

10 November 2020

DCC Delivers Very Robust First Half Performance with Strong Growth in Operating Profit

DCC, the leading international sales, marketing and support services group, is today announcing its results for the six months ended 30 September 2020.

Highlights	2020	2019	% change
Revenue	£5.931bn	£7.312bn	-18.9%
Adjusted operating profit¹	£176.1m	£162.6m	+8.3%
DCC LPG	£45.6m	£49.0m	-7.1%
DCC Retail & Oil	£65.2m	£59.7m	+9.2%
DCC Technology	£25.5m	£25.4m	+0.7%
DCC Healthcare ²	£39.8m	£28.5m	+39.7%
Adjusted earnings per share¹	117.9p	110.2p	+7.0%
Interim dividend	51.95p	49.48p	+5.0%
Free cash flow³	£120.7m	£30.4m	

- DCC performed strongly during the seasonally less significant first half of the year, with Group adjusted operating profit increasing by 8.3% (up 8.6% on a constant currency basis) to £176.1 million. Given the difficult and uncertain trading environment, in particular during the first quarter but throughout the first half of the financial year, the performance of the Group has been very robust with improving momentum through the second quarter
- Adjusted earnings per share up 7.0% to 117.9 pence
- Interim dividend increased by 5.0% to 51.95 pence per share
- Excellent free cash flow generation, up £90.3 million on prior year, driven by a strong working capital performance
- Notwithstanding the ongoing disruption caused by the pandemic, the Group committed approximately £90 million in capital to new acquisitions in both Europe and North America since May 2020. The Group remains very active from a development perspective
- The Group balance sheet remains very strong and liquid, with net debt (excluding lease creditors) of £137 million at 30 September 2020, gross cash of approximately £1.5 billion and undrawn, committed bank facilities of £400 million. This excellent financial position will facilitate the continued growth and development of the Group

¹ Excluding net exceptionals and amortisation of intangible assets.

² DCC Healthcare's reported prior year figures include its UK generic pharmaceutical activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories) which were disposed of in September 2019. Operating profit excluding these activities was 65.9% higher than the prior year.

³ After net working capital and net capital expenditure but before net exceptionals, interest and tax payments.

- With Covid-19 related restrictions now increasing again generally, the outlook for all economies in which DCC operates remains very uncertain. However, DCC's diverse and resilient business model, the essential nature of the Group's products and services and its extremely strong balance sheet ensure that the Group is well placed to navigate this ongoing uncertainty and continue its growth and development into the future

Commenting on the results, Donal Murphy, Chief Executive, said:

"I am pleased to report that since our last trading update on 17 July 2020 the trading performance of the Group continued to improve and resulted in strong growth in operating profit in the first half of the year. Despite the unprecedented disruption experienced by all economies during the period, every DCC business unit operated effectively, ensuring our customers continued to receive DCC's range of essential products and services. The uncertainty created by the pandemic continues at elevated levels and in this difficult environment DCC's priority remains keeping our employees safe and well while we continue to supply the essential products and services our customers require."

Whilst the first half of the financial year is seasonally less significant, the strong performance demonstrates the resilience and agility of our business model. It also highlights the essential nature of the Group's products and services and the benefit of the diversity of the Group's operations, in terms of sectoral focus, customer and supplier breadth and geographic mix.

Diversity also provides us with optionality with respect to acquisition activity and development capital expenditure. During the period DCC deployed capital in several acquisitions, each of which have brought new capability and reach to the Group and we remain very active from a development perspective. We also continued to invest in increasing the capacity of our businesses to deliver excellence to our customers, ensuring that we continue to fulfil DCC's purpose of enabling people and businesses to grow and progress. DCC continues to have the platforms, opportunities and capability to build the Group into a global leader in its chosen sectors.

With Covid-19 related restrictions now increasing again generally, the outlook for all economies in which DCC operates remains very uncertain. However, DCC's diverse and resilient business model, the essential nature of the Group's products and services and its extremely strong balance sheet ensure that the Group is well placed to navigate this ongoing uncertainty and continue its growth and development into the future."

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Presentation of results and dial-in / webcast facility

DCC will not be hosting a physical results presentation, reflecting the restrictions currently in place. Instead there will be a webcast and audio call of the presentation at 9.00 a.m. today. The slides for this presentation can be downloaded from DCC's website, www.dcc.ie. The access details for the live presentation are as follows:

Ireland: +353 (0) 1 506 0650
UK: +44 (0) 2071 928 338
International: +44 (0) 2071 928 338
Passcode: 3754027
Webcast Link: <https://edge.media-server.com/mmc/p/bo56f6px>

This report, presentation slides and a replay of the audio will be made available at www.dcc.ie.

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Divisional Operating Reviews

DCC LPG	2020	2019	% change
Volumes (thousand tonnes)	726.3kT	798.5kT	-9.0%
Operating profit	£45.6m	£49.0m	-7.1%
Operating profit per tonne	£62.72	£61.40	

DCC LPG traded robustly during the first half of the year, particularly given the difficult operating conditions in the first quarter. Operating profit declined by 7.1% (7.4% behind on a constant currency basis) to £45.6 million.

DCC LPG sold 726.3k tonnes of product in the first half, a 9.0% reduction on the prior year. Given the typical seasonal weighting to commercial and industrial customers during the first half of the financial year, good cylinder and domestic demand was more than offset by lower commercial and industrial demand in Britain and Ireland, especially during the first quarter. Volumes were also generally impacted by the relatively warmer weather conditions during the first half, while operating profit per tonne benefited from good cost control and the positive mix impact of strong cylinder and domestic demand.

The French business performed in line with expectations, driven by a resilient performance in the cylinder and domestic sectors, despite the adverse impact of the relatively warmer weather conditions. The cylinder business benefited from the maturing of the 'Click & Collect' offering, which proved particularly attractive to customers during the lockdown restrictions, and the business continues to broaden its energy product and service offering to customers. In particular, the business increased its presence in the B2B gas and power market in France during the period, with continued good growth in customer numbers.

In Britain and Ireland, the business experienced good domestic and cylinder demand, with commercial and industrial demand most impacted by restrictions, although demand improved as the first half of the year progressed. Importantly, the pipeline of 'Oil2LPG' conversions remains robust, with commercial and industrial customers remaining very interested in the potential to both lower their energy costs and significantly reduce their carbon emissions. Development expenditure on new conversions continued, particularly in the second quarter, following the easing of restrictions. In Ireland, the gas and power offering benefited from the successful integration of Budget Energy early in the financial year. Budget Energy has performed well since acquisition and continues to win new customers, leveraging its attractive renewable energy offerings.

Given its strong domestic customer focus, the US business performed well and delivered good organic volume and operating profit growth, albeit in the seasonally less significant first half of the year. In addition to the good trading performance, the business remained active from a development perspective and completed the material bolt-on acquisition of the NES Group in the north-east of the US in September 2020, as well as two small bolt-on acquisitions. The US business now has operations across 14 states in the US, up from 10 states since the initial entry into the US LPG market just over two years ago. The business in Hong Kong & Macau traded robustly and in line with expectations, notwithstanding the material impact of the Covid-19 pandemic in the region.

The business in the Benelux region traded ahead of the prior year with a strong cylinder performance offsetting reduced autogas and aerosol demand. As previously announced, DCC LPG has agreed to acquire Primagaz in the Netherlands from SHV Energy, subject to competition authority approval. In Germany, while again the domestic sector remained robust, the business was impacted by significantly reduced demand for refrigerant gases, as the lockdown restrictions curtailed the operations of industrial customers, during the first quarter in particular. In Scandinavia, the business performed well, with relatively fewer restrictions in place and most commercial and industrial customers continuing to operate as normal.

DCC Retail & Oil	2020	2019	% change
Volumes (billion litres)	4.876bn	5.930bn	-17.8%
Operating profit	£65.2m	£59.7m	+9.2%
Operating profit per litre	1.34ppl	1.01ppl	

DCC Retail & Oil recorded very strong organic operating profit growth of 9.2% (10.1% on a constant currency basis) in the first half of the year. With commercial, industrial and transport volumes significantly impacted by the restrictions, the very strong operating profit performance reflects the mix benefit of increased demand from domestic and agricultural customers and a very good cost performance.

DCC Retail & Oil sold 4.9 billion litres of product in the first half, a 17.8% decline on the prior year. During the first quarter, the business experienced very strong demand in the domestic and agricultural sectors, particularly in Britain, Denmark, Austria and Ireland. Having been significantly adversely impacted in April and May, transport fuel demand improved steadily into the second quarter across each region, reflecting the easing of Covid-19 related restrictions and the increased mobility of our customers, albeit mostly to lower levels than the prior year. The aviation sector, while modest in terms of operating profit contribution, recorded significantly lower volumes throughout the period.

The business in Britain and Ireland delivered very strong organic operating profit growth in the first half of the year. As a result of the restrictions, the business experienced higher than typical domestic demand in the first quarter and also saw strong demand for its premium products, which offer customers a cleaner alternative to standard heating fuels. The business continued to make good progress in developing its retail network having rebranded and fully integrated 22 former Tesco sites in Ireland and also increased in-store, non-fuel sales in Britain. The demand for road transport fuels, including fuelcards recovered through the period, albeit to lower levels than the prior year. The business also benefited from a strong performance from the recent investments made in broadening its product and service offering, with further expansion of its truckstop and roadside services during the period. SNAP, the technology-led business acquired in the prior year, which offers integrated fuel, secure truck parking and ancillary services, performed well and significantly increased its customer numbers. In addition, the lubricants offering in both Britain and Ireland continued to grow and develop.

The Scandinavian business delivered very strong profit growth, driven by a very good performance in the retail sector and also benefiting from strong demand from agricultural customers, particularly in Denmark. The business continues to develop its service offering to customers, with a number of digital initiatives launched during the period, including the successful launch in Denmark of an app-enabled car wash service using licence plate recognition technology and further investment in EV super-chargers in Norway.

Despite experiencing a significant impact from lockdown restrictions in April and May, the French business recovered steadily through the period. The unmanned network delivered a good performance, reflecting customer preference for a local, low-cost, pay-at-the-pump model and a reduced propensity to use public transport. The business in Austria recorded strong profit growth on higher domestic demand and continued to benefit from its focus on offering premium, cleaner products to customers. The business also further developed its retail network following the recent modest acquisition of six retail sites.

DCC Technology	2020	2019	% change
Revenue	£1.969bn	£1.795bn	+9.7%
Operating profit	£25.5m	£25.4m	+0.7%
Operating margin	1.3%	1.4%	

DCC Technology traded resiliently throughout the first half of the year. Despite operating profit being behind the prior year in the first quarter, DCC Technology recovered to deliver modest operating profit growth in the half year overall.

The business recorded revenue growth of 9.7% in the seasonally less significant first half, approximately three quarters of which was organic. Due to the impact of Covid-19, the business experienced a widespread reduction in demand during April and May, with retail and corporate closures impacting all markets. However, as the first half progressed and customers adapted to the new trading environment, the business experienced a material increase in demand for higher-volume, lower-margin consumer and working-from-home products, particularly through the etail channel. Trading conditions in the higher-margin B2B sectors, such as the Pro AV product category, remained challenging. As demand patterns changed, DCC Technology implemented a range of cost reduction measures, including adjusting staff working arrangements in areas of the business that experienced reduced activity levels and discontinuing all non-essential expenditure. Organically, operating profit was broadly in line with the prior year.

The UK business recorded good revenue growth during the first half of the year, with strong demand in consumer products from etailers, grocers and non-traditional retailers who remained open during lockdown, and from B2B customers offering mobility and working-from-home products. This strong demand was offset by a reduction in Pro AV, enterprise and other B2B categories. As a result, operating profit in the UK was below the prior year. Despite the significant challenges of remote working, the business successfully transitioned to its new ERP system during the period. This significant investment will enhance the service offering to all customers and suppliers. It will be particularly important for the reseller channel where it will enable a significantly enhanced on-line offering. The business in Ireland performed strongly, with good organic revenue and operating profit growth, driven by demand for consumer products and also benefiting from recent investments made in expanding its service offering to B2B customers.

The North American business performed well and delivered strong organic revenue and operating profit growth. Sales of 'at-home' products were very strong during the period, with growth across consumer electronics, musical instruments and Pro Audio. The mobile living products introduced in the prior year also contributed positively in the period. As in other markets, the business experienced significantly lower demand in the Pro AV sector, where large events, conferences and other installations were postponed. DCC Technology continued to be active from a development perspective during the period and recently completed the acquisition of The Music People. The acquisition is complementary in both customer and product set to the current Pro Audio offering in North America and further strengthens DCC Technology's developing product portfolio and market presence in the region.

In Continental Europe the business generated good revenue and profit growth. Similar to the rest of the division, the business experienced a challenging trading environment for B2B products, particularly in the DACH region, where office closures and the deferral of many larger installation projects impacted demand. However, this was more than offset by a good performance in consumer products. In France, the business benefited from operational improvements and increased sales of products from key multinational vendors. In Scandinavia, the business performed robustly, with markets in the region generally experiencing a less negative impact from Covid-19. The business also achieved good growth in the Benelux region, where an expanded product range successfully complemented the existing strong service offering to etailers and retailers of consumer products.

DCC Healthcare - reported	2020	2019	% change
Revenue	£322.0m	£287.3m	+12.1%
Operating profit	£39.8m	£28.5m	+39.7%
Operating margin	12.4%	9.9%	

DCC Healthcare's reported prior year figures include its UK generic pharmaceutical activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories) which were disposed of in September 2019. Accordingly, the analysis and commentary below relate to the activities of DCC Healthcare which continue to be part of the Group.

DCC Healthcare – continuing basis	2020	2019	% change
Revenue	£322.0m	£258.7m	+24.5%
Operating profit	£39.8m	£24.0m	+65.9%
Operating margin	12.4%	9.3%	

DCC Healthcare performed very strongly in the first half of the financial year, with operating profit increasing by 65.9% to £39.8 million and approximately half of this growth was organic. DCC Health & Beauty Solutions experienced very strong growth in nutritional products and benefited from the first-time contribution of the prior year acquisitions in the US which have performed ahead of expectations. Although DCC Vital was impacted by substantially lower routine hospital procedures and in-person consultations as Covid-19 disrupted all healthcare systems, this was more than offset by increased demand for PPE and other Covid-19 related products.

DCC Health & Beauty Solutions, which provides outsourced solutions to international nutrition and beauty brand owners, generated excellent operating profit growth and benefited from its significantly expanded presence and enhanced capability in the US nutrition market. The prior year acquisitions of Ion Labs (November 2019) and Amerilab Technologies (March 2020) have both traded ahead of expectations. The new specialist capabilities they have brought to DCC Health & Beauty Solutions have enhanced the product and value profile of the nutrition business overall. In addition, the expanded US customer base is already delivering cross-selling opportunities. In the European nutrition sector, the business also performed strongly, particularly in immunity-related products, where increased consumer interest in preventative healthcare as a result of the Covid-19 pandemic accelerated growth. DCC Health & Beauty Solutions also performed very well in the beauty sector, benefiting from strong growth with e-commerce focused brands which offset weakness in demand from retail-oriented brands impacted by the lockdown in the first quarter. The beauty business also benefited from the progress made during the prior year in enhancing its customer mix, as it moved its focus and weighting further towards premium, complex products for leading international brands and exited certain mass-market product lines.

DCC Vital is principally focused on the sales and marketing of medical products to healthcare providers in Britain and Ireland. Activity levels in the markets served by DCC Vital were significantly impacted by the Covid-19 pandemic, which resulted in substantially lower routine hospital procedures and in-person GP consultations, particularly throughout the first quarter of the financial year. Despite these challenges, the business generated both sales and operating profit growth. The business leveraged the breadth of its product range, its robust supply chain and extensive market reach to respond quickly and effectively to Covid-19 demand from the healthcare systems in Britain and Ireland for PPE, ICU-related medical devices and other healthcare products. The business also benefited from the modest bolt on acquisitions completed during the prior year, which performed ahead of expectations.

Group Financial Review

A summary of the Group's results for the six months ended 30 September 2020 is as follows:

	2020 £'m	2019 £'m	% change
Revenue	<u>5,931</u>	<u>7,312</u>	-18.9%
Adjusted operating profit¹			
DCC LPG	45.6	49.0	-7.1%
DCC Retail & Oil	65.2	59.7	+9.2%
DCC Technology	25.5	25.4	+0.7%
DCC Healthcare ²	<u>39.8</u>	<u>28.5</u>	+39.7%
Group adjusted operating profit¹	176.1	162.6	+8.3%
Finance costs (net) and other	<u>(30.2)</u>	<u>(26.7)</u>	
Profit before net exceptionals, amortisation of intangible assets and tax	145.9	135.9	+7.3%
Net exceptional items before tax and non-controlling interests	<u>(13.3)</u>	<u>(45.7)</u>	
Amortisation of intangible assets	<u>(30.5)</u>	<u>(32.6)</u>	
Profit before tax	102.1	57.6	
Taxation	<u>(18.5)</u>	<u>(15.4)</u>	
Profit after tax	83.6	42.2	
Non-controlling interests	<u>(5.0)</u>	<u>(4.5)</u>	
Attributable profit	<u>78.6</u>	<u>37.7</u>	
Adjusted earnings per share¹	117.9 pence	110.2 pence	+7.0%
Dividend per share	51.95 pence	49.48 pence	+5.0%
Free cash flow³	120.7	30.4	
Net debt at 30 September (excluding lease creditors)	137.2	245.3	
Lease creditors	303.8	286.4	
Net debt at 30 September (including lease creditors)	441.0	531.7	
¹ Excluding net exceptionals and amortisation of intangible assets.			
² DCC Healthcare's reported prior year figures include its UK generic pharmaceutical activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories) which were disposed of in September 2019. Operating profit excluding these activities was 65.9% higher than the prior year.			
³ After net working capital and net capital expenditure but before net exceptionals, interest and tax payments.			

Income Statement Review

Reporting currency

The Group's financial statements are presented in sterling. Results and cash flows of operations based in non-sterling jurisdictions have been translated into sterling at average rates for the year. The principal exchange rates used for the translation of results into sterling were as follows:

	Average rate	
	2020	2019
	Stg£1=	Stg£1=
Euro	1.1183	1.1265
Danish Krone	8.3370	8.4133
Swedish Krona	11.7989	11.9717
Norwegian Krone	12.2289	11.0116
US Dollar	1.2665	1.2620
Hong Kong Dollar	9.8172	9.8892

The net impact of currency translation on the Group income statement versus the prior period was modest, with average sterling exchange rates marginally weakening against euro.

Revenue

Overall, Group revenue decreased by 18.9% (18.8% decrease on a constant currency basis) to £5.931 billion.

DCC LPG sold 726.3k tonnes in the first half of the year, a 9.0% decline versus the prior year. This performance reflected the impact of Covid-19, particularly in the first quarter, where strong cylinder and domestic demand was more than offset by lower commercial and industrial volumes, given the typical seasonal weighting of the first half. Volumes were also impacted by the relatively warmer weather in the period.

DCC Retail & Oil sold 4.9 billion litres of product in the first half, a 17.8% decrease versus the prior year. The reduction reflected the significant impact of Covid-19 restrictions on commercial, industrial and transport volumes, while the business saw strong demand from the domestic and agricultural sectors, particularly in the first quarter. As lockdown restrictions eased, transport volumes gradually recovered in each market.

Revenue excluding DCC LPG and DCC Retail & Oil increased by 10.0% (up 9.8% on a constant currency basis) to £2.3 billion, with very strong revenue growth in both DCC Technology and DCC Healthcare. Organically, revenue excluding DCC LPG and DCC Retail & Oil increased by 5.8%.

Group adjusted operating profit

Group adjusted operating profit increased by 8.3% to £176.1 million (8.6% ahead on a constant currency basis), in the seasonally less significant first half of the year. Approximately half of the growth was organic, a strong performance in the context of the very uncertain trading environment.

The strong performance in the half year reflected robust trading through the first quarter, when pervasive, severe lockdown conditions prevailed. The essential nature of much of the Group's products and services saw the Group adjust to meet increased demand in certain areas, while also coping with a significant slowdown in demand in other areas.

Within the energy and technology sectors, increased working from home and time spent in the home more generally, led to increased demand, whereas those same restrictions curtailed demand for products for commercial or industrial use. Within the healthcare sector, demand for Covid-19 related products offset reduced demand resulting from the substantial reduction in elective procedures, while demand for nutrition and beauty products was strong throughout the period.

Given the sustained uncertainty through the first quarter in particular, the Group actively managed its resources to ensure it was supporting those areas experiencing demand increases but also to mitigate the financial impact in those parts of the Group where activity levels were lower than expected. The cost management initiatives during the first quarter of the year included cessation of all discretionary or non-essential expenditure. Certain of the Group's operations placed employees on temporary working arrangements and utilised government schemes to support the continued employment of staff in those parts of their businesses that experienced much reduced activity levels. In the context of the Group's cost base, the financial impact of this support was very modest. As demand began to recover towards the end of the Group's first quarter and into the second quarter, trading conditions began to improve and, while activity levels remained disrupted, DCC again adapted, recommencing expenditures in areas that had been curtailed, including development capital expenditure, and delivered strong growth in operating profit in the second quarter of the financial year.

DCC LPG traded robustly during the first half of the year, particularly given the very difficult operating conditions in the first quarter, with operating profit decreasing by 7.1% (7.4% behind on a constant currency basis) to £45.6 million.

Operating profit in DCC Retail & Oil was well ahead of the prior year, increasing 9.2% to £65.2 million. This very strong organic performance, in a period of lower commercial, industrial and transport volumes due to Covid-19 restrictions, was driven by the positive mix benefit of strong demand from domestic and agricultural customers and very good cost control.

DCC Technology traded resiliently and recovered through the first half of the financial year to deliver modest operating profit growth. The improved performance as the first half progressed reflected the benefit of cost reduction measures and increased demand for higher-volume, lower-margin consumer and working-from-home products, particularly through the etail channel, whereas trading conditions in the higher-margin B2B sectors, such as the Pro AV category, remained challenging due to continued restrictions. Organically, operating profit was broadly in line with the prior year.

DCC Healthcare performed very strongly in the first half of the year, generating operating profit growth (on a continuing basis) of 65.9%, approximately half of which was organic. The growth was driven by DCC Health & Beauty Solutions which saw strong demand for nutritional products across all geographic markets and benefited from the first-time contributions of the prior year acquisitions in the US, which have performed ahead of expectations. DCC Vital also performed well and delivered good organic profit growth on a continuing basis.

Finance costs (net) and other

Net finance and other costs increased to £30.2 million (2019: £26.7 million). The increase primarily reflects a reduction in interest earned on deposits given lower base rates, an increase in lease interest driven by recent acquisitions and a lower contribution from the Group's very modest joint venture arrangements. Average net debt, excluding lease creditors, in the period was £223 million, compared to an average net debt of £349 million in the prior year. The decrease in average net debt excluding lease creditors reflected lower levels of working capital across the first six months of the year.

Profit before net exceptional items, amortisation of intangible assets and tax

Profit before net exceptional items, amortisation of intangible assets and tax increased by 7.3% (7.8% ahead on a constant currency basis) to £145.9 million.

Net exceptional items before tax and non-controlling interests and amortisation of intangible assets

The Group recorded a net exceptional charge before tax and non-controlling interests of £13.3 million in the first six months of the year as follows:

	£'m
Restructuring and integration costs and other	12.8
Acquisition and related costs	1.9
IAS 39 mark-to-market ineffectiveness credit	<u>(1.4)</u>
Net exceptional charge	<u>13.3</u>

Restructuring and integration costs and other of £12.8 million relates to restructuring of operations as part of the integration of completed acquisitions across a number of businesses and to material restructuring in a business unit. It also includes the reducing dual running costs relating to the UK SAP implementation which went live during the summer in the majority of the UK business and restructuring costs across a number of businesses within DCC Technology where some right-sizing was required given the change in mix in the business as a result of the pandemic.

Acquisition and related costs include the professional fees and tax costs (such as stamp duty) relating to the evaluation and/or completion of acquisition opportunities and amounted to £1.9 million.

Most of the Group's debt has been raised in the US private placement market, denominated in US dollars, euro and sterling. Long-term interest and cross currency interest rate derivatives have been utilised to achieve an appropriate mix of fixed and floating rate debt across the three currencies. The level of ineffectiveness calculated under IAS 39 on the fair value and cash flow hedge relationships relating to this debt is charged or credited as an exceptional item. In the six months ended 30 September 2020, this amounted to an exceptional non-cash credit of £1.4 million. Following this credit, the cumulative net exceptional charge taken in respect of the Group's outstanding US Private Placement debt and related hedging instruments is £0.8 million. This, or any subsequent similar non-cash charges or gains, will net to zero over the remaining term of this debt and the related hedging instruments.

The charge for the amortisation of acquisition related intangible assets decreased to £30.5 million from £32.6 million in the prior year, with the decrease reflecting some intangible assets becoming fully amortised during the first half of the year and in the second half of the prior year.

Profit before tax

Profit before tax increased to £102.1 million.

Taxation

The effective tax rate for the Group in the first half of the year of 17.0% is based on the anticipated mix of profits for the full year and compares to a full year effective tax rate in the prior year of 17.0%.

Adjusted earnings per share

Adjusted earnings per share increased by 7.0% to 117.9 pence, 7.5% ahead on a constant currency basis.

Dividend

Notwithstanding the uncertainty created by the Covid-19 pandemic, DCC has traded strongly during the first half of the financial year, has a very resilient business model and an extremely strong and liquid balance sheet. As with the prior year final dividend and having regard to all relevant considerations, the Board has decided to pay an interim dividend of 51.95 pence per share, which represents a 5.0% increase on the prior year interim dividend of 49.48 pence per share. This dividend will be paid on 9 December 2020 to shareholders on the register at the close of business on 20 November 2020.

Cash Flow, Development & Financial Position

Cash flow

As with its operating profit, the Group's operating cash flow is significantly weighted towards the second half of the year. The cash flow of the Group for the six months ended 30 September 2020 can be summarised as follows:

Six months ended 30 September	2020 £'m	2019 £'m
Adjusted operating profit	176.1	162.6
Increase in working capital	(28.4)	(98.1)
Depreciation (excl. ROU assets) and other	<u>63.8</u>	<u>55.4</u>
Operating cash flow	211.5	119.9
Capital expenditure (net)	<u>(87.6)</u>	<u>(87.7)</u>
	123.9	32.2
Depreciation on ROU assets	29.9	30.0
Repayment of lease creditors	<u>(33.1)</u>	<u>(31.8)</u>
Free cash flow	120.7	30.4
Net interest, tax paid and other	<u>(42.0)</u>	<u>(46.0)</u>
Free cash flow after interest and tax	78.7	(15.6)
Acquisitions	(98.5)	(118.3)
Dividends	(92.5)	(90.9)
Exceptional items (net) and disposals	(19.2)	25.4
Share issues	—	<u>0.3</u>
Net outflow	(131.5)	(199.1)
Opening net debt	(367.1)	(18.4)
Translation and other	<u>57.6</u>	<u>(20.1)</u>
	(441.0)	(237.6)
IFRS 16 transition adjustment at 1 April 2019	—	<u>(294.1)</u>
Closing net debt (including lease creditors)	(441.0)	<u>(531.7)</u>
Analysis of closing net debt (including lease creditors):		
Net debt at 30 September (excluding lease creditors)	(137.2)	(245.3)
Lease creditors at 30 September	<u>(303.8)</u>	<u>(286.4)</u>
	(441.0)	<u>(531.7)</u>

Working capital increased by £28.4 million over the six-month period from 31 March 2020, reflecting a strong underlying working capital performance given the Group's typical seasonal working capital requirements. The strong working capital performance resulted in the absolute value of working capital at 30 September 2020 reducing to £1.0 million versus £110.1 million at 30 September 2019, despite the Group acquiring £21 million of working capital in acquisitions since 30 September 2019. The Group had zero net working capital days at 30

September 2020, a reduction on the prior year (2019: 2.4 days sales), with the Group benefiting from improvements in underlying working capital across each of DCC LPG, DCC Retail & Oil and DCC Technology. DCC Technology selectively uses supply chain financing solutions to sell, on a non-recourse basis, a portion of its receivables relating to certain larger supply chain/sales and marketing activities. The level of supply chain financing at 30 September 2020 was £223.4 million (2019: £189.3 million), with the increase reflecting the growth in sales to large etail and retail customers. Supply chain financing had a positive impact on Group working capital days of 5.2 days (30 September 2019: 4.1 days).

Net capital expenditure for the six months amounted to £87.6 million (2019: £87.7 million), was net of disposal proceeds of £1.0 million, and reflects continued investment in development initiatives across the Group.

While the Group paused development capital expenditure for a period during the first quarter, the easing of restrictions led to the Group recommencing development capital expenditure. DCC has largely invested the level of development capital expenditure that was envisaged for the first half of the financial year prior to the pandemic.

Investments in DCC LPG primarily comprised expenditure in relation to the Avonmouth LPG storage facility in the UK and further development expenditure to support the continued growth of the business, including conversion of oil customers to LPG, particularly in the UK. In the Retail & Oil division, there was continued investment in new retail sites and site upgrades including capital expenditure in relation to the project to optimise the depot network in the UK to bring greater network and capital efficiency over time. The majority of the capital expenditure in DCC Technology related to the SAP implementation in Exertis UK which is now live. In DCC Healthcare, the capital expenditure primarily related to increased manufacturing capability across DCC Health & Beauty Solutions in both Europe and the US, to facilitate the strong growth in customer demand. Net capital expenditure exceeded the depreciation charge (excluding right-of-use leased assets) in the six months by £25.2 million.

Free cash flow in the six months ended 30 September 2020 of £120.7 million compares to £30.4 million in the prior year.

Total cash spend on acquisitions in the six months to 30 September 2020

The total cash spend on acquisitions in the six months ended 30 September 2020 was £98.5 million. This included the completion of the acquisition of a number of businesses in DCC LPG, including Budget Energy which was announced in May 2020, the NES Group and a number of small bolt-on acquisitions in North America. It also included DCC Retail & Oil's completion of a small bolt-on acquisition in Austria. Payment of deferred and contingent acquisition consideration previously provided amounted to £25.8 million.

Committed acquisition and capital expenditure

Committed acquisition and capital expenditure in the period amounted to £174.6 million as follows:

	Acquisitions	Capex	Total
	£'m	£'m	£'m
DCC LPG	65.9	38.7	104.6
DCC Retail & Oil	5.8	23.3	29.1
DCC Technology	14.5	15.8	30.3
DCC Healthcare	<u>0.8</u>	<u>9.8</u>	<u>10.6</u>
Total	<u>87.0</u>	<u>87.6</u>	<u>174.6</u>

Acquisition activity

Acquisition expenditure committed by the Group since the announcement of 2020 Final Results in May 2020 amounted to £87.0 million and included:

DCC LPG

NES Group

In September 2020, DCC LPG completed the acquisition of NES Group in the US market. NES Group markets, sells and delivers propane and other related products and services to residential and commercial customers in Connecticut, Rhode Island and Massachusetts. Headquartered in Brooklyn, Connecticut, the business employs approximately 70 people, has over 22,000 active customers and sells approximately 40,000 tonnes equivalent of product annually. NES Group is DCC LPG's first acquisition in the north east of the US and will provide a platform for further development in a region characterised by strong underlying demand for propane.

The acquisition of NES Group is DCC LPG's second material bolt-on acquisition in the US market, following the acquisition of Pacific Coast Energy in April 2019. DCC LPG now has operations across 14 states in the US and is well positioned to continue to grow and develop a significant business in the large and fragmented US LPG market.

Primagaz

During September 2020, DCC LPG agreed to acquire Primagaz from SHV Energy, subject to competition authority approval. The business is highly complementary to DCC LPG's existing business in the Benelux region. Primagaz, which focuses on the bulk and cylinder LPG markets, serves approximately 10,000 customers and supplies over 28,000 tonnes of LPG annually. The transaction is expected to complete during the fourth quarter of DCC's financial year ending 31 March 2021.

DCC Technology

DCC Technology recently completed the acquisition in the US of The Music People. The acquisition is complementary in both customer and product set to the current Pro Audio offering in North America and further strengthens DCC Technology's developing product portfolio and market presence in the region.

In addition to the above, the Group also completed a number of smaller bolt-on acquisitions during the period, including a number of small acquisitions by DCC LPG in the US and DCC Retail & Oil also completed a small bolt-on acquisition in the retail market in Austria.

Financial strength

An integral part of the Group's strategy is the maintenance of a strong and liquid balance sheet which, among other benefits, enables it to take advantage of development opportunities as they arise. At 30 September 2020, the Group had net debt (excluding lease creditors) of £137.2 million, being term debt of £1.6 billion, and cash resources, net of overdrafts, of £1.5 billion. Lease creditors at the same date amounted to £303.8 million. The Group also had undrawn committed bank facilities of £400 million.

The Group's outstanding term debt at 30 September 2020, which has been raised in the US private placement market, had an average maturity of 5.7 years, with an implied average credit margin of 1.64% over Euribor/Libor.

Outlook

With Covid-19 related restrictions now increasing again generally, the outlook for all economies in which DCC operates remains very uncertain. However, DCC's diverse and resilient business model, the essential nature of the Group's products and services and its extremely strong balance sheet ensure that the Group is well placed to navigate this continuing uncertainty and continue its growth and development into the future.

Forward-looking statements

This announcement contains some forward-looking statements that represent DCC's expectations for its business, based on current expectations about future events, which by their nature involve risk and uncertainty. DCC believes that its expectations and assumptions with respect to these forward-looking statements are reasonable; however, because they involve risk and uncertainty as to future circumstances, which are in many cases beyond DCC's control, actual results or performance may differ materially from those expressed in or implied by such forward-looking statements.

Principal risks and uncertainties

The Board of DCC is responsible for the Group's risk management and internal control systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives. The Board has approved a Risk Management Policy which sets out delegated responsibilities and procedures for the management of risk across the Group.

The principal risks and uncertainties facing the Group in the short to medium term, as set out on pages 22 to 26 of the 2020 Annual Report (together with the principal mitigation measures), continue to be the principal risks and uncertainties facing the Group for the remaining six months of the financial year.

This is not an exhaustive statement of all relevant risks and uncertainties. Matters which are not currently known to the Board or events which the Board considers to be of low likelihood could emerge and give rise to material consequences. The mitigation measures that are maintained in relation to these risks are designed to provide a reasonable and not an absolute level of protection against the impact of the events in question.

Group Income Statement

		Unaudited 6 months ended 30 September 2020			Unaudited 6 months ended 30 September 2019			Audited year ended 31 March 2020		
		Pre exceptionals £'000	Exceptionals (note 6) £'000	Total £'000	Pre exceptionals £'000	Exceptionals (note 6) £'000	Total £'000	Pre exceptionals £'000	Exceptionals (note 6) £'000	Total £'000
Notes										
Revenue	5	5,931,094	-	5,931,094	7,311,721	-	7,311,721	14,755,393	-	14,755,393
Cost of sales		(5,140,742)	-	(5,140,742)	(6,510,346)	-	(6,510,346)	(13,015,419)	-	(13,015,419)
Gross profit		790,352	-	790,352	801,375	-	801,375	1,739,974	-	1,739,974
Administration expenses		(250,582)	-	(250,582)	(249,874)	-	(249,874)	(457,722)	-	(457,722)
Selling and distribution expenses		(375,131)	-	(375,131)	(387,697)	-	(387,697)	(813,326)	-	(813,326)
Other operating income/(expenses)		11,459	(14,703)	(3,244)	(1,243)	(45,329)	(46,572)	25,342	(65,486)	(40,144)
Adjusted operating profit		176,098	(14,703)	161,395	162,561	(45,329)	117,232	494,268	(65,486)	428,782
Amortisation of intangible assets		(30,534)	-	(30,534)	(32,664)	-	(32,664)	(62,138)	-	(62,138)
Operating profit	5	145,564	(14,703)	130,861	129,897	(45,329)	84,568	432,130	(65,486)	366,644
Finance costs		(45,070)	-	(45,070)	(49,427)	(371)	(49,798)	(94,824)	(860)	(95,684)
Finance income		14,819	1,406	16,225	22,324	-	22,324	39,510	-	39,510
Equity accounted investments' profit after tax		62	-	62	469	-	469	1,015	-	1,015
Profit before tax		115,375	(13,297)	102,078	103,263	(45,700)	57,563	377,831	(66,346)	311,485
Income tax expense	7	(18,254)	(226)	(18,480)	(15,414)	44	(15,370)	(60,625)	3,290	(57,335)
Profit after tax for the financial period		97,121	(13,523)	83,598	87,849	(45,656)	42,193	317,206	(63,056)	254,150
Profit attributable to:										
Owners of the Parent Company		92,137	(13,523)	78,614	83,304	(45,617)	37,687	308,500	(62,991)	245,509
Non-controlling interests		4,984	-	4,984	4,545	(39)	4,506	8,706	(65)	8,641
		97,121	(13,523)	83,598	87,849	(45,656)	42,193	317,206	(63,056)	254,150
Earnings per ordinary share										
Basic earnings per share	8			79.83p			38.34p			249.64p
Diluted earnings per share	8			79.70p			38.26p			249.21p
Adjusted basic earnings per share	8			117.93p			110.22p			362.64p
Adjusted diluted earnings per share	8			117.74p			109.99p			362.02p

Group Statement of Comprehensive Income

	Unaudited 6 months ended 30 Sept. 2020 £'000	Unaudited 6 months ended 30 Sept. 2019 £'000	Audited year ended 31 March 2020 £'000
Group profit for the period	83,598	42,193	254,150
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation			
- arising in the period	19,388	43,742	5,763
- recycled to the Income Statement on disposal	-	-	(397)
Movements relating to cash flow hedges	54,668	(9,702)	(34,206)
Movement in deferred tax liability on cash flow hedges	(9,294)	1,650	5,816
	<u>64,762</u>	<u>35,690</u>	<u>(23,024)</u>
Items that will not be reclassified to profit or loss			
Group defined benefit pension obligations:			
- remeasurements	(1,950)	(5,513)	4,132
- movement in deferred tax asset	332	937	(560)
	<u>(1,618)</u>	<u>(4,576)</u>	<u>3,572</u>
Other comprehensive income for the period, net of tax	<u>63,144</u>	<u>31,114</u>	<u>(19,452)</u>
Total comprehensive income for the period	<u>146,742</u>	<u>73,307</u>	<u>234,698</u>
Attributable to:			
Owners of the Parent Company	140,021	67,452	224,496
Non-controlling interests	6,721	5,855	10,202
	<u>146,742</u>	<u>73,307</u>	<u>234,698</u>

Group Balance Sheet

	Notes	Unaudited 30 Sept. 2020 £'000	Unaudited 30 Sept. 2019 £'000	Audited 31 March 2020 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,132,586	1,047,558	1,089,027
Right-of-use leased assets		298,533	285,962	304,097
Intangible assets and goodwill		2,186,447	2,117,107	2,126,892
Equity accounted investments		28,937	27,273	27,729
Deferred income tax assets		35,975	26,792	35,362
Derivative financial instruments		178,094	209,049	232,766
		3,860,572	3,713,741	3,815,873
Current assets				
Inventories		756,464	736,480	630,996
Trade and other receivables		1,434,777	1,471,835	1,647,117
Derivative financial instruments		33,389	42,331	32,656
Cash and cash equivalents		1,574,329	1,675,517	1,794,467
		3,798,959	3,926,163	4,105,236
Total assets		7,659,531	7,639,904	7,921,109
EQUITY				
Capital and reserves attributable to owners of the Parent Company				
Share capital		17,422	17,422	17,422
Share premium		882,912	882,881	882,887
Share based payment reserve	10	38,625	32,392	34,914
Cash flow hedge reserve	10	2,097	(22,939)	(43,277)
Foreign currency translation reserve	10	129,178	150,115	111,527
Other reserves	10	932	932	932
Retained earnings		1,466,814	1,314,696	1,482,288
Equity attributable to owners of the Parent Company		2,537,980	2,375,499	2,486,693
Non-controlling interests		61,486	50,467	54,765
Total equity		2,599,466	2,425,966	2,541,458
LIABILITIES				
Non-current liabilities				
Borrowings		1,716,427	1,849,457	1,856,004
Lease creditors		256,747	232,770	259,456
Derivative financial instruments		687	2,187	3,729
Deferred income tax liabilities		186,612	172,783	179,959
Post employment benefit obligations	12	(5,604)	3,200	(7,315)
Provisions for liabilities		265,880	279,295	264,208
Acquisition related liabilities		67,804	84,692	77,381
Government grants		324	336	331
		2,488,877	2,624,720	2,633,753
Current liabilities				
Trade and other payables		2,202,991	2,112,083	2,318,758
Current income tax liabilities		44,517	41,207	36,487
Borrowings		193,999	298,602	230,264
Lease creditors		47,009	53,640	47,411
Derivative financial instruments		11,896	21,985	30,144
Provisions for liabilities		48,062	43,183	46,581
Acquisition related liabilities		22,714	18,518	36,253
		2,571,188	2,589,218	2,745,898
Total liabilities		5,060,065	5,213,938	5,379,651
Total equity and liabilities		7,659,531	7,639,904	7,921,109
Net debt included above (excluding lease creditors)	11	(137,197)	(245,334)	(60,252)

Group Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Parent Company					Non-controlling interests £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves (note 10) £'000	Total £'000		
At 1 April 2020	17,422	882,887	1,482,288	104,096	2,486,693	54,765	2,541,458
Profit for the period	-	-	78,614	-	78,614	4,984	83,598
Currency translation	-	-	-	17,651	17,651	1,737	19,388
Group defined benefit pension obligations:							
- remeasurements	-	-	(1,950)	-	(1,950)	-	(1,950)
- movement in deferred tax asset	-	-	332	-	332	-	332
Movements relating to cash flow hedges	-	-	-	54,668	54,668	-	54,668
Movement in deferred tax liability on cash flow hedges	-	-	-	(9,294)	(9,294)	-	(9,294)
Total comprehensive income	-	-	76,996	63,025	140,021	6,721	146,742
Re-issue of treasury shares	-	25	-	-	25	-	25
Share based payment	-	-	-	3,711	3,711	-	3,711
Dividends	-	-	(92,470)	-	(92,470)	-	(92,470)
At 30 September 2020	17,422	882,912	1,466,814	170,832	2,537,980	61,486	2,599,466

For the six months ended 30 September 2019

	Attributable to owners of the Parent Company					Non-controlling interests £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves (note 10) £'000	Total £'000		
At 1 April 2019	17,422	882,561	1,368,250	122,473	2,390,706	42,821	2,433,527
Profit for the period	-	-	37,687	-	37,687	4,506	42,193
Currency translation	-	-	-	42,393	42,393	1,349	43,742
Group defined benefit pension obligations:							
- remeasurements	-	-	(5,513)	-	(5,513)	-	(5,513)
- movement in deferred tax asset	-	-	937	-	937	-	937
Movements relating to cash flow hedges	-	-	-	(9,702)	(9,702)	-	(9,702)
Movement in deferred tax liability on cash flow hedges	-	-	-	1,650	1,650	-	1,650
Total comprehensive income	-	-	33,111	34,341	67,452	5,855	73,307
Re-issue of treasury shares	-	320	-	-	320	-	320
Share based payment	-	-	-	3,686	3,686	-	3,686
Sale of equity interest to non-controlling interest	-	-	4,306	-	4,306	1,791	6,097
Dividends	-	-	(90,971)	-	(90,971)	-	(90,971)
At 30 September 2019	17,422	882,881	1,314,696	160,500	2,375,499	50,467	2,425,966

For the year ended 31 March 2020

	Attributable to owners of the Parent Company					Non-controlling interests £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves (note 10) £'000	Total £'000		
At 1 April 2019	17,422	882,561	1,368,250	122,473	2,390,706	42,821	2,433,527
Profit for the period	-	-	245,509	-	245,509	8,641	254,150
Currency translation	-	-	-	4,202	4,202	1,561	5,763
- arising in the year	-	-	-	(397)	(397)	-	(397)
- recycled to the Income Statement on disposal	-	-	-	(397)	(397)	-	(397)
Group defined benefit pension obligations:							
- remeasurements	-	-	4,132	-	4,132	-	4,132
- movement in deferred tax asset	-	-	(560)	-	(560)	-	(560)
Movements relating to cash flow hedges	-	-	-	(34,206)	(34,206)	-	(34,206)
Movement in deferred tax liability on cash flow hedges	-	-	-	5,816	5,816	-	5,816
Total comprehensive income	-	-	249,081	(24,585)	224,496	10,202	234,698
Re-issue of treasury shares	-	326	-	-	326	-	326
Share based payment	-	-	-	6,208	6,208	-	6,208
Sale of equity interest to non-controlling interest	-	-	4,169	-	4,169	1,742	5,911
Dividends	-	-	(139,212)	-	(139,212)	-	(139,212)
At 31 March 2020	17,422	882,887	1,482,288	104,096	2,486,693	54,765	2,541,458

Group Cash Flow Statement

	Notes	Unaudited 6 months ended 30 Sept. 2020 £'000	Unaudited 6 months ended 30 Sept. 2019 £'000	Audited year ended 31 March 2020 £'000
Cash flows from operating activities				
Profit for the period		83,598	42,193	254,150
Add back non-operating expenses/(income)				
- tax		18,480	15,370	57,335
- share of equity accounted investments' profit		(62)	(469)	(1,015)
- net operating exceptionals		14,703	45,329	65,486
- net finance costs		28,845	27,474	56,174
Group operating profit before exceptionals		145,564	129,897	432,130
Share-based payments expense		3,711	3,686	6,208
Depreciation		92,303	87,964	176,734
Amortisation of intangible assets		30,534	32,664	62,138
Loss/(profit) on disposal of property, plant and equipment		3	(1,347)	(5,604)
Amortisation of government grants		(7)	(6)	(11)
Other		(2,344)	(4,822)	3,180
(Increase)/decrease in working capital		(28,375)	(98,133)	49,190
Cash generated from operations before exceptionals		241,389	149,903	723,965
Exceptionals		(19,257)	(12,600)	(30,922)
Cash generated from operations		222,132	137,303	693,043
Interest paid (including lease interest)		(44,989)	(41,877)	(84,975)
Income tax paid		(16,967)	(30,221)	(78,961)
Net cash flows from operating activities		160,176	65,205	529,107
Investing activities				
Inflows:				
Proceeds from disposal of property, plant and equipment		1,056	4,282	13,166
Disposal of subsidiaries and equity accounted investments		-	38,040	36,688
Interest received		15,155	21,890	39,188
		16,211	64,212	89,042
Outflows:				
Purchase of property, plant and equipment		(88,615)	(91,984)	(181,014)
Acquisition of subsidiaries	13	(72,685)	(93,858)	(192,189)
Payment of accrued acquisition related liabilities		(25,801)	(24,462)	(35,339)
		(187,101)	(210,304)	(408,542)
Net cash flows from investing activities		(170,890)	(146,092)	(319,500)
Financing activities				
Inflows:				
Proceeds from issue of shares		25	320	326
Net cash inflow on derivative financial instruments		50,697	43,903	18,574
Increase in interest-bearing loans and borrowings		320,000	353,210	408,095
		370,722	397,433	426,995
Outflows:				
Repayment of interest-bearing loans and borrowings		(439,185)	(123,700)	(248,017)
Repayment of lease creditors		(28,302)	(27,565)	(55,225)
Dividends paid to owners of the Parent Company	9	(92,470)	(90,971)	(139,212)
		(559,957)	(242,236)	(442,454)
Net cash flows from financing activities		(189,235)	155,197	(15,459)
Change in cash and cash equivalents		(199,949)	74,310	194,148
Translation adjustment		9,469	30,203	24,597
Cash and cash equivalents at beginning of period		1,684,773	1,466,028	1,466,028
Cash and cash equivalents at end of period		1,494,293	1,570,541	1,684,773
Cash and cash equivalents consists of:				
Cash and short-term bank deposits		1,574,329	1,675,517	1,794,467
Overdrafts		(80,036)	(104,976)	(109,694)
		1,494,293	1,570,541	1,684,773

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

1. Basis of Preparation

The Group condensed interim financial statements which should be read in conjunction with the annual financial statements for the year ended 31 March 2020 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency rules of the Irish Financial Services Regulatory Authority and in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses together with disclosure of contingent assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis.

These condensed interim financial statements for the six months ended 30 September 2020 and the comparative figures for the six months ended 30 September 2019 are unaudited and have not been reviewed by the Auditors. The summary financial statements for the year ended 31 March 2020 represent an abbreviated version of the Group's full accounts for that year, on which the Auditors issued an unqualified audit report and which have been filed with the Registrar of Companies.

2. Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the Group condensed interim financial statements are consistent with those applied in the 2020 Annual Report and are described in those financial statements on pages 207 to 215 with the addition of assessing the impact of the Covid-19 pandemic as set out below.

Covid-19

The Covid-19 pandemic has implications for the economies and markets in which the Group operates. The Group has considered the impact of the pandemic in respect of all judgements and estimates it makes in the application of its accounting policies. As at 30 September 2020, the Group reassessed the carrying value of goodwill (£1,552.9 million) allocated to the Group's cash generating units ('CGUs') for indicators of impairment. As part of this assessment, the Group considered, inter alia, the results of the last annual impairment test, the level of headroom and the financial performance in the first half of the financial year. This assessment also considered the impact of Covid-19 on the long-term outlook for the Group's businesses which currently remains positive and supports our CGU valuations. No impairment indicators were identified.

The carrying value of trade receivables were also reviewed for indicators of impairment. There has been no significant deterioration in the ageing of trade receivables or extension of debtor days in the period and, as a result, there was no material increase in the impairment losses for trade receivables.

The following changes to IFRS became effective for the Group during the period but did not result in material changes to the Group's consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material*
- Amendments to IFRS 3 *Business Combinations - Definition of a business*
- Amendments to IFRS 9 *Financial instruments*, IAS 39 *Financial instruments: Recognition and measurement* and IFRS 7 *Financial instruments: Disclosures - Interest Rate Benchmark Reform*

The following standard amendment was issued in May 2020 effective for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted:

- Amendments to IFRS 16 *Leases - COVID-19-related rent concessions*. The amendment, which would not have been material for the Group for the six months ended 30 September 2020, has not yet been adopted.

The Group has not applied certain new standards, amendments and interpretations to existing standards that have been issued but are not yet effective. They are either not expected to have a material effect on the consolidated financial statements or they are not currently relevant for the Group.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

3. Going Concern

Having reassessed the principal risks facing the Group (as detailed on pages 22 to 26 of the 2020 Annual Report), the Directors believe that the Group is well placed to manage these risks successfully. No concerns or material uncertainties have been identified as part of our assessment which also considered the impact of the Covid-19 pandemic.

The Directors have a reasonable expectation that DCC plc, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the condensed interim financial statements.

4. Reporting Currency

The Group's financial statements are presented in sterling, denoted by the symbol '£'. Results and cash flows of operations based in non-sterling countries have been translated into sterling at average rates for the period, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. The principal exchange rates used for translation of results and balance sheets into sterling were as follows:

	Average rate			Closing rate		
	6 months ended	6 months ended	Year ended	6 months ended	6 months ended	Year ended
	30 Sept. 2020	30 Sept. 2019	31 March 2020	30 Sept. 2020	30 Sept. 2019	31 March 2020
	Stg£1=	Stg£1=	Stg£1=	Stg£1=	Stg£1=	Stg£1=
Euro	1.1183	1.1265	1.1460	1.0960	1.1291	1.1282
Danish Krone	8.3370	8.4133	8.5639	8.1611	8.4297	8.4244
Swedish Krona	11.7989	11.9717	12.1816	11.5863	12.0761	12.4789
Norwegian Krone	12.2289	11.0116	11.4062	12.1666	11.1723	12.9851
US Dollar	1.2665	1.2620	1.2754	1.2832	1.2294	1.2360
Hong Kong Dollar	9.8172	9.8892	9.9760	9.9454	9.6385	9.5831

5. Segmental Reporting

DCC is an international sales, marketing and support services group headquartered in Dublin, Ireland. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr. Donal Murphy, Chief Executive and his executive management team. The Group is organised into four operating segments (as identified under IFRS 8 *Operating Segments*) and generates revenue through the following activities:

DCC LPG is a leading liquefied petroleum gas ('LPG') sales and marketing business with presences in Europe, North America and Asia and a developing business in the retailing of natural gas and electricity as well as the sales and distribution of industrial gases including refrigerants;

DCC Retail & Oil is a leading operator of retail petrol stations in Europe and is the leading reseller of fuel cards in Britain. DCC Retail & Oil is also a leading oil distributor in Europe;

DCC Technology is a leading route-to-market and supply chain partner for global technology brands and customers; and

DCC Healthcare is a leading healthcare business, providing products and services to healthcare providers and health and beauty brand owners.

The chief operating decision maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before amortisation of intangible assets and net operating exceptional items. Net finance costs and income tax are managed on a centralised basis and therefore these items are not allocated between operating segments for the purpose of presenting information to the chief operating decision maker and accordingly are not included in the detailed segmental analysis.

The consolidated total assets of the Group as at 30 September 2020 amounted to £7.7 billion. This figure was not materially different from the equivalent figure at 31 March 2020 and therefore the related segmental disclosure note has been omitted in accordance with IAS 34 *Interim Financial Reporting*. Intersegment revenue is not material and thus not subject to separate disclosure.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

5. Segmental Reporting (continued)

An analysis of the Group's performance by segment and geographic location is as follows:

(a) By operating segment

		Unaudited six months ended 30 September 2020			
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Segment revenue	<u>578,314</u>	<u>3,061,937</u>	<u>1,968,834</u>	<u>322,009</u>	<u>5,931,094</u>
Adjusted operating profit	45,557	65,172	25,529	39,840	176,098
Amortisation of intangible assets	(16,689)	(1,681)	(9,014)	(3,150)	(30,534)
Net operating exceptionals (note 6)	<u>(6,839)</u>	<u>(246)</u>	<u>(7,292)</u>	<u>(326)</u>	<u>(14,703)</u>
Operating profit	<u>22,029</u>	<u>63,245</u>	<u>9,223</u>	<u>36,364</u>	<u>130,861</u>
		Unaudited six months ended 30 September 2019			
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Segment revenue	<u>685,934</u>	<u>4,542,944</u>	<u>1,795,538</u>	<u>287,305</u>	<u>7,311,721</u>
Adjusted operating profit	49,034	59,670	25,342	28,515	162,561
Amortisation of intangible assets	(15,932)	(5,286)	(9,436)	(2,010)	(32,664)
Net operating exceptionals (note 6)	<u>(4,075)</u>	<u>(969)</u>	<u>(4,526)</u>	<u>(35,759)</u>	<u>(45,329)</u>
Operating profit	<u>29,027</u>	<u>53,415</u>	<u>11,380</u>	<u>(9,254)</u>	<u>84,568</u>
		Audited year ended 31 March 2020			
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Segment revenue	<u>1,657,341</u>	<u>8,607,302</u>	<u>3,912,652</u>	<u>578,098</u>	<u>14,755,393</u>
Adjusted operating profit	228,230	140,240	65,280	60,518	494,268
Amortisation of intangible assets	(32,719)	(5,386)	(19,437)	(4,596)	(62,138)
Net operating exceptionals (note 6)	<u>(6,030)</u>	<u>(3,281)</u>	<u>(15,404)</u>	<u>(40,771)</u>	<u>(65,486)</u>
Operating profit	<u>189,481</u>	<u>131,573</u>	<u>30,439</u>	<u>15,151</u>	<u>366,644</u>

(b) By geography

The Group has a presence in 20 countries worldwide. The following represents a geographical revenue analysis about the country of domicile (Republic of Ireland) and countries with material revenue.

	Unaudited 6 months ended 30 Sept. 2020 £'000	Unaudited 6 months ended 30 Sept. 2019 £'000	Audited year ended 31 March 2020 £'000
Republic of Ireland	370,466	391,597	842,680
United Kingdom	2,637,784	3,345,739	6,818,145
France	1,051,881	1,403,076	2,875,390
Other	<u>1,870,963</u>	<u>2,171,309</u>	<u>4,219,178</u>
	<u>5,931,094</u>	<u>7,311,721</u>	<u>14,755,393</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

5. Segmental Reporting (continued)

(c) Disaggregation of revenue

The following table disaggregates revenue by primary geographical market, major revenue lines and timing of revenue recognition. The use of revenue as a metric of performance in the Group's LPG and Retail & Oil segments is of limited relevance due to the influence of changes in underlying oil product costs on absolute revenues. Whilst changes in underlying oil product costs will change percentage operating margins, this has little relevance in the downstream energy distribution market in which these two segments operate where profitability is driven by absolute contribution per tonne/litre of product sold, and not a percentage margin. Accordingly, Management review geographic volume performance rather than geographic revenue performance for these two segments as country-specific GDP and weather patterns can influence volumes. The disaggregated revenue information presented below for DCC Technology and DCC Healthcare, which can also be influenced by country-specific GDP movements, is consistent with how revenue is reported and reviewed internally.

	Unaudited six months ended 30 September 2020				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Republic of Ireland (country of domicile)	41,988	142,456	139,485	46,537	370,466
United Kingdom	120,744	1,194,942	1,129,351	192,747	2,637,784
France	273,222	643,211	135,448	-	1,051,881
Other	142,360	1,081,328	564,550	82,725	1,870,963
	<u>578,314</u>	<u>3,061,937</u>	<u>1,968,834</u>	<u>322,009</u>	<u>5,931,094</u>
LPG and related products	578,314	-	-	-	578,314
Oil and related products	-	3,061,937	-	-	3,061,937
Technology products and services	-	-	1,968,834	-	1,968,834
Medical and pharmaceutical products	-	-	-	145,640	145,640
Nutrition and health & beauty products	-	-	-	176,369	176,369
	<u>578,314</u>	<u>3,061,937</u>	<u>1,968,834</u>	<u>322,009</u>	<u>5,931,094</u>
Products transferred at point in time	<u>578,314</u>	<u>3,061,937</u>	<u>1,968,834</u>	<u>322,009</u>	<u>5,931,094</u>

	Unaudited six months ended 30 September 2019				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Republic of Ireland (country of domicile)	48,715	176,163	120,392	46,327	391,597
United Kingdom	117,141	1,974,964	1,036,101	217,533	3,345,739
France	344,124	947,051	111,901	-	1,403,076
Other	175,954	1,444,766	527,144	23,445	2,171,309
	<u>685,934</u>	<u>4,542,944</u>	<u>1,795,538</u>	<u>287,305</u>	<u>7,311,721</u>
LPG and related products	685,934	-	-	-	685,934
Oil and related products	-	4,542,944	-	-	4,542,944
Technology products and services	-	-	1,795,538	-	1,795,538
Medical and pharmaceutical products	-	-	-	171,666	171,666
Nutrition and health & beauty products	-	-	-	115,639	115,639
	<u>685,934</u>	<u>4,542,944</u>	<u>1,795,538</u>	<u>287,305</u>	<u>7,311,721</u>
Products transferred at point in time	<u>685,934</u>	<u>4,542,944</u>	<u>1,795,538</u>	<u>287,305</u>	<u>7,311,721</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

5. Segmental Reporting (continued)

(c) Disaggregation of revenue (continued)

	Audited year ended 31 March 2020				Total £'000
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	
Republic of Ireland (country of domicile)	116,161	356,382	277,232	92,905	842,680
United Kingdom	299,645	3,753,823	2,347,476	417,201	6,818,145
France	843,974	1,786,321	245,095	-	2,875,390
Other	397,561	2,710,776	1,042,849	67,992	4,219,178
	<u>1,657,341</u>	<u>8,607,302</u>	<u>3,912,652</u>	<u>578,098</u>	<u>14,755,393</u>
LPG and related products	1,657,341	-	-	-	1,657,341
Oil and related products	-	8,607,302	-	-	8,607,302
Technology products and services	-	-	3,912,652	-	3,912,652
Medical and pharmaceutical products	-	-	-	328,597	328,597
Nutrition and health & beauty products	-	-	-	249,501	249,501
	<u>1,657,341</u>	<u>8,607,302</u>	<u>3,912,652</u>	<u>578,098</u>	<u>14,755,393</u>
Products transferred at point in time	<u>1,657,341</u>	<u>8,607,302</u>	<u>3,912,652</u>	<u>578,098</u>	<u>14,755,393</u>

6. Exceptionals

	Unaudited 6 months ended 30 Sept. 2020 £'000	Unaudited 6 months ended 30 Sept. 2019 £'000	Audited year ended 31 March 2020 £'000
Restructuring and integration costs	(12,657)	(6,233)	(22,011)
Acquisition and related costs	(1,921)	(4,939)	(8,286)
Loss on disposal	-	(34,265)	(34,709)
Adjustments to contingent acquisition consideration	27	211	673
Other operating exceptional items	(152)	(103)	(1,153)
Net operating exceptional items	<u>(14,703)</u>	<u>(45,329)</u>	<u>(65,486)</u>
Mark to market of swaps and related debt	1,406	(371)	(860)
Net exceptional items before taxation	<u>(13,297)</u>	<u>(45,700)</u>	<u>(66,346)</u>
Income tax (charge)/credit attaching to exceptional items	(226)	44	3,290
Net exceptional items after taxation	<u>(13,523)</u>	<u>(45,656)</u>	<u>(63,056)</u>
Non-controlling interest share of net exceptional items after taxation	-	39	65
Net exceptional items attributable to owners of the Parent	<u>(13,523)</u>	<u>(45,617)</u>	<u>(62,991)</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

6. Exceptionals (continued)

Restructuring and integration costs of £12.657 million relate to the restructuring of operations as part of the integration of completed acquisitions across a number of businesses and to material restructuring in a business unit. It also includes the reducing dual running costs relating to the UK SAP implementation which went live during the summer in the majority of the UK business and restructuring costs across a number of businesses within DCC Technology where some right-sizing was required given the change in mix in the business as a result of the pandemic.

Acquisition and related costs include the professional fees and tax costs (such as stamp duty) relating to the evaluation and/or completion of acquisition opportunities and amounted to £1.921 million.

Most of the Group's debt has been raised in the US private placement market, denominated in US dollars, euro and sterling. Long-term interest and cross currency interest rate derivatives have been utilised to achieve an appropriate mix of fixed and floating rate debt across the three currencies. The level of ineffectiveness calculated under IAS 39 on the fair value and cash flow hedge relationships relating to this debt is charged or credited as an exceptional item. In the six months ended 30 September 2020, this amounted to an exceptional non-cash credit of £1.406 million. Following this credit, the cumulative net exceptional charge taken in respect of the Group's outstanding US Private Placement debt and related hedging instruments is £0.800 million. This, or any subsequent similar non-cash charges or gains, will net to zero over the remaining term of this debt and the related hedging instruments.

The loss on disposal in the prior year related to the disposal of DCC Vital's UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). Whilst part of the DCC Group, the cashflows generated by the disposed business more than recovered its acquisition cost, however, the transaction resulted in a loss on disposal in the prior year, principally representing a non-cash impairment of the goodwill recognised on the initial acquisition of the business.

7. Taxation

The taxation expense for the interim period is based on management's best estimate of the weighted average tax rate that is expected to be applicable for the full year. The Group's effective tax rate for the period was 17% (six months ended 30 September 2019: 17% and year ended 31 March 2020: 17%).

8. Earnings per Ordinary Share

	Unaudited 6 months ended 30 Sept. 2020 £'000	Unaudited 6 months ended 30 Sept. 2019 £'000	Audited year ended 31 March 2020 £'000
Profit attributable to owners of the Parent	78,614	37,687	245,509
Amortisation of intangible assets after tax	23,994	25,050	48,141
Exceptionals after tax	13,523	45,617	62,991
Adjusted profit after taxation and non-controlling interests	<u>116,131</u>	<u>108,354</u>	<u>356,641</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

8. Earnings per Ordinary Share (continued)

Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares. The adjusted figures for basic earnings per ordinary share (a non-GAAP financial measure) are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and net exceptionals.

	Unaudited 6 months ended 30 Sept. 2020 pence	Unaudited 6 months ended 30 Sept. 2019 pence	Audited year ended 31 March 2020 pence
Basic earnings per ordinary share	79.83p	38.34p	249.64p
Amortisation of intangible assets after tax	24.37p	25.48p	48.95p
Exceptionals after tax	13.73p	46.40p	64.05p
Adjusted basic earnings per ordinary share	117.93p	110.22p	362.64p
Weighted average number of ordinary shares in issue (thousands)	98,472	98,306	98,345

Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and awards are the Company's only category of dilutive potential ordinary shares. Employee share options and awards, which are performance-based, are treated as contingently issuable shares because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable shares are excluded from the computation of diluted earnings per ordinary share where the conditions governing exercisability would not have been satisfied as at the end of the reporting period if that were the end of the vesting period.

The adjusted figures for diluted earnings per ordinary share (a non-GAAP financial measure) are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and net exceptionals.

	Unaudited 6 months ended 30 Sept. 2020 pence	Unaudited 6 months ended 30 Sept. 2019 pence	Audited year ended 31 March 2020 pence
Diluted earnings per ordinary share	79.70p	38.26p	249.21p
Amortisation of intangible assets after tax	24.33p	25.43p	48.87p
Exceptionals after tax	13.71p	46.30p	63.94p
Adjusted diluted earnings per ordinary share	117.74p	109.99p	362.02p
Weighted average number of ordinary shares in issue (dilutive, thousands)	98,634	98,514	98,514

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

8. Earnings per Ordinary Share (continued)

The earnings used for the purposes of the diluted earnings per ordinary share calculations were £78.614 million (six months ended 30 September 2019: £37.687 million) and £116.131 million (six months ended 30 September 2019: £108.354 million) for the purposes of the adjusted diluted earnings per ordinary share calculations. The weighted average number of ordinary shares used in calculating the diluted earnings per ordinary share for the six months ended 30 September 2020 was 98.634 million (six months ended 30 September 2019: 98.514 million). A reconciliation of the weighted average number of ordinary shares used for the purposes of calculating the diluted earnings per ordinary share amounts is as follows:

	Unaudited 6 months ended 30 Sept. 2020 '000	Unaudited 6 months ended 30 Sept. 2019 '000	Audited year ended 31 March 2020 '000
Weighted average number of ordinary shares in issue	98,472	98,306	98,345
Dilutive effect of options and awards	162	208	169
Weighted average number of ordinary shares for diluted earnings per share	98,634	98,514	98,514

9. Dividends

	Unaudited 6 months ended 30 Sept. 2020 £'000	Unaudited 6 months ended 30 Sept. 2019 £'000	Audited year ended 31 March 2020 £'000
Interim - paid 49.48 pence per share on 11 December 2019	-	-	49,788
Final - paid 95.79 pence per share on 23 July 2020 (paid 93.37 pence per share on 18 July 2019)	92,470	90,971	89,424
	92,470	90,971	139,212

On 9 November 2020, the Board approved an interim dividend of 51.95p pence per share (£51.178 million). These condensed interim financial statements do not reflect this dividend payable.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

10. Other Reserves

For the six months ended 30 September 2020

	Share based payment reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 April 2020	34,914	(43,277)	111,527	932	104,096
Currency translation	-	-	17,651	-	17,651
Movements relating to cash flow hedges	-	54,668	-	-	54,668
Movement in deferred tax liability on cash flow hedges	-	(9,294)	-	-	(9,294)
Share based payment	3,711	-	-	-	3,711
At 30 September 2020	38,625	2,097	129,178	932	170,832

For the six months ended 30 September 2019

	Share based payment reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 April 2019	28,706	(14,887)	107,722	932	122,473
Currency translation	-	-	42,393	-	42,393
Movements relating to cash flow hedges	-	(9,702)	-	-	(9,702)
Movement in deferred tax liability on cash flow hedges	-	1,650	-	-	1,650
Share based payment	3,686	-	-	-	3,686
At 30 September 2019	32,392	(22,939)	150,115	932	160,500

For the year ended 31 March 2020

	Share based payment reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 April 2019	28,706	(14,887)	107,722	932	122,473
Currency translation					
- arising in the year	-	-	4,202	-	4,202
- recycled to the Income Statement on disposal	-	-	(397)	-	(397)
Movements relating to cash flow hedges	-	(34,206)	-	-	(34,206)
Movement in deferred tax liability on cash flow hedges	-	5,816	-	-	5,816
Share based payment	6,208	-	-	-	6,208
At 31 March 2020	34,914	(43,277)	111,527	932	104,096

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

11. Analysis of Net Debt

	Unaudited 30 Sept. 2020 £'000	Unaudited 30 Sept. 2019 £'000	Audited 31 March 2020 £'000
Non-current assets:			
Derivative financial instruments	178,094	209,049	232,766
Current assets:			
Derivative financial instruments	33,389	42,331	32,656
Cash and cash equivalents	1,574,329	1,675,517	1,794,467
	1,607,718	1,717,848	1,827,123
Non-current liabilities:			
Derivative financial instruments	(687)	(2,187)	(3,729)
Unsecured Notes	(1,716,427)	(1,849,457)	(1,856,004)
	(1,717,114)	(1,851,644)	(1,859,733)
Current liabilities:			
Derivative financial instruments	(11,896)	(21,985)	(30,144)
Bank overdrafts	(80,036)	(104,976)	(109,694)
Bank borrowings	-	-	(56,634)
Unsecured Notes	(113,963)	(193,626)	(63,936)
	(205,895)	(320,587)	(260,408)
Net debt (excluding lease creditors)	(137,197)	(245,334)	(60,252)
Lease creditors - non-current	(256,747)	(232,770)	(259,456)
Lease creditors - current	(47,009)	(53,640)	(47,411)
Total lease creditors	(303,756)	(286,410)	(306,867)
Net debt (including lease creditors)	(440,953)	(531,744)	(367,119)

An analysis of the maturity profile of the Group's net debt (including lease creditors) at 30 September 2020 is as follows:

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total £'000
At 30 September 2020					
Cash and short-term deposits	1,574,329	-	-	-	1,574,329
Overdrafts	(80,036)	-	-	-	(80,036)
Cash and cash equivalents	1,494,293	-	-	-	1,494,293
Unsecured Notes	(113,963)	(48,530)	(721,056)	(946,841)	(1,830,390)
Derivative financial instruments - Unsecured Notes	12,155	10,409	115,950	50,555	189,069
Derivative financial instruments - other	9,338	493	-	-	9,831
Net debt (excluding lease creditors)	1,401,823	(37,628)	(605,106)	(896,286)	(137,197)
Lease creditors	(47,009)	(41,878)	(91,866)	(123,003)	(303,756)
Net debt (including lease creditors)	1,354,814	(79,506)	(696,972)	(1,019,289)	(440,953)

The Group's Unsecured Notes fall due between 21 May 2021 and 4 April 2034 with an average maturity of 5.7 years at 30 September 2020. The full fair value of a hedging derivative is allocated to the time period corresponding to the maturity of the hedged item.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

12. Post Employment Benefit Obligations

The Group's defined benefit pension schemes' assets were measured at fair value at 30 September 2020. The defined benefit pension schemes' liabilities at 30 September 2020 were updated to reflect material movements in underlying assumptions.

The Group's post employment benefit obligations moved from a net asset of £7.315 million at 31 March 2020 to a net asset of £5.604 million at 30 September 2020. This movement was primarily driven by an actuarial loss on liabilities arising from a decrease in the discount rates used to value these liabilities.

The following actuarial assumptions have been made in determining the Group's retirement benefit obligation for the six months ended 30 September 2020:

	Unaudited 6 months ended 30 Sept. 2020	Unaudited 6 months ended 30 Sept. 2019	Audited year ended 31 March 2020
Discount rate			
- Republic of Ireland	1.25%	1.05%	1.80%
- United Kingdom	1.75%	1.85%	2.30%
- Germany	1.25%	1.05%	1.80%

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

13. Business Combinations

A key strategy of the Group is to create and sustain market leadership positions through acquisitions in markets it currently operates in, together with extending the Group's footprint into new geographic markets. In line with this strategy, the principal acquisitions completed by the Group during the period, together with percentages acquired, were as follows:

- The acquisition by DCC LPG in September 2020 of 100% of the NES Group. NES Group markets, sells and delivers propane and other related products and services to residential and commercial customers in the north-east of the US; and
- The acquisition by DCC LPG in May 2020 of 100% of Budget Energy, an independent electricity supplier operating throughout the island of Ireland supplying residential electricity customers.

The acquisition data presented below reflects the fair value of the identifiable net assets acquired (excluding cash and cash equivalents acquired) in respect of acquisitions completed during the six months ended 30 September 2020.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000
Assets		
Non-current assets		
Property, plant and equipment	6,867	10,892
Right-of-use leased assets	-	3,346
Equity accounted investments	-	1,802
Deferred income tax assets	7	-
Total non-current assets	6,874	16,040
Current assets		
Inventories	100	30,237
Trade and other receivables	617	40,442
Total current assets	717	70,679
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	-	(104)
Lease creditors	-	(2,494)
Provisions for liabilities and charges	-	(76)
Total non-current liabilities	-	(2,674)
Current liabilities		
Trade and other payables	(251)	(38,653)
Current income tax liability	(195)	(84)
Lease creditors	-	(852)
Government grants	-	-
Total current liabilities	(446)	(39,589)
Identifiable net assets acquired	7,145	44,456
Intangible assets - goodwill	67,330	72,534
Total consideration	74,475	116,990
Satisfied by:		
Cash	82,341	81,226
Cash and cash equivalents acquired	(9,656)	12,632
Net cash outflow	72,685	93,858
Acquisition related liabilities	1,790	23,132
Total consideration	74,475	116,990

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

13. Business Combinations (continued)

None of the business combinations completed during the period were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

There were no adjustments made to the carrying amounts of assets and liabilities acquired in arriving at their fair values. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of a number of the business combinations above given the timing of closure of these transactions. Any amendments to these fair values within the twelve-month timeframe from the date of acquisition will be disclosable in the Group's condensed interim financial statements for the six months ending 30 September 2021 as stipulated by IFRS 3.

The principal factors contributing to the recognition of goodwill on business combinations entered into by the Group are the expected profitability of the acquired business and the realisation of cost savings and synergies with existing Group entities.

Acquisition and related costs included in other operating expenses in the Group Income Statement amounted to £1.921 million (six months ended 30 September 2019: £4.939 million).

No contingent liabilities were recognised on the acquisitions completed during the financial period or the prior financial years.

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to £0.779 million. The fair value of these receivables is £0.617 million (all of which is expected to be recoverable).

Approximately £40.1 million of the goodwill recognised in respect of acquisitions completed during the period is expected to be deductible for tax purposes.

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 for acquisitions completed during the period range from nil to £1.8 million.

The acquisitions during the period contributed £18.7 million to revenues and £1.7 million to profit after tax. The revenue and profit of the Group determined in accordance with IFRS for the period ended 30 September 2020 would not have been materially different than reported in the Income Statement if the acquisition date for all business combinations completed during the period had been as of the beginning of the period.

14. Seasonality of Operations

The Group's operations are significantly second-half weighted primarily due to a portion of the demand for DCC's LPG and Retail & Oil products being weather dependent and seasonal buying patterns in DCC Technology.

15. Related Party Transactions

There have been no related party transactions or changes in the nature and scale of the related party transactions described in the 2020 Annual Report that could have had a material impact on the financial position or performance of the Group in the six months ended 30 September 2020.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

16. Events after the Balance Sheet Date

In November 2020, DCC Technology completed the acquisition in the US of The Music People. The acquisition is complementary in both customer and product set to the current Pro Audio offering in North America and further strengthens DCC Technology's developing product portfolio and market presence in the region.

17. Board Approval

This report was approved by the Board of Directors of DCC plc on 9 November 2020.

18. Distribution of Interim Report

This report and further information on DCC is available at the Company's website www.dcc.ie. A printed copy is available to the public at the Company's registered office at DCC House, Leopardstown Road, Foxrock, Dublin 18, Ireland.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU; and
- the interim management report includes a fair review of the information required by:
 - 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
 - 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.

On behalf of the Board

John Moloney
Chairman

Donal Murphy
Chief Executive

9 November 2020

Supplementary Financial Information

Alternative Performance Measures

The Group reports certain alternative performance measures ('APMs') 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 APMs 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 APMs are primarily used for the following purposes:

- to evaluate the historical and planned underlying results of our operations;
- to set director and management remuneration; and
- to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The principal APMs used by the Group, together with reconciliations where the non-GAAP measures are not readily identifiable from the financial statements, are as follows:

Adjusted operating profit ('EBITA')

Definition

This comprises operating profit as reported in the Group Income Statement before net operating exceptional items and amortisation of intangible assets. Net operating exceptional items and amortisation of intangible assets are excluded in order to assess the underlying performance of our operations. In addition, neither metric forms part of Director or management remuneration targets.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Operating profit	130,861	84,568	366,644
Net operating exceptional items	14,703	45,329	65,486
Amortisation of intangible assets	30,534	32,664	62,138
Adjusted operating profit ('EBITA')	176,098	162,561	494,268

Net interest

Definition

The Group defines net interest as the net total of finance costs and finance income before interest related exceptional items as presented in the Group Income Statement.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Finance costs before exceptional items	(45,070)	(49,427)	(94,824)
Finance income before exceptional items	14,819	22,324	39,510
Net interest	(30,251)	(27,103)	(55,314)

Supplementary Financial Information

Alternative Performance Measures (continued)

Constant currency

Definition

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

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000
Calculation: Revenue - constant currency		
Revenue	5,931,094	7,311,721
Currency impact	8,640	-
Revenue - constant currency	5,939,734	7,311,721

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000
Calculation: Adjusted operating profit - constant currency		
Adjusted operating profit	176,098	162,561
Currency impact	459	-
Adjusted operating profit - constant currency	176,557	162,561

Effective tax rate

Definition

The Group's effective tax rate expresses the income tax expense before exceptionals and deferred tax attaching to the amortisation of intangible assets as a percentage of EBITA less net interest.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Adjusted operating profit	176,098	162,561	494,268
Net interest	(30,251)	(27,103)	(55,314)
Earnings before taxation	145,847	135,458	438,954
Income tax expense	18,480	15,370	57,335
Income tax attaching to net exceptionals	(226)	44	3,290
Deferred tax attaching to amortisation of intangible assets	6,540	7,614	13,997
Total income tax expense before exceptionals and deferred tax attaching to amortisation of intangible assets	24,794	23,028	74,622
Effective tax rate (%)	17.0%	17.0%	17.0%

Supplementary Financial Information

Alternative Performance Measures (continued)

Net capital expenditure

Definition

Net capital expenditure comprises purchases of property, plant and equipment, proceeds from the disposal of property, plant and equipment and government grants received in relation to property, plant and equipment.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Purchase of property, plant and equipment	88,615	91,984	181,014
Proceeds from disposal of property, plant and equipment	(1,056)	(4,282)	(13,166)
Net capital expenditure	87,559	87,702	167,848

Free cash flow

Definition

Free cash flow is defined by the Group as cash generated from operations before exceptional items as reported in the Group Cash Flow Statement after repayment of lease creditors and net capital expenditure.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Cash generated from operations before exceptionals	241,389	149,903	723,965
Repayment of lease creditors	(33,137)	(31,818)	(63,860)
Net capital expenditure	(87,559)	(87,702)	(167,848)
Free cash flow	120,693	30,383	492,257

Free cash flow (after interest and tax payments)

Definition

Free cash flow (after interest and tax payments) is defined by the Group as free cash flow after interest paid (excluding interest relating to lease creditors), income tax paid, dividends received from equity accounted investments and interest received.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Free cash flow	120,693	30,383	492,257
Interest paid (excluding interest relating to lease creditors)	(40,154)	(37,624)	(76,340)
Income tax paid	(16,967)	(30,221)	(78,961)
Interest received	15,155	21,890	39,188
Free cash flow (after interest and tax payments)	78,727	(15,572)	376,144

Supplementary Financial Information

Alternative Performance Measures (continued)

Committed acquisition expenditure

Definition

The Group defines committed acquisition expenditure as the total acquisition cost of subsidiaries as presented in the Group Cash Flow Statement (excluding amounts related to acquisitions which were committed to in previous years) and future acquisition related liabilities for acquisitions committed to during the period.

	6 months ended 30 Sept. 2020 £'000	6 months ended 30 Sept. 2019 £'000	Year ended 31 March 2020 £'000
Net cash outflow on acquisitions during the period	72,685	93,858	192,189
Net cash outflow on acquisitions which were committed to in the previous period	(22,560)	(75,245)	(75,365)
Acquisition related liabilities arising on acquisitions during the period	1,790	23,132	43,044
Acquisition related liabilities which were committed to in the previous period	(417)	(20,359)	(10,768)
Amounts committed in the current period	35,500	54,278	19,500
Committed acquisition expenditure	86,998	75,664	168,600

Net working capital

Definition

Net working capital represents the net total of inventories, trade and other receivables (excluding interest receivable), and trade and other payables (excluding interest payable, amounts due in respect of property, plant and equipment and current government grants).

	As at 30 Sept. 2020 £'000	As at 30 Sept. 2019 £'000	As at 31 March 2020 £'000
Inventories	756,464	736,480	630,996
Trade and other receivables	1,434,777	1,471,835	1,647,117
Less: interest receivable	(98)	(631)	(428)
Trade and other payables	(2,202,991)	(2,112,083)	(2,318,758)
Less: interest payable	10,763	12,335	11,963
Less: amounts due in respect of property, plant and equipment	2,111	2,192	6,284
Less: government grants	11	11	11
Net working capital	1,037	110,139	(22,815)

Working capital (days)

Definition

Working capital days measures how long it takes in days for the Group to convert working capital into revenue.

	As at 30 Sept. 2020 £'000	As at 30 Sept. 2019 £'000	As at 31 March 2020 £'000
Net working capital	1,037	110,139	(22,815)
September/March revenue	1,287,071	1,374,838	1,279,731
Working capital (days)	0.0 days	2.4 days	(0.6 days)