
Short-term leases not recognised as a liability [1]	(904)	(4,320)	-	**(5,224)**
Low-value leases not recognised as a liability [2]	-	-	(1,523)	**(1,523)**
Different treatment of extension and termination options [3]	4,034	103	-	**4,137**
Separation of non-lease components from the lease contracts [4]	(6,022)	(1,110)	(110)	**(7,242)**
Lease contracts not yet commenced [5]	(9,185)	-	-	**(9,185)**
Effect of discounting the lease liability [6]	(11,875)	(221)	(26)	**(12,122)**
IFRS 16 Lease liability on adoption at 1 October 2019	**88,118**	**5,252**	**717**	**94,087**

Notes

[1] Relates to leases which are ending within 1 year or less of the date of transition and are therefore excluded from the IFRS 16 lease liability as a result of applying the recognition exemption for short-term leases.

[2] Relates to leases of assets that qualify as low-value assets and are therefore excluded from the IFRS 16 lease liability as a result of applying the recognition exemption for leases of low-value assets. These leases primarily relate to leases of IT, office and telephony equipment which are not individually material.

[3] Differences between the non-cancellable periods of the in-scope leases which are used to calculate the operating lease commitments, and the lease terms used to calculate the lease liability under IFRS 16 which include periods covered by an option to extend the lease if the lessee is reasonably certain to exercise such options, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise such options. As part of the transition to IFRS 16, management judgement has been applied to assess whether options included in the in-scope lease contracts will be executed.

[4] Adjustments to remove non-lease components included in operating lease commitments from the IFRS 16 lease liability, in accordance with the Group accounting policy being applied on transition.

[5] Refers to lease contracts that have been signed as at the transition date but that have not yet commenced as the asset is not available for use.

[6] Impact of discounting the remaining lease payments on identified lease contracts as at the transition date, using the appropriate incremental borrowing rate.

Significant accounting estimates and judgements - Leases

Judgement is used in determining whether an extension or termination option will be exercised. Extension options and periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. All facts and circumstances that create an incentive to exercise an extension option or to not exercise a termination option are considered, including:

- If there are significant penalties to terminate a lease, the Group is typically reasonably certain to not terminate the lease.
- If the rental terms are favourable to current market terms, the Group is typically reasonably certain to extend the lease, or to not exercise a termination option.
- If leasehold improvement assets are considered to have a significant remaining value, the Group is typically reasonably certain to extend the lease, or to not terminate the lease.

Other factors considered in determining whether a lease extension option or lease termination option will be exercised include historical lease durations, the availability of alternative similar properties in the market, and the costs and business disruption to replace the leased asset. The lease term is reassessed if there is a significant change in circumstances within the Group's control that affects the determination of whether an extension or termination would be exercised.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarified how to recognise and measure uncertainties over income tax treatments. The Group already provides for tax uncertainties in the recognition and measurement of the income tax expense and current tax liabilities. The impact of implementing IFRIC 23 did not have a material impact on the financial statements.

A number of other changes to IFRS became effective in the period beginning on 1 October 2019, however they did not have a material effect on the Group accounting policies and the interim accounts.

22. Events after the balance sheet date

Acquisition of QPSI Macungie
In May 2020, the Group completed the acquisition of QPSI Macungie, a U.S.-based packaging facility for consideration of $5.2 million. The facility provides further primary, secondary and tertiary packaging space, warehouse facilities and additional capacity to expand. The acquisition provides a solution to expand Sharp's capacity in the Allentown area. The facility employs approximately 110 people and will be reported in the Group's Sharp segment.

Due to the short time frame between completion date and the date of issuance of this report, an initial assignment of fair values to identifiable assets and liabilities acquired has not been completed.

23. Board approval

This interim report was approved by the Board of Directors of UDG Healthcare plc on 18 May 2020.

Additional Information

Key performance indicators and non-IFRS performance measures

The Group reports certain financial measurements that are not required under International Financial Reporting Standards (IFRS) which represent the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that the presentation of these non-IFRS measurements provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations and to measure executive management's performance based remuneration.

None of the non-IFRS measurements should be considered as an alternative to financial measures derived in accordance with IFRS. The non-IFRS measurements can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of results as reported under IFRS. The principal non-IFRS measurements used by the Group, together with reconciliations where the non-IFRS measures are not readily identifiable from the Financial Statements, are set out below.

Net revenue

Definition
This comprises of revenue as reported in the Group Income Statement, adjusted for revenue associated with pass-through costs for which the Group does not earn a margin.

Calculation		**Six months ended 31 March 2020 $'000**	Six months ended 31 March 2019 $'000
Revenue	Income Statement	**693,590**	656,639
Pass - through revenue		**(97,416)**	(110,474)
Net revenue		**596,174**	546,165

Adjusted operating profit

Definition
This comprises of operating profit as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		**Six months ended 31 March 2020 $'000**	Six months ended 31 March 2019 $'000
Operating profit	Income Statement	**68,524**	34,074
Transaction costs	Income Statement	**1,201**	813
Amortisation of acquired intangible assets	Note 10	**16,830**	15,551
Exceptional items	Note 5	**(5,257)**	15,164
Adjusted operating profit		**81,298**	65,602

Additional Information (continued)

Key performance indicators and non-IFRS performance measures

Adjusted profit before tax

Definition

This comprises of profit before tax as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		**Six months ended 31 March 2020 $'000**	Six months ended 31 March 2019 $'000
Profit before tax	Income Statement	**62,270**	30,308
Transaction costs	Income Statement	**1,201**	813
Amortisation of acquired intangible assets	Note 10	**16,830**	15,551
Exceptional items	Note 5	**(5,257)**	15,164
Adjusted profit before tax		**75,044**	61,836

Adjusted operating margin

Definition

Measures the adjusted operating profit as a percentage of revenue.

Calculation		**Six months ended 31 March 2020 $'000**	Six months ended 31 March 2019 $'000
Adjusted operating profit	Per above	**81,298**	65,602
Revenue	Income Statement	**693,590**	656,639
Adjusted operating margin		**11.7%**	10.0%

Adjusted net operating margin

Definition

Measures the adjusted operating profit as a percentage of net revenue.

Calculation		**Six months ended 31 March 2020 $'000**	Six months ended 31 March 2019 $'000
Adjusted operating profit	Per above	**81,298**	65,602
Net revenue	Per above	**596,174**	546,165
Adjusted net operating margin		**13.6%**	12.0%

Additional Information (continued)

Key performance indicators and non-IFRS performance measures

Adjusted effective tax rate

Definition
The Group adjusted effective tax rate expresses the income tax expense adjusted for the tax impact of exceptional items, transaction costs and the amortisation of acquired intangible assets as a percentage of adjusted profit before tax.

Calculation		**Six months ended 31 March 2020 $'000**	Six months ended 31 March 2019 $'000
Tax charge	Income Statement	**7,016**	7,115
Tax relief with respect to transaction costs		**118**	40
Deferred tax credit with respect to acquired intangible amortisation		**4,239**	3,642
Tax relief with respect to exceptional items	Note 5	**(41)**	209
Remeasurement of current tax liabilities	Note 5	**4,420**	-
Income tax expense before exceptional, transaction costs and deferred tax attaching to amortisation of acquired intangible assets		**15,752**	11,006
Adjusted profit before tax	Per above	**75,044**	61,836
Adjusted effective tax rate		**21.0%**	17.8%

Return on capital employed (ROCE)

Definition
ROCE is the adjusted operating profit expressed as a percentage of the Group's net assets employed. Net assets employed is the average of the opening and closing net assets in the period excluding net debt adjusted for the historical amortisation of acquired intangible assets and restructuring charges.

Calculation		**As at 31 March 2020 $'000**	As at 31 March 2019 $'000
Net assets	Balance Sheet	**945,303**	892,675
Net debt	Note 13	**58,239**	56,780
Assets before net debt		**1,003,542**	949,455
Cumulative intangible amortisation		**226,527**	197,173
Cumulative restructuring costs		**20,632**	25,714
Total capital employed		**1,250,701**	1,172,342
Average total capital employed		**1,211,522**	1,194,822
Rolling 12 month adjusted operating profit		**170,536**	145,753
Return on capital employed		**14.1%**	12.2%

Additional Information (continued)

Key performance indicators and non-IFRS performance measures

Adjusted and annualised EBITDA

Definition

Adjusted EBITDA is used internally for performance management and is also a useful supplemental measure for external stakeholders. Adjusted EBITDA is adjusted operating profit (operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items) before depreciation, share-based payment expense, amortisation of computer software, the share of joint venture profits/(loss) and profit/(loss) on disposal of property, plant and equipment.

The annualised EBITDA used for debt covenant compliance purposes, amends adjusted EBITDA to include the annualisation of the EBITDA for acquisitions and exclude share-based payment expense, transaction costs, the impact of IFRS 16 Leases on EBITDA and the EBITDA of completed disposals.

Adjusted and annualised EBITDA are adjusted for depreciation of right of use assets as the expense is considered by management to be similar in nature to depreciation of property, plant and equipment and amortisation of intangible assets. Annualised EBITDA excluding IFRS 16 is also presented (excluding depreciation of right of use assets and IFRS 16 operating profit impact) to illustrate an annualised EBITDA that is consistent with the Group's financial debt covenants.

Calculation		**6 months ended 31 March 2020 $'000**	6 months ended 31 March 2019 $'000	**12months ended 31 March 2020 $'000**	12 months ended 31 March 2019 $'000
Adjusted operating profit	Per above	**81,298**	65,602	**170,536**	145,753
Share-based payment expense	Cash Flow Statement	**2,628**	2,521	**4,827**	5,027
Depreciation	Cash Flow Statement	**11,331**	11,764	**22,697**	24,213
Depreciation of right of use assets	Cash Flow Statement	**8,128**	-	**8,128**	-
Amortisation of computer software	Note 10	**4,694**	3,657	**9,064**	7,078
Joint venture profit share	Note 4	**(954)**	418	**(1,422)**	(403)
Profit on disposal of property, plant and equipment	Cash Flow Statement	**(26)**	(678)	**80**	(744)
Adjusted EBITDA		**107,099**	83,284	**213,910**	180,924
Share-based payment expense				**(4,827)**	(5,027)
Transaction costs				**(2,524)**	(2,213)
EBITDA of completed disposals				**(287)**	(1,138)
Annualised EBITDA of acquisitions[1]				**4,059**	2,026
Annualised EBITDA				**210,331**	174,572
IFRS 16 Operating profit impact				**(766)**	-
Depreciation of right of use assets				**(8,128)**	-
IFRS 16 impact on EBITDA of completed disposals				**(70)**	-
IFRS 16 impact on Annualised EBITDA of acquisitions				**105**	-
Annualised EBITDA excluding IFRS 16				**201,472**	174,572

[1] Includes EBITDA for acquisitions which were not part of the Group for the full financial period.

Financial ratios

Definition

The net debt to EBITDA and EBITDA interest cover ratios disclosed are calculated using annualised EBITDA and adjusted net finance expense (net finance expense excluding interest on pension scheme obligations and the unwinding of discount on provisions and deferred consideration, see Note 7). Net debt represents the net total of current and non-current borrowings, current and non-current derivative financial instruments and cash and cash equivalents as presented in the Group Balance Sheet and is calculated in Note 13.

Additional Information (continued)

Key performance indicators and non-IFRS performance measures

Constant currency

Definition

The translation of foreign denominated earnings can be impacted by movements in foreign exchange rates versus U.S. dollars, the Group's presentation currency. In order to present a better reflection of underlying performance in the period, the Group retranslates foreign denominated prior period earnings at current period exchange rates.

		Six months ended 31 March 2020	Six months ended 31 March 2019
Revenue - constant currency		**$'000**	$'000
Revenue	Income Statement	**693,590**	656,639
Currency impact		**-**	(4,296)
Revenue - constant currency		**693,590**	652,343
Revenue - constant currency increase on H1 2019		**41,247**	
Revenue - constant currency increase on H1 2019 %		**6%**	
Net revenue - constant currency		**$'000**	$'000
Net revenue	Per above	**596,174**	546,165
Currency impact		**-**	(3,669)
Net revenue - constant currency		**596,174**	542,496
Net revenue – constant currency increase on H1 2019		**53,678**	
Net revenue - constant currency increase on H1 2019 %		**10%**	
Adjusted operating profit - constant currency		**$'000**	$'000
Adjusted operating profit	Per above	**81,298**	65,602
Currency impact		**-**	129
Adjusted operating profit - constant currency		**81,298**	65,731
Adjusted operating profit - constant currency increase on 2019		**15,567**	
Adjusted operating profit - constant currency increase on 2019 %		**24%**	
Adjusted profit before tax - constant currency		**$'000**	$'000
Adjusted profit before tax	Per above	**75,044**	61,836
Currency impact		**-**	240
Adjusted profit before tax - constant currency		**75,044**	62,076
Adjusted profit before tax - constant currency increase on 2019		**12,968**	
Adjusted profit before tax - constant currency increase on 2019 %		**21%**	
Adjusted diluted earnings per share ('EPS') - constant currency		**$'000**	$'000
Adjusted profit attributable to owners of the parent	Note 8	**59,283**	50,826
Currency impact		**-**	235
Adjusted profit attributable to owners of the parent - constant currency		**59,283**	51,061
Weighted average number of shares used in diluted EPS calculation	Note 8	**250,786,898**	250,069,757
Adjusted diluted EPS - constant currency (cent)		**23.64**	20.42
Adjusted diluted EPS - constant currency increase on 2019 (cent)		**3.22**	
Adjusted diluted EPS - constant currency increase on 2019 %		**16%**	

The dividend per share constant currency increase on 2019 percentage disclosed is the same as actual percentage increase in dividend per share as this is based on the disclosed US dollars dividend per share.