UDG Healthcare plc
Interim Report 2018

UDG Healthcare plc ("UDG Healthcare" or "Group"), a leading international healthcare services provider, announces its results for the six months to 31 March 2018, after a period of strong EPS growth.

Financial Results – six months to 31 March 2018

	IFRS based $'m	Adjustments[1] $'m	**Adjusted[1] $'m**	**Increase on 2017 %**	**Constant currency Increase on 2017 %**
Continuing operations					
Revenue	675.3	-	**675.3**	**17**	**11**
Net revenue[2]	568.7	-	**568.7**	**17**	**11**
Operating profit	2.4	65.0	**67.4**	**15**	**11**
Profit before tax	1.7	61.5	**63.2**	**19**	**16**
Diluted earnings per share ("EPS") (cent)	0.44	19.75	**20.19**	**24**	**21**
Dividend per share (cent)	4.25	-	**4.25**	**19**	**19**

	31 March 2018	**30 September 2017**	**31 March 2017**
Net (debt)/cash ($'m)	(46.6)	(53.3)	91.1
Net (debt)/cash/annualised EBITDA	(0.28)	(0.32)	0.61

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-IFRS 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. **Reference to these performance measurements throughout this report are to the adjusted measurements unless otherwise stated and these adjusted measurements are explained on pages 33-36.**

[1] Adjusted operating profit, profit before tax and diluted EPS are stated before the amortisation of acquired intangible assets ($15.2m, pre-tax), transaction costs ($1.0m, pre-tax) and exceptional charges primarily relating to Aquilant (operating charge $48.7m, pre-tax $45.2m and post-tax $36.6m).

[2] Net revenue represents gross revenue adjusted for revenue associated with pass-through costs, for which the Group does not earn a margin.

Results highlights

- Adjusted diluted earnings per share[1] (EPS) increased by 24% (21% on a constant currency basis).
- Guidance reiterated for FY18 constant currency adjusted EPS[1] growth of between 18% and 21% over last year's EPS of 37.1 $ cent.
- Net revenue growth of 17% (11% on a constant currency basis) to $568.7 million.
- Adjusted operating profit[1] growth of 15% (11% on a constant currency basis) to $67.4 million. Adjusted net operating margin[2] declined marginally from 12.0% to 11.8%.
- Adjusted profit before tax[1] up 19% (16% on a constant currency basis).
- Ashfield's operating profit[1] increased by 25% (18% on a constant currency basis) driven by the benefit of acquisitions completed in FY17. Ashfield would have generated 6% underlying operating profit growth during the period if the impact of Future Fit was excluded.
- Sharp's operating profit was 2% behind the prior period. A good second quarter trading performance did not fully offset a weak first quarter.
- Net debt of $46.6 million at 31 March 2018 (0.28 times net debt to EBITDA), providing significant capacity to execute strategic acquisitions.
- 19% increase in interim dividend to 4.25 $ cent per share.

Chief Executive's comment

Commenting on the performance, Chief Executive Officer, Brendan McAtamney said:

"The first half of 2018 was another period of strong growth for the Group, primarily driven by acquisitions and favourable tax changes, with adjusted diluted EPS increasing by 24% (21% on a constant currency basis).

We are pleased to reiterate our guidance for FY18 constant currency adjusted diluted EPS growth of between 18% and 21% over last year's EPS.

We remain confident that our strong market positions and the growing trend in the healthcare industry to outsource specialist activities on an international basis, leaves UDG well positioned for growth in FY18 and beyond."

[1] Before the amortisation of acquired intangible assets, transaction costs and exceptional items.

[2] Operating margin as a percentage of net revenue. Net revenue represents gross revenue adjusted for revenue associated with pass-through costs, for which the Group does not earn a margin.

Group development and outlook

Management changes
Nigel Clerkin succeeded Alan Ralph as Chief Financial Officer of the Group on 1 May 2018 and was appointed as an Executive Director of the Group on 15 May 2018. As previously announced, Alan will remain with the Group to support this transition until his retirement in November 2018.

In April 2018, Rob Wood was appointed Global President of Ashfield Advisory Services & Business Development. In this role, STEM and Vynamic will report directly to Rob and he will also have overall responsibility for the business development function across the Ashfield division. Rob was the majority shareholder in STEM and joined the Group in October 2016 as part of that acquisition.

In February 2018, Ashfield announced the appointment of Doug Burcin as President of Ashfield Healthcare Communications taking over from Viv Adshead who retired in late 2017. Doug has over 30 years industry experience, most recently as Chief Growth Officer for Klick Health.

Future Fit
Progress on the Group's investment in scalable infrastructure across HR, finance and IT (Future Fit) remains on track. The Group launched *Workday* (HR system) in April 2017 and the implementation of Ashfield's new Oracle *Fusion* finance system will be completed by the end of the calendar year.

The rollout of the Group's Future Fit initiatives commenced during the second half of FY17 and resulted in $2.5 million additional operating costs in that period, primarily in Ashfield. During the first half of FY18, a further $2.6 million increase in operating costs was incurred (annualised impact to date of over $5 million). While as expected these costs moderated underlying growth during the first half of 2018, these investments will ensure the Group has the right infrastructure to deliver long term sustainable growth and enable the seamless integration of acquired businesses. The remaining increase in Future Fit related costs in the second half of FY18 is expected to be approximately $1.0 million.

US tax changes
There is no change to the Group's assessment of the impact of the US tax reform legislation, as set out in the Group's First Quarter Trading Update on 30 January 2018. The headline US federal corporate tax rate has been reduced from 35% to 21%, effective from 1 January 2018 and as a result:

- The Group had a one-off gain from a reduction in the Group's deferred tax liabilities (see below);
- The effective Group tax rate for FY18 is expected to be 4% points lower than previously anticipated.

Exceptional items
The Group incurred an exceptional charge during the first half of FY18 of $36.6 million after tax (full details in note 5 to the financial statements):

- A net charge after tax of $49.7 million in relation to the impairment of goodwill on Aquilant, in part offset by one-off payments received relating to the exit of two contracts in the period;
- A gain of $9.7 million reflecting a one-off benefit from a reduction in the Group's deferred tax liabilities following the enactment of the US Tax Cuts and Jobs Act; and
- Deferred contingent consideration gain of $3.5 million in respect of Cambridge BioMarketing was released in the current period following a review of performance against expected earn out targets.

The total cash inflow net of costs in the period was $13.5 million as per the cash flow statement and the expected total net cash inflow is $14.5 million.

Outlook
The Group reiterates its full year guidance for constant currency adjusted diluted earnings per share (EPS) growth for the year to 30 September 2018 to be between 18% and 21% ahead of last year's EPS of 37.1 $ cent. This strong expected EPS growth reflects the contribution from acquisitions, along with lower interest and taxation expenses.

The average exchange rates during FY17 were $1: £0.7891 and $1: €0.9047 and during H1 2018 were $1: £0.7357 and $1: €0.8310 (H1 2017 rates were $1: £0.8066 and $1: €0.9330). Based on the current prevailing exchange rates, the Group is likely to have a modest foreign exchange benefit on the translation of non-US profits in FY18.

The Group expects to continue its 30+ year history of dividend growth in FY18. The Board has declared an interim dividend of 4.25 $ cent per share, a 19% increase on the 2017 interim dividend.

As at 31 March 2018, the Group's net debt was $46.6 million (0.28x net debt to EBITDA), leaving it with significant capacity to execute further strategic acquisitions.

Preliminary Results
The Group will issue preliminary results for the year to 30 September 2018 on Tuesday, 27 November 2018.

Review of Operations

for the six months to 31 March 2018

Ashfield

Six months to 31 March	2018 $'m	2017 $'m	Actual Growth	Underlying Growth[2]
Gross revenue				
Communications (including Advisory)	**153.4**	94.0	*63%*	*8%*
Commercial & Clinical	**325.5**	285.9	*14%*	*4%*
Total gross revenue	**478.9**	379.9	*26%*	*5%*
Net revenue[1]				
Communications (including Advisory)	**136.7**	80.9	*69%*	*11%*
Commercial & Clinical	**235.6**	208.1	*13%*	*1%*
Total net revenue	**372.3**	289.0	*29%*	*4%*
Operating profit				
Communications (including Advisory)	**28.3**	19.1	*48%*	*5%*
Commercial & Clinical	**17.3**	17.3	-	*(7%)*
Total operating profit	**45.6**	36.4	*25%*	*(1%)*
Operating margin				
Operating margin (on gross revenue)	**9.5%**	9.6%		
Net operating margin (on net revenue)	**12.3%**	12.6%		

[1] Net revenue represents gross 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 or Aquilant.

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

Ashfield delivered a strong financial performance in H1 2018, driven by the benefit of acquisitions completed in FY17. Net revenue was up 29% to $372.3 million and operating profit was up 25% to $45.6 million.

Adjusting for the positive impact of currency translation movements and the contribution from acquisitions, Ashfield generated 4% underlying net revenue growth. As expected, Ashfield incurred additional Future Fit related operating costs of $2.6 million during the first half of the year which resulted in a decline of 1% in underlying profits. Without these additional costs, Ashfield would have generated 6% underlying operating profit growth during the period.

Net operating margin (allowing for pass-through costs) declined from 12.6% to 12.3%. The positive margin impact of acquisitions was offset by the impact of the additional Future Fit operating costs.

Ashfield Communications (including Advisory), which in H1 2018 accounted for 62% of Ashfield's operating profits, performed strongly during the period. Net revenue increased by 69% and operating profit increased by 48%, including the benefit of acquisitions. Underlying net revenue growth was 11%, with underlying operating profit growth of 5% (after charging Future Fit costs) driven by a good performance from STEM.

Ashfield Commercial & Clinical generated net revenue growth of 13% and underlying net revenue growth of 1% during the period. Compared to the prior period, operating profit was in line and 7% behind on an underlying basis. This was due to the impact of additional Future Fit operating costs and a strong comparative prior period due to a temporary increase in activity levels from one client in the US.

In addition to delivering underlying growth, Ashfield remains focused on executing strategic acquisitions that complement the existing business. This strategy has enhanced and broadened Ashfield's capabilities to deliver a full range of end-to-end advisory, communication, commercial and clinical services to its clients.

Sharp

Six months to 31 March	2018 $'m	2017 $'m	*Actual Growth*	*Underlying Growth[1]*
Revenue				
US	**118.6**	124.1	*(4%)*	*(6%)*
Europe	**23.9**	28.6	*(16%)*	*(26%)*
Total revenue	**142.5**	152.7	*(7%)*	*(10%)*
Operating profit				
US	**18.4**	19.0	*(3%)*	*(4%)*
Europe	**0.5**	0.2	*191%*	*261%*
Total operating profit	**18.9**	19.2	*(2%)*	*(2%)*
Operating margin %	**13.3%**	12.6%		

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

Sharp generated revenue of $142.5 million and operating profit of $18.9 million, 7% and 2% behind the same period last year respectively. Operating margins increased to 13.3% during the period.

Sharp US's operating profit was 3% behind the same period last year. This was driven by higher project churn in the commercial business during the second half of FY17 which impacted the first half of FY18. While the performance of Sharp US improved during the second quarter of FY18, it was not sufficient to negate the impact of the first quarter of the year.

Sharp Europe's operating profit continued to improve during the first half of FY18. However, European clinical revenues were behind the same period last year due to less low margin comparator sourcing revenues than the prior period. The total European business expects a continued improvement in revenues and profits over the coming years, given the committed business development pipeline.

Sharp's investments across its new facilities in the US and the UK are progressing well and are expected to be completed by December 2018. These investments will position the Sharp Clinical business for future growth, offering clients an integrated clinical development, packaging and distribution service.

Sharp's investment in its state-of-the-art facilities and serialisation services favourably positions the business to meet the ongoing demand from both new and existing clients.

Sharp is expected to deliver double digit underlying operating profit growth in H2 2018, which is likely to result in mid-single digit underlying operating profit growth for FY18. While this is below normal underlying growth rates, the improved pipeline of business in both the US and Europe leaves Sharp well positioned to generate strong underlying operating profit growth in FY19.

Aquilant

Six months to 31 March	2018 $'m	2017 $'m	*Actual Growth*	*Underlying Growth[1]*
Revenue	**53.9**	46.3	*17%*	*5%*
Operating profit	**2.9**	3.2	*(11%)*	*(19%)*
Operating margin %	**5.3%**	7.0%		

[1] Underlying growth adjusts for the impact of currency translation movements.

Revenue was 17% ahead of the prior period. Adjusting for currency translation movements, underlying revenue was 5% ahead.

Underlying operating profit was 19% behind the same period last year due to the exit of higher margin contracts with VSI and Link (for a net consideration of $14.5 million as per exceptional items, note 5 to the financial statements). The exit from these contracts will continue to have a negative impact on trading performance during the second half of FY18.

Analyst presentation
A presentation for investors and analysts will be held at the London Stock Exchange at 8.30 BST today, Tuesday, 22 May 2018. If you wish to attend, please contact Powerscourt. Alternatively, to dial into the conference call or webcast, the details are as follows:

Audio webcast
https://edge.media-server.com/m6/p/hporn254

Conference call
UK number: +44-330-336-9105
Ireland number: + 353-1-246-5638
US number: +1-929-477-0448
Participant code: 6327399

If you wish to ask questions, please do so via the conference call.

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

For further information, please contact:

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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 24 countries and delivering services in over 50 countries.

UDG Healthcare plc operates across three divisions: Ashfield, Sharp and Aquilant.

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.

Aquilant - Aquilant is a leading distributor of specialist medical and scientific products, providing outsourced sales, marketing, distribution and engineering services to the medical and scientific sectors in the UK and Ireland.

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. 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. 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 and business factors, which in some cases 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. 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.

Finance Review

for the six months to 31 March 2018

Revenue

Revenue of $675.3 million for the period was 17% ahead of 2017 (11% on a constant currency basis). Ashfield increased revenue by 26% and Aquilant increased revenue by 17%. Revenue in Sharp decreased by 7% due to less low margin comparator sourcing revenues than the prior period.

Adjusted operating profit

Adjusted operating profit of $67.4 million is 15% ahead (11% on a constant currency basis) of H1 2017.

Adjusted net operating margin

The adjusted net operating margin for the businesses for the period of 11.8% marginally declined from 12.0% in H1 2017. The positive margin effect of acquisitions was offset by the impact of additional Future Fit operating costs.

Adjusted profit before tax

Net interest costs for the period of $4.2 million are 29% lower than H1 2017, which is as a result of the repayment of guaranteed senior unsecured notes in September 2017. This delivered a profit before tax of $63.2 million which is 19% ahead of H1 2017 (16% on a constant currency basis).

Taxation

The effective taxation rate has decreased from 23.8% in H1 2017 to 20.1% in H1 2018 following the enactment of the US Tax Cuts and Jobs Act.

Adjusted diluted earnings per share

Adjusted earnings per share (EPS) is 24% ahead (21% on a constant currency basis) of H1 2017 at 20.19 $ cent. Underlying EPS increased by 8%, excluding the benefits of acquisitions completed in 2017 and favourable currency movements.

Exceptional items

The Group incurred an exceptional charge of $36.6 million after tax in the period.

Goodwill impairment of $57.6 million was recognised in relation to the Aquilant Group, partially offset by an exceptional gain of $8.9 million relating to the exit of two Aquilant clients in the period. A tax charge of $1.0 million was incurred in relation to these items.

Following the enactment of the US Tax Cuts and Jobs Act, the Group recognised an exceptional tax gain of $9.7 million in the income statement arising on the one-off remeasurement of certain US tax liabilities.

Deferred contingent consideration of $3.5 million after tax in respect of Cambridge BioMarketing was released in the current period following a review of earn out targets.

Foreign exchange

The Group operates in 24 countries, with its primary foreign exchange exposure being the translation of local income statements and balance sheets into US dollar for Group reporting purposes. The retranslation of overseas profits to US dollar has increased constant currency EPS growth of 21% to a reported EPS growth rate of 24%, which is primarily due to the strength of sterling in the first six months of 2018 versus the same period in 2017.

The average H1 2018 exchange rates were $1: £0.7357 and $1: €0.8310 (2017: $1: £0.8066 and $1: €0.9330).

Discontinued operations

The Group has classified its joint venture arrangement with Magir Limited as a discontinued operation and an asset held for sale. The Group did not recognise an operating profit contribution from the asset in the period.

Cash flow

Net debt increased by $137.7 million to $46.6 million (31 March 2017: net cash $91.1 million). This was primarily as a result of 2017 acquisition activity. Net debt has decreased by $6.7 million since 30 September 2017 primarily as a result of exceptional cash consideration received by Aquilant following the exit of two clients. The net cash inflow from operating activities was $65.4 million.

$24.7 million was invested in property, plant and equipment and computer software. This includes IT investment to enable the Group to grow in an efficient manner and investment in packaging facilities in all locations. The Group paid $3.2 million in deferred contingent consideration associated with acquisitions. Dividend payments of $24.1 million relating to the final 2017 dividend were made during the period.

Balance sheet
Net debt at the end of the period was $46.6 million ($208.8 million cash and $255.4 million debt). The net (debt)/cash to annualised EBITDA ratio is 0.28 times debt (2017: 0.61 times cash) and net interest is covered 20.2 times (2017: 13.4 times) by annualised EBITDA. 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.

Return on capital employed
The ROCE for continuing operations was 12.9%, down from 13.8% at 31 March 2017 and up from 12.8% at 30 September 2017. Details on how this was calculated are on page 35. ROCE has been impacted by prior year acquisitions, most of which were acquired in the final quarter of 2017.

Dividends
The directors are proposing an interim dividend of 4.25 $ cent per share representing an increase of 19% on the 2017 interim dividend. The interim dividend is payable to shareholders on the Company's register at 5.00 pm on 1 June 2018 and will be paid on 26 June 2018.

Investor relations
UDG Healthcare's executive management team spend a significant amount of time meeting with shareholders and the international financial community. The Group has invested in dedicated investor relations resources and is focused on increasing the awareness of the Company among the investor and analyst community.

The Group communicates regularly with its shareholders throughout the year, specifically following the release of its interim and preliminary results, and at the time of major developments including M&A transactions. The Group's website www.udghealthcare.com, is the primary method of communication for the majority of its shareholders. The Group publishes its annual report, preliminary results and other public announcements on its website. In addition, details of its conference calls and presentations are available through our website.

The Board of Directors considers it important to understand the views of shareholders and receive regular updates on investor perceptions.

The Group's investor relations department provides a point of contact for shareholders and full contact details are set out in the investor relations section of our website. Shareholders can also submit an information request through the shareholder services section of our website.

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 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 Finance Committee and the Chairman of that committee reports to the Board on the outcome of each review.

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

Operational

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 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.
Lack of 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.
Regulatory	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 and packaging licences. 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 and Ashfield Pharmacovigilance are subjected to routine FDA, EMEA and national agency inspections and so are required to be 'audit ready' at all times. A significant change in this period is the forthcoming requirement to comply with the EU General Data Protection Regulation (GDPR) by 25 May 2018. In anticipation of the introduction of GDPR, the Group has developed a GDPR compliance roadmap and is well on track to achieve its key objectives under the roadmap. For example, a Group Data Protection Officer (DPO) has been appointed and Group-wide data protection policies have been implemented. The DPO has completed audit and gap analyses, trained line managers across the EU, established online training programs and implemented a communications plan across the Group to reinforce the importance of data protection throughout the Group.
Patient risk	Throughout the Group medicines and medical devices can be packaged, supplied or administered directly to patients. The risk of inappropriate packaging, supply or administration could lead to a negative patient experience.	Packaging and supply activity is carried out under licence by local health regulators and a contract with the marketing authorisation holder (MAH). Serialisation is being introduced as a global solution to falsified medicines and to improve MAH product traceability. Administration of medicines to patients is covered by a detailed client contract with the MAH and a divisional clinical governance framework. All of these processes are subject to risk assessment, training, management review and internal quality audits.

Principal risks and uncertainties (continued)

Risk	Impact	Mitigation
Talent management	The success of the Group is built upon effective management teams that consistently deliver superior performance. If the Group cannot attract, retain or 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 future requirements in terms of skills, competencies and performance. There is a strong focus on key talent management practices including leadership and management development, succession planning and performance management. There has been a significant investment in a Group Human Resource information system which provides an important platform to support our talent management practices.
IT Systems' risk	The ability of the Group to 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. Collectively this initiative is referred to as Future Fit IT.
Cyber security	The global threat sophistication is increasing due to support from criminal organisations and nation states targeting valuable information. These are advanced persistent threats targeted at both business-critical data and using ransomware for financial gain.	As part of Future Fit IT, the Group is implementing multi-layered information security defences to identify vulnerabilities and protect against attacks. Procedures are being developed and resources are being hired to detect and respond effectively to any cyber security events that may occur.
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.	The Group has developed a business continuity template based on risk and is currently re-working the operational business continuity plans in line with this. Mitigation strategies and continuity plans are part of a structured risk review process.
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.
Brexit	The trading uncertainty associated with Brexit may result in some UDG Healthcare clients reducing the size of their UK operations or have a negative impact on our ability to conduct business profitably in the UK.	While there has been no indication that the UK market for our services is contracting as a result of the Brexit decision, we will continue to monitor the Brexit negotiations to ensure that specific legislation or agreements do not have a negative impact on our ability to conduct business profitably in the UK. The overall Group exposure to the UK as a proportion of our total profitability is expected to decline as we acquire businesses with greater exposure to markets other than the UK.
Economic and political risk	The global macroeconomic and geopolitical environment may have a detrimental impact on our client base and their propensity to purchase services from third party suppliers. As a result, we may be overly exposed to a weakening segment of the market.	The Group continues to review its portfolio of investments through the annual strategic review process and through constant challenge at a Senior Executive and Board level. Acquisitions are sought which improve the balance of our investments and give greater exposure to innovative and growing market segments.
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.

Principal risks and uncertainties (continued)

Risk	Impact	Mitigation
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	UDG Healthcare plc's reporting currency is the US Dollar. Given the nature of the Group's businesses, exposure arises in the normal course of business to other currencies, principally sterling and the 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. The Group changed its reporting currency to US Dollars in FY17 as the US is now the largest source of profit for the Group. Our strategic intent is to proportionally grow the US 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	B. McAtamney
Director	Director

21 May 2018

(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 2018

	Notes	Six months ended 31 March 2018 Pre-exceptional items (Unaudited) $'000	Six months ended 31 March 2018 Exceptional items (Unaudited) (note 5) $'000	Six months ended 31 March 2018 Total 31 March 2018 (Unaudited) $'000	Six months ended 31 March 2017 (Unaudited) $'000
Continuing operations					
Revenue	3	**675,307**	**-**	**675,307**	578,860
Cost of Sales		**(484,866)**	**-**	**(484,866)**	(412,843)
Gross profit		**190,441**	**-**	**190,441**	166,017
Selling and distribution expenses		**(111,303)**	**-**	**(111,303)**	(96,137)
Administration expenses		**(9,305)**	**-**	**(9,305)**	(10,245)
Other operating expenses		**(17,853)**	**(57,648)**	**(75,501)**	(11,543)
Other operating income		**-**	**8,945**	**8,945**	-
Transaction costs		**(974)**	**-**	**(974)**	(1,752)
Share of joint ventures' profit after tax	4	**137**	**-**	**137**	439
Operating profit		**51,143**	**(48,703)**	**2,440**	46,779
Finance income	6	**10,053**	**3,469**	**13,522**	11,916
Finance expense	6	**(14,215)**	**-**	**(14,215)**	(17,779)
Profit before tax		**46,981**	**(45,234)**	**1,747**	40,916
Income tax expense		**(9,263)**	**8,683**	**(580)**	(9,857)
Profit for the financial period		**37,718**	**(36,551)**	**1,167**	31,059
Profit attributable to:					
Owners of the parent		**37,642**	**(36,551)**	**1,091**	31,059
Non-controlling interest		**76**	**-**	**76**	-
		37,718	**(36,551)**	**1,167**	31,059
Earnings per ordinary share:					
Basic earnings per share – cent	8			**0.44**	12.54
Diluted earnings per share - cent	8			**0.44**	12.51

Condensed consolidated statement of comprehensive income

for the six months ended 31 March 2018

	Notes		**Six months ended 31 March 2018 (Unaudited) $'000**		Six months ended 31 March 2017 (Unaudited) $'000
Profit for the financial period			**1,167**		31,059
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Remeasurement (loss)/gain on Group defined benefit schemes	15		**(1,845)**		9,774
Deferred tax on Group defined benefit schemes					
- Pre-exceptional item		**(50)**		(572)	
- Exceptional item	5	**408**		-	
			358		(572)
			(1,487)		9,202
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment	11		**19,364**		(15,192)
Group cash flow hedges:					
- Effective portion of cash flow hedges – movement into reserve		**(11,959)**		9,539	
- Effective portion of cash flow hedges – movement out of reserve		**8,095**		(10,132)	
Effective portion of cash flow hedges	11		**(3,864)**		(593)
- Movement in deferred tax – movement into reserve		**1,495**		(1,192)	
- Movement in deferred tax – movement out of reserve		**(1,012)**		1,266	
Net movement in deferred tax	11		**483**		74
			15,983		(15,711)
Other comprehensive income/(expense) for the period, net of tax			**14,496**		(6,509)
Total comprehensive income for the period			**15,663**		24,550
Total comprehensive income attributable to:					
Owners of the parent			**15,587**		24,550
Non-controlling interest			**76**		-
			15,663		24,550

Condensed consolidated statement of changes in equity

for the six months ended 31 March 2018

	Equity share capital $'000	Share premium $'000	Retained earnings $'000	Other reserves (note 11) $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	**Total equity $'000**
At 1 October 2017	**14,620**	**196,496**	**836,087**	**(166,656)**	**880,547**	**109**	**880,656**
Profit for the financial period	-	-	1,091	-	1,091	76	**1,167**
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	-	(3,864)	(3,864)	-	**(3,864)**
Deferred tax on cash flow hedges	-	-	-	483	483	-	**483**
Translation adjustment	-	-	-	19,364	19,364	-	**19,364**
Remeasurement loss on defined benefit schemes	-	-	(1,845)	-	(1,845)	-	**(1,845)**
Deferred tax on defined benefit schemes	-	-	358	-	358	-	**358**
Total comprehensive income/(expense) for the period	**-**	**-**	**(396)**	**15,983**	**15,587**	**76**	**15,663**
Transactions with shareholders:							
New shares issued	16	763	-	-	779	-	**779**
Share-based payment expense	-	-	-	2,563	2,563	-	**2,563**
Dividends paid to equity holders	-	-	(24,137)	-	(24,137)	-	**(24,137)**
Release from share-based payment reserve	-	-	581	(581)	-	-	**-**
At 31 March 2018 – unaudited	**14,636**	**197,259**	**812,135**	**(148,691)**	**875,339**	**185**	**875,524**

for the six months ended 31 March 2017

	Equity share capital $'000	Share premium $'000	Retained earnings $'000	Other reserves (note 11) $'000	Total equity $'000
At 1 October 2016	14,535	187,355	784,432	(179,446)	806,876
Profit for the financial period	-	-	31,059	-	31,059
Other comprehensive income/(expense):					
Effective portion of cash flow hedges	-	-	-	(593)	(593)
Deferred tax on cash flow hedges	-	-	-	74	74
Translation adjustment	-	-	-	(15,192)	(15,192)
Remeasurement gain on defined benefit schemes	-	-	9,774	-	9,774
Deferred tax on defined benefit schemes	-	-	(572)	-	(572)
Total comprehensive income/(expense) for the period	-	-	40,261	(15,711)	24,550
Transactions with shareholders:					
New shares issued	41	2,739	-	-	2,780
Issued in business combination	39	6,012	-	-	6,051
Share-based payment expense	-	-	-	1,699	1,699
Dividends paid to equity holders	-	-	(22,388)	-	(22,388)
Release from share-based payment reserve	-	-	548	(548)	-
At 31 March 2017 – unaudited	14,615	196,106	802,853	(194,006)	819,568

Condensed consolidated balance sheet

as at 31 March 2018

	Notes	**As at 31 March 2018 (Unaudited) $'000**	As at 31 March 2017 (Unaudited) $'000	As at 30 September 2017 (Audited) $'000
ASSETS				
Non-current				
Property, plant and equipment	9	**172,430**	141,142	168,403
Goodwill	10	**501,028**	428,855	542,554
Intangible assets	10	**226,451**	161,426	227,617
Investment in joint ventures and associates	10	**9,474**	8,729	8,838
Derivative financial instruments	12	**-**	19,602	1,302
Deferred income tax assets		**5,519**	3,279	4,025
Employee benefits	15	**11,596**	13,613	12,379
Total non-current assets		**926,498**	776,646	965,118
Current				
Inventories		**51,354**	53,188	55,060
Trade and other receivables		**324,978**	252,121	307,388
Cash and cash equivalents	12	**208,836**	365,465	187,469
Current income tax assets		**705**	1,658	2,464
Derivative financial instruments	12	**2,104**	11,631	2,450
Total current assets		**587,977**	684,063	554,831
Total assets		**1,514,475**	1,460,709	1,519,949
EQUITY				
Equity share capital		**14,636**	14,615	14,620
Share premium		**197,259**	196,106	196,496
Other reserves	11	**(148,691)**	(194,006)	(166,656)
Retained earnings		**812,135**	802,853	836,087
Equity attributable to owners of the parent		**875,339**	819,568	880,547
Non-controlling interest		**185**	-	109
Total equity		**875,524**	819,568	880,656
LIABILITIES				
Non-current				
Interest-bearing loans and borrowings	12	**245,467**	240,635	244,077
Provisions	13	**35,372**	37,111	58,470
Employee benefits	15	**5,728**	3,855	3,162
Deferred income tax liabilities		**45,787**	39,751	54,279
Derivative financial instruments	12	**11,761**	-	352
Total non-current liabilities		**344,115**	321,352	360,340
Current				
Interest-bearing loans and borrowings	12	**309**	64,977	58
Trade and other payables		**242,851**	222,809	248,145
Current income tax liabilities		**19,067**	14,152	16,845
Provisions	13	**32,609**	17,851	13,905
Total current liabilities		**294,836**	319,789	278,953
Total liabilities		**638,951**	641,141	639,293
Total equity and liabilities		**1,514,475**	1,460,709	1,519,949

Condensed consolidated cash flow statement

for the six months ended 31 March 2018

	Six months ended 31 March 2018 (Unaudited) $'000	Six months ended 31 March 2017 (Unaudited) $'000
Cash flows from operating activities		
Profit before tax	**1,747**	40,916
Finance income	**(10,053)**	(11,916)
Finance expense	**14,215**	17,779
Exceptional items	**45,234**	-
Operating profit	**51,143**	46,779
Share of joint ventures' profit after tax	**(137)**	(439)
Depreciation charge	**12,028**	9,928
(Profit)/loss on disposal of property, plant and equipment	**(274)**	35
Amortisation of intangible assets	**17,853**	11,543
Share-based payment expense	**2,563**	1,699
(Increase)/decrease in inventories	**(150)**	670
Increase in trade and other receivables	**(7,869)**	(8,578)
(Decrease)/increase in trade payables, provisions and other payables	**(11,463)**	8,106
Exceptional items received/(paid)	**13,493**	(156)
Interest paid	**(4,506)**	(4,937)
Income taxes paid	**(7,314)**	(5,519)
Net cash inflow from operating activities	**65,367**	59,131
Cash flows from investing activities		
Interest received	**554**	331
Purchase of property, plant and equipment	**(14,692)**	(16,020)
Proceeds from disposal of property, plant and equipment	**889**	18
Investment in intangible assets – computer software	**(9,985)**	(11,522)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	**-**	(59,889)
Deferred contingent acquisition consideration paid	**(3,210)**	(223)
Net cash outflow from investing activities	**(26,444)**	(87,305)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon)	**779**	2,780
Repayments of interest-bearing loans and borrowings	**(276)**	-
Proceeds from interest-bearing loans and borrowings	**604**	-
Decrease in finance leases	**(66)**	(57)
Dividends paid to equity holders of the Company	**(24,137)**	(22,388)
Net cash outflow from financing activities	**(23,096)**	(19,665)
Net increase/(decrease) in cash and cash equivalents	**15,827**	(47,839)
Translation adjustment	**5,540**	(15,425)
Cash and cash equivalents at beginning of period	**187,469**	428,729
Cash and cash equivalents at end of period	**208,836**	365,465
Cash and cash equivalents is comprised of:		
Cash at bank and earn deposits	**208,836**	365,465

Notes to the condensed interim financial statements

for the six months ended 31 March 2018

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 2018, 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 2017 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

These unaudited condensed consolidated interim financial statements (“the interim accounts”) for the six months ended 31 March 2018 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 accounting policies applied in the interim accounts are the same as those applied in the 2017 Annual Report.

The Group has adopted the following standards and interpretations during the period but these did not have a material effect on the results or the financial position of the Group:

- Amendments to IAS 7: Disclosure Initiative
- Amendment to IAS 12: Recognition of deferred tax assets for unrealised losses
- Annual Improvements to IFRSs 2014-2016 Cycle

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, valuation and ownership of inventory, recoverability of trade receivables and valuation of provisions. The nature of the assumptions and estimates made in the preparation of the interim accounts are the same as those identified in our most recent annual report. 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. There was no significant change to any of these key estimates or judgements in the six month period, other than a change to certain actuarial assumptions as set out in note 15.

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 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.

A number of new standards and amendments to standards and interpretations are effective for annual reporting periods beginning after 1 October 2017, and have not been applied in preparing these financial statements. These standards and amendments have not been early adopted and they do not have an effect on the financial information contained in these interim accounts. They will be more fully discussed in our annual report for 2018. Those standards which are most relevant for the Group are:

(i) IFRS 9 Financial Instruments (EU Endorsed)
IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard became mandatory on 1 January 2018 and becomes effective for the Group for the financial year commencing on 1 October 2018. The Group is currently assessing the effects of applying IFRS 9 and while our assessment of the effects of applying the new standard is ongoing, we do not expect a material impact on the financial statements.

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

(ii) IFRS 15 Revenue from Contracts with Customers (EU Endorsed)
IFRS 15 Revenue from Contracts with Customers is a new standard for the recognition of revenue. It will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. It contains the principles for the recognition, timing and measurement of revenue. The standard will also require enhanced disclosures in financial statements and interim reports. The Group is currently in the process of assessing the impact of the standard. During the six months period to March 2018, an IFRS 15 project team was set up, training was delivered across the Group, external advisors to assist with the implementation were appointed and a detailed review of existing revenue contracts commenced. IFRS 15 is effective from 1 January 2018 and the Group is working towards the implementation of the standard on its effective date for the Group in the financial year commencing on 1 October 2018.

(iii) IFRS 16 Leases (EU Endorsed)
IFRS 16 Leases addresses the definition of a lease, recognition and measurement of leases, and disclosure requirements for leases. The standard replaces IAS 17 Leases and related interpretations. A key change arising from IFRS 16 is that most operating leases will be recognised on the balance sheet for lessees. The Group's non-cancellable operating lease commitments at 30 September 2017 are detailed in Note 26 to the consolidated financial statements of the Group's 2017 annual report. It is expected that the adoption of the standard will result in increased assets and debt being recognised on the Group Balance Sheet. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and liability for future payments and how this will affect the Group's profit and classification of cash flows. The standard is effective for the Group in the financial year commencing on 1 October 2019. The Group is currently considering the practical expedients available in IFRS 16 and is assessing the impact of the standard.

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.

Aquilant - Aquilant is a leading distributor of specialist medical and scientific products, providing outsourced sales, marketing, distribution and engineering services to the medical and scientific sectors in the UK and Ireland.

At 31 March 2018, the Group has classified the joint venture investment in Magir Limited as a discontinued operation and an asset held for sale. Details of the discontinued operation is included in note 7.

3. Segmental analysis (continued)

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:

Continuing operations

	Six months ended 31 March 2018 $'000	Six months ended 31 March 2017 $'000
Revenue		
Ashfield	**478,925**	379,933
Sharp	**142,465**	152,669
Aquilant	**53,917**	46,258
	675,307	578,860

	Six months ended 31 March 2018 $'000	Six months ended 31 March 2017 $'000
Operating profit before acquired intangible amortisation, transaction costs and exceptional items		
Ashfield	**45,609**	36,368
Sharp	**18,879**	19,184
Aquilant	**2,867**	3,222
	67,355	58,774
Amortisation of acquired intangibles	**(15,238)**	(10,243)
Transaction costs	**(974)**	(1,752)
Exceptional items	**(48,703)**	-
Operating profit	**2,440**	46,779
Finance income	**13,522**	11,916
Finance expense	**(14,215)**	(17,779)
Profit before tax	**1,747**	40,916
Income tax expense	**(580)**	(9,857)
Profit after tax for the period	**1,167**	31,059

Geographical analysis of revenue	**Six months ended 31 March 2018 $'000**	Six months ended 31 March 2017 $'000
Republic of Ireland	**23,040**	18,430
United Kingdom	**163,077**	161,248
North America	**385,109**	294,378
Rest of the World	**104,081**	104,804
	675,307	578,860

4. Share of joint ventures' profit after tax

	Six months ended 31 March 2018 $'000	Six months ended 31 March 2017 $'000
Revenue	**31,534**	28,895
Expenses, including tax	**(31,260)**	(28,017)
Profit after tax	**274**	878
Group's equity interest	**49.99%**	49.99%
Group's share of profit after tax	**137**	439

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 reports the following exceptional items:

		Aquilant $'000	Deferred contingent consideration $'000	Deferred tax $'000	**Six months ended 31 March 2018 $'000**	Six months ended 31 March 2017 $'000
Other operating income	(a)	(8,945)	-	-	**(8,945)**	-
Impairment of goodwill	(b)	57,648	-	-	**57,648**	-
Deferred contingent consideration	(c)	-	(3,469)		**(3,469)**	-
Net exceptional items pre-tax		48,703	(3,469)	-	**45,234**	
Deferred tax credit	(d)	-	-	(9,715)	**(9,715)**	-
Exceptional items tax charge		1,032	-	-	**1,032**	-
Net exceptional items after tax		**49,735**	**(3,469)**	**(9,715)**	**36,551**	-

(a) Contract termination costs

On 22 December 2017, the Aquilant Group exited the VSI contract for a consideration of $10,135,000 in respect of the contract termination to include certain assets of the trade including stock. On 29 March 2018, the Aquilant Group exited the Link contract and received consideration of $4,930,000 in respect of the contract termination to include certain assets of the trade. Exiting these contracts included the transfer of stock and other assets of $5,658,000 and resulted in restructuring costs of $462,000, primarily relating to redundancy costs. The total cash inflow net of costs in the period was $13,493,000 as per the cash flow statement and the expected total net cash inflow is $14,500,000.

(b) Impairment of goodwill

Impairment of goodwill arose during the current period as the Group wrote down the carrying value of goodwill in relation to the Aquilant Group. Following the loss of contracts in the period and anticipating a slower build in earnings and resultant cashflows from the lower base, the Aquilant Group was reviewed for impairment. A goodwill impairment charge of $57,648,000 was recognised.

The recoverable amount of the Aquilant Group at 31 March 2018 was $32,922,000 and was determined based on value-in-use calculations, consistent with the methods used at 30 September 2017. Note 12 of the consolidated financial statements of the Group's 2017 annual report outlines the methods of the goodwill impairment test. As a result of loss of contracts and lower anticipated growth in the business, the cash flow forecasts in the CGU are lower than was expected at 30 September 2017. A pre-tax discount rate of 9.5% (30 September 2017: 8.1%) and terminal growth rate of 2.0% (30 September 2017: 2.5%) were applied.

(c) Deferred contingent consideration

Deferred contingent consideration of $3,469,000 in respect of Cambridge BioMarketing was released in the period following a review of expected performance against earn out targets.

(d) Tax

The exceptional credit to the income statement of $9,715,000 reflects the one-off benefit of a reduction in the Group's deferred tax liabilities following the enactment of the US Tax Cuts and Jobs Act. A credit of $408,000 also arises in the statement of comprehensive income as a further consequence of this legislation.

6. Finance income and expense

	Six months ended 31 March 2018 $'000	Six months ended 31 March 2017 $'000
Finance income		
Income arising from cash deposits	**736**	487
Fair value adjustments to fair value hedges	**-**	975
Fair value of cash flow hedges transferred from equity	**-**	10,132
Fair value adjustments to guaranteed senior unsecured loan notes	**1,001**	-
Foreign currency gain on retranslation of guaranteed senior unsecured loan notes	**8,095**	-
Ineffective portion of cash flow hedges	**63**	224
Net finance income on pension scheme obligations	**158**	98
	10,053	11,916
Finance expense		
Interest on bank loans and other loans		
-wholly repayable within 5 years	**(1,764)**	(3,745)
-wholly repayable after 5 years	**(3,073)**	(2,736)
Interest on finance leases	**(1)**	(1)
Interest on overdrafts	**(17)**	(12)
Unwinding of discount on provisions	**(264)**	(178)
Fair value adjustments to fair value hedges	**(1,001)**	-
Fair value of cash flow hedges transferred to equity	**(8,095)**	-
Fair value adjustments to guaranteed senior unsecured loan notes	**-**	(975)
Foreign currency loss on retranslation of guaranteed senior unsecured loan notes	**-**	(10,132)
	(14,215)	(17,779)
Net finance expense, pre–exceptional item	**(4,162)**	(5,863)
Finance income relating to exceptional item	**3,469**	-
Net finance expense	**(693)**	(5,863)

7. Net result from discontinued operations and assets and liabilities classified as held for sale

The Group has treated the joint venture arrangement with Magir Limited as a discontinued operation and asset held for sale in accordance with IFRS 5 as the business is no longer a strategic asset following our exit from the Pharma Wholesaling segment of the market and given the decision by management to dispose of the shareholding as it is non-core. The Group did not recognise an operating profit from the asset in the current or prior period.

The assets and liabilities classified as held for sale in the Group balance sheet have a nil carrying value at 31 March 2018 (2017: nil).

8. Earnings per ordinary share

	Six months ended 31 March 2018 $'000	Six months ended 31 March 2017 $'000
Profit attributable to the owners of the parent	**1,091**	31,059
Adjustment for amortisation of acquired intangible assets (net of tax)	**11,881**	7,697
Adjustment for transaction costs (net of tax)	**895**	1,563
Adjustment for exceptional items (net of tax)	**36,551**	-
Adjusted profit attributable to owners of the parent	**50,418**	40,319

	2018 Number of shares	2017 Number of shares
Weighted average number of shares	**248,370,162**	247,658,940
Number of dilutive shares under option	**1,288,679**	701,068
Weighted average number of shares, including share options	**249,658,841**	248,360,008

	2018	2017
Basic earnings per share – cent	**0.44**	12.54
Diluted earnings per share – cent	**0.44**	12.51
Adjusted basic earnings per share – cent[1]	**20.30**	16.28
Adjusted diluted earnings per share – cent[1]	**20.19**	16.23

[1] Adjusted profit attributable to owners of the parent is stated before the amortisation of acquired intangible assets ($11.9m, net of tax), transaction costs ($0.9m, net of tax) and exceptional items ($36.6m, 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–IFRS measurements provide 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.

The Group has treated the joint venture arrangement with Magir Limited as a discontinued operation and asset held for sale in accordance with IFRS 5.

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 2,297,264 (2017: 2,004,074) 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 2017						
Opening net book amount	76,463	80,564	271	10,014	1,091	**168,403**
Additions in the period	1,195	5,591	2	1,331	6,573	**14,692**
Depreciation	(2,684)	(6,644)	(30)	(2,670)	-	**(12,028)**
Impairment	-	(190)	-	-	-	**(190)**
Disposals in period	(30)	(1,017)	-	(17)	-	**(1,064)**
Reclassifications	743	-	-	-	(743)	**-**
Translation adjustment	1,369	848	20	208	172	**2,617**
At 31 March 2018	**77,056**	**79,152**	**263**	**8,866**	**7,093**	**172,430**
At 31 March 2018						
Cost or deemed cost	109,857	157,262	829	28,513	7,093	**303,554**
Accumulated depreciation	(32,801)	(78,110)	(566)	(19,647)	-	**(131,124)**
Net book amount	**77,056**	**79,152**	**263**	**8,866**	**7,093**	**172,430**

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**
Balance at 1 October 2017	542,554	227,617	8,838
Investment in computer software	-	9,985	-
Amortisation of acquired intangible assets	-	(15,238)	-
Amortisation of computer software	-	(2,615)	-
Impairment charge	(57,648)	-	-
Share of joint ventures' profit after tax	-	-	137
Translation adjustment	16,122	6,702	499
Balance at 31 March 2018	**501,028**	**226,451**	**9,474**

11. Other reserves

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	**Total $'000**
Balance at 1 October 2017	(12,854)	8,992	(155,465)	(7,676)	347	**(166,656)**
Effective portion of cash flow hedges	(3,864)	-	-	-	-	**(3,864)**
Deferred tax on cash flow hedges	483	-	-	-	-	**483**
Share-based payment expense	-	2,563	-	-	-	**2,563**
Release from share-based payment reserve	-	(581)	-	-	-	**(581)**
Translation adjustment	-	-	19,364	-	-	**19,364**
Balance at 31 March 2018	**(16,235)**	**10,974**	**(136,101)**	**(7,676)**	**347**	**(148,691)**

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	Total $'000
Balance at 1 October 2016	(12,499)	5,956	(165,574)	(7,676)	347	(179,446)
Effective portion of cash flow hedges	(593)	-	-	-	-	(593)
Deferred tax on cash flow hedges	74	-	-	-	-	74
Share-based payment expense	-	1,699	-	-	-	1,699
Release from share-based payment reserve	-	(548)	-	-	-	(548)
Translation adjustment	-	-	(15,192)	-	-	(15,192)
Balance at 31 March 2017	(13,018)	7,107	(180,766)	(7,676)	347	(194,006)

12. Net (debt)/cash

	As at 31 March 2018 $'000	As at 31 March 2017 $'000	As at 30 Sept 2017 $'000
Current assets			
Cash at bank and short-term deposits	**208,836**	365,465	187,469
Derivative financial instruments	**2,104**	11,631	2,450
Non-current assets			
Derivative financial instruments	**-**	19,602	1,302
Current liabilities			
Interest-bearing loans	**(228)**	(64,871)	72
Finance leases	**(81)**	(106)	(130)
Non-current liabilities			
Interest-bearing loans	**(245,450)**	(240,631)	(244,043)
Finance leases	**(17)**	(4)	(34)
Derivative financial instruments	**(11,761)**	-	(352)
Net (debt)/cash	**(46,597)**	91,086	(53,266)

13. Provisions

	Deferred contingent consideration $'000	Onerous leases $'000	Restructuring and other costs $'000	**Total $'000**
Balance at 1 October 2017	71,878	324	173	**72,375**
Release to income statement	(3,469)	-	(46)	**(3,515)**
Utilised during the period	(3,210)	(71)	(33)	**(3,314)**
Unwinding of discount	264	-	-	**264**
Translation adjustment	2,154	12	5	**2,171**
Balance at 31 March 2018	**67,617**	**265**	**99**	**67,981**
Non-current	35,104	207	61	**35,372**
Current	32,513	58	38	**32,609**
Total	**67,617**	**265**	**99**	**67,981**

14. Acquisition of subsidiary undertakings

During the six months ended 31 March 2018, the Group did not complete any acquisitions.

At 31 March 2017 the carrying amount of the assets and liabilities acquired in that period were as follows:

	2017 $'000
Assets	
Non-current assets	
Property, plant and equipment	122
Intangible assets	54,327
Total non-current assets	54,449
Current assets	
Trade and other receivables	9,448
Total current assets	9,448
Non-current liabilities	
Deferred income tax liabilities	(9,235)
Total non-current liabilities	(9,235)
Current liabilities	
Trade and other payables	(3,758)
Current income tax liabilities	620
Total current liabilities	(3,138)
Identifiable net assets acquired	51,524
Goodwill	53,170
Total consideration (enterprise value)	104,694
Satisfied by:	
Cash	63,247
Net cash acquired	(3,358)
Net cash outflow	59,889
Equity instruments (724,997 ordinary shares)	6,051
Deferred contingent acquisition consideration	38,754
Total consideration	104,694

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 businesses acquired and 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 in the prior period that is expected to be tax deductible is nil.

The intangible assets arising on the prior period acquisition are related to the trade names, client relationships and technology.

The contractual assets are not materially different from the disclosed trade and other receivables.

The fair value of contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payment to present value at the acquisition date. In general, for contingent consideration to become payable, pre-defined profit thresholds must be exceeded. On an undiscounted basis, the future payments for which the Group may be liable in respect of the acquisition completed in the prior period ranges from $6,412,000 to $39,222,000.

The total transaction related costs for acquisition activity amounts to $974,000 (2017: $1,752,000). These are presented separately in the Group Income Statement.

15. Employee benefits

	Employee benefit asset $'000	**Employee benefit liability $'000**	**Employee benefit total $'000**
Employee benefit asset/(liability) at 1 October 2017	12,379	(3,162)	**9,217**
Current service cost	(1,517)	-	**(1,517)**
Interest	191	(33)	**158**
Contributions paid	-	49	**49**
Remeasurement gain/(loss)	543	(2,388)	**(1,845)**
Translation adjustment	-	(194)	**(194)**
Employee benefit asset/(liability) at 31 March 2018	**11,596**	**(5,728)**	**5,868**

	Employee benefit asset $'000	Employee benefit liability $'000	Employee benefit total $'000
Employee benefit asset/(liability) at 1 October 2016	13,939	(20,442)	(6,503)
Current service cost	(1,194)	-	(1,194)
Settlement gain	-	2,666	2,666
Interest	199	(101)	98
Contributions paid	-	4,096	4,096
Remeasurement gain	669	9,105	9,774
Translation adjustment	-	821	821
Employee benefit asset/(liability) at 31 March 2017	13,613	(3,855)	9,758

As set out in the consolidated financial statements for the year ended 30 September 2017, the Group operates a number of defined benefit pension schemes which are funded by the payments of contribution to separately administered trust funds. The employee benefit asset relates to the United States pension scheme and the employee benefit liability relates to the Republic of Ireland (ROI) pension schemes. The ROI schemes have a remeasurement loss in the current period which primarily relates to a decrease in the discount rate. The change in the discount rate is reflective of changes in bond yields during the period. The United States scheme has a remeasurement gain in the current period arising from a higher discount rate. In the ROI schemes, there is no longer a salary increase assumption due to the accrual of pension benefits ceasing from 1 December 2015.

During the prior period, a general offer was made to the members of the ROI schemes to transfer their accrued benefits from the schemes in exchange for a fixed monetary amount. Acceptance of the offer was at the discretion of individual members and resulted in a settlement gain of $2,666,000. Related professional fees amounted to $106,000.

The principal assumptions are as follows:

	Republic of Ireland Schemes		**United States Scheme**	
	As at 31 March 2018	As at 30 Sept 2017	**As at 31 March 2018**	As at 30 Sept 2017
Rate of increase in salaries	**n/a**	n/a	**2.75-4.00%**	2.75-4.00%
Rate of increase in pensions	**0-1.65%**	0-1.65%	**0.00%**	0.00%
Inflation rate	**1.65%**	1.65%	**2.75%**	2.75%
Discount rate	**1.70%**	2.05%	**3.80%**	3.60%

16. 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 2018, are as follows:

	Carrying value $'000	Fair value $'000
Financial assets		
Trade and other receivables	242,330	242,330
Derivative financial assets	2,104	2,104
Cash and cash equivalents	208,836	208,836
	453,270	**453,270**
Financial liabilities		
Trade and other payables	65,710	65,710
Derivative financial liabilities	11,761	11,761
Interest-bearing loans and borrowings	245,678	245,678
Finance lease liabilities	98	98
Deferred contingent consideration	67,617	67,617
	390,864	**390,864**

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 finance 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.

Finance lease liabilities

For finance lease liabilities, the fair value is the present value of future cash flows discounted at current market rates.

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).

16. 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	-	2,104	-	2,104
	-	**2,104**	**-**	**2,104**
Liabilities measured at fair value				
Designated as hedging instruments				
Cross currency interest rate swaps	-	11,761	-	11,761
At fair value through profit or loss				
Deferred contingent consideration	-	-	67,617	67,617
	-	**11,761**	**67,617**	**79,378**

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 2018 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 2017 Net $'000
Derivative financial assets	**2,104**	**-**	**2,104**	31,233	-	31,233
Derivative financial liabilities	**11,761**	**-**	**11,761**	-	-	-

All derivatives entered into by the Group are included in Level 2 of the fair value hierarchy and consist of cross currency interest rates swaps. The fair values of cross currency interest rate swaps are calculated at 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 13. 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 consideration is in respect of acquisitions completed during 2012, 2016 and 2017.

The significant unobservable inputs are as follows:

- forecasted average annual net revenue growth rate 14% (2017: 12%);
- forecasted average EBIT growth rate 7% (2017: 17%); and
- risk adjusted discount rate 0.02%-1.55% (2017: 0.6%-6.5%).

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

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

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

16. 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 2018, holding the other inputs constant, would have the following effects:

	Increase $'000	Decrease $'000
Effect of change in assumption on income statement		
Annual net revenue growth rate (1% movement)	-	-
Annual EBIT growth rate (1% movement)	-	-
Risk-adjusted discount rate (1% movement)	327	(185)

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.

	2018 Times	2017 Times
Net (debt)/cash to annualised EBITDA	(0.28)	0.61
Annualised EBITDA interest cover	20.2	13.4

17. Dividends

The Board has proposed an interim dividend of 4.25 $ cent per share (2017 interim dividend: 3.58 $ cent). This dividend has not been provided for in the balance sheet at 31 March 2018 as there was no present obligation to pay the dividend at the reporting date. During the first half of the financial year, the final dividend for 2017 (9.72 $ cent per share), was paid giving rise to a reduction in shareholders' funds of $24,137,000.

18. Foreign currency

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

	31 March 2018	31 March 2017
	$1=Stg£	$1=Stg£
Balance sheet (closing rate)	**0.7101**	0.8002
Income statement (average rate)	**0.7357**	0.8066
	$1=Euro€	$1=Euro€
Balance sheet (closing rate)	**0.8116**	0.9354
Income statement (average rate)	**0.8310**	0.9330

19. 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.

At 31 March 2018, Magir Limited, the Group's joint venture investment, was classified as an asset held for sale. The Group has provided a guarantee to Magir's bankers for an amount of £9,500,000 and a loan, gross of interest, of £11,181,000.

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 $6,347,000 for the six months ended 31 March 2018 (2017: $5,282,000).

20. Events after the balance sheet date
There have been no significant events after the balance sheet date which require disclosure.

21. Board approval
This interim report was approved by the Board of Directors of UDG Healthcare plc on 21 May 2018.

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 measurements 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 measurements are not readily identifiable from the Financial Statements, are as follows:

Net revenue

Definition
This comprises of gross 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 2018 $'000**	Six months ended 31 March 2017 $'000
Revenue	Income Statement	**675,307**	578,860
Pass - through revenue		**(106,634)**	(90,899)
Net revenue		**568,673**	487,961

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 2018 $'000**	Six months ended 31 March 2017 $'000
Operating profit	Income Statement	**2,440**	46,779
Transaction costs	Income Statement	**974**	1,752
Amortisation of acquired intangible assets	Note 10	**15,238**	10,243
Exceptional items		**48,703**	-
Adjusted operating profit		**67,355**	58,774

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 2018 $'000	Six months ended 31 March 2017 $'000
Profit before tax	Income Statement	**1,747**	40,916
Transaction costs	Income Statement	**974**	1,752
Amortisation of acquired intangible assets	Note 10	**15,238**	10,243
Exceptional items		**45,234**	-
Adjusted profit before tax		**63,193**	52,911

Adjusted net operating margin

Definition

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

Calculation		Six months ended 31 March 2018 $'000	Six months ended 31 March 2017 $'000
Adjusted operating profit	Per above	**67,355**	58,774
Net revenue	Per above	**568,673**	487,961
Net operating margin		**11.8%**	12.0%

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 2018 $'000	Six months ended 31 March 2017 $'000
Tax charge	Income Statement	**580**	9,857
Tax relief with respect to transaction costs		**79**	189
Deferred tax credit with respect to acquired intangible amortisation		**3,357**	2,546
Tax relief with respect to exceptional items	Note 5	**(1,032)**	-
Deferred tax credit associated with the US Tax Cuts and Jobs Act	Note 5	**9,715**	-
Income tax expense before exceptional, transaction costs and deferred tax attaching to amortisation of acquired intangible assets		**12,699**	12,592
Adjusted profit before tax	Per above	**63,193**	52,911
Adjusted effective tax rate		**20.1%**	23.8%

Additional Information (continued)

Key performance indicators and non-IFRS performance measures

Annualised EBITDA

Definition

Annualised EBITDA is continuing and discontinued earnings before net interest, tax, depreciation, amortisation of intangible assets, exceptional items for the previous twelve months adjusted for the share of joint venture profits, dividends received from joint ventures, profit or loss on disposal of property, plant and equipment, impairment of intangible assets, the annualisation of the EBITDA of companies acquired during the year and the EBITDA of completed disposals.

Calculation	12 months ended 31 March 2018 $'000	12 months ended 31 March 2017 $'000
Operating profit (continuing)	**107,550**	101,211
Operating profit (discontinued)	**-**	1,492
Depreciation (continuing)	**23,321**	20,311
Amortisation of computer software (continuing)	**4,699**	2,117
Amortisation of acquired intangible assets (continuing)	**27,061**	18,185
Joint venture profit share (continuing)	**(365)**	(623)
Joint venture profit share (discontinued)	**-**	(685)
(Profit)/loss on disposal of property, plant and equipment	**(254)**	105
Annualised EBITDA of acquisitions	**5,700**	7,493
Annualised EBITDA	**167,712**	149,606

Financial ratios

Definition

The net (debt)/cash 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, the unwinding of discount on provisions and exceptional items, see note 6). Net (debt)/cash 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 as calculated in note 12.

Return on capital employed (ROCE)

Definition

ROCE is the continuing 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 year excluding net debt/(cash) adjusted for the historical amortisation of acquired intangible assets and restructuring charges.

Calculation		As at 31 March 2018 $'000	As at 31 March 2017 $'000
Net assets	Balance Sheet	**875,524**	819,568
Net debt/(cash)	Note 12	**46,597**	(91,086)
Assets before net debt/(cash)		**922,121**	728,482
Cumulative intangible amortisation		**201,525**	150,542
Cumulative restructuring costs		**93,655**	43,399
Total capital employed		**1,217,301**	922,423
Average total capital employed		**1,069,862**	888,366
Rolling 12 month adjusted operating profit		**137,861**	122,352
Return on capital employed		**12.9%**	13.8%

Additional Information (continued)

Key performance indicators and non-IFRS performance measures

Measurements removed from the additional information section that are shown elsewhere in the interim announcement are as follows:

- Net interest (net finance cost) – this measurement is shown in note 6.
- Adjusted earnings per share and adjusted diluted earnings per share – these measurements are shown in note 8.
- EBITDA interest cover – this measurement is shown in Note 16.
- Net (debt)/cash to EBITDA – this measurement is shown in Note 16.

A number of measurements have been removed from the additional information section. The Group believes these are not necessary to provide stakeholders with a more meaningful understanding of the underlying financial performance of the Group and its divisions as other performance measures are deemed more appropriate. Measurements removed are as follows:

- Adjusted operating profit (discontinued) is not presented as there were no results from discontinued operations in the current or prior period.
- Adjusted operating margin is not presented as adjusted net operating margin is considered a more meaningful measure as the Group does not earn a margin for revenue associated with pass-through costs.