ConvaTec

ConvaTec Group Plc
Annual Report and Accounts 2017

ConvaTec at a glance

ConvaTec is a global MedTech business, focused on the chronic care market, with leading positions in advanced wound care, ostomy care, continence & critical care and infusion devices.

Our purpose
We exist to improve the lives of the people we touch.

Our vision
To be recognised as the most respected and successful MedTech company worldwide.

Our mission
We drive for excellence in all we do – anticipating and addressing our customers' needs with advanced technologies and best-in-class products and services.

Advanced Wound Care ("AWC")

Our Advanced Wound Care franchise provides advanced wound dressings and skin care products. These dressings and products are used for the management of acute and chronic wounds resulting from ongoing conditions such as diabetes, immobility and venous disease, as well as acute conditions resulting from traumatic injury, burns, invasive surgery and other causes.

Ostomy Care

Our Ostomy Care franchise provides devices, accessories and services for people with a stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer and other causes.

Structural growth trends driving and increasing demand for our products and technologies

Populations are getting older
By 2050 the number of people in the world aged 60 or over is projected to more than double in size.

Chronic conditions are on the increase
Several chronic diseases that can be related to lifestyle, such as diabetes and obesity, are on the rise.

People are living longer
Due to earlier detection and more effective treatment, people with chronic conditions are, on average, living longer.

Key brands
- AQUACEL®
- AQUACEL® Ag+
- AQUACEL® Ag Foam
- Avelle™ System
- DuoDERM®
- Sensi-Care®
- Aloe Vesta®

Key product

AQUACEL® Ag+ Extra™ Dressings
Our patented AQUACEL® Ag+ Extra™ dressings are antimicrobial for use in wounds that are infected or at risk of infection.

Key brands
- Esteem™
- Esteem™+
- Natura™
- Natura™+
- Stomahesive®
- Durahesive®
- InvisiClose®
- me+™

Key product

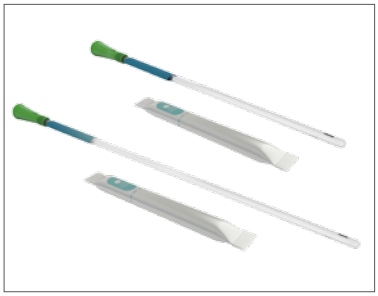
Esteem™+ Flex Convex One-Piece System
Our Esteem™+ Flex Convex System combines the comfort and freedom of flexibility with the firmness of convexity.

Continence & Critical Care ("CCC")

Our CCC franchise provides products for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The franchise also supplies devices and products used in intensive care units and hospital settings.

Key brands
- GentleCath™
- Flexi-Seal™
- UnoMeter™
- me+™

Key product



GentleCath™ Glide
Our GentleCath™ Glide low friction hydrophilic intermittent catheter, which includes our unique FeelClean™ technology, is designed to make self-catheterisation easier.

Infusion Devices

Our Infusion Devices franchise designs, manufactures and supplies disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions such as Parkinson's disease. In addition, the franchise supplies a range of products to hospitals and the home healthcare sector.

Key brands
- inset™
- comfort™
- neria™

Key product

neria™ guard
With its intuitive design, neria™ guard is the first fully automated all-in-one infusion set, making it easy and convenient to use.

Group facts

Countries where we market and sell our products

110+

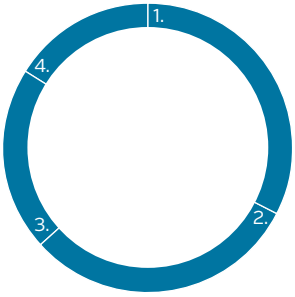
Manufacturing sites

9

Employees

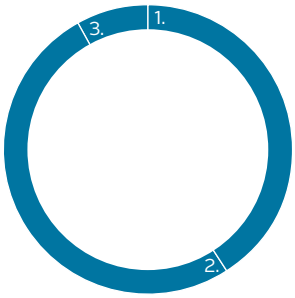
9,500+

Group revenue by franchise $m



1. Advanced Wound Care	33%	**$577.8m**
2. Ostomy Care	30%	**$528.9m**
3. Continence & Critical Care	21%	**$382.9m**
4. Infusion Devices	16%	**$275.0m**

Group revenue by geography $m



1. EMEA	41%	**$733.0m**
2. Americas	51%	**$898.1m**
3. APAC	8%	**$133.5m**

2017 highlights

Financial highlights[1]

Revenue

+4.5%

2017: $ 1,765m
2016: $1,688m

Adjusted EBIT

-8.4%[2]

2017: $457m
2016: $472m

Operating profit

+60.9%

2017: $248m
2016: $154m

Adjusted EBIT margin

2017: 25.9%
2016: 28.0%

Adjusted earnings per share

2017: $0.16
2016: $0.13

Operational highlights

Strong performances from Continence & Critical Care and Infusion Devices, with both franchises delivering organic revenue growth above 5% (CCC ex. product rationalisation).

Ostomy Care delivered good momentum in the first half in the US, Latin America, Japan and China.

EuroTec and Woodbury acquisitions strengthened the business and are performing well.

Expanded our product portfolio with the launch of 16 new products and line extensions.

About us

ConvaTec is a global medical products and technologies company focused on therapies for the management of chronic conditions.

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1. Certain financial measures in this Annual Report, including adjusted results above, are not prepared in accordance with IFRS. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 54 to 57.
2. Organic growth presents period over period growth at constant exchange rates ("CER"), excluding M&A activities. CER growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.

Improving the lives of the people we touch

At the heart of our business is our Purpose – to improve the lives of the people we touch. Over the following pages we explain how we do this and report on developments during 2017.

Our investment case

Overview
We have a compelling investment case which is underpinned by our leading positions in large growth markets, our portfolio of trusted and innovative products and our attractive financial profile. Our relationship with our customers is key to our success, and in the last two years, we have achieved a #1 and #2 ranking in the global Patient View survey, which captures feedback from over 500 patient groups around the world.

1

Leading market positions in large and structurally growing markets

We have leading positions in chronic care markets valued at c. $10 billion and which are growing at 4%–5% per annum on average due to fundamental structural trends.

Our leading market positions:

Advanced Wound Care

Global advanced wound dressing
No. 2

Global silver dressings
No. 1

Global hydrocolloid dressings
No. 1

Global alginate and gelling fibre dressings
No. 1

Infusion Devices

Global disposable infusion sets for insulin pumps
No. 1

Ostomy Care

Global ostomy
No. 3

US
No. 2

UK and France
No. 3

Continence & Critical Care

Retailer in intermittent catheters in the US
No. 1

US fecal management systems
No. 1

Our market environment
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Diversified chronic care business with strong brands and differentiated products

We are a well-balanced business.

We operate globally across all key geographies.

Our differentiated products and technologies portfolio addresses a wide range of increasingly prevalent chronic conditions, including those arising as a result of cancers, diabetes, vascular disease, multiple sclerosis, spinal cord injury and Crohn's disease.

We have an extensive product portfolio that includes market-leading brands.

We market and sell our products through a number of channels to a broad range of customers.

Our resources and relationships
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Innovative pipeline and proven clinical performance

We have a long and successful track record of developing and commercialising innovative products that deliver proven outcomes.

During the last five years we have successfully launched over 60 products.

Our development pipeline includes:

Products at concept

24

Products in development

29

Products at or nearing launch

11

Our resources and relationships
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Focused on efficiency, strong cash generation and growth

We look to simplify the way we do business, and drive productivity and efficiency to free up resources, reinvest in our business and drive growth.

We continue to believe that material productivity gains are achievable over the medium and long term. A number of actions are in progress following the 2017 execution issues. We continue to drive existing initiatives and launch new projects in areas where we see clear opportunities.

In future, in line with most peers, we will provide guidance on adjusted EBIT margin, instead of adjusted gross margin, while continuing to report on our progress in delivering productivity improvements.

We are a cash generative business, with cash conversion around 80%.

We operate in structurally growing chronic care markets, with strong brands, differentiated products and a strong and innovative R&D pipeline.

Our strategy
Page 22

Chairman's letter

While the operational setbacks were disappointing, with the appropriate improvements in execution we anticipate that we will deliver the performance that shareholders expect.

Sir Christopher Gent
Chairman

Dear Shareholder

2017 performance

2017 was a disappointing year for ConvaTec and for shareholders. In October, the Group reduced its guidance for both revenue growth and the Margin Improvement Programme. Supply constraints, relating to the transfer of production from the Greensboro plant to Haina in the Dominican Republic, had a negative impact on growth in the Advanced Wound Care and Ostomy Care franchises. In addition, revenues from new product launches were lower than expected. The costs associated with the supply constraints, in addition to headwinds and cost increases, substantially lowered the Group's gross margin. Your Board is focused on the remedial actions being taken by the executive management team to redress these setbacks, however our expectation is that the combined effects will delay the return to revenue market growth rates and our plans for adjusted EBIT margin improvement. A more detailed explanation of these issues is contained in the Chief Executive Officer's review on page 6.

The Board believes that the Company has the right strategy and that ConvaTec has substantial opportunities which underpin its business, including our market-leading positions in growing chronic care markets and our strong and innovative product pipeline. With the appropriate improvements in execution, we anticipate that we will deliver in the medium to long term[1] the performance that shareholders expect.

Dividend

On 2 August 2017, the Board declared the first interim dividend of 1.4 cents per share. We are now proposing a final dividend of 4.3 cents per share in respect of 2017, subject to shareholder approval at our Annual General Meeting on 10 May 2018. The interim dividend of 1.4 cents per share and the final dividend of 4.3 cents per share gives a total dividend for the year of 5.7 cents per share, in line with our dividend policy to target a payout ratio of 35% to 45% of adjusted net income over time.

The Board

I am very pleased to report that we have assembled a strong and highly skilled Board of Directors who I am confident will help your Company reach its full potential on behalf of shareholders and all stakeholders. In our Corporate governance report last year we highlighted the areas of non-compliance with the UK Corporate Governance Code. All of these matters have been successfully addressed, as have the requirements for gender diversity. More details on the composition of the Board and its committees can be found on pages 62 to 65 and the relevant committee sections on pages 70 to 79.

Following share sales by the companies ultimately owned by Nordic Capital ("Nordic Capital") and Avista Capital Partners ("Avista"), the private equity firms which owned ConvaTec prior to the IPO in 2016, Thomas Vetander and Kunal Pandit, the nominated directors of Nordic Capital and Avista respectively, stepped down from the Board in March 2017. Dr Raj Shah, the second nominated director of Nordic Capital, stepped down from the Board in September 2017.

In March, Kasim Kutay joined the Board as a Non-Executive Director and the nominated director of our strategic investor Novo Holdings A/S. Kasim is a highly experienced finance and healthcare professional, and the Chief Executive Officer of Novo Holdings A/S, which acquired a 19.95% shareholding from Nordic Capital and Avista in March 2017.

1. In the context of this Annual Report "medium term" is two to three years and "medium to long term" is three to five years.

In June, Ros Rivaz became a Non-Executive Director of the Board. Ros has a detailed understanding of the medical products and technology sector and extensive operational experience gained from a successful career across a variety of industries. She is a member of the Nomination and Remuneration Committees.

In August, Regina Benjamin and Margaret Ewing both joined the Board as Non-Executive Directors. Regina is a practising physician who was United States Surgeon General from 2009 to 2013 and is currently CEO at the Bayou La Batre Rural Health Clinic in Alabama. She has significant healthcare expertise and knowledge of the US healthcare system and is a member of the Corporate Responsibility Committee. Margaret, who was previously Chief Financial Officer at BAA plc and Managing Partner of Deloitte, has deep and extensive finance and accounting experience. She is a member of the Audit and Risk and Corporate Responsibility Committees.

Frank Schulkes joined the Group as Chief Financial Officer ("CFO") designate in August and became CFO in November. He succeeds Nigel Clerkin who, following the decision to relocate the CFO role to our Head Office in Reading, decided not to move his family from Dublin and left the Company. Frank has exceptional MedTech experience having been with GE Healthcare for 27 years, where he held a number of increasingly senior financial and planning roles including eight years as CFO of GE Healthcare. On behalf of the Board, I would like to thank Nigel for his contribution to ConvaTec. He saw the business through a critical phase in its history and we wish him well in his future career.

Reshaping our shareholder base

When I wrote to you last year, a majority of ConvaTec's shares were held by Nordic Capital and Avista, the private equity firms that owned the business prior to our IPO in October 2016.

In March, Nordic Capital and Avista announced the sale of 19.95% of shares in ConvaTec to Novo Holdings A/S, the investment holding company of the Novo Nordisk Foundation, a charitable foundation focused on contributing significantly to research and development which improves the health and welfare of people. I am delighted to welcome Novo Holdings A/S as a strategic investor and significant shareholder in your Company.

In addition to the sale to Novo Holdings A/S, Nordic Capital and Avista announced the concurrent placing of 375 million shares in ConvaTec with institutional investors, reducing their ownership in the Company to 16.10% and 7.03% respectively.

In June, Nordic Capital and Avista placed a further 250 million shares in ConvaTec, reducing their shareholdings to 7.34% and 2.98% respectively.

I am very pleased to welcome all new shareholders to ConvaTec.

Corporate responsibility ("CR")

ConvaTec has a clear role in society, as is summarised in our Purpose statement on the front of this Annual Report: "We exist to improve the lives of the people we touch". This year, we have published our first standalone Corporate Responsibility Report which sets out our CR strategy and the progress we have made in this area in our first full year as a publicly listed company.

In the context of our Purpose, our primary stakeholders are the people who experience the various chronic conditions that our products aim to help – enabling them to live the lives they want to lead by giving them more confidence, mobility and freedom. We also rely on our employees to design, develop and deliver our products, and the employees of our suppliers and distributors, to bring our products to market. In addition, healthcare professionals help us to improve our products and our investors trust us to deliver a sustainable return on their capital. Our shareholders, other investors and governments and regulators are also key stakeholders, and a key focus of the Board. More broadly, we interact with the local communities which host our facilities, and the environment, on which we all rely. Each of these interactions "touch people" and so fall within our Purpose.

We aim to gain a better understanding of all our stakeholders, and their needs, so that our responses can build long-lasting and sustainable relationships. We will achieve this from our detailed interactions with individual specialist nurses all the way through to alignment with global initiatives such as the United Nations Sustainable Development Goals.

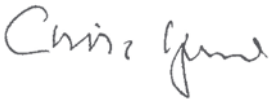
We have created a strong Corporate Responsibility Committee of the Board to ensure that in this very important area of our business, we operate and behave in a manner which will earn trust and ensure that we act with integrity, making a positive contribution to society.

Governance

The Board is committed to the highest standards of corporate governance. During the year we have made good progress putting in place processes and procedures to ensure that your Board operates effectively including appraisals and performance evaluations. We have also introduced a robust process that annually reviews our internal controls and risk management systems. Further details of these enhanced governance arrangements are set out on pages 64 to 69.

Our employees

Personally, and on behalf of the entire Board, I would like to thank our employees across the Group for their continued hard work and commitment. Their relentless focus on delivering products and services that improve people's lives and, at all times conducting themselves in accordance with our values, are essential to delivering sustainable returns for shareholders.



Sir Christopher Gent
Chairman
14 February 2018

Business insight

The role of your Board in providing effective governance is critically important. The governance framework we have established ensures that decisions are made in the interests of our stakeholders and ConvaTec's long term success. It also embeds appropriate financial and operational controls and risk management processes across the business and underpins our values-led performance-driven culture.

Further information about our governance framework, including details about the Board and its committees, can be found in the Governance section. Information about how we operate responsibly is included on pages 16 to 21 and in our Corporate Responsibility Report, which is available on our website, www.convatecgroup.com/corporate-responsibility.

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Chief Executive Officer's review

Over the past 12 months we made good progress in a number of areas but also encountered significant challenges.

Paul Moraviec
Chief Executive Officer

Over the past 12 months we made good progress in a number of areas. Our Continence & Critical Care and Infusion Devices franchises delivered strong performances, and in Ostomy Care we saw good momentum in the first half in the US, Latin America, Japan and China. We also expanded our product portfolio with the launch of 16 new products and line extensions.

However, we did encounter some significant challenges as well, which resulted in a disappointing performance overall in 2017. Performance was affected by supply constraints in both AWC and Ostomy Care and a lower than anticipated revenue contribution from new products. This reduced our full year organic revenue growth. Following the relocation of production lines from our US manufacturing plant to Haina in the Dominican Republic, we experienced significant delays with the ramp-up of production volumes on the final Convex and Moldable Ostomy lines. We encountered unexpected mechanical failures, and delays with optimising operation of the lines in Haina, the impact of which took effect at the end of the third quarter. We also experienced delays in the ramp-up of production and in obtaining regulatory certification on AWC lines transferred. These delays meant we used up our reserves of safety stock and backorders quickly developed. We also lost orders, leading to an immediate impact on revenue growth, which we reported in our third quarter update in October. Regulatory certification for AWC production lines was received late in the third quarter, and backorders in AWC have returned to a normal level. Lines manufacturing Convex products have now returned to normal production levels and backorders have been addressed.

1 Frank Schulkes[a]
Chief Financial Officer

2 Peter Byloos[b]
Franchise President – Advanced Wound Care

3 Erik Zimmer[c]
Vice President & General Manager – Ostomy Care

4 Frank Gehres[d]
Franchise President – Continence & Critical Care

5 John Lindskog
Franchise President – Infusion Devices

6 Kjersti Grimsrud[e]
President, EMEA

7 Tim Moran
President, Americas

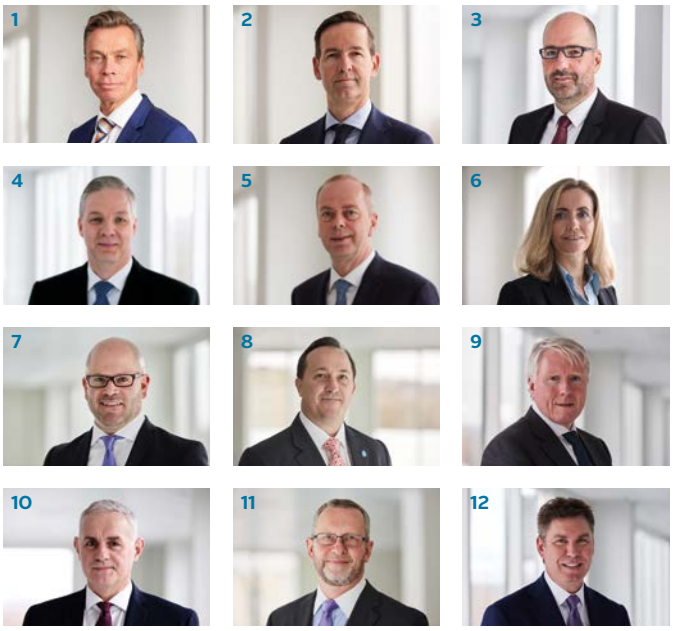
8 George Poole
President, APAC

9 Donal Balfe[f]
Executive Vice President, Global Operations

10 Sean McGrath[g]
Executive Vice President, Global Human Resources

11 Robert Steele
Executive Vice President, Quality, Regulatory & Clinical Affairs

12 Adam Deutsch
Executive Vice President, General Counsel and Corporate Development



a. Joined Executive Committee on 1 November 2017.
b. Joined ConvaTec and Executive Committee on 1 January 2018.
c. Joined Executive Committee on 1 January 2018.
d. Previously Interim President of EMEA.
e. Joined ConvaTec and Executive Committee on 1 January 2018.
f. Joined ConvaTec and Executive Committee on 1 October 2017.
g. Joined ConvaTec and Executive Committee on 1 January 2018.

For Moldable, we implemented a mitigation plan that has increased production volumes to a level which now meets both current market demand and is able to address the backorders that have built up, although we expect fulfilment of all backorders will take until the end of the first half of 2018. We have implemented an external review of manufacturing and supply chain and are strengthening our operating mechanisms and project management. In 2018 we will continue with the stabilisation of our manufacturing and supply chain.

Whilst we did see a benefit to adjusted gross margin from our Margin Improvement Programme ("MIP"), headwinds and other cost increases more than offset these, resulting in a negative impact on adjusted gross margin compared to our initial expectation of a further improvement in 2017.

Results
Organic revenue grew by 2.3%, slightly ahead of our revised guidance of 1%–2%.

Advanced Wound Care
Our AWC franchise delivered organic revenue growth of 2.6% in 2017. We continued to see strong demand for our AQUACEL® product lines, with foam, silver and surgical cover dressing the main drivers of growth, although we did underperform in the US in the post-acute channel. We have already taken action to improve performance in 2018, and will make investments in this area to scale our presence, drive account conversion and expand our foam portfolio. During 2017 we continued the rollout of our Avelle™ Negative Pressure Wound Therapy ("NPWT") system, which is now available in 20 markets around the world. Whilst revenues from Avelle™ did not ramp up as quickly as we initially anticipated in 2017, we have learnt from our first entry into this market. The value proposition has been well received, and going forwards we will modify our commercial focus and expect that Avelle™ revenues will continue to grow in 2018.

Following the relocation of surgical cover dressing and DuoDerm production lines from the US to Haina, the delays in certification by our European Notified Body and longer than anticipated time to ramp-up to full production volumes led to a build-up of backorders and consequent loss of some orders. Production and certification issues were resolved in the third quarter, and while backorders have returned to normal levels, we continued to see a negative impact from the timing of order recovery in the fourth quarter.

The impact of the supply constraints reduced organic revenue growth by c. 1 percentage point. In addition, changes to reimbursement rates in France at the start of 2017 reduced organic revenue growth by c. 1 percentage point.

Reported revenue of $577.8 million in 2017 grew 3.3% compared to 2016.

Ostomy Care
The execution of our strategy to return the Ostomy Care franchise to consistent growth continued to gain momentum and the franchise delivered an improved performance in the first half of 2017. During that period we saw good momentum in the US, Latin America, Japan and China, supported by our me+™ direct-to-consumer programme in the US, and the global launches of the Esteem™+ Flex Convex one-piece system and Natura™ Convex Accordion Flange. We also saw some weakness in EMEA, especially in the UK.

However, in the third quarter, following the transfer of the final manufacturing lines from Greensboro in the US to our Haina facility, we experienced the impact of delays in making those lines fully operational. As a result, production of Convex and Moldable products ran below full capacity. This led to supply constraints, and once safety stock had been depleted, a build-up of backorders and lost orders. Whilst the backorder situation for Convex products was resolved in the fourth quarter, optimisation of the Moldable production line continued and, in line with our recovery plan, by December was producing at a level to meet both current market demand and to begin to address backorders. We anticipate a knock-on negative effect from lost orders as a result of these supply constraints through the first half of 2018.

Organic revenue growth for the full year was 0.8%, or 3.0% at CER, with supply constraints reducing growth by c. 2 percentage points. Renewal of Group Purchasing Organisation ("GPO") contracts in the US reduced growth by a further c. 0.5 percentage points over the year as a whole.

Reported revenue of $528.9 million grew 3.3% compared to 2016, and included a $11.3 million contribution from EuroTec, which we acquired at the beginning of the year.

Continence & Critical Care
We made good progress in our CCC franchise. Organic revenue growth of 1.7% or 7.0% at CER, reflected good growth in our Home Distribution Group ("HDG") business and our GentleCath™ portfolio, offset by planned product rationalisation as part of our MIP which reduced revenue growth by $13 million (3.5 percentage points).

HDG is a new business unit for catheter and incontinence-related products, created following the acquisition of Woodbury Holdings ("Woodbury") and encapsulating the US distribution companies of 180 Medical, Symbius Medical, South Shore Medical Supply, Wilmington Medical Supply and Woodbury Health Products.

During the year we launched GentleCath™ Glide in the US and European markets. We expect to launch our next generation catheter product in the second half of 2018 targeted at the European catheter market, which will drive growth over the medium term to long term.

On a reported basis revenue increased 7.4% to $382.9 million, and included a $18.9 million contribution from Woodbury.

Infusion Devices
In our Infusion Devices franchise, we launched our new infusion set, neria™ guard, for non-insulin therapies in June, and for diabetes use, MiniMed™ Mio™ Advance[1], with our partner Medtronic in selected markets. This infusion set is the first of its kind to help eliminate the risk of needle-stick injuries with its fully automated insertion function and has applications beyond insulin therapy.

Infusion Devices revenue grew by 5.2% on an organic basis in 2017, with our partners seeing continued growth for diabetes insulin pumps and new product launches.

On a reported basis revenue of $275.0 million grew 5.7% year on year.

1. MiniMed™ Mio™ Advance – trademarks of Medtronic MiniMed, Inc.

MIP and adjusted gross margin

We also progressed our MIP in 2017. We closed our Greensboro plant in the US and transferred production of 20 Ostomy Care and ten AWC production lines to Haina completing our planned reduction from 11 manufacturing plants to eight (nine including our EuroTec plant, which was outside the scope of our MIP). At 31 December 2017 approximately 84% of our manufacturing workforce were in lower cost countries and the number of manufacturing employees trained in LEAN manufacturing principles increased by 20% to cover c. 90% of our manufacturing workforce.

We continued with product rationalisation in our Continence & Critical Care franchise to eliminate low margin products from our catalogue. As noted, this had a c. $13 million impact on revenue in the year but was margin neutral. We also made further progress implementing our Advanced Pouching System ("APS") lines in both Haina and Slovakia in Ostomy Care.

Whilst these initiatives, along with sourcing and supply chain initiatives, delivered a cost out benefit to adjusted gross margin, this was more than offset by headwinds and cost increases including additional expediting costs, such as increased air freight, higher than anticipated depreciation and wage inflation (which were not fully taken into account in the original MIP) and manufacturing inefficiencies.

Including pricing and product mix effects, overall there was a negative impact on adjusted gross margin of 70 basis points. With favourable foreign exchange of 80 bps, adjusted gross margin increased 10 bps year on year to 61.0%.

We anticipate that we will see additional productivity benefits from the lower cost of labour in Haina, and our LEAN projects in 2018, although some of the headwinds will remain, such as depreciation and wage inflation, restricting adjusted gross margin growth in 2018. We will continue to drive existing initiatives and launch new projects in five areas where we see clear opportunities – sourcing excellence, improved cost efficiency in supply chain and distribution, driving our LEAN/productivity programmes, continued footprint optimisation and reducing complexity. We are already building detailed plans for new projects and validating the opportunities, and expect modest productivity gains in 2018 as the majority of these programmes will deliver in 2019 and beyond. We believe that the overall scale of the cost out opportunities, in dollar terms, is similar to our previous target over the medium to long term.

A number of actions are in progress following our experience in 2017, focused on improving project management, operating reviews and cross functional collaboration. Leadership has also been strengthened with the appointment of Donal Balfe as our new Executive Vice President, Global Operations. Our adjusted gross margin ambition remains, compared to best in class peers, and we continue to believe that material productivity gains are achievable over the medium to long term. As detailed in the Chief Financial Officer's review on page 48, in the future in line with most peers we will provide guidance on adjusted EBIT margin, instead of adjusted gross margin, whilst continuing to report on our progress in delivering productivity improvements.

Further information about our operational performance is included on pages 38 to 47.

People

During the year there were several changes to the organisational structure and members of the Executive Committee. As of 1 January 2018, ConvaTec's four franchises are led by franchise Presidents who report directly to me and who are members of the Executive Committee.

These changes will drive improved focus and performance across the Group and leverage our strong pipeline of new products, as well as our leading market positions.

Kjersti Grimsrud, President of the EMEA Region, and Sean McGrath, Executive Vice President, Global Human Resources, have also joined the Group and the Executive Committee with effect from 1 January 2018.

Following the sudden death of Mike Sgrignari, Executive Vice President, Global Operations, in March 2017, Donal Balfe was appointed as his successor and member of the Executive Committee on 1 October 2017.

Frank Schulkes joined the Group as CFO designate in August and became CFO and Board Director on 1 November 2017 following Nigel Clerkin's departure.

All members of the Executive Committee are shown on page 6 and their biographical information is available on our website (www.convatecgroup.com).

During the year four new Non-Executive Directors were appointed to the Board: Kasim Kutay, Dr Regina Benjamin, Dr Ros Rivaz and Margaret Ewing. Dr Raj Shah, Thomas Vetander and Kunal Pandit all left the Board during the year following the reduction in shareholding of both Nordic Capital and Avista Capital Partners and I would like to thank them for their contributions to the business.

We have a values-led, performance-driven culture which builds on our core Purpose, to improve the lives of the people we touch. Despite recent challenges, much has been achieved in recent years and everyone across ConvaTec has played their part. On behalf of myself, the Board and our Executive Committee, I would like to thank all our employees for the great work they do every day.

Business insight

Our Executive Committee is responsible for our day-to-day operations and, in particular, executing and delivering our strategy, developing our business to capitalise on market trends, monitoring performance and managing risk .

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Corporate responsibility

We have made good progress in 2017 in implementing our CR programme, which has been designed to support the achievement of our Purpose, and to demonstrate that we live our Values. We recognise that there is more work to do but we have taken some significant steps forward, not least the publication of our first standalone CR report that sets out detailed information on our CR strategy, governance, achievements and challenges, together with performance information.

Outlook

The fundamentals of our business remain strong. We expect to return to market levels of growth in the medium term and we continue to see further structural margin expansion opportunities over the medium to long term, although progress will be delayed as we address the factors that negatively impacted on our 2017 performance. We are committed to delivering value to our shareholders whilst improving the lives of people across the world who live with chronic conditions.

Paul Moraviec
Chief Executive Officer
14 February 2018

Our market environment

We have leading positions in large and growing chronic care markets

Our markets are underpinned by structural growth trends which are driving and increasing demand for our products and technologies.

Growth trend

Populations are getting older

By 2050 the number of people in the world over 60 is projected to more than double in size (source: United Nations, World Population Prospects, the 2015 Revision).

	2015	2050
Global population aged 60+	0.9 billion	2.1 billion

What this means for us

There is a strong correlation between age and the incidence of chronic conditions that require wound, ostomy and incontinence treatment and infusion products (source: Gist, Tio-Matos, Falzgraf, Cameron, Beebe (2009)).

In 2006 c. 73% of adults aged 65 and older in the US had multiple chronic conditions (source: US Department of Health & Human Services).

Chronic conditions are on the increase

The incidence of lifestyle-related chronic diseases is increasing. Since 1975 the proportion of the world's population that is overweight has almost doubled to today's figure of roughly 40% (source: World Health Organisation ("WHO")). In the US around 36% of the population is estimated to be obese and in the UK 28% (source: WHO) and the prevalence of obesity is forecast to continue to increase. For example in the US it is forecast to increase by 33% by 2030 (source: Finkelstein (2012)).

The global population with diabetes, the treatment cost for which is estimated to be over $800 billion globally (source: WHO), is forecast to increase from 8.4% to 9.7% by 2030 (source: Euromonitor). Globally there are 50 million (source: Frost & Sullivan) reported cases of patients suffering from hard-to-heal wounds, including foot ulcers and venous leg ulcers, which affect over 600,000 people (source: Espicom) in the US alone each year.

By 2020 chronic diseases are expected to account for 73% of all deaths and 60% of the global burden of disease. In 2002 chronic diseases accounted for almost 60% of all deaths and 43% of the global burden of disease (source: WHO).

86% of all US healthcare dollars are spent on treating chronic and mental health conditions. (source: Centres for Disease Control and Prevention).

What this means for us

We provide products and technologies to support people living with a number of chronic conditions. The areas each of our franchises focus on is detailed below.

The increasing prevalence of chronic conditions, which are often experienced over a long period of time and generally progress slowly, is driving demand for our products. In 2017 we generated approximately 76% of our revenues from products used by people with chronic care conditions.

c. 76% revenue generated from products used by people with chronic conditions

Advanced Wound Care	Ostomy Care	Continence & Critical Care	Infusion Devices
– Diabetes and vascular disease – Chronic ulcers	– Colorectal Cancer – Bladder Cancer – Crohn's Disease – Ulcerative Colitis	– Multiple Sclerosis – Benin Prostatic Hyperplasia (BPH) – Spinal Cord Injury – Diabetes	– Diabetes

People are living longer

Due to earlier detection and more effective treatment, people with chronic conditions are living longer.

Average life expectancy of people with type 1 diabetes	53 (1950–1964)	69 (1956–1980)

(Source: The Pittsburgh Epidemiology of Diabetes Complications Study Cohort (2012)).

What this means for us

Many of our customers stay with us throughout their lives, and as they live longer, the period during which they are reliant on our products is extended. Commercially this gives us long-term visibility of the underlying demand for our products.

Our chronic care markets

We operate in a $10 billion chronic care market which is projected to grow, on average, at 4%–5% per annum over the next five years.

We hold leading positions in each of our markets[1]

Advanced Wound Care[2]

Market size
$5.3bn

Market growth
4–5%

Key competitors
Acelity
Mölnlycke
Smith & Nephew
Others

2017 revenue
$577.8m

Market position/ market share

Global advanced wound dressing
#2/17%

Global silver dressings
#1/32%

Global hydrocolloid dressings
#1/45%

Global alginate and gelling fibre dressings
#1/44%

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Ostomy Care[3]

Market size
$2.6bn

Market growth
4–5%

Key competitors
Coloplast
Hollister/Dansac
Others

2017 revenue
$528.9m

Market position/ market share

Global ostomy
#3/20%

US
#2

UK and France
#3

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Continence and Critical Care[4]

Market size
$1.9bn

Market growth
3–5%

Key competitors
Coloplast
Bard
Wellspect

2017 revenue
$382.9m

Market position/ market share

Retailer in intermittent catheters in the US
#1/31%

US fecal management systems
#1/67%

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Infusion Devices[5]

Market size
$0.5bn

Market growth
5–6%

Key competitors
Smiths
Ypsomed

2017 revenue
$275.0m

Market position/ market share

Global disposable infusion sets for insulin pumps
#1/85%

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1. Information is based on publicly available sources and internal analysis.
2. The AWC market includes advanced dressings (global alginate and gelling fibre dressing sectors (combined), contact layers, hydrogels, hydrocolloids and super absorbents (other advanced dressings); silver/antimicrobials; and foam), biologics and negative pressure wound therapy. Expected CAGR is for the period from 2017 to 2022. Source: BioMedGPS.
3. The Ostomy Care market includes pouching systems and ostomy care accessories (including deodorants, skin barriers and clothing) but excludes irrigation products. Expected CAGR is for the period from 2016 to 2021. Source: GIA.
4. The CCC market comprises the US and Europe intermittent catheter and fecal management market. Expected CAGR is for the period from 2015 to 2022 in the United States and 2015 to 2019 in Europe. Source: iData Research and GHX.
5. The Infusion Devices market size refers to disposables for insulin infusion pumps. Source: Daedal Research. Expected CAGR is for the period from 2016 to 2020 and refers to the insulin pump market. Source: Daedal Research.

Our markets are affected by a number of evolving dynamics.

Market dynamics

Innovation with proven outcomes
The increasing prevalence of chronic conditions is driving demand for products which better enhance quality of life and reduce the risk of more serious health problems. Because of this, both treatment protocols and markets are moving from traditional products to more advanced offerings, which provide the optimal outcome for the customer. These offerings combine best clinical performance and ease of use, and often include advice and support services.

Pressure on healthcare costs
Our customers include hospitals and long-term care facilities and individuals who have acute and chronic conditions. Funding of our products varies by country but generally includes government sponsored healthcare and private medical insurance. Due to the increasing demand for care and treatment, combined with worldwide government austerity programmes, healthcare systems around the world are accelerating efforts to reduce overall spending. In particular, many healthcare systems are moving beyond simply imposing pricing pressure on suppliers to reduce costs. Increasingly they are now putting more emphasis on value-based healthcare initiatives which focus on solutions that deliver better patient outcomes at lower costs across the entire care continuum for each patient.

Greater access to healthcare
A large proportion of the growing middle class in emerging markets are gaining access to private medical insurance and the use of healthcare products and services is increasing.

Consumer influence
Consumers are becoming more engaged in their healthcare and are actively seeking out products and technologies that not only address their needs, but do so in a convenient way that fits with their lifestyle.

Increasing regulation and compliance
Our industry is subject to rigorous and diverse regulation by governmental authorities such as the Food and Drug Administration ("FDA") in the US, notified bodies in the European Union and other national and local governmental authorities in the countries where we manufacture and sell our products. These regulations, which are subject to change, cover all aspects of our business, including the safety, clinical efficacy and effectiveness of our products, their packaging and our sales and marketing activities. Generally the regulatory obligations we must comply with are becoming more onerous and across our industry, enforcement is increasing. We must also comply with a wide range of anti-competition, anti-fraud and anti-bribery laws, such as the Foreign Corrupt Practices Act in the US, the UK Bribery Act and similar laws in other countries that relate to anti-corruption compliance.

How we are responding to the trends and dynamics in our markets

We are well positioned to respond to the dynamics that shape our markets.

Our world-leading Research & Development ("R&D") team is dedicated to delivering the most effective products and solutions for our customers and is continually focused on improving clinical outcomes and advancing clinical practice. Further information about our R&D capabilities is set out on page 19.

We engage with people who use our products and the healthcare professionals who treat chronic conditions. We listen to their feedback and use it to inform our R&D process to ensure that we deliver innovative products, technologies and solutions that address their needs.

On the next page are some examples of how we are responding to the trends and dynamics in our markets.

Delivering innovative products and technologies with proven outcomes

Our AQUACEL® Ag Surgical dressings deliver both clinical and economic benefits. They are used across a range of surgical indications to provide an optimal wound healing environment and reduce the risk of infection.

Surgical site infections ("SSIs"), such as post-operative joint infections, can be devastating for patients' health and costly for health care providers, especially if patients need to be readmitted for surgery. Published in 2017, an independent study undertaken by researchers at The New York Presbyterian Hospital/ Columbia Medical Centre found a four-fold decrease in the incidence of post-operative joint infections with the use of AQUACEL® Ag Surgical dressings, compared with a standard gauze dressing. Also published in 2017, a clinical study undertaken in Taiwan, reported that AQUACEL® Ag Surgical dressing was an "ideal dressing" that was cost effective and reduced SSIs.

"A substantial proportion of post-operative complications leading to readmission are associated with surgical site infection ("SSI"). Interventions that can control the infection rate will lead to cost savings in the short term, while also achieving long-term savings in routine dressing costs and nursing time."
Bidhan Das, MD, Colon & Rectal Clinic of Houston, The Methodist Hospital, Texas

Addressing customers' needs and helping them live the way they want

Following its launch in 2016, the Esteem™+ Flex Convex system has continued to strengthen its market position as demand for all-in-one systems continues to grow, driven in part by ageing populations.

Developed to address growing consumer needs, particularly from older people with uneven peristomal skin, the Esteem™+ Flex Convex system, which combines baseplate and pouch in a single unit, is ergonomically designed to provide a simple and secure solution which is gentle on the skin. The system is designed to fit contours of the body, moving with the wearer and help give people with a stoma the confidence to live life the way they want.

Easy to position on the body and comfortable to wear, the Esteem™+ Flex Convex system has been launched in over 20 markets and has been very well received. For example, the product has significantly increased our new customer capture in the Japanese market and helped secure new hospital contracts.

Commenting on his life after surgery one of our Japanese customers, Ken, said: "After surgery I lost weight, so much so there was a lot of slack on the abdomen. A leak occurred easily when I was lying down and I couldn't turn over in my sleep. However, when I used Esteem™ + Flex Convex the leaks stopped. I could sleep well. I feel like I can enjoy whatever I want."

ConvaTec Complete™

Providing value-based healthcare solutions

Wound care management is a high-cost area for healthcare providers. In response in our UK market, we have developed ConvaTec Complete™ which supports all aspects of wound care provision and helps deliver better outcomes at a lower cost by driving efficiencies and cost savings across the entire wound care supply channel.

ConvaTec Complete™ offers healthcare providers a range of services which they can customise to their specific needs. The full range of services available via ConvaTec Complete™ include:

Supply
Using our online toolkit, healthcare providers are able to order dressings for individual patients exactly when they need them. Supplied from our dedicated wound care supply and service hub Amcare, which is based in the UK in Sunderland, products are delivered within 24 hours across the country. This effective supply chain ensures that the right treatment is available at the right time and avoids delays in patients' treatment. As supplies can be topped up daily, it also avoids the need for healthcare facilities to carry large amounts of stock and significantly reduces dressing wastage.

Insight
As our ordering system is fully integrated within our online toolkit, wound care spend can be easily monitored and costs effectively managed and reported. In addition, the toolkit enables healthcare providers to ensure that they are only prescribing the specific products that are approved to be prescribed in their clinic.

Audit
We make available a full range of audit services which provide real world insight into clinical governance and patient care protocols ensuring best practice use of wound care products.

Education
To promote best practice and the efficient use of wound care products we offer a wide range of non-promotional medical education and support which we tailor to each customer's specific needs.

Formulary management
We help healthcare professionals deal with the day-to-day challenge of formulary management by providing a range of services including clinical support, product training and formulary communications.

ConvaTec Complete™ is helping us develop strong partnerships and collaborative working relationships with our customers, delivering effective clinical and commercial solutions and positive patient experiences.

"ConvaTec Complete™ provides an opportunity to tear up established pathways and redesign systems that are more effective for patients and more efficient for staff, ultimately providing better patient care in a more timely fashion."
Stuart Lakin, Medicines Management, Rotherham CCG

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Our business model
Creating sustainable value

We are a global medical products and technologies group. At the heart of our business model is our Purpose – to improve the lives of the people we touch. To fulfil our Purpose we must run our business in a responsible way and deliver sustainable value for all our stakeholders.

Overall approach to corporate responsibility

Our overall approach to corporate responsibility is aimed at supporting delivery of our Purpose. It can be summarised as:

- Identifying our key stakeholders (the people we touch), how they interact with our products, operations, activities and value chain, and the issues that are relevant to them.
- Adopting a logical process for prioritising those issues, to identify the most material matters.
- Responding to the priorities by developing appropriate strategies, policies, programmes and performance indicators, and reporting regularly and transparently on our progress.

Our 2017 Corporate Responsibility Report ("CR Report"), which is available on our website, www.convatecgroup.com/corporate-responsibility, sets out our approach to our most important CR-related issues under six headings, which are identified in the adjacent business model graphic. These issues create both risks and opportunities, and have been identified through a robust materiality assessment which is described in our CR Report.

Resources and relationships we need to create value

People and culture

Our people are key to our success. Their skill and dedication enable us to fulfil our Purpose. We aim to create a safe, fair and high-quality working environment. We invest in the development of our employees and encourage the sharing of feedback and ideas. We actively promote our values-based culture which focuses on earning the trust of all our stakeholders.

Research and development

We have world-leading innovation capabilities that develop safe and reliable products and technologies which meet customer needs throughout their care journey. Feedback from the people who use and prescribe our products forms a key part of our development process.

Manufacturing processes

We have an international manufacturing footprint which includes our own manufacturing facilities and third-party contract manufacturing capabilities. Embedded across all our operations are extensive quality, regulatory and environmental management processes which aim to ensure that our products are safe, meet regulatory requirements and minimise environmental impacts such as greenhouse gas emissions (see the GHG emissions table on page 20).

Marketing/engagement

To better understand our customers' needs and to gather feedback on our products and services we engage regularly with our customers and the healthcare community through several channels including our dedicated sales teams and our direct-to-customer platforms. We also provide educational information and support.

Sales and distribution

We sell our products in over 110 countries in a variety of ways. Our Infusion Devices franchise has a concentrated business-to-business customer base and our other franchises sell directly to customers and via an extensive network of distributors and wholesalers, who take our products to market.

Partners

We rely on partners, including healthcare professionals who provide us with feedback on our products and third-party manufacturers, suppliers and distributors who support the sale of our product portfolio. Within the relevant ethical and regulatory frameworks, we aim to build long-term collaborative relationships based on trust.

Financial resources

We have an attractive financial profile and generate significant free cash flow. As a public listed company we have access to capital through our shareholder base. We also have access to sources of third-party capital through our relationships with banks and other financial institutions.

Our resources and relationships
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How we create and capture value

We add value by

- Engaging with our customers and healthcare professionals to better understand their needs.
- Building customer insights into our development process to enhance our product portfolio.
- Developing and successfully commercialising our innovative product pipeline to create a portfolio of differentiated products and strong brands.
- Creating products with proven clinical performance capabilities that address customers' needs.
- Embedding responsible business practices across all our operations.

Benefits our business model creates

Customers
Our products and services give people living with chronic conditions greater confidence, mobility and freedom. They also help healthcare providers deliver better outcomes in a cost effective way.

R&D investment: $41.2m

Our people
We reward our employees and provide them with benefits including training and development programmes in a positive work environment which encourages full engagement and offers opportunities for all.

Salaries and benefits paid: $471.9m

Shareholders
We generate returns for shareholders.

Dividends and scrip dividend paid and proposed in respect of the year ended 31 December 2017: $111.5m

Healthcare providers
In addition to supplying our products and services, we provide healthcare providers with support, advice and value-based healthcare solutions.

People living with chronic conditions, and the medical profession
Through our engagement programmes we increase awareness and understanding of certain chronic conditions and our market-leading R&D capabilities advance clinical practices.

Wider stakeholders
We create socio-economic benefits for a range of stakeholders including generating income for governments through the payment of tax and providing employment in the communities we operate in and across our supply chain.

Tax paid: $46.9m

Principal risks and uncertainties
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Our resources and relationships

Our ability to deliver sustainable value for all our stakeholders is dependent on a number of key relationships and resources.

To ensure our long-term success we consider the interests of our people, how we engage effectively with our customers and build long-term relationships with our suppliers and partners. We also focus on how we run our business and aim to ensure that at all times we operate in a responsible way upholding the highest standards of business conduct and minimising our impact on the environment.

Our people

The people we employ around the world are key to our success. Every day their skill and dedication enables us to fulfil our Purpose and execute our strategy in a responsible way. At 31 December 2017, we employed 9,541[1] people across our global operations. Further information about our employee profile, including employee turnover and the agency staff and independent contractors we retain, is included in our Corporate Responsibility Report, which is available on our website, www.convatecgroup.com/corporate-responsibility.

Our ambition is to be the preferred employer for those who want to build a career in our sector. All our employees are important to our business and we are committed to creating a positive working environment where everyone can fully contribute in different but meaningful ways.

Development and training

To help our employees progress their careers and also ensure that we have the right experience and skills across the Group and a pipeline of talent for the future, we invest in a full range of training and development opportunities which are underpinned by policies, systems and technologies which we embed across the Group. Details of some of the key developments in these areas during the year are set out to the right.

Providing development and training opportunities to enhance skills and capabilities

During the year we made good progress in establishing a strong and effective training and development platform across the Group.

We continued to make available our monthly "Development Matters" webinars. Accessible via our Group intranet, these webinars are delivered by our own internal experts and cover a range of personal and professional development topics as well as enhancing product knowledge. During 2017 we delivered over 30 webinars which were attended by over 1,600 employees across all levels of the business.

We also trained 50 internal peer coaches to support leadership development and 360-degree feedback.

During 2018 we will launch a number of key development programmes. The"ConvaTec Management Experience" programme, for our 200 new and early career managers and the"ConvaTec Leadership Experience" programme, for our top 100 leaders globally. We will also launch the "Career Matters" programme which will be accessible via our Group intranet. It will focus initially on career development across sales and marketing, and will include self-assessment against a suite of relevant functional competencies and development discussions with managers to plan longer-term development needs and activities.

Creating career development opportunities across ConvaTec

To stimulate internal mobility across our business and to provide career progression opportunities, during 2017 we began the roll-out of our internal career portal which provides employees with full visibility of internal job opportunities across the business. Launched using Workday, our global HR system, the portal is now live across our UK and US operations, and in 2018 will be rolled-out across our Infusion Devices franchise and throughout the EMEA and APAC regions.

1. Excludes our eight Non-Executive Directors.

Succession planning
We continue to focus on our critical leadership roles and succession planning. To support this activity, during 2017 we completed a Group-wide in-depth talent review to assess leadership potential. Working closely with the Board, we have used this review to identify our key leadership priority areas and develop detailed succession and talent action plans.

Engagement
To motivate our people and help them understand the value of their contribution, we engage with them on a regular basis using several channels, and encourage the sharing of feedback and ideas throughout our organisation. Further details about how we ensure effective engagement with our employees is provided below in "Our culture".

In June 2017 we launched our first all-employee ShareSave scheme, one of the few global schemes of its kind. The scheme offers all employees an opportunity to invest in our shares, at a discounted price, regardless of location. As at 31 December 2017, 22% of our total workforce had joined the scheme, a take-up rate that compares favourably with other save-as-you-earn plans which generally have a take-up rate in the first year of between 6%–10% of the total workforce. In December 2017, the scheme won two ProShare Awards: "Best New Share Plan" and a joint winners award for "Most Effective Communication of an Employee Share Plan" (in the 5,000 to 50,000 employees category).

Health and Safety
The health and safety ("H&S") of our employees and others who visit our sites is a priority. We run regular H&S training courses and, through our global H&S programme, 22 core H&S standards are embedded throughout our operations. During 2017 there were no fatalities, however the lost time injury rate did increase to 0.6[2] (2016: 0.3). This increase, in part, reflects an improvement in the consistency, completeness and accuracy of incident reporting.

Our culture

Our values-based culture helps drive our success. Caring for our customers and developing innovative products and technologies that anticipate and respond to their needs are essential ways of working if we are to deliver value for all our stakeholders. In our business, we must also earn trust which means at all times we must act with integrity, behave responsibly and do what we say we will do.

Our Values
Caring for people
We are passionate about improving people's lives and we put people at the centre of everything we do.

Driving innovation and excellence
We are dedicated to finding innovative solutions that anticipate and address our customers' needs and to delivering best-in-class execution.

Earning trust
We earn trust by delivering quality products and services that our customers can rely on. Our personal actions underpin this trust.

We promote our values and culture by helping our employees fully understand our Purpose, vision and mission and how our values translate into desired behaviours. To embed our desired culture across our business we reward our people on both achievement of objectives (the what) and demonstration of our values in delivering (the how). We have actively engaged our employees to define our expectations and the criteria for our behaviours, which are assessed as part of our formal performance management process. Those employees identified with development needs in either achieving our goals or in the demonstration of behaviours are supported through a 90-day performance feedback, coaching and improvement planning process.

To help us understand and further reinforce our culture we have established the Culture Transformation Forum (the "Forum") which is made up of representatives from all parts of the business across the Group. The Forum's role is to gather information, take a pulse check on our culture, act as a sounding board for our leaders and employees and help to implement important changes where needed. Feedback is regularly provided to our Chief Executive Officer, Chief Financial Officer and Executive Vice President Human Resources who regularly attend the Forum's meetings. As a result of feedback gathered by the Forum we have introduced a leader-led cascade to ensure that everyone across the business is updated on key business developments and goals. During the year we also developed and piloted a ConvaTec culture survey to gather detailed feedback about how employees experience our culture locally and help local leaders take appropriate actions to ensure effective engagement with our employees.

We also implement a number of policies and procedures to reinforce our values and culture including our Code of Ethics and Business Conduct (our "Code") which covers business conduct and compliance issues including bribery and corruption. Across the Group we provide ethics training, which is mandatory, and also make available an independent whistleblower hotline which can be used by employees and third parties to report suspected breaches of our Code. We also deploy policies and procedures that are consistent with our Code which cover the third parties we rely upon to achieve our Purpose. Further details about these policies and procedures are set out on page 21.

Promoting a positive working environment
We are committed to creating a working environment where everyone is treated fairly with respect, dignity and consideration and there are opportunities for all. Our Human Rights and Labour Standards Policy, which incorporates the principles and guidelines set out in the United Nations Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights, addresses a range of issues including equal opportunities, anti-harassment and dignity at work and we undertake regular training in this area. A copy of our Human Rights and Labour Standards Policy is available on our website (www.convatecgroup.com/media/human-rights).

Further information about our working environment and our values-based culture is included in our Corporate Responsibility Report, which is available on our website, www.convatecgroup.com/corporate-responsibility.

2. The lost time injury rate is calculated on the basis of 200,000 hours worked, and relates to our manufacturing facilities, R&D centres and our Amcare business in the UK.

Diversity, including gender, age, ethnicity, nationality and experience, enhances our ability to achieve our Purpose. As outlined in the Chairman's letter on page 4, in line with the commitments we made last year to diversify its composition, the Board's membership now reflects the requirements for gender diversity. However, we recognise that gender diversity in other parts of the Group needs improvement. To achieve this we have implemented a number of changes. In particular we have:

- developed a gender diversity strategy and are establishing a Diversity and Inclusion Steering Committee to oversee its implementation;
- updated our Board Diversity Policy to provide for 30% female Board representation;
- set an objective to have 30% of senior management roles held by female executives by 2020 – a challenging but realistic target given our current position; and
- introduced metrics which promote the engagement of other under-represented groups within the business.

The Board will review relevant metrics quarterly to ensure that we continue to build a sustainable diverse and inclusive organisation at senior leadership levels and throughout the Group.

Our diversity and inclusion strategy

Our diversity and inclusion strategy focuses on three key areas to encompass all forms of diversity and inclusion:

- Leading and educating the organisation on diversity and inclusion goals.
- Developing and promoting diverse talents and creating an inclusive culture.
- Actively sourcing diverse talent.

As at 31 December 2017 our gender diversity statistics were as follows:

		Male		Female	
	Total	Number	%	Number	%
Board[a]	10	7	70	3	30
Executive Committee[b]	11	10	91	1	9
Senior management	74	57	77	17	23
Other employees	9,454	3,424	36	6,030	64
Total	9,549	3,498	37	6,051	63

a. Includes eight Non-Executive Directors.
b. For the purposes of this table the Chief Executive Officer and the Chief Financial Officer are included as members of the Board. As explained on page 8, membership of the Executive Committee has changed since 31 December 2017. Membership, as at 1 January 2018, is shown on page 6.

Gender pay

Following the introduction of new UK legislation all employers with 250 or more UK employees are required to disclose information about their gender pay gap on an annual basis from April 2017. We have analysed our pay data in detail and the adjacent tables summarise the key information, which has been reviewed and confirmed accurate by Ernst & Young.

As highlighted on page 17 we are committed to creating a positive and diverse working environment where everyone is treated fairly. Specifically in relation to pay and our recruitment, performance review and reward processes, we strive to ensure that regardless of gender employees are paid the same or similar for the same or similar positions.

Further information about our pay data is included on our website at www.convatecgroup.com/investors/corporate-governance.

Definition and calculation of a gender pay gap

The 'gender pay gap' is the difference in the average hourly rate of pay between all relevant fully paid men and women in a company. It is different to 'equal pay' which is the difference in pay between a man and a woman who carry out the same, similar or work of equal value in a company.

Our gender pay and bonus gap

The table below shows our overall mean and median gender pay gap based on hourly rates of pay as at the "snapshot date"[3], 5 April 2017. It also captures the mean and median difference between bonuses paid to our male and female employees in the year up to the snapshot date, i.e. for the performance year 2016 which included our successful IPO in October 2016. The data provided only relates to our UK employees.

	Percentage difference mean	Percentage difference median
Hourly rate of pay	13.0%	12.4%
Bonus excluding IPO awards	15.5%	11.3%
Bonus including IPO awards	52.6%	12.1%

In the table above, we have set out bonus payments showing the inclusion and exclusion of IPO awards. The IPO awards were one-off conversions of historic incentives, triggered upon successful completion of the IPO. These awards were made in the eight-year period prior to the IPO to a number of senior executives. Employees in these senior roles were predominantly male. The table shows that the bonus payments including the IPO awards for all female employees, was significantly less than the same payment for male employees. The bonus payments excluding IPO awards provide a more relevant baseline for future reporting.

The median hourly pay difference between our male and female employees is 12.4%, which compares favourably with the UK median pay gap of 18.1% across all sectors in April 2016 (source: Office for National Statistics). We have conducted an analysis and believe that the gap is largely a function of experience and contribution. However, 73% of our employee population have a gender pay variance of less than 5%. Furthermore, our female employees in senior roles (which we define as Associate Director, Director and Vice President) are paid higher than their male counterparts.

A detailed breakdown of pay by gender and by pay quartile is shown in the table below. In the lower quartile, we have an even split of males and females and in the lower middle quartile, we have more females (59%) than males (41%). Between the upper middle to the upper quartile we have 54%–56% males compared to 46%–44% females.

	Proportion of females and males in each quartile band			
	£7.63 ≤ £12.44	£12.44 < £16.13	£16.13 < £24.10	£24.19 < £156.58
Total in band	194	193	193	193
Male total: 390	97	79	105	109
Female total: 383	97	114	88	84
% male	50%	41%	54%	56%
% female	50%	59%	46%	44%
% difference mean	0.4%	(0.6)%	(1.4)%	12.1%
% difference median	0.0%	(1.0)%	(4.1)%	3.2%

3. Snapshot date: Specific reference date in which the Gender Pay Gap needs to be calculated as Government requirement from the Advisory, Conciliation and Arbitration Service and Government Equalities Office. For businesses and charities this date is 5 April.

As detailed in the table below, 89.5% of our female employees and 83.3% of our male employees received a bonus payment. Both figures are above the UK reported average.

	Females	Males
Proportion of females and males receiving a bonus payment	89.5%	83.3%
Eligible population for a bonus during the relevant bonus pay period	401	400

Ensuring gender pay equality and fairness forms part of our sustainable development goals. In 2018 we will continue to monitor and analyse our pay data across our main geographies worldwide and develop appropriate measures in order to ensure gender pay equality. Furthermore, as highlighted on the previous page we are committed to improving diversity across the Group, including at senior management level, and we have set an objective to have 30% of senior management roles held by female executives by 2020.

Our world-leading R&D capabilities and extensive IP portfolio

We have a long and successful track record of developing and commercialising innovative products and technologies that improve people's lives and advance clinical outcomes and practices. Our world-leading R&D team has enabled us to establish these industry-leading credentials. We are dedicated to developing safe and reliable products and technologies that meet customers' needs. We continuously gather feedback from customers and healthcare professionals, including through focus groups and surveys, which helps to inform all stages of the R&D process.

Our R&D team, which includes over 300 people, is located across two Centres of Excellence. Our Centre of Excellence at Deeside in Wales focuses on our AWC, Ostomy Care and CCC franchises, and the other, which is the centre for our Infusion Devices' R&D activities is in Osted in Denmark. We also have process development and life cycle management teams based at our manufacturing facilities in Slovakia and Belarus.

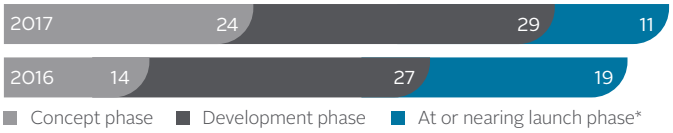
Regardless of location, our R&D team work in a collaborative way sharing best practice to drive innovation and maximise synergies. Our activities primarily focus on four core competencies:
- Skin and tissue healing and protection
- Infection detection and prevention
- Adhesives
- Advanced mechanical designs.

During 2017 R&D spend totalled $41.2m (2016:$38.1m).

Our strong innovative new product development pipeline

As explained on page 25, innovation is one of our key strategic drivers. We relentlessly focus on R&D and have a strong development pipeline of proprietary technologies and products that spans our four franchises. Our new product development pipeline includes 24 programmes at the concept phase, 29 programmes at the development phase and 11 programmes at or nearing the launch phase.

Our new product development pipeline



* Including products commercialised for roll-out in new markets and/or for new indications

During the year we enhanced our product launch capabilities by embedding our Gateway Programme, a consistent and rigorous framework, in our new product development process. Gateway balances our market leading R&D capabilities with strategic planning, effective governance and commercial execution.

During 2017 we successfully launched 16 new products and line extensions (2016: 13) and our strong development pipeline will support this momentum in future years.

Continuing to innovate to address customer and patient needs
Flexi-Seal™ PROTECT FMS is a temporary containment device designed to provide protection for both patients and clinicians in a number of ways. including by helping to reduce risks of skin breakdown and the spread of acute fecal incontinence associated *C. difficile* infection.

We own an extensive intellectual property portfolio which we actively protect and defend. Currently it includes over 240 active patent families and more than 2,100 patents and patent applications globally. The majority of our portfolio relates to our key technologies, such as our core Hydrofiber® Technology, our infusion device technologies, our AWC negative pressure wound therapy ("NPWT") technologies and our ConvaTec Moldable Technology™ used in our ostomy products,as well as compositions, processes or product features.

When patents expire, historically we have been successful in bringing new commercially viable patentable features to market, effectively upgrading our older product offerings.

In addition to patent protection, we rely on trade secrets and manufacturing know-how (in particular with respect to our products that incorporate our Hydrofiber® Technology, which is produced using complex manufacturing and chemical processes) to protect the competitive position of our products.

Manufacturing processes and how we manage our environmental impact

We own and operate nine manufacturing sites in the UK, Denmark, the Dominican Republic, Slovakia, Mexico, Belarus and the Netherlands. This global network provides significant operational flexibility and the potential to drive continuous improvements in productivity and overall profitability. We also work with third-party contract manufacturers to support our own manufacturing capability.

The safety and reliability of our products is critical. We operate extensive quality management programmes focused on the efficacy of the products we supply, their constituent materials, the manufacturing environment and the supply chain that supports this.

We also implement rigorous regulatory compliance procedures which aim to ensure products meet regulatory requirements. Our third-party manufacturing partners must have relevant regulatory qualifications and, prior to their appointment and on a regular ongoing basis, we inspect and audit their operations.

Aligned to our Global Training Standard Operating Procedure which was launched in December 2017, we have established a global project team which is focused on consolidating best practice in employee technical training and assessment of competence. During 2018 this team will further enhance the process and tools for the formal accreditation of our trainers, assessors and our employees who manufacture our products.

To support our drive for continuous improvement and operational efficiency, we are embedding LEAN manufacturing processes across all our operations. During 2017 we continued to provide extensive LEAN training. As at year end 2017, over 90% of our manufacturing shop floor employees had participated in LEAN "Six Sigma Yellow Belt" training which covers the basic LEAN methods and enables our employees to identify areas within their workplace which could be made more efficient and effective. In addition, "Six Sigma Green Belt" training was launched across three manufacturing sites and two offices and is expected to deliver over 50 improvement projects.

We recognise that we must minimise the negative impact of our operations (including greenhouse gas ("GHG") emissions) on the environment. Our environmental policy statement which is set out on our website (www.convatecgroup.com/corporate-responsibility/conserving-our-planet), explains our approach, and reflects a more detailed internal environmental policy document which provides direction to our major facilities on how to structure their environmental management programmes. These programmes focus on:

- Minimising the environmental impacts of our own and our partners' operations.
- Minimising the environmental impacts of our products and services across their whole life cycle.
- Setting objectives to improve our performance and the development of more environment-friendly products.
- Implementing management systems to support achievement of our objectives.

Our larger manufacturing facilities have a dedicated Environment, Health and Safety Manager, and are developing environmental management systems in line with corporate requirement and referencing ISO 14001.

Our GHG emissions

Our GHG emissions relate mainly to the consumption of diesel, natural gas and electricity to power, heat and cool our facilities. At this stage we are not generating any renewable energy. In 2016, we reported on the energy consumed in our manufacturing facilities only. This year we have extended the scope to include our R&D centres, major offices[4] and distribution centres. The table below shows the like-for-like comparison with 2016, as well as the increased scope of GHG emissions for 2017. Our 2017 emissions represent our GHG baseline for future comparisons.

	2017		2016 (restated)*
Greenhouse gas emissions	**Tonnes CO_2e**	**% change**	Tonnes CO_2e
Comparative scope			
Scope 1 – Greenhouse gas emissions	**4,908**	**23%**	4,001
Scope 2 – Greenhouse gas emissions	**28,015**	**6%**	26,422
Total GHG emissions (comparative scope)	**32,923**	**8%**	30,423
Additional scope in 2017			
Scope 1 – Greenhouse gas emissions	**565**		
Scope 2 – Greenhouse gas emissions	**1,040**		
Total GHG emissions (additional scope)	**1,605**		
Total GHG emissions (Scope 1)	**5,474**		
Total GHG emissions (Scope 2)	**29,054**		
Total GHG emissions (full scope – baseline)	**34,528**		
GHG emission intensity (tonnes/$m revenue)	**19.6**		

* Greenhouse gas emissions for 2016 have been restated due to (i) changes in policy regarding fuel and electricity conversion factors and (ii) an error in reporting electricity consumption at a manufacturing site. The net impact of the restatement is an increase in GHG emissions of 3%.

Further information about our manufacturing processes, our GHG emissions, limited reporting on certain Scope 3 emissions and what we do to conserve the planet is provided in our Corporate Responsibility Report, which is available on our website, www.convatecgroup.com/corporate-responsibility.

4. Offices serving as a regional or global headquarters, or with more than 50 full-time employees.

We have seen a like-for-like increase in GHG emissions of 8% and this has been driven largely by increases in production-related activities in certain manufacturing locations. In 2018 we will be developing a climate change strategy and target for the Group.

Our GHG emissions have been calculated in-line with the GHG Protocol and using conversion factors published by the International Energy Agency and the UK Government.

Marketing and engagement

Building direct and deeper engagement with customers is one of our strategic priorities. Feedback we receive from customers enables us to enhance our product offering and better understand and meet their needs. This approach also differentiates our offering and enhances our ability to win new customers and retain them.

We engage directly with customers through a number of channels. Our me+™ consumer-focused programmes, operated by our Ostomy Care and CCC franchises, provide access to services and support and an inspirational diverse community network. We also operate home delivery companies, Home Distribution Group in the US, which includes 180 Medical, and Amcare in the UK, which distribute catheter and incontinence-related products directly to customers.

Building direct and deeper engagement with our customers
In February 2017, building on the success of our me+™ programme which provides support and services for people living with an ostomy, we launched the GentleCath™ me+™ programme for continence care to meet the needs of individual intermittent catheter users.

Created in collaboration with and for clinicians and intermittent catheter users, the GentleCath™ me+™ programme provides, via an innovative website (www.gentlecath.com), easily accessible information and guidance including videos containing hints and tips that catheter users can personalise to address their own needs, by simply answering a few questions. The programme also offers professional advice and support from dedicated continence nurses that is unique to our me+™ approach.

Our dedicated sales teams engage regularly with our customers and the healthcare professionals who prescribe our products. To support them we publish educational materials, run specialist training programmes and operate a number of call centres. Specifically in relation to specialist training, our Deeside-based R&D team regularly host training sessions for clinicians which focus on advanced dressing technologies, negative wound pressure therapy, ostomy care and continence care products and infection prevention technologies. In 2017 over 160 clinicians participated in these events and provided valuable feedback to our innovation and marketing teams. In addition, our Ostomy Care franchise hosts Nurse Advisory Boards on a bi-annual basis in its key markets during which latest developments and practices are shared and specialist stoma nurses provide insight and feedback about our products.

Sales and distribution

We market and sell our products in over 110 countries through our four franchises which are organised on a regional basis across the Americas, EMEA and APAC.

Our Infusion Devices franchise has a concentrated business-to-business customer base consisting primarily of the leading insulin pump manufacturers. Our other franchises sell their products directly to customers through a number of channels.

Our sales team operates globally. They participate in regular training sessions throughout the year and attend national sales meetings to gain information about our strategic direction and business priorities. To coincide with new product launches, sales teams are gathered for formal instructional training sessions which cover product design features, instructions for use and clinical value.

Our home delivery companies also sell directly to customers and we operate online sales platforms and, in certain markets including Latin America and parts of Asia, shops and clinics that provide our products directly to consumers.

We also rely on a network of distributors and wholesalers who sell our products and manage the entire distribution process on our behalf.

Partners

To achieve our Purpose we rely on a number of third parties, including healthcare professionals who provide valuable feedback about our products, our suppliers who provide materials and services, and distributors who sell our products on our behalf. Within the relevant ethical and regulatory frameworks, we aim to work with them collaboratively and build long-term relationships based on trust. To achieve this we deploy a number of policies and procedures including our Global Third Party Compliance Manual, which mitigates the risk of unethical behaviour when marketing our products and our Supplier Code of Conduct which is consistent with our own Code of Ethics and Business Conduct and our Human Rights and Labour Standards Policy. We mandate that our distributors and certain vendors undergo training on our policies and procedures and agree to permit us to audit their practices and compliance in accordance with our policies and procedures.

Further information about how we sell and distribute our products is included on page 38 and 39.

Further information about how we work responsibly with our partners is included in our Corporate Responsibility Report, which is available on our website, www.convatecgroup.com/corporate-responsibility.

Our strategy

Our strategy is designed to drive sales and earnings momentum by building on our strong portfolio of differentiated products with leading positions in large structurally growing markets. We look to excel across the following three strategic drivers: growth, innovation and efficiency.

Strategic driver 1
Growth

We aim to optimise revenue and adjusted EBITDA growth from our strong portfolio of differentiated products and focus on the following priorities:

Leveraging our existing capabilities, technologies and commercial platforms to enter new addressable market segments and geographic regions:

Developments during the year
- Continuing the global roll-out of our Avelle™ System which is now available in 20 markets around the world including the UK, Germany, France, Canada, Australia and South Africa. Over the medium term, this increasing global presence will help us to capture a larger share of the disposable segment within the total $1.5 billion NPWT sector.
- Continuing to advance our position in the global $1.3 billion foam market as demand for our FoamLite ConvaTec™ dressing continued to grow following the product's successful launch in September 2016.
- Launching our Esteem™+ Flex Convex one-piece System and enhancing a number of our other ostomy care products to drive growth and attract a new and younger customer base.
- Introducing our GentleCath™ Glide catheter as part of our phased entry into the European catheter market.
- Launching neria™ guard, our new infusion set.

Future priorities
- Continue to build momentum with our Avelle™ System and expand our market presence in new geographies.
- Continue our phased entry into the large European catheter market.
- Continue to build momentum in the turnaround of Ostomy Care through further enhancement of the franchise's offering.
- Continue exploring the use of infusion device products, particularly neria™ guard, for applications beyond insulin.

Building direct and deeper engagement with our customers through investing in direct-to-consumer platforms:

Developments during the year
- Completing the acquisition of Woodbury Holdings which expands the scale and scope of our US direct-to-consumer activities.
- Expanding our direct-to-consumer me+™ programme with the launch of me+™ recovery, details of which are included on page 42, and our me+™ continence care programme, details of which are included on page 21.
- Increasing our sales capability in key markets including China and the US.

Future priorities
- Continue to execute strategies that focus on broadening and deepening relationships with customers.

Key performance indicators (see page 28)
- Group revenue growth
- Adjusted EBITDA growth

Principal risks and uncertainties (see pages 30 to 36)
- Macroeconomic and Foreign Exchange
- Governmental Social Health Care Policy
- Intellectual Property and Product Innovation
- Regulatory
- Product Quality and Safety
- Ethics, Bribery and Corruption
- Data Loss/Mistreatment

Business insight
Our strategy is designed to capitalise on our fundamental strengths and the trends and dynamics in our market place. We measure execution of our strategy against our key performance indicators and manage the risks we face through our risk management process.

Our markets	Page 10
KPIs	Page 28
Principal risks and uncertainties	Page 30
Remuneration report	Page 78

Strategic developments during the year

Leveraging our market-leading technologies and capabilities to grow share in attractive end markets

We are continuing to advance our position in the global $1.3 billion foam market, one of the fastest growing segments of the advanced wound care dressing market.

We successfully launched our FoamLite ConvaTec™ dressing in September 2016 in France, the world's second biggest wound care market. During the year the product, which is manufactured at our Deeside plant, has been rolled out globally and is now available throughout Asia, Latin America, the US, Australia and Europe.

Designed to manage low to non-exuding chronic and acute wounds such as superficial wounds, including skin abrasions and tears which do not require the absorbency of regular foam dressings, FoamLite ConvaTec™ dressing protects fragile skin, defends it against infection and creates a moist wound-healing environment. The thin and flexible foam dressing, which conforms to the skin, is easy to apply, re-position and remove.

Through the addition of FoamLite ConvaTec™ dressing to our product portfolio, which includes AQUACEL® Foam dressing for moderate to highly exuding wounds and AQUACEL® Foam Pro dressing for protection, we can now offer customers a broad range of simple solutions to address a wide variety of needs and help them resume their daily lives.

"As a dermatology specialist, I perform small surgeries that need a light foam dressing to support superficial wound care. In my experience, FoamLite ConvaTec™ dressing is easy to apply, and patient tolerance when removing the dressing is good. For small surgical incisions, our outcomes have been remarkable."
Dr. Vincent Orlandini, Department of Dermatology, Bordeaux Hospital University Centre, Bordeaux, France

Strengthening direct engagement with our customers

Building on the success of our leading 180 Medical direct-to-home catheter business, in 2017 we acquired Woodbury Holdings ("Woodbury"), a national distributor of incontinence and urinary catheter products.

Woodbury expands both the scale and scope of our US direct-to-consumer activities and stimulated the creation of our Home Distribution Group ("HDG"). As US healthcare extends into the home environment, HDG serves as a forward extension of the clinician's office by providing essential medical products and facilitating flexible methods of payment. Our focus on, and responsiveness to, resolving the needs of each individual customer is key to the strength of our overall customer relationships and has helped us become the leading specialist retailer of intermittent catheters in the US.

Enhancing our market position in fast-growing geographies

Our Ostomy Care business in China delivered good growth and increased its market share from 3.9% to 5.6%. This strong performance was driven by a number of factors. In particular, we have increased our sales coverage across the Chinese market and strengthened our relationships with ostomy nurses to increase their familiarity with our products and provide them with support to make ostomy care simple and accessible.

"In the past year ConvaTec has revitalised its brand and business in China by working more closely with enterostomal therapists through training and education programmes and by supporting them in their daily work."
Ms. Wang Ling, president of China's Enterostomal Therapy Society.

Enhanced product portfolio driving growth

In September 2017 we commenced our advanced pouching system ("APS") programme which covers the upgrade of a number of our products.

Since the launch of our ostomy range in the 1970s, we have been renowned for the manufacture of best-in-class wafers – the part of the system that fits around the stoma and connects the pouch to the body. In particular, Durahesive® and Stomahesive®, our highly differentiated hydrocolloid skin barriers, are seen as gold standard. However, parts of our pouch range have aged and their manufacture is complex involving a large number of stock keeping units ("SKUs"). Through the APS programme we will upgrade our pouch portfolio to provide customers with greater comfort and a more modern look and feel while maintaining the quality of our proven skin barriers.

Our customers' comfort is our priority and the enhancements we are introducing address requests from both nurses and customers to improve the look and feel of some products. Furthermore, in line with our strategic priorities, our new and enhanced APS portfolio together with our planned additional product launches, will enable us to drive growth and attract a new and younger customer base. The enhancements will also reduce the number of SKUs significantly and make material sourcing and manufacture more efficient.

Our strategy continued
Strategic developments during the year

Developing innovative tailored solutions to meet patients' needs
As leaders in advanced wound care and, in line with our purpose to improve the lives of the people we touch, we set out to develop innovative Negative Pressure Wound Therapy ("NPWT") products, which work by creating a vacuum at the wound surface.

Our research indicated the suitability of our proprietary Hydrofiber® Technology within an NPWT system by providing an effective wound healing interface under negative pressure. These findings informed the development of our Avelle™ NPWT System, an innovative and unique disposable negative pressure device which can be used for up to 30 days. Our Hydrofiber® Technology, which gels upon contact with fluid, absorbs fluid and provides an optimal moist wound healing environment, whilst counteracting in-growth of tissue into the dressing to ease dressing changes.

The Avelle™ NPWT System is discreet and easy to use. It has visual rather than audible alarms to minimise disturbance to the user during therapy and also features a one-way valve, which allows the dressing to be easily disconnected from the pump so that NPWT can still be applied to the wound surface during showering.

The Avelle™ NPWT System, the first device to combine NPWT and Hydrofiber® Technology, is a significant development in advanced wound care.

Strategic driver 2
Innovation

We aim to continue our long and successful track record of developing and commercialising new innovative technologies. We will also evolve a range of value-based solutions to address customer needs. This strategy enhances our position in our existing markets and accelerates our access to new markets.

Developments during the year

- Launched 16 new products across our franchises. These new products are detailed in the adjacent table and include:
  - In AWC, we expanded our Avelle™ NPWT System with the launch of a pump carry bag and added new sizes to our FoamLite ConvaTec™ dressing range. We also expanded our skin care range with the launch of our Sensi-Care® Skin Protectant Incontinence Wipes, which are designed to clean, moisturise and protect skin in patients with incontinence associated dermatitis.
  - In Ostomy Care, we expanded our one-piece offering with the global launch of Esteem™+ Urostomy with Accuseal® tap and upgraded a number of products in our one-piece closed pouch range to our Advanced Pouch System format. We also launched our new Varimate™ strips and introduced our Esteem™+Flex Convex high output pouch to the Japanese market.
  - In CCC we launched our new Flexi-Seal® Protect Faecal Management System which is designed to manage faecal incontinence whilst providing the best patient skin and tissue protection. We also launched our GentleCath™ Glide intermittent catheter range into the EU and we upgraded several of our catheter and operation suction set product designs.
  - In Infusion Devices we launched our new neria™ guard system which is designed to provide rapid and pain-minimising cannula application via a retracting and contained needle within a precision-designed and integral device unit which reduces the risk of needle-stick injuries.

Future priorities

- Commercialise our significant development pipeline including 24 products at concept phase, 29 at development phase and 11 nearing launch. Further details about our development pipeline are included on page 19.

Number of new products launched

16

AWC
- FoamLite ConvaTec™ new Dressing sizes
- Avelle™ NPWT System Pump Carry Bag
- Sensi-Care® Skin Protectant Incontinence Wipes

Ostomy Care
- Esteem™ + Flex Convex (Japan)
- Accuseal® Convex CTF
- Esteem™+ Urostomy with Accuseal® tap
- APS one-piece closed
- EuroTec™ Varimate™ strips

CCC
- GentleCath™ Glide (CE/EU)
- Flexi-Seal® Protect FMS
- DEHP-free GentleCath™ catheter
- DEHP-free Op-suction sets
- Enfit feeding tubes

Infusion Devices
- neria™ guard by Unomedical
- MiniMed™ Mio™ Advance[1] by Medtronic Diabetes
- t:lock™ [2] by Tandem Diabetes

1. MiniMed™ Mio™ Advance – trademarks of Medtronic MiniMed, Inc.
2. t:lock™ – trademark of Tandem Diabetes, US.

Key performance indicators (see page 29)
- Number of products launched
- Number of new product development programmes

Principal risks and uncertainties (See page 30 to 36)
- Operational and Supply Chain
- Intellectual Property and Product Innovation
- Product Quality and Safety
- Regulatory

Our strategy continued
Strategic developments during the year

Evolving our Margin Improvement Programme
In the fourth quarter of 2015, we launched our MIP, to drive efficiencies in our manufacturing and distribution cost base. Originally our MIP was targeting a minimum net improvement to adjusted gross margins of 300 basis points ("bps") by 2020.

In 2016 we made good progress and delivered 130 bps of adjusted gross margin benefit of which approximately 90 points were driven by the MIP and the remainder by foreign exchange. However, in 2017 as detailed in the Chief Executive's review on page 6, we experienced supply constraints in both our AWC and Ostomy Care franchises and once safety stock had been depleted, a build-up of backorders and lost orders.

Whilst MIP delivered a cost out benefit to adjusted gross margin, this was more than offset by headwinds and cost increases described in the Chief Executive's review on page 6. Including pricing and product mix effects, overall there was a negative impact on adjusted gross margin of 70 basis points. With favourable foreign exchange impacts of 80 bps, adjusted gross margin increased 10 bps year on year to 61.0%.

We anticipate that we will see additional productivity benefits from the lower cost of labour in Haina, and our LEAN projects in 2018, although some of the headwinds will remain, such as depreciation and wage inflation, restricting adjusted gross margin growth in 2018. We will continue to drive existing initiatives and launch new projects in five areas where we see clear opportunities. These are outlined on the following page. We are already building detailed plans for new projects and validating the opportunities and, expect modest productivity gains in 2018 as the majority of these programmes will deliver in 2019 and beyond. We believe that the overall scale of the cost out opportunities, in dollar terms, is similar to our previous target over the medium to long term.

A number of actions are in progress following our experience in 2017 and these are also detailed on the following page. Leadership has also been strengthened. Our adjusted gross margin ambition remains, compared to best in class peers, and we continue to believe that material productivity gains are achievable over the medium to long term.

As detailed in the CFO's review on page 48, in the future, in line with most peers, we will provide guidance on adjusted EBIT margin instead of adjusted gross margin, whilst continuing to report on our progress in delivering productivity improvements.

Strategic driver 3
Efficiency

We strive to simplify the way we operate to reduce complexity, increase efficiency and free up resources to reinvest elsewhere in our business.

Developments during the year included
- Experiencing significant supply issues in AWC and Ostomy Care as a result of the events described in the Chief Executive's review on page 6 which led to a build-up of backorders and some loss of orders and impacted on our MIP.
- Progressing our manufacturing optimisation programme with the closure of our Greensboro plant in the US and the transfer of 20 Ostomy Care and ten AWC production lines to Haina in the Dominican Republic. We also completed our planned manufacturing plant reduction from 11 manufacturing plants to eight (nine including our EuroTec plant which was outside the scope of our MIP). As at 31 December 2017, approximately 84% of our manufacturing workforce is now in lower cost countries.
- Now trained c. 90% of our manufacturing workforce in LEAN manufacturing principles with the number of trained employees increasing by around 20% year on year.
- Further progress implementing our Ostomy Care Advanced Pouching System ("APS") lines in our plants in Haina and Slovakia.
- Leadership strengthened with the appointment of Donal Balfe as our new Executive Vice President Global Operations.

Future priorities
- Progressing a number of initiatives focused on improving project management, operating reviews and cross-functional collaboration.
- Sourcing excellence.
- Improved cost efficiency in supply chain and distribution.
- Driving our LEAN/productivity programmes.
- Continued footprint optimisation.
- Reducing complexity.

Key performance indicators (see page 29)
- Adjusted gross margin
- Adjusted EBIT margin

Principal risks and uncertainties (see page 32 and 36)
- Operational and Supply Chain
- Budget and Forecasting

Key performance indicators

We measure our performance against our strategic priorities through both financial and non-financial KPIs. We believe that these KPIs represent meaningful and relevant measures of our performance and are an important illustration of our ability to achieve our objectives under each of our strategic drivers.

Our strategic drivers

Growth
We aim to optimise revenue and adjusted EBITDA growth from our strong portfolio of differentiated products.

Innovation
We aim to continue our long and successful track record of developing and commercialising new innovative technologies for the benefit of customers and healthcare providers.

Efficiency
We strive to simplify the way we operate to reduce complexity, increase efficiency and free up resources to reinvest elsewhere in our business.

* Revenue and EBITDA growth at constant currency.
** Certain financial measures in this Annual Report, including adjusted results above, are not prepared in accordance with IFRS. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 54 to 57.

Business insight
In order to deliver our strategic goals, which our KPIs measure, we must manage the risks that could impact our business.

Our market environment	Page 10
Our strategy	Page 22
Principal risks and uncertainties	Page 30

Strategic driver
Growth

1 Group revenue and revenue growth* $m

Performance in 2017
At constant currency, revenue grew 4.1% to $1,765m. AWC revenues grew 2.6%, with foam, silver and surgical cover dressing continuing to drive growth offset by supply constraints and changes to French reimbursement rates. Ostomy Care grew 3.0%, with good momentum in the US, Latin America, China and Japan. However, this growth was offset by supply constraints which significantly impacted the second half. CCC revenues increased 7.0%, reflecting good growth in our GentleCath™ portfolio and HDG business, offset by planned MIP-related product rationalisation. Infusion Devices grew 5.2%, supported by our partners new product launches.

Risks
- Operational and Supply Chain
- Macroeconomic
- Governmental Social Health Care Policy
- Intellectual Property and Product Innovation
- Regulatory
- Product Quality and Safety
- Ethics, Bribery and Corruption

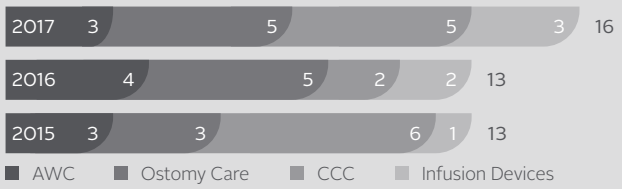
2 Adjusted earnings before interest, tax, depreciation and amortisation** ("EBITDA") growth* $m

Performance in 2017
At constant currency, adjusted EBITDA fell 4.4% to $505m, primarily driven by headwinds and other costs which offset the benefits of margin improvement initiatives. This, in addition to an increase in Operating Expenses, driven by a full year of public company-related costs, commercial investments and the inclusion of Woodbury and EuroTec, further diluted EBITDA.

Risks
- Operational and Supply Chain
- Macroeconomic and Foreign Exchange
- Governmental Social Health Care Policy
- Intellectual Property and Product Innovation
- Regulatory
- Product Quality and Safety
- Ethics, Bribery and Corruption
- Data Loss/Mistreatment

Strategic driver
Innovation

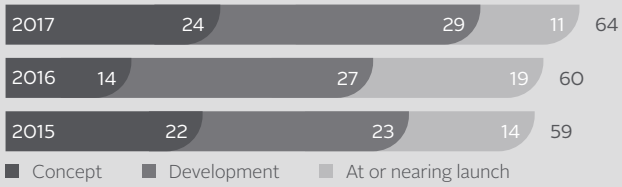
3 Number of products launched



Performance in 2017
In 2017 we continued to commercialise our development pipeline and launched 16 new products across our franchises – three new products in our AWC franchise, five new products in each of our Ostomy Care and CCC franchises and three new products in Infusion Devices. Details of these new products are set out on page 25.

Risks
- Operational and Supply Chain
- Governmental Social Health Care Policy
- Intellectual Property and Product Innovation
- Regulatory
- Product Quality and Safety

4 Number of new product development programmes



Performance in 2017
Building on our world-leading research and development capabilities, we will continue to drive innovation to develop technologies that anticipate and address the needs of people living with chronic conditions. We continue to maintain a strong and healthy pipeline of innovation and have 11 new product development programmes at or nearing the launch phase through broad-based innovation across all of our franchises. See our new product development pipeline on page 19.

Risks
- Operational and Supply Chain
- Intellectual Property and Product Innovation
- Regulatory
- Product Quality and Safety

Strategic driver
Efficiency

5 Adjusted gross margin** %

Performance in 2017
While our MIP, along with sourcing and supply chain initiatives, delivered a cost out benefit to adjusted gross margin, this was more than offset by headwinds and cost increases as detailed in the Chief Executive's review on page 6. Including pricing and product mix effects, overall there was a negative impact of 70bps. With favourable foreign exchange impacts of 80bps, adjusted gross margin increased 10 bps year on year.

Risks
- Operational and Supply Chain
- Macroeconomic and Foreign Exchange
- Product Quality and Safety

6 Adjusted EBIT margin** %

Performance in 2017
Adjusted EBIT margin fell 210 bps to 25.9% as a result of the gross margin performance described above and the increased Operating Expenses, which are detailed on the previous page in relation to EBITDA (KPI 2).

Risks
- Operational and Supply Chain
- Macroeconomic and Foreign Exchange
- Governmental Social Health Care Policy
- Intellectual Property and Product Innovation
- Regulatory
- Product Quality and Safety
- Ethics, Bribery and Corruption
- Data Loss/Mistreatment

** Certain financial measures in this Annual Report, including adjusted results above, are not prepared in accordance with IFRS. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 54 to 57.

Principal risks and uncertainties

Managing risks to protect value.

We have a clear plan to deliver value for all our stakeholders. To achieve our strategic goals and business objectives it is essential that we manage the risks that are inherent in our business and the markets where we operate.

Our risk appetite

Risk category	Risk parameters
Strategic Moderate to high	We have a moderate to high risk appetite with regard to product innovation and exploring and adopting commercial strategies that bring enhanced value to our customers and that contribute to the delivery of a higher quality of care to patients around the world.
Operational Low to moderate	We maintain a low to moderate risk tolerance when assessing our suppliers and managing our overall production costs. We strive to operate as efficiently as possible without compromising product quality or disturbing effective inventory management processes.
Financial Low	We have a low risk tolerance in respect of our financial processes. We maintain financial controls to help ensure that our financial processes are well designed, controlled and support accurate reporting to management, the Board and external stakeholders. We also have a low risk tolerance with respect to safeguarding our assets. Our Treasury policies explicitly focus on asset security as the principal concern in all Treasury transactions. We aim to ensure that our Treasury policies are always supportive of underlying business activities while being prohibitive of speculation via financial instruments.
Compliance and safety Extremely low	We have an extremely low risk tolerance with respect to any activities or conduct that are not compliant with all anti-corruption and anti-bribery laws. We promote the highest ethical standards and impose such standards on all employees, agents and contractors. Similarly, we have an extremely low risk tolerance with regard to conduct that may compromise product quality or patient and employee safety.

Risk management

The Board is ultimately responsible for determining our risk appetite and monitoring and reviewing the processes and internal controls we operate to manage and mitigate the risks that could threaten our performance and reputation. Further information about the role and responsibilities of the Board is set out on pages 64 to 69. The Audit and Risk Committee supports the Board in monitoring and reviewing the adequacy and effectiveness of our risk management framework, which is embedded in all our operations around the world.

The Board has undertaken a robust assessment of the principal risks facing the Company and a robust sensitivity analysis, as described in this section.

Risk appetite

The Board considers the level of risk that is appropriate for us to accept to achieve our strategic goals and business objectives on an ongoing basis.

Our risk appetite is summarised in the panel on the left.

ConvaTec – Risk management framework

The risk register, which is the basis for the list of principal risks and uncertainties, was developed using both a bottom up and top down assessment of business and strategic risks. This risk management process was implemented in conjunction with the Group's initial public offering in October 2016. In the period since the IPO, the risk management processes have continued to evolve and mature through application coupled with increased levels of oversight from senior management and regular review by the Audit and Risk Committee.

The bottom up exercise is conducted through discussions and interviews in each of the Group's businesses. The top down exercise includes meetings with senior executives. The output from the aggregated results of the top down and bottom up exercises produces a list of principal risks that are reviewed and agreed by the senior management team overseen by the Executive Committee, and reviewed and approved by the Audit and Risk Committee before being presented to, and discussed by, the Board.

The risk register is reviewed and maintained on an ongoing basis by management, with the Board retaining oversight and responsibility over the risk register and the risk management process. Depending on the nature of the risk involved, a variety of risk mitigation measures have been implemented including, for example, insurance, standardised processes, delegation of authorities, auditing and monitoring, succession plans, diversification in business and revenue streams. The Audit and Risk Committee and the Board assess the effectiveness and applicability of the risk mitigation measures through the internal monitoring undertaken by various functions including Internal Audit, Legal and Compliance, Finance and IT.

Our strategy
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Our market environment
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Key performance indicators
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Internal control

The Board recognises its responsibilities to carry out a review of the Group's internal controls, financial position and prospects. The Board, including the Audit and Risk Committee, has accountability for reviewing and approving the effectiveness of internal controls operated by the Group, including operational and compliance controls, risk management and compliance with the UK Corporate Governance Code 2016. The risk management framework assists in the ongoing process of the Board's identification, evaluation, and management of the Group's principal risks.

The Board's role in risk management involves:
- Overseeing the Group's risk management programme.
- Regularly reviewing the principal risks of the Group.
- Overseeing risk management processes.

Audit and Risk Committee

The Audit and Risk Committee has responsibility for overseeing the internal controls over the Group's financial reporting, for reviewing the Group's internal control and risk management systems, for overseeing the activities and direction of the Internal Audit function, for maintaining an appropriate relationship with the external auditor of the Group and for reporting its findings and recommendations to the Board. Further information about the role and responsibilities of the Audit and Risk Committee is set out on pages 73 to 77.

Legal and Compliance

Our Legal and Compliance function works with the Audit and Risk Committee and the Board to assist with compliance with laws and regulations and to ensure that certain legal risks are identified on the risk register. In this capacity, its role is to:
- Evaluate alternative regulatory and non-regulatory responses to risk.
- Provide legal awareness training or training on legal aspects of the business, including anti-bribery, money laundering, sanctions and corruption.
- Assess and monitor the Group's operations and processes to promote compliance with relevant laws and regulations and, where necessary, make recommendations for enhancements.
- Make reports to the Audit and Risk Committee on particular areas of legal risk identified in the Group.

Internal Audit

Our Internal Audit function reports directly to the Audit and Risk Committee. The Internal Audit function carries out work across the Group acting as a third line of defence following management controls and internal control measures (first line of defence) and the Group internal risk management and compliance functions (the second line of defence).

The key responsibilities of Internal Audit are:
- To review and evaluate the efficiency and effectiveness of company operations and activities, including business practices, IT and systems of internal control.
- To review operations and programmes to ascertain if results are consistent with established objectives and goals and if the operations or programmes are being carried out as planned.
- To identify and recommend opportunities for improvement and to monitor the implementation of appropriate corrective action.
- To report to the Audit and Risk Committee on a quarterly basis, provide a summary of audits completed, including any related significant findings, and discuss audit directions, plans and priorities.
- To conduct risk assessments independently and in coordination with our corporate compliance department to develop annual and long range audit plans.

Operating management

Our operating management, within our franchises or business units, identifies risks at an operational level, assesses those risks and, where necessary, escalates them through the channels up to the Board.

The key responsibilities of operating management are:
- To carry out day-to-day risk management activities.
- To identify risk and provide risk assessment.
- To implement strategy and actions to address risk within a business area.
- To assign risk owners to lead mitigation actions.

Detailed here is an overview of the principal risks we believe could threaten our strategy, performance and reputation and the actions we are taking to respond and mitigate those risks.

Risk category
Operational and Supply Chain Risk

Inadequate operational and quality control procedures around manufacturing capacity sufficient to meet customer demand could result in operational disruptions, reputational damage and/or financial loss.

Potential impact
- As we depend upon a limited group of suppliers and manufacturers for products essential to our business, we may incur significant product development costs and experience material delivery delays in the event of disruption to manufacturing sites or supply chains.
- One or more of our suppliers may be unable to supply or decide to cease supplying us with raw materials and components for reasons beyond our control or they may increase prices significantly.
- Any cessation, interruption or delay affecting our supply chain, including any delay in or termination of our operational agreements or relationships with suppliers of the various products and services that we rely upon may impair our ability to manufacture products within our budget, meet scheduled deliveries of products to our customers and/or cause our customers to cancel orders.

Response to risk/mitigation
- We maintain stock of certain products at alternative sites to reduce the risk that we are unable to meet customer demand.
- As part of the MIP, we are reducing the SKUs held by franchises in order to reduce the risk of products becoming obsolete or unmarketable.
- For product manufacturing that was transferred from one location to another, we have built additional inventory to cover the time for transfer, start-up and registration.
- We have a programme of ongoing inventory review versus demand and regulatory timing to minimise risk of supply disruption and to ensure optimal levels of business continuity.
- We have enacted special procedures to allow products to be shipped to the regional distribution centres at risk and stored at those locations.
- We monitor customer contracts to ensure competitiveness and to maintain visibility to expiration terms in an effort to reduce the risk of customer loss.
- We are focused on strengthening our commercial operations and marketing to prioritise production.
- We have implemented a Sales Operation Planning Process that seeks to balance supply with demand and facilitates action being taken in relation to constrained lines.
- We have business continuity plans in place for all facilities and key suppliers across our franchises.

Risk owner
Global Operations; Global Franchises

Risk category
Macroeconomic and Foreign Exchange Risk

We could be exposed to negative global economic trends in certain of our geographic markets which could negatively impact our strategic growth.

Potential impact
- Movements in exchange rates between foreign currencies and the US dollar (our reporting currency) could have a negative effect on the results of our operations and financial conditions.
- A negative economic climate in the key markets in which we sell our products could contribute to reduced demand for our products and negatively impact revenue from those markets.
- Negative market conditions may reduce the number of patients with access to care, resulting in decreased demand for our products.
- Reductions in government spending and/or individual income could impact customers' purchases of our products.
- Disruptions in the financial markets could adversely affect our suppliers and vendors and negatively impact our operations through increased purchasing costs.
- The EU Referendum in the UK ("Brexit") has created a period of economic uncertainty for the UK and wider economic environment which may lead to a reduction of economic activity, in particular: (i) our operations in the UK may be subject to increased taxes, duties and/or tariffs following Brexit;(ii) our regulatory compliance costs may increase as a result of Brexit; and (iii) we may determine to reorganise our manufacturing and distribution channels to mitigate such duties and tariffs which could result in significant increased costs.

Response to risk/mitigation
- We maintain a model that allows us to run sensitivity analyses based on foreign exchange ("FX") movements in order to provide management with estimates of the impact of FX movements on our financial results.
- We maintain an operational presence in a diverse range of geographic markets, reducing our economic exposure.
- We have implemented economic forecasting and management reporting processes enabling us to detect the development of unfavourable trends and formulate mitigation strategies.
- We have a robust strategic planning process that provides a vehicle for contemplating market and regulatory developments in a manner allowing for the development of economic mitigation strategies.
- The Group has implemented appropriate oversight actions to assess the potential impact of Brexit and will establish mitigating actions as necessary. We will also seek to mitigate any tariffs or compliance costs resulting from Brexit in a cost effective manner.

Risk owner
Global Finance Department; Global Franchises

Risk category
Governmental Social Health Care Policy Risk

Certain of our products, which are sold to governmental social health care services, could be negatively impacted by reductions in reimbursement spending, enhanced government audits and/or unfavourable governmental reimbursement policies which could negatively impact our strategic growth or hinder our ability to innovate.

Potential impact
- Unforeseen reductions in governmental budgets or other changes to government reimbursement policy could adversely affect the demand for our products.
- Failure to monitor changes in government payment policies in the countries in which we operate could result in financial losses.

Response to risk/mitigation
- We engage with governments to encourage continued government investment in government health programmes.
- We continually monitor governmental policy changes and reimbursement guidelines in order to anticipate and minimise the impact of any policy revisions that may affect us.

Risk owner
Global Franchises; Regional Presidents

Risk category
Intellectual Property and Product Innovation Risk

We are dependent on our intellectual property and our continued development of products and any negative impact on this development could hinder our ability to innovate.

Potential impact
- Our competitors may secure intellectual property rights that disrupt our ability to compete in certain markets.
- Our proprietary intellectual property could be subject to misappropriation by a competitor, thereby reducing our competitive advantage.
- Governmental entities may require disclosure of our intellectual property which may reduce our competitive advantage or otherwise negatively impact our strategic advantages.
- We may be subject to litigation involving our intellectual property rights which results in a negative impact to our financial condition.
- Insufficient investment in R&D, or inadequate innovation, may adversely impact our ability to compete.

Response to risk/mitigation
- We pursue appropriate patent protection for our intellectual property developments.
- We deploy internal protections against the improper dissemination of our confidential information, including IT protections and confidentiality agreements.
- We deploy resources to limit the scope of any mandatory disclosure of our proprietary information to governmental organisations.
- We conduct IP assessments prior to product launches to reduce the risk of intellectual property litigation.
- We monitor market activity to determine whether violations of our intellectual property rights have taken place and to assess whether to assert our intellectual property rights.
- We continue to invest in new product launches and product development drives to cultivate an adequate product pipeline.

Risk owner
Legal & Compliance Department; Information Management

Risk category
Regulatory Risk

We operate in intensive and diverse regulatory regimes which are subject to change which could negatively impact our strategic growth and efficiency.

Potential impact
- Regulatory approval processes could delay, or otherwise negatively impact, the marketing and sale of our products.
- Failure to obtain appropriate regulatory clearances upon a change to a product may result in negative regulatory action impacting our ability to market and sell products.
- We are subject to increasing regulatory scrutiny around the globe which may delay product launches or otherwise negatively disrupt our operations.

Response to risk/mitigation
- We coordinate regulatory approvals on an ongoing basis, including scheduling appropriate review periods with regulatory bodies in advance of certification requirements.
- We maintain processes that aim to ensure that all regulatory and clinical trial requirements are considered and addressed prior to the launch of a new product.
- Relevant employees are trained on processes related to regulatory clearances, marketing claims related to products and regulatory inspections.
- We employ regional regulatory specialists with local expertise in all our major markets to facilitate regulatory clearance.
- We have implemented a process to ensure marketing collateral receives thorough and adequate review prior to launch in relevant jurisdictions.

Risk owner
Quality, Regulatory and Clinical Affairs

Risk category
Product Quality and Safety Risk

Defects, failures or safety or quality issues associated with our products could adversely impact our results of operations or financial condition and which could negatively impact our ability to innovate.

Potential impact
- Defects related to the design or manufacture of our products may impact the quality of goods sold and harm our results of operations or reputation.
- Failure to manage adverse events appropriately could result in reputational harm, regulatory enforcement and/or financial loss.
- Defects in our products may result in recalls, safety alerts, product liability claims or negative publicity.

Response to risk/mitigation
- We have processes throughout each phase of the product development process to monitor product manufacturing and to implement timely corrective action where necessary.
- Relevant employees are trained on policies and procedures related to manufacturing and adverse event handling.
- We have processes in place for managing product complaints.
- We maintain records for all products containing evidence of development, testing, product and process qualification and market clearance.

Risk owner
Quality, Regulatory and Clinical Affairs

Risk category
Ethics, Bribery and Corruption Risk

Violations of anti-corruption laws could significantly impact our financial position and reputation.

Potential impact
- The health care industry is heavily scrutinised by governmental bodies around the globe and bribery, or other violations of anti-corruption laws, may result in enforcement actions that may negatively impact our financial position and reputation.
- Enforcement actions related to bribery could result in an inability to participate in tenders or sell products to entities that are directly or indirectly reimbursed by a governmental body.
- Violations of anti-corruption laws could result in criminal exposure for our employees and cause material disruption to our operations.

Response to risk/mitigation
- We maintain top down leadership of compliance initiatives through a Compliance Steering Committee that is comprised of senior leadership.
- We operate ongoing training for all employees, including an annual attestation and annual live training for customer-facing employees.
- We operate a global risk assessment team and an annual monitoring programme.
- We perform due diligence of third parties, require training modules for distributors, audit select distributors in high-risk markets and undertake internal audit reviews of relationships with certain third parties and employee adherence to our policies and procedures relating to ethics.
- We maintain a confidential and anonymous compliance helpline which is available for all employees to report potential breaches of the Group's Code of Ethics and Business Conduct.

Risk owner
Legal & Compliance Department

Risk category
Budget and Forecasting Risk

Information and/or assumptions used in the production of budgets and forecasts if not updated in a timely manner when required could result in reputational damage and compliance issues.

Potential impact
- There is a risk that, if such information and/or assumptions are not so updated, inside information is not identified and disclosed in a timely manner, which could result in reputational damage and regulatory action.

Response to risk/mitigation
- Our market disclosure policy, which outlines the Group's processes with regard to classification and escalation of information that may constitute inside information and require disclosure, is in place and available to all employees.
- On an annual basis, the Group prepares a Guidance Memorandum that contains budgeting and forecasting assumptions. This document includes guidance on product costs, foreign exchange, new product launches, market share information, competitive activity, franchise strategies and operating expenses. The Guidance Memorandum is used in financial planning activities.
- Training has been provided to the Executive Committee, their direct reports and other key functions (such as senior finance personnel) with regard to the identification of such information and the need to escalate appropriately. Refresher training to be delivered on an ongoing basis to the Executive Committee and key individuals.
- We have disseminated guidance pertaining to the annual operational planning ("AOP") process and enhanced review analytics.
- We have implemented an enhanced sensitivity exercise to the regular reforecasting process.
- We have implemented a restructured monthly operating review process led by the CFO with senior management and global supply chain to drive improved communication and insight between the Regions, Franchises and Global Operations.
- We have established centralised business intelligence and data analytics expertise.

Risk owner
Global Finance; Legal & Compliance Department

Risk category
Data Loss/Mistreatment Risk

Failure to comply with privacy and data protection laws and regulations could impact our reputation and negatively impact our strategic growth and efficiency.

Potential impact
- Inadequate protections related to the transfer of data stored on internal systems may result in our loss or theft of sensitive or confidential data.
- An intentional attack on our IT systems may cause the loss of sensitive data.
- Failure to adhere to laws and regulations relating to the protection of patient and/or employee data may result in financial loss and/or reputational damage.
- The applicability of the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) from 25 May 2018 will impose a higher compliance burden and introduce greater penalties for data protection breaches. This may increase our data protection compliance costs and impact our processing of data.

Response to risk/mitigation
- We have deployed internal and external resources towards addressing cyber security risks, including independent cyber assessments. A cross-functional steering committee has been set up to assess and review new and emerging information security and cyber risks and to assess measures designed to protect sensitive data and the Group's systems.
- We conduct periodic reviews of our networks and stored data to ensure highly sensitive data is maintained in secure locations.
- We endeavour to ensure that all relevant employees are trained on the maintenance and handling of sensitive personal data.
- We deploy processes in relevant segments of the business to safeguard the security of employee and customer data.
- We have assessed the Group's systems and the data stored and maintained therein to deploy effective strategies toward achieving GDPR readiness.

Risk owner
Information Management

Viability statement

The Board considers the Company's financial status and viability on a regular basis as part of its programme to monitor and manage risk. The Board has concluded that the most relevant outlook period for this review should be three years ("Viability Period"). Three years has been chosen taking into account the Company's research and development and production cycles and its ability to respond in a timely manner to reasonably possible Company specific and market events. In addition, the Board has taken into consideration the Company's solid business model, its diverse product portfolio and the growing markets and market segments that it operates in. These attributes enable the Company to deliver relatively consistent, recurring revenue across the AWC, Ostomy Care, CCC and Infusion Device franchises.

The annual strategic planning and budgeting processes were used as the starting point for assessing the Company's viability. While the annual strategic planning process and associated financial plan covers a period of five years, the first three years of the plan are considered (as a combination of latest 2018 budget and 2019–2020 strategic plan) to contain the key assumptions that will provide the most appropriate information on which to assess viability, and a reasonably visible time horizon.

Assessing viability

In making their assessment, the Board took into account the potential impact of the principal risks that could prevent the Company from achieving its strategic objectives. Following an assessment of the Principal Risks and Uncertainties facing the Group, the Board continue to adopt similar scenarios to 2016 and believe these are still appropriate to encapsulate our risk profile. The principal risks used in the assessment are described in detail in the Principal Risks and Uncertainties section of this Annual Report on pages 30 to 36. Plausible downside scenarios were then designed to conduct sensitivity analysis and measure the financial impact these risks would bring to the business. The plausible downside scenarios were modelled individually and in combination. These included the impacts of a global change in macroeconomic trends causing a significant appreciation of the US dollar against all other currencies, commercial execution headwinds causing flat organic revenue growth in the Viability Period, no gross margin improvements achieved associated with the Company's Margin Improvement Programme and significant capital overspend across the Viability Period.

Consideration was also given to a number of other individual risks and events. In the Board's estimation these events would not plausibly occur to a level of materiality that, in themselves, would endanger the Company's viability. In the Board's assessment of viability, the scenarios have assumed that external debt is repaid as it becomes due, or will be refinanced as and when required.

Conclusion

Based on the consolidated financial impact of the sensitivity analysis and associated mitigating internal controls and risk management actions, as described in detail for each principal risk on pages 32 to 36, the Directors concluded that the Company will be able to operate within its existing bank covenants and maintain sufficient bank facilities and cash reserves to meet its funding needs over the Viability Period.

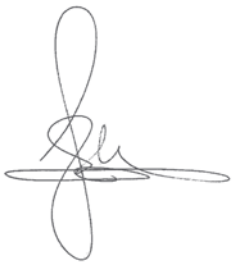
Confirmation of longer-term viability

The assessment of principal risks facing the Company and robust downside sensitivity analysis, all of which are described above and on pages 30 to 36, leads the Board to a reasonable expectation that the Company will remain viable and continue in operation and meet its liabilities as they become due over the Viability Period through to December 2020.

The Group's Going Concern Statement is detailed on page 97.

The Strategic report was approved by the Board of Directors on 14 February 2018 and signed on its behalf by:

Paul Moraviec
Chief Executive Officer



Frank Schulkes
Chief Financial Officer

Operational review
How we market and sell our products

We market and sell our products through our four franchises in over 110 countries. In our Advanced Wound Care, Ostomy Care and Continence & Critical Care franchises, our two main customer groups are people with chronic conditions and healthcare professionals. We make our products available to them via a number of sales channels, including direct, wholesale and distribution. In our Infusion Devices franchise, which has a concentrated business-to-business customer base, we primarily sell our products to the leading insulin pump manufacturers.

Strong brands and differentiated products
Marketed and sold through our four franchises

Advanced Wound Care | **Ostomy Care** | **Continence & Critical Care**

AWC, Ostomy Care and CCC products sold through a variety of channels

Hospitals
- wound care clinics
- intensive care

- Product decision maker is usually a doctor or specialist nurse
- Our dedicated sales team provide support, advice and training

Distributors and wholesalers

We have a network of external distributors who manage the entire distribution process on our behalf, including ordering, warehousing, billing and delivery

- **Specialist medical stores**
- **Pharmacies**
- **Homecare agencies**

- **Specialist medical stores**
- **Pharmacies**
- **Homecare agencies**

In many markets, once a patient leaves hospital, they obtain medical device products directly through homecare agencies, specialist medical stores or pharmacies and retail distributors catering to the homecare market


Infusion Devices
Ostomy
Continence
Call centres
Also provide consumer-focused service and support
Business-to-business
Direct-to-consumers
Leading insulin pump manufacturers
In the UK via Amcare, our home delivery company
In the US via our Home Distribution Group, our home care company
In our own shops in a number of markets including Central and Eastern Europe, Latin America and parts of Asia
Digital sales platforms including ostomysecrets.com

AQUACEL® Ag+ Extra™ dressing delivers better outcomes

Globally there are 50 million reported cases of patients suffering from hard-to-heal wounds. Such conditions are costly to manage and can have a highly detrimental effect on a patient's everyday life. Our AQUACEL® Ag+ Extra™ dressing combines our Hydrofiber® and unique anti-biofilm technologies to improve wound healing outcomes.

Dan Metcalf is Associate Director within our R&D team, and is actively involved in the innovation and development of infection prevention medical devices. During a walk in the English countryside in September 2017 he was unknowingly bitten on his left shin by an insect.

"Four days later I suddenly felt weak and dizzy and the following day my lower left leg began to redden and swell. I visited my local walk-in clinic, was diagnosed with cellulitis and was prescribed antibiotics. During the following days the swelling increased, blistering appeared and I felt very unwell. I was admitted via A&E to the Acute Monitoring Unit of my local hospital. I was placed on an increased antibiotic regimen and after a week the infection subsided. I was discharged from hospital with a non-antimicrobial dressing to protect the wound.

"However, over the course of the following days the wound deteriorated considerably, and I was eventually referred to an orthopaedic surgeon who told me that I would need a skin graft. The evening before my surgery was planned, my wound was observed to be in a very poor condition and so it was dressed with a moistened AQUACEL® Ag+ Extra™ dressing. Within 24 hours there was a noticeable improvement and the operation was postponed. Over the next four days the wound was rapidly improved by debridement, use of AQUACEL® Ag+ Extra™ dressings and compression. The operation was cancelled, I could return home, and the wound healed after a further week of management with AQUACEL® Ag+ Extra™ dressing."

Advanced Wound Care

Revenue $m

577.8m +2.6%*

2017	577.8m
2016	559.5m

* Organic – growth year over year at constant exchange rates, and excluding M&A activities.

Key brands

- AQUACEL®
- AQUACEL® Ag+
- AQUACEL® Ag Foam
- Avelle™ System
- DuoDERM®
- Sensi-Care®
- Aloe Vesta®

AQUACEL® Ag+ Extra™ Dressings

Our product portfolio includes:

- Antimicrobial and foam dressings, which are used by healthcare professionals to manage acute wounds and chronic wounds including those resulting from pressure ulcers, venous leg ulcers and diabetic foot ulcers which can be hard to heal. Our advanced dressings are designed to help provide an optimal wound healing environment whilst also addressing additional wound challenges such as infection. Our portfolio of leading global brands includes our AQUACEL® line of advanced dressings which feature our proprietary Hydrofiber® Technology. These dressings provide a wound contact layer that transforms into a gel on contact with liquid to absorb and retain wound fluid (exudate) and support the healing process. The addition of ionic silver in our AQUACEL® Ag dressing further helps manage and reduce the risk of wound infection. The development of this technology has evolved with our AQUACEL® Ag+ dressing, the first dressing specifically designed to combat wound biofilm.
- NPWT, which works by creating a vacuum at the wound site. Our Avelle™ System is a unique disposable negative pressure device. It combines our proprietary Hydrofiber® Technology with NPWT, and can be used for up to 30 days. The Avelle™ System is the only product on the market to offer this combination.
- Skin care products to clean, moisturise and protect skin which are developed for patients with exposed or fragile skin.

Our AWC franchise provides advanced wound dressings, devices and skin care products which are used for the management of acute and chronic wounds including those resulting from conditions such as diabetes, immobility and venous disease as well as from traumatic injury, burns and invasive surgery.

We are focused on three priorities to drive our growth:

- Expand our AQUACEL® dressings offering through the extension of our AQUACEL® Ag+ dressing with anti-biofilm technology and the expansion of our AQUACEL® Surgical product portfolio into new surgical areas.
- Continue to accelerate our growth in the foam market by augmenting our portfolio in the fast-growing protection and prevention foam segments.
- Build on our differentiated entry into the fastest growing segment of the NPWT market.

2017 revenue performance

Organic revenue grew 2.6%, with strong demand for our AQUACEL® product lines, offset by changes to reimbursement rates in France and supply constraints which together reduced growth by around 2 percentage points.

Key developments in 2017 included:

- Continued rollout of our Avelle™ NPWT system which is now available in 20 markets around the world, including the UK, Germany, France, Canada, Australia and South Africa.
- An independent study by researchers at New York Presbyterian Hospital/Columbia Medical Center and published in The Journal of Arthroplasty found a four-fold decrease in the incidence of post-operative joint infections with the use of AQUACEL® Ag SURGICAL cover dressing, compared with a standard gauze dressing.

Supporting nurses to help patients regain confidence and fight sedentary lifestyles

During the year we launched the me+™ recovery programme, the latest addition to our me+™ consumer-focused support and service offering which is dedicated to helping people with an ostomy live life on their terms. This programme focuses on nurses, and supports them in enabling patients to live a more active life. Often people living with a stoma fear any form of movement, which can lead to sedentary lifestyles and reduced quality of life, with the associated healthcare issues such as depression and weight gain.

me+™ recovery provides superior ostomy nurse training and education to support people after stoma surgery to aid recovery and improve long-term outcomes. It is an evidence-based programme, which focuses on the importance of movement and physical activity after stoma surgery. Accredited by the Royal College of Nursing in the UK, and the only programme of its kind in stoma care, me+™ recovery enables us to build relationships with nurses and help them improve patients' lives. The programme also helps us drive consumer loyalty and, by building trust, creates long-term relationships with both nurses and patients.

What people say about our me+™ recovery programme

"There is no doubt that patients who adopt a more active recovery generally do better, not least their physical recovery progresses more rapidly. They also have a better quality of life, are fitter, healthier and tend to adapt to life with a stoma more easily. It's also really important to spend some time concentrating specifically on abdominal muscle recovery and I would encourage patients to engage with the exercises such as those illustrated in the me+™ recovery programme."
Professor Sina Dorudi, Consultant Colorectal Surgeon, The Princess Grace Hospital, London

"The me+™ recovery educational programme was an excellent two-day course which allowed us to practice the exercises and understand the rationale behind the whole programme."
Gill Skipper, Stoma Care Sister, Kings Lynn Hospital, UK

"The me+™ recovery programme has motivated us. We feel confident doing the exercises ourselves so are more inclined to encourage the patient."
Mel Claxton, Stoma Care Sister, Kings Lynn Hospital, UK

"I found the me+™ programme very useful as a reference point providing information on suitable exercises. This was very important to my overall recovery rate and health and well-being."
Joan Barker, me+™ recovery programme participant

Ostomy Care

Revenue $m

528.9m +0.8%*

2017	528.9m
2016	512.1m

* Organic – growth year over year at constant exchange rates, and excluding M&A activities.

Key brands
- Esteem™
- Esteem™+
- Natura™
- Natura™+
- Stomahesive®
- Durahesive®
- InvisiClose®
- me+™

Esteem™+ Flex Convex One-Piece System

Our product portfolio includes:
- One and two-piece ostomy systems which have a variety of closure and drainage options, deodorising filters and pouch materials. For individuals living with ostomies, finding the right product and the right level of support is essential. In order of importance, ostomates are most concerned about leakage, odour and skin issues. Our products are developed to address these issues and, combined with our services, help people with a stoma to live the life they want. All of our core products, including our advanced pouch range of Natura™+ (two-piece) and Esteem™+ (one-piece), incorporate our highly differentiated, skin-friendly and clinically proven adhesive technologies (Stomahesive®, Durahesive® and ConvaTec Moldable Technology™).
- Accessory products that complement our ostomy systems, including Stomahesive® paste and powder, Sensi-Care® skin care and our Ostomysecrets® clothing line.

Our Ostomy Care franchise specialises in devices, accessories and services for individuals who have a stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer, and obesity as well as other causes.

We are focused on three priorities to drive our growth:
- Continue to strengthen relationships with ostomy nurses in hospitals to increase familiarity with our products and to provide them with the tools to make ostomy care simple, easy and accessible.
- Expand our me+™ direct-to-consumer programmes to engage directly and frequently with ostomates to build strong and long-term consumer relationships.
- Continue to enhance our product portfolio, leveraging our adhesive technology with consumer-led design and enhancements.

2017 revenue performance
Organic revenue grew 0.8%, reflecting strong momentum in the US, Latin America, Japan and China, supported by our me+™ direct-to-consumer programme, and from new global product launches. However, this was offset by supply constraints due to the transfer of the final manufacturing lines from Greensboro in the US to our Haina facility, which reduced growth by around 2 percentage points. Renewal of GPO contracts in the US impacted revenue growth by around a further 0.5 percentage points.

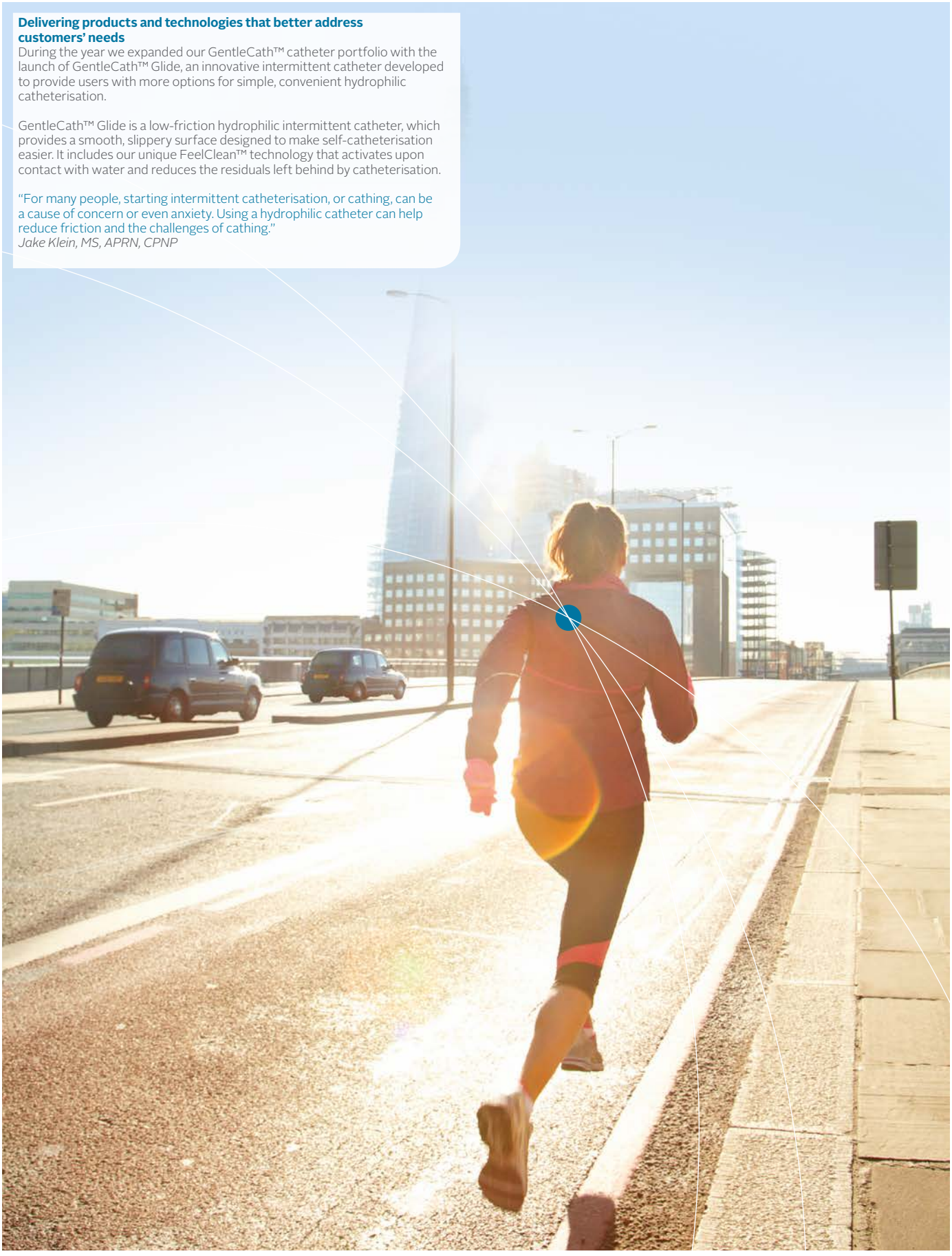
Key developments in 2017 included:
- Launched Esteem™+ Flex Convex one-piece system globally.
- Launched Natura™ Convex Accordion Flange.
- Launched me+™ recovery programme to help patients remain physically active post-surgery and to aid recovery. The programme has initially been rolled-out in the UK and is accredited by the Royal College of Nursing. We will now extend the recovery programme across Europe.

Delivering products and technologies that better address customers' needs

During the year we expanded our GentleCath™ catheter portfolio with the launch of GentleCath™ Glide, an innovative intermittent catheter developed to provide users with more options for simple, convenient hydrophilic catheterisation.

GentleCath™ Glide is a low-friction hydrophilic intermittent catheter, which provides a smooth, slippery surface designed to make self-catheterisation easier. It includes our unique FeelClean™ technology that activates upon contact with water and reduces the residuals left behind by catheterisation.

"For many people, starting intermittent catheterisation, or cathing, can be a cause of concern or even anxiety. Using a hydrophilic catheter can help reduce friction and the challenges of cathing."
Jake Klein, MS, APRN, CPNP



Continence & Critical Care

Revenue $m

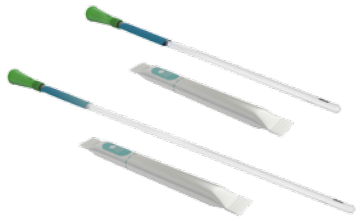
382.9m +1.7%*

2017	382.9m
2016	356.5m

* Organic – growth year over year at constant exchange rates, and excluding M&A activities.

Key brands
- GentleCath™
- Flexi-Seal™
- UnoMeter™
- me+™

GentleCath™ Glide



Our product portfolio includes:
- Our GentleCath™ line of intermittent self-catheters which are designed for maximum comfort, safety and ease of use.
- Flexi-Seal™ Fecal Management Systems ("FMS") which provide effective and hygienic management of acute fecal incontinence in critical care patients and help doctors and nurses manage serious healthcare concerns including the spread of *C. difficile* infection.
- UnoMeter™ hourly diuresis management systems which enable clinicians to monitor the urine output of critical care patients.

Our CCC franchise comprises three businesses: Continence Care (including our HDG business in the US), Critical Care and Hospital Care.
- Continence Care: develops and manufactures intermittent urinary catheters used by people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other urological disorders.
- Critical Care: develops and manufactures advanced systems that are used in intensive care units and hospital settings to manage acute fecal incontinence and monitor urine production output and intra-abdominal pressure.
- Hospital Care: provides a range of high-quality disposable medical devices for use in high-volume procedures in urology, intensive care, operating rooms and other hospital departments. These devices include wound drainage systems, urine collection bags and catheters, airway management and oxygen/aerosol therapy devices and gastroenterology tubes.

In Continence Care we are focused on three priorities to drive growth:
- Continue to innovate and expand the GentleCath™ intermittent catheter portfolio to cover a wider range of needs together with expanding our me+™ platform for intermittent catheter users.
- Leverage the reach of HDG, the largest medical equipment distributor of intermittent catheters in the US, to accelerate the adoption of our new products in the US.
- Build on the success of GentleCath™ through launching in other markets.

In our Critical Care and Hospital Care businesses, our strategies are focused on:
- Continued product innovation for Flexi-Seal™ FMS.
- Rationalisation of our Hospital Care portfolio.
- Increase usage by in-servicing accounts in underpenetrated regions and markets.

2017 revenue performance

Organic revenue increased 1.7%, reflecting good growth in our HDG business and GentleCath™ portfolio, offset by planned product rationalisation as part of our MIP which reduced revenue growth by $13 million (3.5 percentage points).

Key developments in 2017 included:
- Launched GentleCath™ Glide in Europe, an intermittent catheter developed to provide simple, convenient hydrophilic catheterisation for daily users.
- Rolled out me+™ programme to cover continence care in Europe and the US.
- Launched Flexi-Seal™ PROTECT Fecal Management System, designed to protect patients and clinicians against over-inflation risk, while helping to reduce risks of skin breakdown and spread of *C. difficile* infection associated with acute fecal incontinence.

neria™ guard infusion set
People with chronic diseases, like Parkinson's disease or diabetes, can greatly benefit from subcutaneous infusion of their medication.

To make continuous subcutaneous infusion simpler, comfortable, safe and efficient we developed and launched our new neria™ guard infusion set – the first fully automatic all-in-one infusion set. It has an intuitive design with simple and easy-to-use features including a retractable needle which is convenient to use and helps minimise pain during insertion and reduce needle-related traumas.

neria™ guard was launched in June 2017 at the International Congress of Parkinson's Disease and Movement Disorders, an international society of over 5,000 clinicians, scientists and other healthcare professions that gathers annually to learn the latest research findings and state-of-the-art treatment options in Movement Disorders.

"After trials of various infusion sets I decided to use neria™ guard. Not having a needle left in situ felt less painful and more safe. It was easier to insert compared to other sets which is an advantage when travelling. It feels easy to carry both pump and infusion set with a soft cannula and I am less constrained with a small pump and a needle that does not hurt."
Eva-Lotta, Sweden

"Based on observations neria™ guard with the soft cannula is in my view a very good infusion set, primarily because of the activation button of the insertion device which prevents having to press the complete set toward the body and the integrated adhesive releases as intended. Both patients and nurses who have tested neria™ guard have been very satisfied and wish to continue to use it for subcutaneous infusions. The launch of neria™ guard has so far been very successful."
Anita Berg, Product Manager Immunology/Haematology, Nordic Infucare

Infusion Devices

Revenue $m

275.0m +5.2%*

2017	275.0m
2016	260.2m

* Organic – growth year over year at constant exchange rates, and excluding M&A activities.

Key brands
- inset™
- comfort™
- neria™

neria™ guard

Our product portfolio includes:
- Disposable infusion sets that connect to external computer-controlled insulin pumps which allow insulin to be delivered continuously under the skin.
- neria™ infusion sets for continuous drug delivery to manage chronic diseases
- OEM urology and suction devices, including intermittent catheters, drainage bags and advanced medical film for urology, blood and dialysis bags.

Our Infusion Devices franchise develops and manufactures disposable infusion sets for the world's leading suppliers of insulin pumps for diabetes treatment and similar pumps used in continuous infusion treatments for other conditions. Our customers include Medtronic-Minimed, Roche Diabetes and Tandem Diabetes. Our products are a critical component within insulin pump systems. We also supply a range of infusion sets directly to hospitals and the home healthcare sector as well as through specialist distributors under our brand name neria™.

We are focused on three priorities to drive our growth:
- Maintain our strong and long-term partnerships with insulin pump manufacturers to secure long-term business.
- Continue to develop innovative products for both insulin and other drug delivery.
- Leverage our leading industry position to ensure that we are the supplier of choice for new entrants into the insulin market and other sub-cutaneous drugs.

2017 revenue performance

Organic revenue increased by 5.2%, with our partners seeing continued growth for diabetes insulin pumps and new product launches.

Key developments in 2017 included:
- Expanded our manufacturing technology platform for the insulin pump therapy business at Medtronic, increasing our production capabilities to sustain the range of infusion sets and insulin pump therapy solutions offered by the Diabetes Group at Medtronic.
- Launched neria™ guard infusion set – the first of its kind to eliminate the risk of needle-stick injuries which has applications beyond insulin therapy. This was launched for diabetes use, MiniMed™ Mio™ Advance[1], with our partner Medtronic in selected markets.
- Opened our new manufacturing facility in Reynosa, Mexico, expanding our capacity to cater for future growing demand.

1. MiniMed™ Mio™ Advance – trademarks of Medtronic MiniMed, Inc.

Chief Financial Officer's review

While we face a number of challenges, I continue to be excited by the Group's medium to long term opportunities in dynamic and structurally growing chronic care markets.

Frank Schulkes
Chief Financial Officer

The following commentary includes discussion of adjusted financial measures, which are explained and reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 54 to 57. Further detail on the Group's financial performance is set out in the Financial Review on pages 50 to 59 and Financial Statements and Notes thereto on pages 110 to 158.

I became Group CFO on 1 November, having joined ConvaTec in August as CFO designate. While we face a number of challenges following our performance in 2017, I continue to be excited by the Group's medium to long term opportunities in dynamic and structurally growing chronic care markets.

2017 Results

Group revenue for the year was $1,764.6m (2016: $1,688.3m), an increase of 4.5% on a reported basis, 4.1% on a constant currency basis, and 2.3% on an organic basis (excluding foreign exchange movements and M&A activities). This was slightly ahead of our revised guidance given in October of 1%–2% organic revenue growth.

Revenue performance across our franchises was mixed. On an organic basis, AWC delivered 2.6%, with good growth in foam, silver, and surgical cover dressing, although we did underperform in the US in the post-acute channel. Performance was negatively impacted by supply constraints encountered in our Haina plant, along with a change to reimbursement rates in France. Ostomy Care demonstrated good momentum in the first half of the year, although this was offset by the supply constraints in the second half of the year again related to our Haina plant, resulting in growth of 0.8% on an organic basis for the full year. The growth in Ostomy Care also reflected the adverse impact of GPO contract renewal in 2016. CCC achieved 1.7% growth on an organic basis, despite the negative impact of product rationalisation, driven by strong growth in our HDG business. Infusion Devices delivered 5.2% organic growth, supported by new product launches by our partners.

Adjusted gross margin for the year was 61.0% (2016: 60.9%). While our MIP delivered a cost out benefit to adjusted gross margin, this was more than offset by headwinds and other costs. Including pricing and product mix effects, overall there was a negative impact on adjusted gross margin of 70 bps. However, we saw a positive 80 bps from foreign exchange benefits to leave adjusted gross margin overall 10 bps ahead of last year.

A number of actions are in progress following our experience in 2017, as detailed in the Chief Executive's review.

We no longer believe adjusted gross margin is the most appropriate key performance metric. Our previous MIP target was based on a net adjusted gross margin benefit, which contained assumptions on, and is affected by, price, product mix, volume and inflation, in addition to the delivery of productivity gains. Adjusted gross margin reflects only part of the overall productivity improvements we will be targeting across the Group. In the future, in line with most peers, we will provide guidance on adjusted EBIT margin, instead of adjusted gross margin, whilst continuing to report on our progress in delivering productivity improvements.

We anticipate that while adjusted EBIT margin will experience an opex-driven decline in 2018, over the medium to long term there is a material opportunity for expansion.

Reported operating profit was $247.8m (2016: $154.0m), reflecting a reduction in pre-IPO share-based compensation year on year, and IPO-related costs included in 2016.

Adjusted operating profit was $456.8m (2016: $472.2m), as a result of higher operating costs.

In line with our revised guidance, total adjusted operating costs represented 35.1% of revenue (2016: 32.9%), an increase of 2.2 percentage points year on year as we continued to invest in sales and distribution to support product launches, drive growth in HDG in the US, and in commercial initiatives in EMEA, the Americas and China. Adjusted general and administrative expenses increased 22.9%, driven by investments to support growth and productivity, the inclusion of a full year of Plc costs of $14.9 million and the cost base of Woodbury and EuroTec. Adjusted R&D investment also increased 11% to support new product development.

This resulted in an adjusted operating profit margin for the year of 25.9% (2016: 28.0%).

The tax charge for the year was $5.6m (2016: $77.0m). The adjusted tax rate for the year 14.7% (2016 pro forma: 14.2%). Further detail about the tax charge and adjusted tax rate is provided in Note 10 to the Financial Statements.

Net cash from operating activities was $306.6m (2016: $74.9m). This was $231.7m higher primarily due to reduced interest payments following the re-financing completed at the end of last year. Cash conversion was 77.3% (2016: 79.6%) as we increased capital expenditure to support our MIP.

Working capital increased by $31.9m primarily due to the timing of receipts, purchases and payments in the normal course of business.

Net cash used in investing activities in the year was $182.6m (2016: $63.7m), reflecting the Woodbury and EuroTec acquisitions and increased capital expenditure in support growth and our MIP.

Foreign exchange
The results of the Group are impacted by movements in foreign exchange rates, particularly movements in the British Pound, Euro and Danish Krone. In 2017, the impact of foreign exchange movements in the year was a positive $8m in revenue and positive $20m in adjusted EBIT.

Balance sheet and capital returns
The Group ended the year with total interest bearing liabilities of $1,841.2m (2016: $1,797.2m). Excluding finance leases of $25.6m included in total interest bearing liabilities noted above and cash of $289.3m, net debt was $1,526.3m (2016: $1,510.1m). This amounted to 3.0x adjusted EBITDA, in line with December 2016, driven in part by the cash movements outlined above, including the cash outflow to fund the acquisitions of EuroTec and Woodbury. Excluding those acquisitions, leverage would have fallen to 2.8x adjusted EBITDA.

Our blended coupon rate of debt is circa 3.1% at current interest rates, excluding interest rate swaps.

At 31 December 2017 the Group was in compliance with all financial covenants associated with the Group's outstanding debt. Further detail on funding is available in the Financial Review.

During the year we were pleased to announce our inaugural interim dividend of 1.4 cents per share and propose a final dividend of 4.3 cents per share, in line with our policy to pay out 35% of adjusted net income. More detail on our dividend policy can be found in the Directors' Report on page 97.

Acquisitions
The acquisition of Woodbury, for an enterprise value of $120.5 million completed on 1 September 2017. Woodbury is a US-based independent national distributor of incontinence and catheter-related supplies and distributes a broad product portfolio of over 500 incontinence and over 650 catheter products nationally across the US, along with a wide array of nutritional, enteral feeding and vascular compression products.

As previously reported, on 3 January 2017 we acquired Eurotec, a Netherlands-based manufacturer of ostomy appliances for a purchase price of $25.4 million, net of working capital assumed of $5.0 million.

The integration plans for both Woodbury and EuroTec made good progress during the year and the performance of both businesses was in line with our expectations.

Outlook
The fundamentals of our business remain strong. The Group is a diversified chronic care business with strong brands and differentiated products, holding leading market positions in large and structurally growing markets.

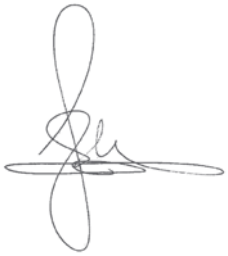
Following the operational issues experienced in 2017, our primary focus has been on resolving the supply constraints previously reported, which have now been addressed, although there will be an ongoing headwind in 2018. In 2018 we expect to deliver group organic revenue growth of 2.5%–3.0%, and target market growth rates over the medium term. We anticipate our OC franchise will be negatively impacted throughout the first half of 2018 by the supply constraints which took effect in the third quarter of 2017, creating an expected 50–100 bps headwind to group revenue growth in 2018. We anticipate our AWC franchise will progressively recover through the year to market levels of growth. We anticipate our CCC franchise will continue to perform well, but will see a negative impact of c. $3 million from continued product rationalisation. And we expect our ID franchise to grow in line with the diabetes insulin pump market over the year as a whole.

In 2018 we will continue to invest in growth initiatives in China, the US and selected European markets, in our R&D pipeline, as well as the required investment in our data analytics and IT infrastructure. We will also see upward pressure from the inclusion for the full year of Woodbury, and the annualisation of headcount increases in 2017 to support our commercial activities and operations. As a result, we anticipate adjusted EBIT margin will be 24%–25% as a result of increased investment levels.

We expect capex in 2018 to remain broadly in line with 2017, mainly as a result of planned expenditure in 2017 that did not occur, and investment in all our franchises and IT to support future growth.

We expect the changes to the US tax regime to have a neutral impact on our effective tax rate.

We firmly believe in the medium to long term growth prospects of the business, and to deliver that growth will require investment in commercial initiatives, infrastructure and systems and platforms for growth. We will look to partly fund future increases in investment levels beyond 2018 through savings in other areas, such as shared services and centres of excellence, although these initiatives will take time to deliver.



Frank Schulkes
Chief Financial Officer
14 February 2018

Business insight
Our market environment together with effective execution of both our strategy and risk management processes drive our financial performance.

Our market environment	Page 10
Our strategy	Page 22
Principal risks and uncertainties	Page 30

Financial review

Results of operations

The following table sets forth the Group's revenue and expense items for each of the last two years:

	2017 $m	2016 $m
Revenue	**1,764.6**	1,688.3
Cost of goods sold	**(838.3)**	(821.0)
Gross profit	**926.3**	867.3
Selling and distribution expenses	**(377.5)**	(357.0)
General and administrative expenses	**(259.8)**	(318.2)
Research and development expenses	**(41.2)**	(38.1)
Operating profit	**247.8**	154.0
Finance costs	**(62.1)**	(271.4)
Other expense, net	**(21.7)**	(8.4)
Profit (loss) before income taxes	**164.0**	(125.8)
Income tax expense	**(5.6)**	(77.0)
Net profit (loss)	**158.4**	(202.8)

The discussion below mentions revenue and certain costs and expenses on a constant exchange rate basis. Constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period. Revenue and costs and expenses on a constant exchange rate basis are non-IFRS financial measures and should not be viewed as a replacement of IFRS results. Such measures are presented because the Group believes they enable it to focus on the actual performance related changes in the results of operations from year to year without the effects of changes in exchange rates.

Revenue

On a reported basis revenue increased 4.5% to $1,764.6 million for the year ended 31 December 2017 from $1,688.3 million in the prior year. On a constant exchange rate basis revenue increased 4.1%[3] for the year ended 31 December 2017, including a $30.2 million contribution from the acquisitions of EuroTec and Woodbury. Organic revenue growth for the year ended 31 December 2017 was 2.3%[2]. Reported revenue was primarily impacted by favourable foreign exchange movement in the Euro, compared to the US dollar, partially offset by unfavourable GBP/US dollar movements.

Revenue by franchise

The following table sets forth the Group's revenue by franchise for each of the last two years and the percentage change on a reported and constant exchange rate basis:

	2017 $m	2016 $m	Growth Reported[1]	Growth Organic[2]
Revenue by franchise				
Advanced Wound Care	**577.8**	559.5	3.3%	2.6%
Ostomy Care	**528.9**	512.1	3.3%	0.8%
Continence and Critical Care	**382.9**	356.5	7.4%	1.7%
Infusion Devices	**275.0**	260.2	5.7%	5.2%
Total	**1,764.6**	1,688.3	4.5%	2.3%

Advanced Wound Care

Our AWC franchise delivered organic revenue growth of 2.6%[2] in 2017. Reported revenue of $577.8 million in 2017 grew 3.3% compared to 2016.

We continued to see strong demand for our AQUACEL® product lines, with foam, silver and surgical cover dressing the main drivers of growth, although we did underperform in the US in the post-acute channel.

Following the relocation of surgical cover dressing and DuoDerm production lines from the US to Haina in the Dominican Republic, the delays in certification by our European Notified Body and longer than anticipated time to ramp-up to full production volumes led to a build-up of backorders and consequent loss of some orders.

The impact of the supply constraints reduced organic revenue growth by c. 1 percentage point. In addition, changes to reimbursement rates in France at the start of 2017 reduced organic revenue growth by a further c. 1 percentage point.

Ostomy Care
The execution of our strategy to return the Ostomy Care franchise to consistent growth continued to gain momentum and the franchise delivered an improved performance in the first half of 2017. During that period we saw good momentum in the US, Latin America, Japan and China, supported by our me+™ direct-to-consumer programme in the US, and the global launches of the Esteem™+ Flex Convex one-piece system and Natura™ Convex Accordion Flange.

However, in the third quarter, following the transfer of the final manufacturing lines from Greensboro in the US to our Haina facility, we experienced the impact of delays in making those lines fully operational. As a result production of Convex and Moldable products ran below full capacity. This led to supply constraints and, once safety stock had been depleted, a build-up of backorders and consequent loss of some orders. Organic revenue growth for the full year was 0.8%[2] or 3.0%[3] at constant exchange rates, with supply constraints reducing growth by c. 2 percentage points. Renewal of Group Purchasing Organisation ("GPO") contracts in the US impacted growth by a further c. 0.5 percentage points over the year as a whole.

Reported revenue of $528.9 million grew 3.3% compared to 2016, and included a $11.3 million contribution from EuroTec, which we acquired at the beginning of the year.

Continence & Critical Care ("CCC")
We made good progress in our CCC franchise. Organic revenue growth of 1.7%[2] or 7.0%[3] at CER reflected good growth in our Home Distribution Group (HDG) business and our GentleCath™ portfolio, offset by planned product rationalisation as part of our MIP, which reduced revenue growth by $13 million (3.5 percentage points).

On a reported basis revenue increased 7.4% to $382.9 million, and included an $18.9 million contribution from Woodbury.

Infusion Devices
In our Infusion Devices franchise, we launched our new infusion set neria™ guard for non-insulin therapies in June, and for diabetes use, MiniMed™ Mio™ Advance, with our partner Medtronic in selected markets. This infusion set is the first of its kind to help eliminate the risk of needle-stick injuries with its fully automated insertion function and has applications beyond insulin therapy.

Infusion Devices revenue grew by 5.2%[2] on an organic basis in 2017, with our partners seeing continued growth for diabetes insulin pumps and new product launches. On a reported basis revenue of $275.0 million grew 5.7% year on year.

Cost of goods sold
Adjusted gross profit margin for the year ended 31 December 2017, excluding impacts from amortisation of certain intangible assets and certain non-recurring costs, was 61.0% compared with 60.9% for the prior year. The 10 bps improvement in the Group's adjusted gross margin percentage reflected a performance benefit to adjusted gross margin from MIP which was more than offset by headwinds and cost increases. Including pricing and product mix effects, overall there was a negative impact on adjusted gross margin of 70 basis points, offset by an 80 bps foreign exchange benefit. Refer to *Non-IFRS Financial Information* for further information.

Adjusted cost of goods sold of $688.3 million for the year ended 31 December 2017 increased 4.3% or $28.1 million on the prior year, driven by headwinds and cost increases outlined above, and increased volume of goods sold, offset by favourable foreign exchange.

Reported cost of goods sold increased 2.1% or $17.3 million for the year ended 31 December 2017, from $821.0 million in the prior year, with the increases above offset by a decrease in accelerated depreciation, impairment charges and asset write offs. Refer to page 55 for further information. As a percentage of revenue, cost of goods sold decreased to 47.5% for the year ended 31 December 2017 from 48.6% in the prior year.

On a reported basis, gross profit (revenue less cost of goods sold) increased $59.0 million or 6.8% and gross profit margin (gross profit as a percentage of revenue) was 52.5% and 51.4% for the year ended 31 December 2017 and 2016 respectively.

1. Represents the percentage change as reported.
2. Organic growth presents period over period growth at constant exchange rates, excluding M&A activities.
3. Constant exchange rates ("CER") growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.

Operating costs and expenses

The following is a summary of operating costs and expenses for the year ended 31 December 2017 and 2016, and the percentage of each category compared with total revenue in the respective period. Percentages may not sum due to rounding.

	2017 $m	2016 $m	2017[2]	2016[2]
Operating costs and expenses – adjusted[1]:				
Selling and distribution expenses	**(377.2)**	(355.2)	**21.4%**	21.0%
General and administrative expenses	**(202.0)**	(164.4)	**11.4%**	9.7%
Research and development expenses	**(40.3)**	(36.3)	**2.3%**	2.2%
Total operating costs and expenses – adjusted[1]	**(619.5)**	(555.9)	**35.1%**	32.9%

	2017 $m	2016 $m	2017[2]	2016[2]
Operating costs and expenses – reported:				
Selling and distribution expenses	**(377.5)**	(357.0)	**21.4%**	21.1%
General and administrative expenses	**(259.8)**	(318.2)	**14.7%**	18.8%
Research and development expenses	**(41.2)**	(38.1)	**2.3%**	2.3%
Total operating costs and expenses – reported	**(678.5)**	(713.3)	**38.5%**	42.2%

	2017 $m	2016 $m
Other costs and net (expenses) income:		
Finance costs	**(62.1)**	(271.4)
Other expense, net	**(21.7)**	(8.4)
Income tax expense	**(5.6)**	(77.0)

1. Refer to Non-IFRS Financial Information for information related to adjustments.
2 Represents the percentage of revenue.

Selling and distribution expenses

Adjusted selling and distribution expenses increased $22.0 million or 6.2% for the year ended 31 December 2017 to $377.2 million. As a percentage of revenue, adjusted selling and distribution expenses were 21.4% and 21.0% for the years ended 31 December 2017 and 2016 respectively. This increase was driven by investments in growth in HDG, EMEA, the Americas and China, as well as the inclusion of EuroTec and Woodbury. On a constant exchange rate basis, adjusted selling and distribution expenses increased $20.6 million or 5.8%[3]. Reported selling and distribution expenses increased $20.5 million for the year ended 31 December 2017 to $377.5 million, due to the increases described above.

General and administrative expenses

Adjusted general and administrative expenses increased $37.6 million or 22.9% for the year ended 31 December 2017 to $202.0 million. As a percentage of revenue, adjusted general and administrative expenses were 11.4% and 9.7% for the years ended 31 December 2017 and 2016 respectively. This increase was driven by investments to support growth and productivity, the inclusion for a full year of $14.9 million Plc costs along with the cost base of Woodbury and EuroTec. On a constant exchange rate basis, adjusted general and administrative expenses increased $38.7 million or 23.6%[3]. Reported general and administrative expenses decreased $58.4 million for the year ended 31 December 2017 due to a reduction in share-based compensation expense and IPO related costs in the prior year, offset by the increases noted above.

Research and development expenses ("R&D")

Adjusted R&D expenses increased $4.0 million or 11.0% for the year ended 31 December 2017 to $40.3 million, to support new product development. As a percentage of revenue, adjusted R&D expenses were 2.3% and 2.2% for the years ended 31 December 2017 and 2016 respectively. On a constant exchange rate basis, adjusted R&D expenses increased $4.9 million or 13.4%[3]. Reported research and development expenses increased $3.1 million for the year ended 31 December 2017, including foreign exchange.

3. Constant exchange rates ("CER") growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.

Operating profit

Adjusted operating profit decreased $15.4 million or 3.3% to $456.8 million for the year ended 31 December 2017 due to increases in the Group's operating costs and expenses as outlined above, offset by higher revenue and an increase in gross margin.

Adjusted operating costs and expenses as a percentage of sales was 35.1% for the year ended 31 December 2017, an increase of 220 bps on the prior year reflecting the increased costs outlined above.

Adjusted operating profit margin for the year ended 31 December 2017 of 25.9% decreased 210 bps from the prior year. On a constant exchange rate basis, adjusted operating profit decreased $35.7 million or 7.6% for the year ended 31 December 2017.

Reported operating profit increased $93.8 million for the year ended 31 December 2017 to $247.8 million primarily due to an increase in revenue and gross margin and lower operating costs and expenses as outlined above.

Other costs and net expenses

Finance costs

Finance costs consist of interest costs, standby fees, interest cost on derivative financial instruments, and any loss related to debt extinguishment.

Finance costs decreased $209.3 million, or 77.1%, to $62.1 million in 2017 from $271.4 million in 2016, primarily reflecting the following: (i) a decrease in interest expense on borrowings of $179.0 million, (ii) the 2016 loss on extinguishment of debt of $21.9 million, (iii) the 2016 write off of deferred financing fees of $7.3 million, in the aggregate, related to the Group's revolving credit facility financing in October 2016 and the commitment letter entered into in connection with the financing of the Group's credit facilities (refer to Note 19 – Borrowings for further information), and (iv) a decrease in the non-cash amortisation of debt discounts and deferred financing fees of $4.1 million.

The decrease in interest expense was primarily driven by (i) the October 2016 redemption of the Payment-in-Kind notes ("PIK Notes") due 15 January 2019, the 10.5% senior notes due 2018 ("US Dollar Senior Notes") and the 10.875% senior notes due 2018 ("Euro Senior Notes" and collectively with the US Dollar Senior Notes, the "Senior Notes") and (ii) a lower interest rate on the Group's credit facilities as a result of the October 2016 financing.

Adjusted finance costs decreased $180.1 million to $62.1 million in 2017 from $242.2 million in 2016, primarily reflecting the following: (i) a decrease in interest expense on borrowings of $179.0 million and (ii) a decrease in the non-cash amortisation of debt discounts and deferred financing fees of $4.1 million. The decrease in interest expense was primarily driven by (i) the October 2016 redemption of the PIK Notes and the Senior Notes and (ii) a lower interest rate on the Group's credit facilities as a result of the October 2016 financing.

Other expense, net

Other expense, net primarily consists of net gains and losses resulting from (i) the re-measurement or settlement of transactions that are denominated in a currency that is not the functional currency of a transacting subsidiary and (ii) derivative financial instruments.

Other expense increased $13.3 million to $21.7 million in 2017 from $8.4 million in 2016, primarily due to (i) the foreign exchange net losses related to intercompany transactions, including loans transacted in non-functional currencies and (ii) foreign currency impact on re-measurement of the Group's borrowings denominated in non-functional currency in 2016. These increases were partially offset by (i) the 2016 reclassification of foreign exchange accumulated losses of $36.4 million from other comprehensive income to the Consolidated Statement of Profit or Loss as a result of restructuring of certain foreign subsidiaries as part of the IPO process, (ii) the 2016 loss of $17.8 million related to the settlement of a foreign currency forward exchange contract, and (iii) a gain on the sale of certain assets in Malaysia. Refer to Note 9 – Other Expense, Net for further information.

Income tax expense

On a reported basis, income tax decreased by $71.4 million to $5.6 million for the year ended 31 December 2017, compared to a tax expense of $77.0 million for the year ended 31 December 2016. The decrease was mainly driven by a change in deferred tax, from an expense of $37.2 million in 2016 to a benefit of $32.5 million in 2017. This change was mainly driven by 2017 impacts of: US tax reform, M&A activity, normalisation of taxes on unremitted earnings in the Dominican Republic, lower non-deductible costs incurred in 2017, including share-based compensation, and 2016 related IPO and reorganisation costs, and prior year effect on deferred tax. US tax reform led to a reduction in the headline US federal tax rate from 35% to 21% which enabled the Group to recognise a non-cash benefit of $21.1 million on deferred tax liabilities as of 1 January 2017. This also generated a non-cash benefit of $3.0 million on 2017 changes in deferred tax liabilities. Also, US tax reform implemented the so-called "participation exemption for dividends" and the Group recognised a non-cash benefit of $4.0 million from taxes on unremitted earnings. This reform element is coupled with a one-time 2017 transition tax on implementing participation exemption. This transition tax is insignificant to the Group's 2017 income tax charge. Other significant factors impacting on the tax expense include a non-cash benefit of $9.9 million related to M&A accounting for Woodbury, non-cash benefit of $18.4 million on taxes on unremitted earnings primarily in the Dominican Republic, and 2016 non-cash benefit of $10.8 million from the prior year effect on deferred tax.

After adjusting for certain financial measures which the Group believes are useful supplemental indicators of future operating performance, the adjusted tax rate was 14.7% for the year ended 31 December 2017. See Note 10 – Income Taxes, for further details.

Net profit (loss)

As a result of all of the above, net profit was $158.4 million in 2017, compared to a net loss of $202.8 million in 2016, reflecting a change of $361.2 million.

Adjusted net profit increased $137.2 million, to $316.0 million in 2017 from $178.8 million in 2016. As a percentage of revenue, adjusted net profit was 17.9% and 10.6% in 2017 and 2016, respectively. The increase was primarily driven by (i) a decrease in finance costs as described above, offset by (ii) lower operating profit, driven by overall increases in the Group's operating expenses (discussed above), partially offset by strong gross margin.

Exchange rates

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

Currency	Average rate/ Closing rate	2017	2016
EUR/USD	Average	**1.13**	1.11
	Closing	**1.20**	1.05
GBP/USD	Average	**1.29**	1.36
	Closing	**1.35**	1.23
DKK/USD	Average	**0.15**	0.15
	Closing	**0.16**	0.14

Non-IFRS financial information

This Annual Report contains certain financial measures that are not defined or recognised under IFRS. These measures are referred to as "Adjusted" measures and include: Adjusted Cost of goods sold, Adjusted Gross margin, Adjusted Selling and distribution expenses, Adjusted General and administrative expenses, Adjusted Research and development expenses, Adjusted Operating profit ("Adjusted EBIT"), Adjusted Profit before tax, Adjusted Finance costs, Adjusted Other expense net, Adjusted Net income; Adjusted Earnings per share (shown collectively in the reconciliation to adjusted earnings, below), Adjusted EBITDA (defined below), and Cash conversion (defined below) which exclude the effect of certain cash and non-cash items that Group management believes are not related to the underlying performance of the Group. These non-IFRS financial measures are also used by management to make operating decisions because they facilitate internal comparison of performance to historical results on a consolidated Group basis. These measures are not measurements of financial performance or liquidity under IFRS and should not replace measures of liquidity or financial performance that are derived in accordance with IFRS.

The Group believes these measures are useful supplemental indicators that may be used to assist in evaluating the Group's financial performance on a consistent basis, similar to the way in which the Group's management evaluates performance, that is not otherwise apparent on an IFRS basis, given that certain non-recurring, infrequent or unusual items that management does not otherwise believe are indicative of the underlying performance of the consolidated Group may not be excluded when preparing financial measures under IFRS.

Items adjusted for 2017 and 2016 include acquisition-related amortisation, share-based compensation expense arising from pre-IPO employee equity grants and restructuring and other costs primarily related to the Margin Improvement Programme ("MIP Programme"). In addition, items adjusted in 2016 included costs incurred in connection with the Group's refinancing and initial public offering.

In 2017 the Board approved amendments to its non-IFRS financial measures policy to provide better guidance on which items should be considered. This follows the conclusion of certain activities in 2017 which related to the IPO and refinancing, or items which are due to finalise in the coming financial year, the latter principally relating to pre-IPO share-based compensation and pre-IPO MIP Programme costs. This process follows the Group's first full year as a listed company and reflects further consideration of the Group's activities and strategy.

In determining whether an item should be presented as allowable adjustment to IFRS measures, the Group considers items which are significant either because of their size or their nature, and which are non-recurring. For an item to be considered as allowable adjustment to IFRS measures, it must initially meet at least one of the following criteria:

- it is a one-off significant item;
- it has been directly incurred as a result of either an acquisition, divestiture, or arises from termination benefits without condition of continuing employment; or
- it is unusual in nature e.g., outside the normal course of business.

If an item meets at least one of the criteria, the Group then exercises judgement as to whether the item should be classified as an allowable adjustment to IFRS measures.

Reconciliation to adjusted earnings – for the years ended 31 December 2017 and 2016

2017	Reported $m	Adjustments (a) $m	(b) $m	(c) $m	(d) $m	(e) $m	(f) $m	(g) $m	Adjusted $m
Revenue	1,764.6	–	–	–	–	–	–	–	1,764.6
Cost of goods sold	(838.3)	126.6	22.7	0.7	–	–	–	–	(688.3)
Gross profit	**926.3**	**126.6**	**22.7**	**0.7**	**–**	**–**	**–**	**–**	**1,076.3**
Gross Margin %	*52.5%*								*61.0%*
Selling and distribution expenses	(377.5)	–	0.3	–	–	–	–	–	(377.2)
General and administrative expenses	(259.8)	14.3	6.0	7.0	–	–	29.3	1.2	(202.0)
Research and development expenses	(41.2)	–	0.9	–	–	–	–	–	(40.3)
Operating profit	**247.8**	**140.9**	**29.9**	**7.7**	**–**	**–**	**29.3**	**1.2**	**456.8**
Operating Profit %	*14.0%*								*25.9%*
Finance costs	(62.1)	–	–	–	–	–	–	–	(62.1)
Other expense, net	(21.7)	(2.6)	–	–	–	–	–	–	(24.3)
Profit before income taxes	**164.0**	**138.3**	**29.9**	**7.7**	**–**	**–**	**29.3**	**1.2**	**370.4**
Income tax expense[h]	(5.6)								(54.4)
Net profit	**158.4**								**316.0**
Net Profit %	*9.0%*								*17.9%*
Basic Earnings Per Share *($ per share)*[i]	**0.08**								**0.16**
Diluted Earnings Per Share *($ per share)*[i]	**0.08**								**0.16**

2016	Reported $m	Adjustments (a) $m	(b) $m	(c) $m	(d) $m	(e) $m	(f) $m	(g) $m	Adjusted $m
Revenue	1,688.3	–	–	–	–	–	–	–	1,688.3
Cost of goods sold	(821.0)	136.8	23.8	–	–	–	–	0.2	(660.2)
Gross profit	**867.3**	**136.8**	**23.8**	**–**	**–**	**–**	**–**	**0.2**	**1,028.1**
Gross Margin %	*51.4%*								*60.9%*
Selling and distribution expenses	(357.0)	–	0.9	–	–	–	–	0.9	(355.2)
General and administrative expenses	(318.2)	18.1	5.0	11.7	0.8	–	90.2	28.0	(164.4)
Research and development expenses	(38.1)	0.2	1.2	–	–	–	–	0.4	(36.3)
Operating profit	**154.0**	**155.1**	**30.9**	**11.7**	**0.8**	**–**	**90.2**	**29.5**	**472.2**
Operating Profit %	*9.1%*								*28.0%*
Finance costs	(271.4)	–	–	–	–	29.2	–	–	(242.2)
Other expense, net	(8.4)	–	–	–	–	8.4	–	–	–
(Loss) profit before income taxes	**(125.8)**	**155.1**	**30.9**	**11.7**	**0.8**	**37.6**	**90.2**	**29.5**	**230.0**
Income tax expense[h]	(77.0)								(51.2)
Net (loss) profit	**(202.8)**								**178.8**
Net (Loss) Profit %	*(12.0)%*								*10.6%*
Basic Earnings Per Share *($ per share)*[i]	**(0.15)**								**0.13**
Diluted Earnings Per Share *($ per share)*[i]	**(0.15)**								**0.13**

(a) Represents an adjustment to exclude (i) acquisition-related amortisation expense of $137.5 million and $136.1 million in 2017 and 2016, respectively, (ii) accelerated depreciation of $1.3 million and $11.1 million in 2017 and 2016, respectively, related to the closure of certain manufacturing facilities, (iii) impairment charges and asset write offs related to property, plant and equipment and intangible assets of $0.5 million and $7.9 million, in the aggregate, in 2017 and 2016, respectively, (iv) a $2.6 million gain on the sale of fully depreciated assets in Malaysia in 2017, and (v) an acquisition accounting adjustment of $1.6 million related to acquired inventories that were sold in 2017. Refer to Note 13 – Acquisition of Subsidiaries, Note 14 – Property, Plant and Equipment and Note 15 – Intangible Assets for further information.

(b) Represents restructuring costs and other-related costs (excluding accelerated depreciation described above under (a)) primarily incurred in connection with the Margin Improvement Programme ("MIP"), and also includes other termination and leaver costs relating to organisation structure changes and other costs. Refer to Note 20 – Provisions for further details related to the restructuring costs.

(c) Represents remediation costs which include regulatory compliance costs related to FDA activities, IT enhancement costs, and professional service fees associated with activities that were undertaken in respect of the Group's compliance function and to strengthen its control environment within finance.

(d) Represents costs primarily related to corporate development activities.

(e) Represents adjustment to exclude (i) loss on extinguishment of debt and write-off of deferred financing fees (refer to Note 8 – Finance Costs and Note 19 – Borrowings for further information) and (ii) foreign exchange related transactions (refer to Note 9 – Other Expense, Net for further information).

(f) Represents an adjustment to exclude (i) share-based compensation expense of $29.3 million and $85.9 million in 2017 and 2016, respectively, arising from pre-IPO employee equity grants (refer to Note 24 – Share-Based Payments for further details) and (ii) pre-IPO ownership structure related costs, including management fees to Nordic Capital and Avista (refer to Note 27 – Related Party Transactions for further information).

(g) Represents IPO related costs, primarily advisory fees.

(h) Adjusted income tax expense/benefit is income tax (expense) benefit net of tax adjustments. In addition to the tax impacts of items (a) to (g), tax benefits resulting from the US Tax Reform and from the acquisition of Woodbury have been adjusted for. Refer to Note 10 – Income Taxes for further information.

(i) Adjusted earnings per share and adjusted diluted earnings per share has been calculated by dividing adjusted net profit by the weighted average ordinary shares in issue and the diluted weighted average ordinary shares in issue respectively, as calculated in Note 12 – Earnings Per Share.

Adjusted EBITDA

Adjusted EBITDA is defined as Adjusted EBIT (defined above) further adjusted to exclude (i) software and R&D amortisation, (ii) depreciation, and (iii) post-IPO employee share-based compensation.

Adjusted EBITDA, as shown below and used to determine cash conversion (see below), adds back post-IPO employee share-based compensation charges and other non-cash charges. The post-IPO share-based compensation and other non-cash charges are not added back in the calculation of Adjusted earnings per share above.

The following table reconciles the Group's Adjusted EBIT to Adjusted EBITDA.

	2017 $m	2016 $m
Adjusted EBIT	**456.8**	472.2
Software and R&D amortisation[a]	**7.3**	6.7
Depreciation[b]	**33.3**	27.9
Post-IPO share-based compensation[c]	**7.6**	0.8
Adjusted EBITDA	**505.0**	507.6

(a) The following is a summary of software and R&D amortisation as recorded in the Consolidated Statement of Profit or Loss for each of the last two years:

	2017 $m	2016 $m
Cost of goods sold	**–**	0.5
General and administrative expenses	**7.1**	6.2
Research and development expenses	**0.2**	–
Software and R&D amortisation	**7.3**	6.7

(b) The following is a summary of depreciation (excluding accelerated depreciation), as recorded in the Consolidated Statement of Profit or Loss for each of the last two years:

	2017 $m	2016 $m
Cost of goods sold	**28.3**	23.6
Selling and distribution expenses	**0.4**	0.3
General and administrative expenses	**3.9**	3.2
Research and development expenses	**0.7**	0.8
Depreciation, excluding accelerated depreciation	**33.3**	27.9

(c) The post-IPO share-based compensation was recorded in General and administrative expenses in the Consolidated Statement of Profit or Loss.

Cash conversion

The Group believes that cash conversion is a useful supplemental metric that provides a measure of efficiency by which the Group is able to turn profit from operations into cash flow to service the requirements of debt and equity investors, as well as paying for the Group's tax obligations, re-investing in the business for growth and enhancing dividend capacity.

Cash conversion is computed as the ratio of Adjusted EBITDA less change in working capital and capital expenditure to Adjusted EBITDA.

The computation of cash conversion for 2017 and 2016 is as follows:

	2017 $m	2016 $m
Adjusted EBITDA	**505.0**	507.6
Working capital increase	**(31.9)**	(37.0)
PP&E purchases	**(82.7)**	(66.5)
	390.4	404.1
Cash conversion	**77.3%**	79.6%

Cash conversion is also computed as the ratio of net cash generated from operating activities adjusted for (i) cash interest payments, (ii) cash tax payments, (iii) payments related to cash-settled AEP and MIP awards, and (iv) other payments within operating activities, less capital expenditure to Adjusted EBITDA. The resulting cash conversion figures are the same under either definition.

The computation of cash conversion for 2017 and 2016 is as follows:

	2017 $m	2016 $m
Net cash generated from operating activities	**306.6**	74.9
Add:		
Cash interest payments	**66.5**	270.6
Cash tax payments	**46.9**	39.0
Cash-settled AEP and MIP awards[1]	**–**	30.2
Other payments[2]	**53.1**	55.9
Less:		
PP&E Purchases	**(82.7)**	(66.5)
	390.4	404.1
Adjusted EBITDA	**505.0**	507.6
Cash conversion	**77.3%**	79.6%

1. Refer to Note 24 – Share-Based Payments for further information.
2. Other payments represent payments related to the IPO-related costs, restructuring and other related costs, remediation costs, ownership structure costs and corporate development costs.

Financial position

Selected measures of financial position

The following table presents a summary of the Group's financial position at 31 December 2017 and 2016:

	2017 $m	2016 $m	Change $m	Change %
Asset (liability)				
Long-lived assets[1]	**2,893.5**	2,707.2	186.3	6.9%
Cash and cash equivalents	**289.3**	264.1	25.2	9.5%
Borrowings, including current portion	**(1,822.9)**	(1,775.6)	(47.3)	2.7%

1. Long-lived assets comprise property, plant and equipment, intangible assets, and goodwill.

Long-lived assets

Long-lived assets increased $186.3 million, or 6.9%, to $2,893.5 million at 31 December 2017, from $2,707.2 million at 31 December 2016, primarily due to (i) long-lived assets from the Woodbury and EuroTec acquisitions of $142.8 million, in the aggregate, (ii) additions of property, plant, and equipment and intangible assets of $87.5 million, in the aggregate, and (iii) an increase from foreign currency exchange of $137.9 million, partially offset by (iv) the depreciation of property, plant and equipment, and amortisation of intangible assets of $179.4 million, in the aggregate.

Cash and cash equivalents

Cash and cash equivalents increased $25.2 million, or 9.5%, to $289.3 million at 31 December 2017, from $264.1 million at 31 December 2016, primarily due to (i) cash generated from operating activities of $306.6 million and (ii) the effect of exchange rate changes on cash and cash equivalents of $20.5 million. These increases were partially offset by (i) $105.5 million paid during 2017 in connection with the Woodbury and EuroTec acquisitions, (ii) purchases of property, plant, and equipment and capitalised software of $82.7 million, (iii) scheduled 2017 loan amortisation payments of $39.6 million, in the aggregate, related to the credit facilities, (iv) $31.3 million repayment of borrowings assumed in connection with the Woodbury acquisition, (v) dividend paid of $26.3 million, (vi) $10.5 million of accrued costs paid in connection with issue of share capital in October 2016, and (vii) $9.6 million to fund the Employee Benefit Trust to purchase shares in the Company.

Borrowings

Borrowings increased $47.3 million, or 2.7%, to $1,822.9 million at 31 December 2017, from $1,775.6 million at 31 December 2016, primarily due to (i) foreign currency impact on the Euro denominated borrowings and (ii) the non-cash amortisation of deferred financing fees and debt discounts. These increases were partially offset by the scheduled 2017 loan amortisation payments of $39.6 million, in the aggregate, related to the credit facilities. Refer to Note 19 – Borrowings for further details.

Liquidity and capital resources

Overview

At 31 December 2017, the Group's cash and cash equivalents were $289.3 million. Additionally, at 31 December 2017, the Group had $192.9 million of availability under the revolving credit facility. Restricted cash was $5.7 million at 31 December 2017 (refer to Note 3 – Significant Accounting Policies for further information).

The Group's primary source of liquidity is cash flow generated from operations. Historically, the non-elective nature of the Group's product offerings has resulted in significant recurring cash inflows. In 2017, the Group generated $306.6 million of cash from operating activities. Significant cash uses in 2017 included (i) $105.5 million paid in connection with the Woodbury and EuroTec acquisitions, (ii) capital expenditures of $82.7 million, (iii) interest payments of $66.5 million, (iv) income tax payments of $46.9 million, (v) scheduled 2017 loan amortisation payments of $39.6 million, (vi) $31.3 million repayment of borrowings assumed in connection with the Woodbury acquisition, (vii) $10.5 million of accrued costs paid in connection with issue of share capital in October 2016, and (viii) $9.6 million to fund the Employee Benefit Trust to purchase shares in the Company.

The Group's business may not continue to generate cash flow at current levels and, if it is unable to generate sufficient cash flow from operations to service its debt, the Group may be required to reduce costs and expenses, sell assets, reduce capital expenditures, refinance all or a portion of existing debt or obtain additional financing. The Group may not be able to complete these initiatives on a timely basis, on satisfactory terms, or at all. The Group's ability to make scheduled principal payments or to pay interest on or to refinance its indebtedness depends on the Group's future performance and financial results which, to a certain extent, are subject to general conditions in or affecting the healthcare industry and to general economic, political, financial, competitive, legislative and regulatory factors beyond the Group's control.

The Group believes that the business has characteristics of strong cash flow generation. The Group's strengths include the recurring, non-discretionary nature of its products, its diverse product offering and geographic footprint, and the strong market position of the Group's leading brands. The Group believes that its existing cash on hand, combined with the Group's operating cash flow and available borrowings under the credit facilities will provide sufficient liquidity to fund current obligations, working capital and capital expenditure requirements, as well as future investment opportunities.

Cash flows

The following table displays cash flow information for each of the last two years:

	2017 $m	2016 $m
Net cash generated from operating activities	**306.6**	74.9
Net cash used in investing activities	**(182.6)**	(63.7)
Net cash (used in) generated from financing activities	**(119.3)**	4.5
Net change in cash and cash equivalents	**4.7**	15.7
Cash and cash equivalents at beginning of the period	**264.1**	273.0
Effect of exchange rate changes on cash and cash equivalents	**20.5**	(24.6)
Cash and cash equivalents at end of the year	**289.3**	264.1

Cash flows from operating activities

Net cash generated from operating activities was $306.6 million and $74.9 million in 2017 and 2016, respectively. The following table sets forth the components of net cash generated from operating activities for each of the last two years:

	2017 $m	2016 $m
Adjusted EBITDA	**505.0**	507.6
Cash interest payments	**(66.5)**	(270.6)
Cash tax payment	**(46.9)**	(39.0)
Cash-settled AEP and MIP awards[1]	**–**	(30.2)
Other payments[2]	**(53.1)**	(55.9)
Working capital increase	**(31.9)**	(37.0)
Net cash generated from operating activities	**306.6**	74.9

1. Refer to Note 24 – Share-Based Payments for further information.
2. Other payments represent payments related to the IPO-related costs, restructuring and other related costs, remediation costs, ownership structure costs and corporate development costs.

Cash interest payments decreased $204.1 million, to $66.5 million in 2017, from $270.6 million in 2016, primarily due to (i) the redemption in October 2016 of the PIK Notes and the Senior Notes, (ii) lower interest rates on the Group's credit facilities a result of the October 2016 financing, and (iii) the payment of commitment fees in 2016. These decreases were partially offset by incremental interest payments related to the Group's credit facilities, as the first interest payment subsequent to the October 2016 financing was made on 31 March 2017.

The other payments decreased $2.8 million, to $53.1 million in 2017, from $55.9 million in 2016, primarily driven by costs related to our 2016 initial public offering, partially offset by an increase in payments related to service fees associated with MIP-related activities.

The working capital increase of $31.9 million in 2017 was primarily related to the timing of receipts, purchases, and payments in the ordinary course of business. The working capital increase of $37.0 million in 2016 was primarily related to (i) an increase in inventory to support franchises through the MIP consolidation of manufacturing facilities and (ii) timing of receipts and payments in the ordinary course of business.

Cash flows from investing activities

Net cash used in investing activities increased $118.9 million, to $182.6 million in 2017, from $63.7 million in 2016. The increase was primarily due to (i) $105.5 million, in the aggregate, related to the Woodbury and EuroTec acquisitions in 2017 and (ii) an increase in capital expenditures of $16.2 million mostly related to the additional capacity for the Infusion Device product portfolio and continued investment in the MIP. These increases were partially offset by $5.7 million received in 2017 from the sale of the Group's former corporate facility located in Skillman, New Jersey.

Cash flows from financing activities

Net cash used in financing activities was $119.3 million in 2017, compared with net cash generated from financing activities of $4.5 million in 2016, reflecting a decrease of $123.8 million, primarily due to (i) net proceeds from the issue of share capital of $1,764.3 million in 2016 that did not similarly occur in 2017, (ii) $31.3 million repayment of borrowings assumed in connection with the Woodbury acquisition, (iii) $26.3 million of dividend paid, (iv) $10.5 million of accrued costs paid in connection with issue of share capital in October 2016, and (v) $9.6 million to fund the Employee Benefit Trust to purchase shares in the Company. These decreases were partially offset by (i) $1,699.4 million of net repayments, primarily driven by the redemption in October 2016 of the PIK Notes and the Senior Notes, and the October 2016 financing related to the Group's credit facilities and (ii) $19.0 million related to the lower deferred financing fees paid in 2017.

Contractual obligations

The Group's contractual obligations consist mainly of payments related to borrowings and related interest, operating leases, finance lease obligations and unconditional purchase obligations. The following table summarises the Group's contractual obligations at 31 December 2017:

	Payments Due by Period				
	Total $m	Within 1 year or on demand $m	1 to 2 years $m	2 to 5 years $m	More than 5 years $m
Borrowings, including interest[1]	2,051.6	135.4	165.8	1,332.9	417.5
Operating lease obligations	61.4	20.2	14.5	18.4	8.3
Finance lease obligations	41.3	2.7	2.8	8.7	27.1
Purchase obligations[2]	352.3	153.5	77.6	119.7	1.5
Total	**2,506.6**	**311.8**	**260.7**	**1,479.7**	**454.4**

1. Expected interest payments assume repayment of the principal amount of the debt obligations at maturity.
2. Purchase obligations consist of agreements to purchase goods and services that are enforceable and legally binding which primarily include (i) capital expenditures, (ii) minimum inventory purchases, and (iii) obligations for warehouse, distribution, freight, and services.

Chairman's governance letter

During the year we have put in place processes and procedures to ensure your Board operates effectively.

Sir Christopher Gent
Chairman

Dear Shareholder

Last year, we made solid progress and delivered against our commitment to develop the corporate governance standards at ConvaTec. I am delighted that we are now in full compliance with the provisions of the UK Corporate Governance Code issued in 2016 by the Financial Reporting Council (the "Code").

Governance

Your Board remains committed to applying the highest standards of corporate governance across the Group. As promised, we reviewed the Board's composition during the year and were delighted to appoint Ros Rivaz, Margaret Ewing and Regina Benjamin as independent Non-Executive Directors. These appointments not only strengthened our Board and committees with their extensive skills and experience, but ensured we achieved an appropriate balance of independence and a significant improvement to our diversity. We also welcomed Kasim Kutay as a Non-Executive Director, who is the representative Director for Novo Holdings A/S, the Company's largest shareholder, who are entitled to appoint one Non-Executive Director. All Non-Executive Directors appointed by Nordic Capital and Avista have stepped down as Directors as a result of reducing their shareholding in the Company. Consequently, we have now addressed our non-compliance with the Code arising in 2016 caused by our then major shareholders' entitlement to appoint Non-Executive Directors, in that at least half of the Board are now comprised of independent Non-Executive Directors and all committees of the Board meet the composition requirements of the Code.

Towards the end of 2017, the Board and the committees conducted the first evaluation of their respective effectiveness. These reviews confirmed a successful transition following the IPO in 2016 and an appropriate focus by the Board on the key strategic matters facing the Group, coupled with suitable consideration of operational issues. The evaluation provided an opportunity to reflect on our activities throughout the period since IPO and to agree actions for further improvement. As Chair I interviewed each member of the Board to review their contribution to the Company and to identify areas for improvement. All members are making an effective contribution. I am pleased how quickly those who were recently appointed have engaged with the Company. The Board now has a strong balance of skills, in particular extensive healthcare sector knowledge from Rick, Regina and Ros and excellent finance expertise from Jesper and Margaret, which will be of huge benefit as the Company works to execute its strategy and continues to improve its internal processes.

Activities of the Board

Individual members of the Board and each of the committees have taken an active role during this year to add real value to the work of the Board. Of particular note is the work, led by Paul Moraviec and strongly supported and overseen by the Nomination Committee, to assess and strengthen the Executive Team with members of the Board actively assisting in the recruitment process. Also, our Audit & Risk Committee, led by Jesper Ovesen, has kept a sharp focus on the use of financial and non-financial measures and adjustments, and activities to improve the reporting process. Further, Ros Rivaz has supported the new EVP Global Operations in his review of the MIP Programme, drawing upon her extensive manufacturing experience.

Culture

The Board has set a clear tone in endorsing the existing strong values-driven culture of ConvaTec and enabling transparency in its interactions with senior management, employees, shareholders and other stakeholders. We are conscious of the Company's wider responsibility to society as a whole and our Purpose, supported by our culture, enables us to reflect that responsibility in our interactions with our stakeholders. Further information about our role in society is contained in our CR Report which is available on our website, www.convatecgroup.com/corporate-responsibility.

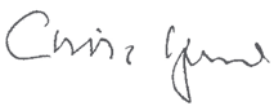
Shareholder engagement

We have continued our commitment to maintaining an active dialogue with our shareholders. Steve Holliday, Deputy Chairman and Senior Independent Non-Executive Director, and I held a shareholder consultation meeting in September where a range of governance and remuneration issues were discussed with shareholders. We also continue to engage with shareholders regarding the performance measures and targets for annual incentive and long-term incentive arrangements. Detailed information about these areas can be found in the Remuneration Committee report on pages 78 to 96.

I have also met with a number of our largest shareholders to discuss the Company's performance and the Chairman of each of our Board committees is also available to engage with our shareholders. The Board receives analysts notes published about the Company and the sector and is regularly updated by the Company's stockbrokers, Executive Directors and VP, Investor Relations on shareholder sentiment, feedback from meetings and the Group's Investor Relations ("IR") programme.

Throughout the year, a comprehensive and active IR programme was conducted by our Executive Directors. Further information about these activities is contained in the Corporate governance report on page 69.

We look forward to an ongoing engagement programme with shareholders in 2018 and beyond, and I look forward to meeting individual shareholders at our forthcoming Annual General Meeting.



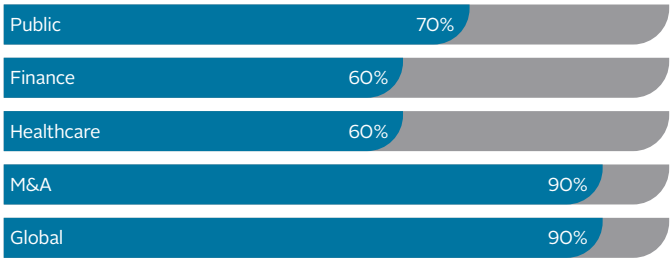
Sir Christopher Gent
Chairman
14 February 2018

Board of Directors

A diverse Board with extensive relevant skills and experience.

8 10 9 6 1 2 3 7 4 5

Board experience



1 Sir Christopher Gent
Chairman, 69

Date of appointment
October 2016

Skills and experience
Sir Christopher has significant board level experience across global operations and a range of sectors, including healthcare. His previous board positions include Chief Executive of Vodafone, Chairman of GlaxoSmithKline, Chairman of the Supervisory Board of Mannesmann AG, board member of Verizon Wireless, board member of Ferrari, non-executive director of China Mobile (Hong Kong) Limited and non-executive director of Lehman Brothers. He was also a Senior Adviser to Bain & Company. He is currently a member of the international advisory board of Hakluyt.

Committee membership
Nomination Committee – Chairman
CR Committee – Chairman
Remuneration Committee

Nationality
British

2 Paul Moraviec
Chief Executive Officer, 59

Date of appointment
September 2016
(joined ConvaTec Limited in 2009)

Skills and experience
Paul was appointed Chief Executive in 2014. He joined ConvaTec Limited in 2009 as President of EMEA. Previously he held senior positions with a number of leading global medical device companies, including Abbott Laboratories where he was Vice President of International Commercial Operations covering EMEA, APAC, Latin America and Canada, Johnson & Johnson where he held a series of increasingly senior international management and marketing roles and Bausch & Lomb where he was a country manager. Prior to joining ConvaTec he was Chief Executive of a specialist surgical robotics company.

Committee membership
CR Committee

Nationality
British

3 Frank Schulkes
Chief Financial Officer, 56

Date of appointment
November 2017
(joined in August 2017)

Skills and experience
Frank was previously CFO of Wittur Group, a privately-held industrial company based in Germany, prior to which he spent 27 years with GE in a variety of increasingly senior financial and planning roles. In 2007 he was appointed Executive Vice President and CFO of GE Healthcare, a position he held until mid-2015 when he left to join Wittur.

Nationality
Dutch

4 Steve Holliday
Deputy Chairman and Senior Independent Non-Executive Director, 61

Date of appointment
October 2016

Skills and experience
Steve was previously Chief Executive of National Grid plc, a role he held for over nine years until his retirement in July 2016, a board member of British Borneo Oil and Gas and the lead non-executive director at Defra. He also held senior management roles with Exxon in refining, shipping and international gas. Currently he is Vice-Chairman of Business in the Community and Vice-Chairman of the Careers and Enterprise Company, Chairman of the Board of Trustees at Crisis, the homeless charity and Chairman of Senvion S.A.. Steve is a fellow of the Royal Academy of Engineering.

Committee membership
Remuneration Committee – Chairman
Audit and Risk Committee
Nomination Committee

Nationality
British

5 Rick Anderson
Non-Executive Director, 57

Date of appointment
October 2016

Skills and experience
Rick was previously Group Chairman of Johnson & Johnson and Worldwide Franchise Chairman of Cordis Corporation. Before joining Johnson & Johnson, Rick was Vice President of Global Marketing of Racal HealthCare and, prior to that, he was with Boehringer Mannheim Pharmaceuticals and Allergan Pharmaceuticals. Currently he is a Managing Director at PTV Healthcare Capital ("PTV") and serves on the board of PTV's portfolio company Apollo Endosurgery. He is also the Chair of the board for Cardiva Medical.

Committee membership
Audit and Risk Committee
CR Committee

Nationality
American

6 Dr Regina Benjamin
Non-Executive Director, 61

Date of appointment
August 2017

Skills and experience
Regina was the United States Surgeon General between 2009 and 2013. Prior to that she served on the board of the Medical Association of Alabama and in 1995 became the first Young Physician to be elected to the American Medical Association Board of Trustees. Currently she is CEO and a practising physician at the Bayou La Batre Rural Health Clinic in Alabama, which she founded in 1990, and a non-executive director of Diplomat Pharmacy, Inc., Computer Programs and Systems, Inc., Kaiser Foundation Hospitals and Health Plan, and Ascension Hospital System. Regina holds an endowed chair in Public Health Sciences at Xavier University of Louisiana.

Committee membership
CR Committee

Nationality
American

7 Margaret Ewing
Non-Executive Director, 62

Date of appointment
August 2017

Skills and experience
Margaret is currently a non-executive director and member of the Audit and Risk Committee of ITV Group plc and a Trustee of the Board, Chairman of the Finance and Audit Committee and a member of the Investment Committee and the Governance, Reputation and Risk Committee of Great Ormond Street Hospital Children's Charity. She is also the external member of the Audit Committee of The Lawn Tennis Association. Previously she was Managing Partner of Deloitte LLP and Group Chief Financial Officer of BAA plc and Trinity Mirror plc. Prior to that, Margaret was a corporate finance partner with Deloitte. Margaret has also held non-executive director positions with Standard Chartered plc, Whitbread plc and the CBI, and was a member of the Audit and Risk Committee of The John Lewis Partnership and member of the Financial Reporting Review Panel.

Committee membership
Audit and Risk Committee
CR Committee

Nationality
British

8 Kasim Kutay
Non-Executive Director, 52

Date of appointment
March 2017

Kasim is Chief Executive Officer of Novo Holdings A/S, the investment holding company of the Novo Nordisk Foundation, a charitable foundation focused on contributing significantly to research and development that improves the health and welfare of people. Prior to joining Novo Holdings A/S in 2016, he spent seven years at Moelis & Company where he was Managing Director, Co-head of Europe and member of the Global Management Committee with a focus on healthcare. Prior to that he spent 18 years at Morgan Stanley, where he was Chairman of the European Healthcare Group. Currently, he is a board director of Novo Nordisk A/S and Novozymes A/S.

Nationality
British

9 Jesper Ovesen
Non-Executive Director, 60

Date of appointment
October 2016

Skills and experience
Jesper's previous board positions include Executive Chairman of Nokia Siemens Networks, Chief Financial Officer of TDC, Chief Executive of Kirkbi Group, Chief Financial Officer of The Lego Group and Danske Bank and the Audit Chair of FLSmidth & Co., Orkla Group and Danisco. He was also a director of corporate finance for Novo Nordisk A/S. He is currently Deputy Chairman of SEB, one of the largest banks in the Nordic region, and the Audit Chair of Lundbeck and Sunrise Communications Group. Jesper is a chartered accountant.

Committee membership
Audit and Risk Committee – Chairman
Nomination Committee
Remuneration Committee

Nationality
Danish

10 Dr Ros Rivaz
Non-Executive Director, 62

Date of appointment
June 2017

Skills and experience
Ros was Chief Operating Officer of Smith & Nephew plc until 2014 and previously held senior management positions in global companies, including ICI, Tate & Lyle and Diageo, in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems. She is a non-executive director of RPC Group plc, Computacenter plc, Boparan Holdings Limited and the MoD Defence Equipment and Support Board. She was previously a non-executive director of Rexam plc and Chair of its Remuneration Committee. She was also Vice-Chair of the Council of the University of Southampton, where she holds an honorary doctorate, until stepping down in July 2017, and a non-executive director of the Government sponsored Your Life initiative, which ran for three years until the end of 2017, and encouraged 14 to 16 year olds to pursue qualifications in mathematics and physics.

Committee membership
Nomination Committee
Remuneration Committee

Nationality
British

Corporate governance report

UK Corporate Governance Code compliance

This report sets out how the Company has applied the principles and provisions of the Code throughout the accounting period. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

As highlighted in the Chairman's governance letter, the Company is now in full compliance with the provisions of the Code. Since the IPO of the Company in October 2016, the Board has made significant progress to ensure that its governance arrangements meet the expectations of shareholders and, before the end of 2017, full compliance with the Code. The progress made is explained in more detail throughout this report. This was a year of transition and as such full compliance with the Code was only achieved part way through the year:

- Code provision B.1.2 – balance of independent Non-Executive Directors – three new independent Non-Executive Directors were appointed in June 2017 and August 2017 and three non-independent private equity representative Directors resigned from the Board in March and September 2017. However, full compliance with this provision was achieved from 11 August 2017 when the Board was expanded to ten Directors comprising of: Chairman, six independent Non-Executive Directors, one Non-Executive Director representing Novo Holdings A/S ("Novo") and two Executive Directors (noting it was briefly eleven Directors until the resignation of Raj Shah on 8 September 2017 as Non-Executive Director representing Nordic Capital).
- Code provision B.2.1 – membership of the Nomination Committee – full compliance from 11 August 2017 when Ros Rivaz was appointed as the third independent Non-Executive Director, with Raj Shah stepping down as a member on 8 September 2017.
- Code provision C.3.1 – membership of the Audit and Risk Committee – full compliance from 8 September 2017 when Raj Shah stepped down as a member, with Margaret Ewing having been appointed as the fourth independent Non-Executive Director on 11 August 2017.
- Code provision D.2.1 – membership of Remuneration Committee – full compliance from 8 September 2017 when Raj Shah stepped down as a member, with Ros Rivaz having been appointed as the third independent Non-Executive Director on 11 August 2017.
- Code provision A.4.2 – appraisal of Chairman's performance led by Senior Independent Director – conducted at the end of the year and led by Steve Holliday.
- Code provision B.4.2 – review of each Director's training and development needs – conducted by Chairman in the autumn.
- Code provision B.6.1 – Board and committee evaluation – conducted at the end of the year and discussed by the respective committees and the Board in December 2017 (see pages 69).
- Code provision C.2.3 – annual review of the effectiveness of the Company's risk management and internal control systems. This was undertaken by the Audit and Risk Committee and reported to the Board in December 2017.

Board responsibilities

The Board is specifically responsible for the long-term success of the Group and for ensuring that there is a framework of appropriate and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board also sets the Company's vision, values and corporate standards and ensures that its obligations to shareholders and other stakeholders are understood and met.

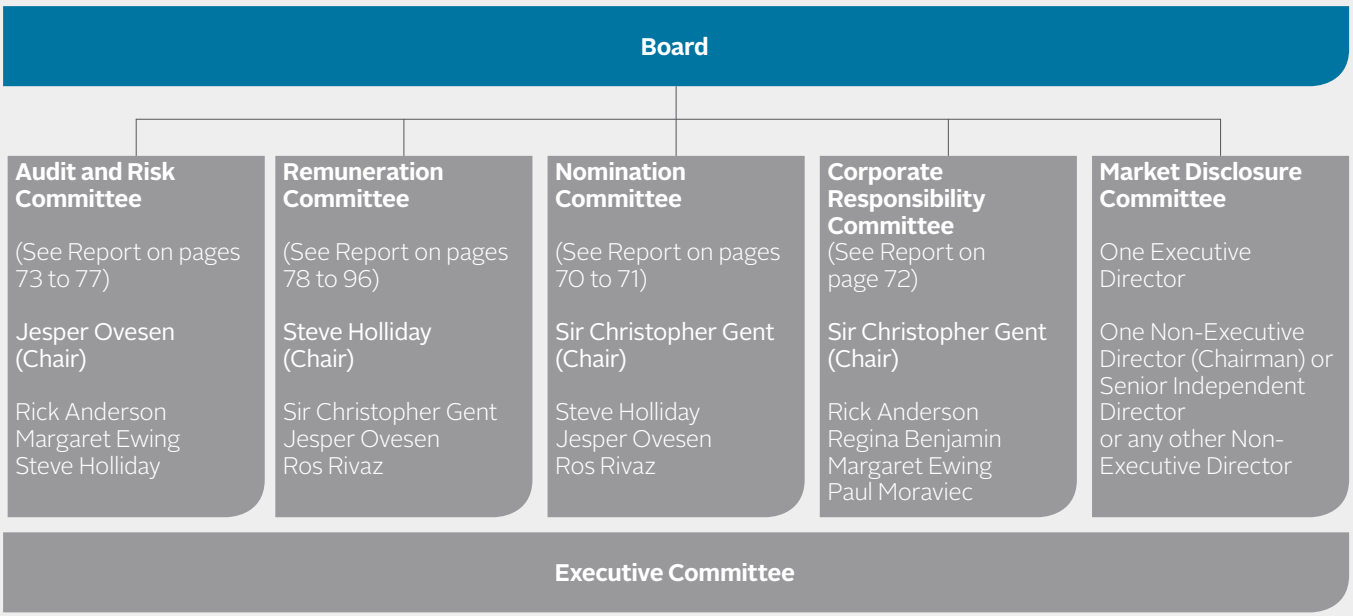
The Board has a schedule of matters reserved for its approval and a formal structure of delegated authority, whereby specified items have been delegated to the Board committees, and specified management control has been delegated to the Executive Directors and the senior management teams within the business. The Board has agreed the terms of reference for the Audit and Risk, Nomination, Remuneration, Corporate Responsibility and Market Disclosure committees. The powers of the Directors are set out in the Company's Articles of Association. The Board and the committees, with the support of the Company Secretary, ensure the workflow of the Board and committees is compliant with the requirements of the above documents.

Matters reserved for the Board

A schedule of formal matters reserved for the Board's decision and approval is available at www.convatecgroup.com. These largely relate to matters of governance and business where independence from executive management is important, and include the following:

- Approving the annual and half-year results and any other Group trading or interim statements, the Annual Report and Accounts, accounting policies and, subject to shareholder approval, the appointment and remuneration of the external auditors.
- Approving the Group's strategic aims and objectives.
- Approving the annual operating and capital expenditure budgets, including all investments in excess of $10m or otherwise as required under the Board's delegation of authority.
- Approving any material extension of the Group's activities into new business or geographic areas.
- Oversight of the Group's operations and review of performance against the Group's annual budget and its strategic aims and objectives.
- Approving appointments to the Board.
- Approving any changes to the capital structure of the Company as appropriate.
- Approval of the Group's dividend policy and the payment of interim and the recommendation of final dividends.
- Reviewing material litigation.
- Approving major capital projects, acquisitions and disposals.
- Approving material contracts.
- Determining and monitoring the Group's risk appetite, systems of internal control, corporate governance structures, practices and approval authorities.
- Determining the Group's remuneration policy and the remuneration arrangements of the Executive Directors and other senior executives, monitoring executive performance and succession planning.
- Approval and monitoring of the corporate responsibility policy and report.

Governance framework
Our governance framework is set out below. Biographical details of all Directors are included on page 63 and on our corporate website, www.convatecgroup.com. The Board has established five committees which are also detailed below. Each of these committees operates under written terms of reference which set out formally delegated duties and responsibilities. These terms of reference are available at www.convatecgroup.com.



During the year, no changes were made to the schedule of formal matters reserved for the Board's decision. Such decisions are usually by consensus at Board meetings. On occasion, decisions may be taken by a majority of Board members. In the case of an equality of votes, the Company's Articles of Association provide the Chairman with a second or casting vote. The Board has a forward schedule of work to ensure that it meets its responsibilities during the course of the current financial year. This has been developed and enhanced in the first full year following the IPO.

Board composition
At the end of the year the Board comprised ten Directors: the Chairman, two Executive Directors, six independent Non-Executive Directors and one Non-Executive Director.

The Chairman
Sir Christopher Gent was the Chairman throughout the year and to the date of this Annual Report. He was independent on appointment in October 2016.

In accordance with the Code there is a clear division of responsibility between the Chairman and the Chief Executive Officer. Each have Board approved roles and responsibilities and the documentation detailing their specific roles and responsibilities is available at www.convatecgroup.com.

The Senior Independent Director
Steve Holliday was the Company's Senior Independent Director ("SID") throughout the year. The SID role is to provide a sounding board for the Chairman, to serve as an intermediary for the other Directors when necessary and to be available to shareholders if they have concerns which contact through the normal channels of the Chairman or Executive Directors has either failed to resolve or for which such contact is inappropriate. The SID also led the annual evaluation of the performance of the Chairman. The documentation detailing the Board approved role and responsibilities of the SID is available at www.convatecgroup.com.

Board changes during the year

There were a number of directorate changes during the year, resulting in the achievement of an appropriate balance of independence in the composition of the Board and committees in full compliance with the Code.

Novo is a significant shareholder of the Company. Given its significant investment in the Company, Novo is entitled to appoint one Non-Executive Director to the Board for so long as it and its associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The representative Non-Executive Director of Novo is Kasim Kutay who was appointed on 31 March 2017. He is not a member of any committee of the Board. The representative Non-Executive Directors of Nordic Capital and Avista who were not independent have all stepped down. Following Nordic Capital and Avista respectively ceasing to hold 10% or more shares in the Company, Thomas Vetander (Nordic Capital) and Kunal Pandit (Avista) both ceased to be a Director on 31 March 2017 and Raj Shah (Nordic Capital) ceased to be a Director on 8 September 2017.

Three new independent Non-Executive Directors were appointed in the period, being Ros Rivaz on 20 June 2017 and Margaret Ewing and Regina Benjamin on 11 August 2017. Ros has extensive knowledge and experience in operations, manufacturing and supply chain in healthcare and other sectors. Margaret has a wealth of experience in finance, audit and reporting previously with Deloitte and in business. Regina is a practising physician and former United States Surgeon General, so brings in-depth healthcare knowledge and patient perspective.

Frank Schulkes joined the Board as Group Chief Financial Officer ("CFO") designate in August and became CFO on 1 November 2017. He succeeds Nigel Clerkin who, following the decision to relocate the CFO role to our Head Office in Reading, decided not to move his family from Dublin and left the Company. Frank has exceptional MedTech experience having been with GE Healthcare for 27 years, where he held a number of increasingly senior financial and planning roles including eight years as CFO of GE Healthcare.

The search, selection and appointment process for Executive Directors and independent Non-Executive Directors is fully described in the report from the Nomination Committee on page 71.

Committee membership changes during the year

The appointment of new independent Non-Executive Directors during the year and the resignation of Non-Executive Directors representing Nordic Capital and Avista during the year allowed for the committees of the Board to be reconfigured, bringing the membership of the Audit & Risk Committee, Remuneration and Nomination Committees in line with the requirements of the Code. The changes to these committees is detailed above. In addition, membership of the Corporate Responsibility Committee was strengthened by the appointment of Margaret Ewing and Regina Benjamin from 11 August 2017. The current compositions of the Board's committees are shown in the relevant committee sections on pages 70 to 79.

Re-appointment of Directors

All Directors are subject to annual re-election and all Directors will be proposed for election or re-election (as appropriate) by shareholders at the AGM to be held on 10 May 2018. Non-Executive Directors are initially appointed for a one-year term and retiring Directors, if willing to act, will be deemed to be re-appointed unless the resolution for their re-appointment is not approved.

Board meetings and attendance

The Board meets approximately nine times a year, including two scheduled calls around the quarterly results, and aims to hold at least two Board meetings each year at one of the Company's operations to provide the Board with access to the Group's wider management team and the opportunity to deepen their understanding of the Group's business. Seven in-person meetings were held in 2017 with supplementary telephone meetings as required. Each of the Directors has confirmed that they have sufficient time to properly fulfil their duties including attendance at the Board meetings scheduled to take place in 2018 and separate time with management.

The table below shows the number of scheduled Board meetings attended by each Director out of the number convened during the time served by each Director on the Board:

	Attendance	
Director	Attended	Eligible to attend
Sir Christopher Gent	8	9
Steve Holliday	9	9
Jesper Ovesen	8	9
Rick Anderson	9	9
Raj Shah (member until 8 September 2017)	6	6
Thomas Vetander (member until 31 March 2017)	2	2
Kunal Pandit (member until 31 March 2017)	2	2
Ros Rivaz (appointed on 20 June 2017)	3	4
Margaret Ewing (appointed on 11 August 2017)	3	3
Regina Benjamin (appointed on 11 August 2017)	3	3
Kasim Kutay (appointed on 31 March 2017)	6	6
Paul Moraviec	9	9
Frank Schulkes (appointed on 1 November 2017)	1	1
Nigel Clerkin (member until 31 October 2017)	8	8

The Chairman and Jesper Ovesen were unable to attend one scheduled Board meeting each due to unexpected family matters, and Ros Rivaz was unable to make one scheduled meeting shortly after her appointment due to a pre-existing conflict with a board meeting with another company. In addition to the scheduled meetings the Board may meet at other times as required or at the request of one or more Directors. Where decisions are required between meetings on matters reserved to the Board, there is a process in place to schedule meetings by telephone. As well as scheduled meetings 12 additional meetings were held. These were mainly in respect of strategic matters that the Chairman and Chief Executive Officer decided should be considered by the Board prior to the next scheduled meeting. Despite these meetings being held at relatively short notice, there was very high levels of attendance at each one; Directors unable to attend gave their input to the Chairman or Senior Independent Director on the business to be conducted prior to the meeting and were briefed afterward on the meeting discussions.

As highlighted in the biographical information provided about each Director on page 63, the Board benefits from a wide variety of skills, experience and knowledge. However, each independent Non-Executive Director must be able to commit sufficient time to the Company and this must be balanced against other commitments and any other external appointment they may hold. Through the annual evaluation of Non-Executive Directors' effectiveness it was assessed that they each can give a sufficient time commitment to the Company.

In addition to scheduled Board meetings, Non-Executive Directors are expected to attend the AGM, the Company's annual strategy meeting and certain other Company events and site visits throughout the year. A time commitment of 15 to 25 days per annum is the anticipated requirement for each Non-Executive Director. A greater time commitment is required from the Chairman. He has no other significant commitment that could affect his commitment to the Company.

At each Board meeting, the Chief Executive Officer presents a comprehensive update on the strategy and trading performance across the Group and the Chief Financial Officer presents analysis of the financial performance. Senior executives below Board level attend relevant parts of the Board and Committee meetings in order to make presentations on their areas of responsibility. This gives the Board access to a broader group of executives and helps the Directors make assessments when considering succession plans. The Board continually reviews the Group's strategy and holds one dedicated full-day strategy meeting each year.

At its meetings during the year, the Board discharged its responsibilities, and in particular, it considered:
- Strategy.
- Trading and financial performance.
- The Group's 2017 and 2018 annual operating plans.
- Review of annual and half-year reports and interim and final dividend proposals.
- Approval of scrip dividend.
- Review of the Margin Improvement Programme.
- Reports from the Company's brokers in respect of market consensus, share price performance and shareholder feedback.
- Appointment of independent Non-Executive Directors on recommendation of the Nomination Committee.
- Oversight of work conducted by, and reports from, the Board's Audit & Risk Committee, Nomination and Remuneration Committees.
- Review of each of the Group's franchises and new product development.
- Review, and approval of, acquisitions of EuroTec and Woodbury.
- Corporate development strategy and metrics.
- Approval of the employee share plans.
- Corporate governance issues including appointment of auditors, Board and committee evaluation review, Modern Slavery statement, and key corporate governance developments.

Directors' conflicts of interest

The Companies Act has codified the Directors' duty to avoid a situation in which they have, or can have, an interest that conflicts, or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association or by the other Directors. The Nomination Committee reviews the interests of candidates prior to making recommendations for the appointment of new Directors. Directors are required to discuss any additional commitments with the Chairman on an ongoing basis to ensure that any conflicts can be avoided or managed.

Confirmation of Director independence

At its December meeting, the Board considered the independence of Non-Executive Directors against the criteria specified in the Code and determined that Steve Holliday, Jesper Ovesen, Rick Anderson, Ros Rivaz, Margaret Ewing and Regina Benjamin were independent. The Board considers these individuals to be independent of management and free from business relationships that could interfere with the exercise of independent judgement. The Board believes that any shares in the Company held by the Chairman and the independent Non-Executive Directors serve to align their interests with those of the Company's shareholders.

Franchise presentation
During the on-site induction meeting at our Deeside research and development facility in December 2017, members of the franchise leadership team made a series of presentations to Regina Benjamin and Margaret Ewing.

Tour of the Deeside research facilities
Regina and Margaret also toured the R&D facility and met a number of the scientists that develop our AWC, Ostomy and CCC products.

Tour of the Deeside manufacturing plant
The December 2017 Deeside visit also included a tour of the manufacturing plant and concluded with a Q&A session with the senior management team.

Board induction and development

All new Directors participate in a formal induction programme which is monitored by the Chairman and is the responsibility of the Company Secretary. Its purpose is to familiarise new Directors with the Group's business and its operations and provide key information in relation to its governance and compliance processes and procedures. This programme has evolved as we build on the experience of inducting each new Director.

The induction of a Director typically includes an on-site meeting at the Group's global research and development facility. Information about the most recent on-site meeting, which took place in December 2017, is shown on the left. Further, individual meetings are held with members of the Executive Committee and other senior management to provide a thorough briefing on the business and key processes. Individual induction requirements are overseen by the Chairman, with the support of the Company Secretary, to ensure that newly appointed Directors are provided with sufficient knowledge in a timely fashion to enable them to contribute to the Board's discussions as quickly as possible.

During the scheduled Board meetings, the Directors received updates and presentations from the Group's senior management on business developments, with rotating "deep dives" on each franchise, geographic regions and strategic initiatives including new products.

Operation of the Board and its committees

The Directors have access to a fully encrypted electronic portal system, which enables them to receive and review Board and committee papers quickly and securely electronically. Scheduled Board and committee meetings are held physically and most ad hoc meetings are held by phone. The Company Secretary attends all Board and committee meetings.

The Company Secretary is responsible for advising and supporting the Chairman, the Board and its Committees on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. All Directors have access to the advice and services of the Company Secretary and, through her, have access to independent professional advice in respect of their duties, at the Company's expense.

Board evaluation

With 2017 being our first full year as a listed Company, the Board are committed to developing and maintaining high standards of corporate governance. As part of that, we envisage conducting an externally facilitated review on the recommended three-year cycle, with the first such review to take place in 2018.

This year, our Board evaluation was led by the Deputy Chairman and Senior Independent Non-Executive Director, conducted using a bespoke questionnaire delving into all aspects of Board processes and effectiveness, followed by frank and open debate on the results between all Board members. Each committee of the Board also undertook questionnaire-style evaluations and subsequent discussions, with the Audit and Risk Committee using a best practice framework provided by the auditors.

The evaluation concluded that the Board felt its work and performance during the year had predominantly been positive, with strong support for the Chairman of the Board and each of the committee's respective Chairs. It was recognised that the Board had been significantly occupied with the challenges experienced in the year. The dynamics between Board members, composition of the Board and its committees as well as discussions at meetings were sighted as particular strengths.

Areas considered in need of further development centred largely around the objectives to be expected of any nascent public company, in particular:

- Improved management reporting to better enable effective Board discussion, deliberation and decision making, with a stronger emphasis on risk and risk controls.
- Cultivating and maturing the flow of information to the Board.
- Tighter governing of processes around agenda submissions from key senior management for discussion at Board meetings.
- Re-evaluating the balance of discussions between strategic and technical matters.
- Succession planning for the Board, Executive Committee and other key senior management roles.

Arrangements have been put in place to address the agreed actions which will be monitored by the Chairman with the support of the Company Secretary, with reports on progress provided to the Board.

Chairman evaluation

The performance of the Chairman of the Board and each committee chairman were considered as part of the wider evaluations conducted. The chairmen in each case abstained from the questions pertaining to their performance. In each case there was strong support from the Board and committee members for their chairman, highlighting good knowledge of the business and presiding over their respective meetings and Board discussions.

In addition, the Chairman undertook individual evaluation of each member of the Board to review their contribution to the Company and to identify areas for improvement.

Executive Directors

The Group's performance management system applies to management at all levels. The individual performance of the Executive Directors is reviewed separately by the Chairman and the Remuneration Committee. Further details of the Executive Directors' performance measures and objectives are provided in the Remuneration report on pages 78 to 96.

Investor relations

As highlighted in the Chairman's governance letter the Board is committed to maintaining an active dialogue with shareholders.

In addition to the activities undertaken by the Chairman and Non-Executive Directors during the year a comprehensive range of IR activities were undertaken by the Executive Directors, IR team and relevant members of the senior management team including:

- Investor roadshows were conducted in the UK, US, Switzerland and France.
- Over 100 investor meetings and calls were held.
- Three site visits were arranged including visits to Deeside and Haina.
- The Company participated in two conferences organised by HSBC and Goldman Sachs.
- The Company hosted full and half-year results presentations to which analysts and institutional investors were invited to attend. Both presentations were webcast and transcripts made available.
- Analysts and institutional investors were invited to participate in the Company's trading update conference calls and transcripts were made available.

Nomination Committee report

Our diverse Board has a good range of skills and expertise and we will continue to monitor its composition.

Sir Christopher Gent
Chairman of the Nomination Committee

Committee membership, meetings and attendance

The table below sets out the Committee's membership. It met five times during 2017 and attendance is shown.

	Attendance	
Director	Attended	Eligible to attend
Sir Christopher Gent	5	5
Jesper Ovesen	4	5
Steve Holliday	4	5
Raj Shah (member until 8 September 2017)	5	5
Kunal Pandit (member until 31 March 2017)	0	1
Ros Rivaz (appointed 11 August 2017)	0	0

In addition to the Committee members, the meetings are also regularly attended by:
- Chief Executive Officer
- Company Secretary
- EVP, Human Resources

Dear Shareholder

This is the second report of the Nomination Committee (the "Committee"). I chair the Committee and I confirm that I have no other significant commitments.

Independence

The Code recommends that a majority of the Committee's members are independent Non-Executive Directors and as we committed previously, the Committee is now compliant with the Code as three of the members are independent.

Key areas of responsibility

The Board has delegated to the Committee responsibility for reviewing and proposing appointments to the Board and for recommending any other changes to the composition of the Board.

The Committee's key areas of responsibility include to:
- Lead the process for Board appointments and make recommendations to the Board.
- Review regularly the structure, size and composition of the Board (including its skills knowledge, independence, experience and diversity) and make recommendations to the Board about any changes.
- Consider plans and make recommendations to the Board for orderly succession for appointments to the Board and to senior management.
- Maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the Board, taking into account the challenges and opportunities facing the Company.
- Review each year the time Non-Executive Directors are expected to spend on the Company's matters and whether each Non-Executive Director is devoting enough time to his or her duties.

Detailed responsibilities are set out in the Committee's terms of reference which can be found at www.convatecgroup.com.

Activities of the Committee during the period

At its meetings during the period, the Committee discharged its responsibilities as listed above and in particular:
- Conducted a thorough process and made recommendations to the Board to appoint a new CFO and new independent Non-Executive Directors, including expanding the number of Non-Executive directors to strengthen the Board.
- As part of those processes:
  - In relation to the appointment of the CFO, reviewed the proposed role specification and candidates to ensure an appropriate balance of technical and operational skills.
  - In relation to the appointment of Non-Executive Directors, reviewed the Board's objectives in terms of balance of independence and diversity, and in order to determine the attributes required of new Non-Executive Directors, conducted an assessment of the skills and experience required against the Company's current and future requirements.
- Upon the appointment of new independent Non-Executive Directors, conducted a review of, and made recommendations in respect of, the memberships of the Board's Committees.
- Reviewed the succession planning for the Board and the senior management team and talent management arrangements.
- Reviewed the Company's diversity and inclusion programme and approved a Board Diversity Policy and gender diversity targets.
- Assisted management by interviewing and assessing key candidates for Executive Committee roles.

The biographies of each Director are set out on page 63, it can be seen that none of the Directors hold more than five non-chair non-executive director positions with other companies and all have confirmed that they have sufficient time to commit to their roles at the Company. The talent and succession planning review of the Committee supported the changes to the organisational structure of the Group and membership of the Executive Committee announced in December 2017. The Committee has a forward work programme and a key area of focus for 2018 shall be succession planning for the Board and senior management building on changes made in 2017 to the Board and the organisational structure, and activities to continually improve diversity and inclusion within the Company. To enable it to carry out its duties and responsibilities effectively, the Committee relies on information and support from the EVP, Human Resources and Company Secretary.

Board appointments and diversity

When evaluating candidates for Board membership, candidates are considered on merit and objective criteria, taking account of their relevant skills, expertise and sector knowledge and recognising the benefits of Boardroom diversity, including age, nationality, ethnicity and gender. This Committee leads this evaluation process and makes recommendations to the Board.

The Board endorses the aims of the Davies' report entitled 'Women on Boards', the Hampton-Alexander report entitled 'FTSE Women Leaders – Improving Gender Balance in FTSE Leadership' and the recently published Parker report entitled 'A Report into the Ethnic Diversity of UK Boards', and confirms that the Board complies with the recommendations set out in each report. During the year, to achieve diversity in other parts of the Group, we implemented a number of changes including setting an objective to have 30% of senior management roles held by female executives by 2020. Further information about the steps we are taking to promote diversity is included on page 18.

At Board level we have members of various nationalities, gender, ethnicity and age who have a good range of skills and expertise. The Committee will continue to monitor the composition of the Board and ensure any individuals appointed are appointed on merit and the Board at all times has relevant skills and expertise to perform effectively.

External search firms will be engaged to assist with candidate identification. Selected candidates will be interviewed by members of the Committee, including myself, and will be offered meetings with the Executive Directors. The Committee will then make recommendations to the Board for its approval.

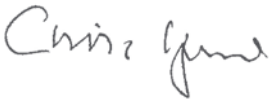
Non-Executive Director appointments

International search and selection firms, The Zygos Partnership, Egon Zehnder and Russell Reynolds, have been used by the Chairman to identify a range of suitable candidates for review by the Nomination Committee. As a result of this process, Ros Riva was appointed to the Board on 20 June 2017, and Margaret Ewing and Regina Benjamin were appointed on 11 August 2017.

Copies of all appointment letters are available for inspection at the Company's registered office.

From time to time Korn Ferry will also conduct executive search assignments for the Group.

The Zygos Partnership, Egon Zehnder, Korn Ferry and Russell Reynolds have no connection with the Company other than they may be engaged to assist with senior management appointments from time to time.



On behalf of the Nomination Committee
Sir Christopher Gent
Chairman of the Nomination Committee
14 February 2018

Corporate Responsibility ("CR") Committee report

Behaving responsibly underpins our ability to deliver long-term sustainable value.

Sir Christopher Gent
Chairman of the Corporate Responsibility Committee

Committee membership, meetings and attendance

The table below sets out the Committee's membership. It met once during 2017 and attendance is shown. In addition, updates have been provided to the full Board and written updates have been provided to the Committee on a periodic basis throughout the year.

	Attendance	
Director	Attended	Eligible to attend
Sir Christopher Gent	1	1
Rick Anderson	1	1
Paul Moraviec	1	1
Regina Benjamin (appointed 11 August 2017)	1	1
Margaret Ewing (appointed 11 August 2017)	1	1

From time to time other members of the Board may be invited to attend all or part of any Committee meeting if it is deemed appropriate.

Dear Shareholder

This is the report of the CR Committee (the "Committee") for 2017.

Key areas of responsibility

The Committee's key areas of responsibility include to:

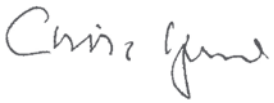
- Define the Company's obligations under the headings of economic responsibility, community responsibility and environmental responsibility, and to oversee the Company's conduct in the context of these obligations.
- Approve a strategy for discharging these responsibilities in a manner which commands respect and confidence.
- Monitor relevant external trends and assess how these may affect the Company's reputation or its ability to operate, and review how best to address these trends.
- Oversee the creation of appropriate policies and supporting measures and oversee their implementation across the Group.
- Monitor the Group's engagement with external stakeholders and other interested parties.
- Ensure that appropriate communications policies are in place and working effectively to build and protect the Group's reputation both internally and externally.

Detailed responsibilities are set out in the Committee's terms of reference which can be found at www.convatecgroup.com.

Activities of the Committee

During the period, the Committee discharged its responsibilities listed above and in particular:

- Reviewed and approved our high-level CR strategy which is being implemented on a phased basis over the next three years.
- Received written updates on, and discussed progress relating to, implementation of the strategy in March, July (via a presentation to the full Board) and October 2017.
- Received an update on the results of a stakeholder survey and subsequent enhancement of the materiality assessment, covered in more detail in the 2017 CR Report.
- Shortly after the year end, reviewed and approved our first, standalone, CR Report for the year ended 31 December 2017, which is available on our website, www.convatecgroup.com/corporate-responsibility. This included review and approval of our first set of CR-related targets.



On behalf of the Corporate Responsibility Committee
Sir Christopher Gent
Chairman of the Corporate Responsibility Committee
14 February 2018

Audit and Risk Committee report

Our key role is to ensure the integrity of the Company's financial reporting, and the effectiveness of its audit and risk management processes.

Jesper Ovesen
Chairman of the Audit and Risk Committee

Committee membership, meetings and attendance

The table below sets out the Committee's membership. It met seven times during 2017, with three meetings timed to align with the financial and audit cycles of the Group. Meeting attendance is also shown below.

	Attendance	
Director	Attended	Eligible to attend
Jesper Ovesen	6	7
Steve Holliday	7	7
Rick Anderson	7	7
Raj Shah (member until 8 September 2017)	5	5
Thomas Vetander (member until 31 March 2017)	2	2
Margaret Ewing (appointed 11 August 2017)	2	2

In addition to the Committee members, the meetings are also regularly attended by the:

- Chairman
- Chief Executive Officer
- Chief Financial Officer
- Group Financial Controller
- EVP, General Counsel & Corporate Development
- Company Secretary
- Chief Compliance Officer
- VP, Internal Audit
- key audit partners of the external auditor, Deloitte

At least annually and as further required, the representatives of the external auditor and the VP, Internal Audit are each given the opportunity to discuss matters with the Committee without executive management being present. The VP, Internal Audit and the external auditor have direct access to the members of the Committee should they wish to raise any concerns outside the formal Committee meetings.

Dear Shareholder

The 2017 financial year was a busy year for the Audit and Risk Committee (the "Committee") and I am pleased to share with you an insight into some of the matters the Committee considered. I chair the Committee and I confirm that I have no other significant commitments.

Independence and new member induction

The Code recommends that all of the Committee's members are independent Non-Executive Directors and the composition of the Committee is now in compliance with the Code. During the year, Nordic Capital and Avista reduced their shareholding in the Group and as a result, Raj Shah and Thomas Vetander stepped down on 8 September 2017 and 31 March 2017 respectively. On 11 August 2017, Margaret Ewing was appointed to the Committee as the fourth independent Director. Further, the Board is satisfied that two members of the Committee, being myself and Margaret Ewing, have recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector in which the Company operates as required by the Code.

As part of her induction programme as a director of the Company, Margaret Ewing was provided with relevant material on the responsibility and working of the Committee and copies of recent papers and presentations. Details of the experience of all members of the Committee are included on page 63.

Key areas of responsibility

The Board has delegated to the Committee responsibility for overseeing financial reporting, internal and external audit, internal controls and risk management. The Committee fulfils a key role in ensuring the integrity of financial information published by the Group and the effectiveness of the internal and external audit processes. In accordance with its terms of reference the Committee's key areas of responsibility include:

Financial reporting

- Ensure integrity of the Group's financial statements and ensure compliance with UK company law and accounting regulation.
- Review significant financial reporting judgements and the application of accounting policies, including compliance with the accounting standards made in connection with the preparation of the financial statements.
- Ensure the Annual Report and Accounts is fair, balanced and understandable and recommend its approval to the Board.

Internal audit

- Agree the internal audit annual audit plan and regularly review reports arising from internal audits.
- Monitor the status of actions resulting from internal audits and consider remedial action for overdue items.
- Monitor and review the Group's internal audit resources and monitor its effectiveness.

External audit
- Make recommendations to the Board on the appointment and or reappointment of the external auditor and be responsible for the procedure for the selection of the auditor.
- Review and monitor the independence of the external auditor and formally assess the effectiveness of the audit process and the quality of the external audit.
- Review the policy on non-audit services carried out by the external auditor, taking account of relevant ethical guidance.
- Negotiate and approve the scope of the audit and the terms of the external auditor's engagement, and recommend their fee to the Board for approval.
- Monitor the audit of the statutory consolidated financial statements and inform the Board of the outcome of the external audit including scope, key audit areas and procedures to ensure the financial statements give a true and fair view of the Group's affairs and are prepared in accordance with International Financial Reporting Standards and Companies Act 2006.
- Report to the Board on the outcome of the external audit and any audit findings report by the external auditor.

Internal controls
- Monitor the effectiveness of the Group's internal financial controls and compliance with the Code.
- Monitor the adequacy of the internal financial controls and processes.
- Submit recommendations or proposals to ensure the integrity of the internal financial controls.

Risk management
- Monitor the nature and extent of the principal risks that the Group is facing and should be willing to take in achieving its strategic objectives.
- Review the process undertaken and stress testing required to approve the Group's Viability Statement and Going Concern Statement.
- Review the Group's compliance policies and procedures to ensure that the Group complies with relevant regulatory and legal requirements including the arrangements in place for the reporting and investigation of concerns.
- Review and monitor the Group's risks associated with the internal and external threats to, and the resilience of, the Group's IT enterprise, information, operations and products relating to cyber security.

Fraud and whistleblowing
- Monitor the process in place throughout the Group to prevent and detect fraud and enable employees to raise concerns in confidence.
- Receive reports on fraud attempts or incidents.

Activities of the Committee during the period

The Committee fulfilled its duties under its terms of reference and discharged its responsibilities primarily by reviewing:
- The external auditor's plan for the audit of the Group's financial statements, which included key areas of scope of work, key risks on the financial statements, confirmation of auditor independence and the proposed audit fee, and the auditor's management letter on controls following the 2016 audit and an update at the end of 2017 on the progress made by management.
- The Group's system of controls (as set out in the table on page 76) and their effectiveness. This included reviewing the work performed by Internal Audit to assess the effectiveness of such controls, and the internal audit plan for 2017, reviewing the output from the process and control testing of internal controls over financial reporting, reviewing the compliance programme, compliance monitoring plan and results, reviewing the risk management system and gaining assurance on the effectiveness of risk mitigation plans, and reviewing IT controls, in particular relating to cyber security.
- The Group's 2017 full-year and 2017 half-year results statements prior to Board approval ensuring that they are fair, balanced and understandable and reviewing the external auditor's detailed reports thereon, and the processes underpinning their preparation, verification and management sign-offs.
- The accounting issues and significant judgements related to the 2017 half-year report and 2017 Annual Report and Accounts, and relevant changes to accounting standards and agreed their appropriateness. For example, the Committee has reviewed and challenged the documentation, assumptions used and conclusions reached relating to acquisition accounting for both the EuroTec and Woodbury acquisitions, the procedures performed and assessment of the impact of IFRS 15 – Revenue from contracts with customers, and assessment of certain tax matters.
- The 2017 Annual Report and Accounts and ensuring they are fair and balanced and understandable, and concluded that the quality and range of information provided in the Annual Report was sufficient to enable shareholders to assess properly the Group's position, performance and presentation.
- The process and stress testing undertaken to support the Group's Viability Statement.
- Documentation prepared to support the Group's Going Concern statements and concluded that the accounts had been properly prepared on a going concern basis.
- The appropriateness of the Group's accounting policies.
- Internal controls and risk management systems, including reviewing the corporate risk register, reviewing risk management processes and disclosures made in the Annual Report and Accounts.
- The foreign currency exposures and the Group's treasury policies.
- Compliance with the Group's debt covenants.
- The Group's tax strategy, tax policy, dividend planning, provisions and annual disclosures.
- The Group's non-IFRS measures and approving the Group policy around the use of non-IFRS measures.
- The effectiveness of the external audit process and reappointment of the external auditor.
- The effectiveness of the Committee, including a review of the Committee's activities against its terms of reference.

The Committee did not hold any meetings with shareholders during the year.

Committee evaluation

An annual self-assessment of the performance of the Committee was conducted via qualitative questionnaires as part of the performance of the Board. The questionnaires took into account the Committee's collective skills and experience, the activities that it has engaged in, oversight of business and financial reporting announcements, and the effectiveness of its actions in improving the Group's system of risk management and internal control. Following the conclusion of the evaluation it was determined that the Committee continues to operate effectively.

External audit and tendering process

At the AGM on 11 May 2017 shareholders approved the appointment of Deloitte LLP as the Group's external auditors and Gregory Culshaw ACA was appointed senior statutory auditor. Deloitte LLP have acted as the Group's external auditor and Gregory Culshaw as senior statutory auditor since listing in October 2016. The Company is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

The Committee reviews and makes a recommendation to the Board with regard to the reappointment of the external auditor each year. In making this recommendation, the Committee considers auditor effectiveness and independence, partner rotation and any other factors that may impact the Committee's judgement regarding the external auditor.

Currently the Committee intends to run a tender for the audit role in or before 2021 but reserves the right to run such a tender at any time. The audit tendering process will occur at least once every ten years.

Audit independence

The Committee is responsible for the development, implementation and monitoring of the Group's policy on non-audit work undertaken by the external auditor, which is designed to maintain their objectivity and independence. This policy requires all material non-audit work proposed to be carried out by the external auditor to be pre-authorised by the Chair of the Committee in order to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. Certain services cannot be provided by the external auditor or members of its network without the possibility of compromising its independence and as such are not permitted to be provided by the external auditor. These prohibited non-audit services include, but are not limited to:

- The provision of internal audit services, design or implementation of information technology systems relating to the production of financial statements, valuation services, actuarial valuation services, certain taxation services.
- Provision of legal services, recruitment services, restructuring services, bookkeeping and payroll services.

The external auditor, subject to the implementation of adequate safeguards, can undertake other types of non-audit work so long as the total fees for these non-audit services must not exceed 70% of the average audit fees billed to the Group by the external auditor in the past three years.

The Committee's review of independence of the external auditor included:

- Examining written confirmation from Deloitte that they remained independent and objective within the context of applicable professional standards.
- Monitoring the ratio between the fees for audit work and non-audit services.

As a result of this review and receipt of written confirmation to the directors from Deloitte of their independence as auditor of the Company, the Committee concluded that Deloitte remained appropriated independent in the role of external auditor. A summary of fees paid to the external auditor is set out in Note 6 to the Financial Statements.

External audit effectiveness

Overall effectiveness of the external audit process is dependent upon open communication between the Group and the auditor, which allows each party to raise potential accounting and financial reporting issues as and when they arise, rather than limiting this exchange only during regularly scheduled meetings. The Committee reviewed the effectiveness of the external audit process at its meeting in December 2017. This included reviewing the results of a formal survey to take into consideration the views of the Committee, Executive Directors, and regional senior finance management. The survey included questions on Deloitte's independence and objectivity, audit approach, communications with Deloitte, experience, technical knowledge and understanding of the Group's business. The results were positive and confirmed that both Deloitte and its audit process were appropriate and effective and that the relationships between the audit teams and the Group's business continued to provide effective and objective challenge. Upon the recommendation of the Committee, Deloitte will be proposed for re-election by shareholders at the AGM to be held on 10 May 2018. In reaching its decision to propose Deloitte for re-election, the Committee took into account the effectiveness of the external audit process, and the objectivity and independence and the length of tenure of Deloitte as external auditor.

Risk management and internal controls

The Board has delegated to the Committee responsibility for routine monitoring of the effectiveness of its risk management and internal control processes. In fulfilling its responsibilities, the Committee:

- Reviewed the results of management's internal financial control programme, including financial, operational and compliance controls, and mitigation plans to remedy the deficiencies identified by its internal control programme, Internal Audit and Deloitte. The Committee did not view any of the issues that had been identified and addressed as significant.
- Reviewed management's risk register and mitigation plans, including determination of the nature and extent of the principal risks.

Details of the Group's principal risks and uncertainties are set out on pages 30 to 36 together with information about the management and mitigation of such risks. The Group's risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

Internal audit

The primary objective of the Group's Internal Audit function is to systematically and objectively assess the adequacy and effectiveness of the business controls over the Group's operations, financial reporting, risk and compliance areas and review the quality of performance in achieving the Group's objectives and goals. As part of the Committee's oversight of the Internal Audit function, the Committee has:

- Evaluated the effectiveness and scope of work performed by the Internal Audit function during 2017 and has agreed the scope of work to be performed for the upcoming year.
- Reviewed the Internal Audit reports and management's responses to audit reports issued during the year.
- Reviewed the status of actions resulting from internal audits and consider remedial action for overdue items.

The Committee has reviewed and approved the internal audit charter and risk-based internal audit plan, and received updates six times during the year on the internal audit activity, engagement results, and the status of management actions to help form a view on internal audit effectiveness.

The Committee has satisfied itself that the quality, experience and expertise of the Internal Audit function are appropriate for the Group.

Compliance review

The Committee also reviews the Group's compliance policies and procedures and compliance global monitoring plan and results, including the operation of the third-party managed whistle-blowing solution to enable employees and third parties to report suspected breaches of our Code of Ethics and Business Conduct. In particular, it oversees the investigation and outcome of significant issues reported via this mechanism. Further information about our compliance programme and our Code of Ethics and Business Conduct is included on page 17 and in our Corporate Responsibility Report which is available on our website, www.convatecgroup.com/corporate-responsibility.

Internal control system

Control environment

- Clear organisational structure and internal decision-making process.
- Formal delegated authorities.
- Formal Group policies.
- Performance-related rewards and incentives.

Risk assessment

- Board responsible for defining risk appetite.
- Bi-annual business unit risk review process.
- Annual viability assessment.

Control activities

- Financial, operational, IT and compliance controls designed and implemented by management.
- Mitigation plans to remedy deficiencies identified through control activities.
- Monitoring and assurance via dedicated control functions, e.g. Compliance and Information Security.
- Independent internal and external audit and assurance.
- Review of management's risk register and mitigation plans.

Information and communication

- Financial reporting including key judgements.
- Reporting by internal audit function and from external auditor.
- Updates from Legal & Compliance function.
- Third-party managed whistle-blowing solution.
- Determination of principal risks.

Significant areas considered by the Committee in relation to the financial reporting matters in 2017

During the year, the Committee considered the following significant risks and issues in relation to the Group's financial statements and disclosures:

- Analysis of factors used to determine risk related to revenue recognition and the procedures performed by the external auditors to address such risks in connection with the audit.
- The assessment of Group tax matters, including areas of potential exposures, and tax administration audits.
- The changes to the tax environment announced as part of the OECD's Base Erosion Profit Shifting project and US tax reform.
- Going Concern and long-term Viability Statements, including the sensitivity scenarios and assumptions used in the viability model.

The Committee also considered other areas that were non-routine or complex in nature such as:

- The valuation, accounting implications and conclusions reached in connection with the EuroTec and Woodbury acquisitions.
- The accounting implications and conclusions reached in connection with entering into an interest rate swap arrangement.
- Foreign exchange losses experienced by the Group, review of the Group's treasury policy and plan to mitigate foreign exchange exposures.
- The assessment of the carrying value of the goodwill due to the significance of the amounts recorded on the Consolidated Statement of Financial Position and judgements involved in assessing goodwill for impairment. The Group's strategic plan is the basis for the valuation projections. The Committee reviewed and challenged the growth assumptions included in the strategic plan.
- The analysis of the circumstances leading to the trading announcement in October 2017 and review of improvements to the budgeting and forecasting controls and processes.

These issues were discussed with management during the year and during the preparation and finalisation of the financial statements. After reviewing the presentations and reports from management the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures made. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has discussed these issues with the auditor during the audit planning process and at the finalisation of the year-end audit and is satisfied that its conclusions are in line with those drawn by the auditor in relation to these issues.

The Committee's process for challenging the assumptions of management and addressing the risks identified includes the following activities:

- Reviewing the significant management judgements and assumptions underlying management's impairment analysis for goodwill and intangibles and challenging key assumptions such as discount rates and terminal growth rates applied, comparing rates to industry peers and historical performance.
- Challenging management growth forecasts through analytical review and assessment of the ability to achieve these forecasts.
- Reviewing the evidence supporting the Going Concern basis of accounts preparation and Viability Statement.

In its advisory capacity, the Committee confirmed to the Board, that based on its review of the Annual Report and Accounts and internal controls that support the disclosures, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for the shareholders to assess the Group's position and performance and its business model and strategy.

The Committee's process for ensuring the Annual Report and Accounts taken as a whole are fair, balanced and understandable includes a qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts including but not limited to:

- Assessing the accuracy and integrity of the messages conveyed in the report and appropriateness of the level of detail in the reporting.
- Correlation between the key working papers and results for each of the significant issues and judgements considered by the Audit Committee in the period as provided by management and the disclosures in the report.
- Consistency between the Strategic report, Corporate governance report and Financial review, and the Financial Statements.
- Balance of statutory reported results and non-IFRS measures and the differences and reconciliation between them.

On behalf of the Audit and Risk Committee
Jesper Ovesen
Chairman of the Audit and Risk Committee
14 February 2018

Remuneration Committee report
Letter from the Remuneration Committee Chairman

Our aim is to reward performance and underpin our ambition to be recognised as the most respected and successful MedTech company in the world.

Steve Holliday
Chairman of the Remuneration Committee

Committee membership, meetings and attendance

The table below sets out the Committee's membership. It met four times during 2017 and attendance is shown.

	Attendance	
Director	Attended	Eligible to attend
Steve Holliday (Chairman)	4	4
Sir Christopher Gent	4	4
Jesper Ovesen	4	4
Raj Shah (member until 14 August 2017)	2	2
Ros Rivaz (appointed 14 August 2017)	1	2

In addition to the meetings above the Chairman of the Committee met on a monthly basis with the EVP Human Resources and the VP Compensation and Benefits.

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Remuneration Committee for the year to 31 December 2017, ConvaTec Group Plc's first full financial year since Listing in October 2016.

Performance in the year to 31 December 2017 and implications for remuneration

In light of the Group's performance, the stretching annual bonus targets set for the year were not achieved, resulting in a 2017 bonus payout significantly below target. In addition, our investors expect companies to demonstrate restraint on executive pay when it is appropriate to do so; accordingly, Executive Directors will receive no salary increase, the Committee exercised its discretion to reduce the payout of the personal element of the annual bonus for the CEO, and the CEO's LTIP allocation under the 2018 award will be reduced. In the same spirit members of the senior management team entitled to receive LTIP allocations will also receive reduced awards.

The Committee recognises the importance of close alignment of remuneration with Group performance, and has kept under review the design of the Remuneration Policy. We believe that the remuneration outcomes for 2017 appropriately demonstrate this link, and that the remuneration framework in place remains fit-for-purpose for 2018.

Committee activities during the 2017 financial year

Following the approval of our first Remuneration Policy at this year's AGM, the Committee's activities in 2017 have been focused on implementing our policy and reviewing the structure of the LTIP for future award cycles to reflect shareholder feedback received in 2017.

The Committee also reviewed and ratified proposals to launch a global employee share purchase plan in all 45 countries in which ConvaTec operates, and we were delighted by the strong take-up rate of 22% in the first year of implementation. In line with the commitment made to investors last year, the Committee has also decided to introduce Return on Invested Capital (ROIC) as a third measure to LTIP awards to be granted in 2018. Alongside three-year EPS and relative TSR, the Committee believes that introducing an element on ROIC provides an appropriate balance between growth and returns in the LTIP, helps align executive remuneration more closely with our stated strategic pillar of efficiency, and rewards the making of appropriate investments to support the Group's growth. Details of the ROIC targets (as well as the targets relating to EPS and relative TSR) that will apply to 2018 LTIP awards are set out on pages 87 to 88.

During the year, the Committee also:
- Considered and agreed the implications on remuneration of Nigel Clerkin's decision to step down as CFO, and the terms of Frank Schulkes' appointment. In both cases, the Committee's decisions were in line with the Remuneration Policy approved by shareholders in 2017, and further details of these are disclosed in the Annual Report on Remuneration.
- Approved the remuneration packages for new appointees to the Executive Committee.
- Reviewed the gender pay gap analysis and supporting materials.
- Ensured that appropriate performance targets were established and embedded in the Group's incentive plans.
- Undertook a best practice review of the terms and conditions of employment utilised to engage management at Executive Committee, Vice President and non-Board Director level in the UK, US and Switzerland.
- Oversaw the UK living wage accreditation and commissioned a review of the living wage position across all ConvaTec geographies during the course of 2018.
- Reviewed the global incentive structure for all ConvaTec employees and supported the decision for closer geographic and functional alignment.
- Reviewed the criteria for determining eligibility for discretionary long-term incentive awards for non-Board Directors and Associate Directors.

Committee composition

During the year, the composition of the Committee changed to reflect changes to the Board more broadly. Raj Shah stepped down from the Committee in September, after Nordic Capital substantially reduced its shareholding in the Group, and Ros Rivaz, who joined the Board in June, was appointed to the Committee in August. Ros brings considerable experience of listed company remuneration to the Group, having previously chaired the Remuneration Committee at Rexam Plc and served as a member of the remuneration committees of a number of other companies.

Structure of this report

As in last year's Annual Report, this report is split into three parts:
- this Annual Statement;
- the Annual Report on Remuneration, which details how our Remuneration Policy was implemented during the year to 31 December 2017 and how we intend to apply our policy in the year to 31 December 2018; and
- the Policy Report, which presents the Directors' Remuneration Policy, as approved by a binding shareholder vote at the 2017 AGM.

Following approval of our Remuneration Policy at the 2017 AGM, no changes are proposed to the policy for 2018. However, the Annual Report on Remuneration will be put to an advisory vote at the 2018 AGM, and the Remuneration Committee hopes that it can count on your support for this resolution.

Steve Holliday
Chairman of the Remuneration Committee
14 February 2018

Remuneration Committee report
Remuneration at a glance

Our Remuneration Policy
Our Remuneration Policy was approved by shareholders at the 2017 AGM and is effective for a period of three years from this date. We have only made minor adjustments to update data where applicable, reflect Board changes and to reflect the introduction of ROIC to the LTIP for 2018. The Policy is set out in full on pages 90 to 96.

Remuneration principles
The Policy is based on the following remuneration principles:
- To incentivise sustained strong financial performance.
- To align rewards with the delivery of the Group's strategy of growth, innovation and efficiency.
- To help ensure the alignment of employees with the interests of shareholders and encourage widespread share ownership across the workforce.
- To help attract, motivate and retain the best talent to deliver the Group's strategy and create long-term shareholder value.
- To reflect market best practice and consistently adhere to principles of good corporate governance and encourage good risk management.

Shareholder consultation
In advance of the 2017 AGM, we consulted with shareholders on the proposed Policy and the Committee was delighted with the level of shareholder support it received (99.45% voted for). We have also responded to feedback from some shareholders to include a return on capital measure in the LTIP; for the 2018 cycle, TSR and EPS will be complemented by ROIC (each measure weighted 1/3). Further details are set out on pages 87 to 88.

Strategic drivers
Our strategy is designed to drive sales and earnings momentum by building our strong portfolio of differentiated products with leading positions in large structurally growing markets. Accordingly, we look to excel across the following three strategic drivers:
- Growth
- Innovation
- Efficiency

These strategic drivers are embedded in our incentives through the performance measures we select and the targets we set.

Components of remuneration
The remuneration package for the Executive Directors comprises both fixed and variable elements consistent with our remuneration principles.

Fixed

Salary + Pension and other benefits

= **Fixed total**

Variable

Annual bonus + LTIP

= **Variable total**

= **Total remuneration**

Fixed components

Base salaries

CEO – Paul Moraviec	**£670,000**
CFO – Frank Schulkes	**£430,000**

Policy
The base salary for the CEO was set at £670,000 on Listing. The salary for the CFO was set at £430,000 on the date of his appointment (3 August 2017). Executive Director salary levels will remain at these levels for the 2018 financial year.

Pension and other benefits in 2018

Employer pension contributions	
CEO – Paul Moraviec	**15% of base salary**
CFO – Frank Schulkes	**15% of base salary**

Other taxable benefits	
CEO – Paul Moraviec	**£26,689**
CFO – Frank Schulkes	**£16,372**

Policy
Executive Directors may receive a contribution of up to 15% of base salary to their personal pension plan, a cash allowance or a combination of these. Other benefits include car allowance, medical insurance and life insurance, and are set at a level considered appropriate taking into account market practice and consistent with the wider workforce.

Variable components

Annual bonus

Maximum bonus opportunities for 2018	
CEO – Paul Moraviec	**200% of base salary**
CFO – Frank Schulkes	**150% of base salary**

Performance measures	Weighting
Organic revenue growth	**40%**
Adjusted EBIT	**40%**
Personal strategic objectives	**20%**

50% of the bonus opportunity will pay out for on-target performance. There is no payout for at or below threshold performance.

Two-thirds of any bonus earned is paid in cash with one-third normally deferred in ConvaTec Group Plc shares for a further three-year period.

Variable components continued

Policy

Maximum award opportunity: 200% of base salary in face value

Performance measures, targets and weightings are set by the Committee at the start of each year. After the end of the financial year the Committee determines the level of bonus to be paid based on performance. 80% of the bonus will normally be based on financial performance (with Group revenue and Group profit weighted equally), with the remainder linked to personal strategic objectives.

Malus and clawback provisions apply under certain circumstances.

LTIP

Award levels for 2018 (face value)	
CEO – Paul Moraviec	**180% of base salary**
CFO – Frank Schulkes	**175% of base salary**

In light of the Group's performance and the expectations of investors for companies to demonstrate restraint on executive pay when it is appropriate to do so, the CEO's LTIP award level has been reduced for 2018. A similar adjustment was not considered appropriate for the CFO, who was only recently appointed to the role.

Performance measures	Weighting
Three-year relative TSR	**One-third**
Three-year average Return on Invested Capital ("ROIC") – New for 2018	**One-third**
Three-year compound annualised growth in EPS	**One-third**

In line with the commitment made to shareholders, ROIC has been introduced for LTIP awards to be granted in 2018 onwards.

Policy

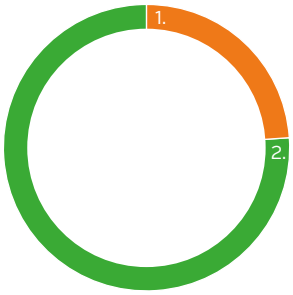
Maximum award opportunity: 250% of base salary in face value

Prior to awards being granted each year the performance conditions and targets are set by the Committee to ensure they are stretching and aligned with the Group strategy. 25% of an award will vest at threshold, with 100% vesting at maximum (and a straight-line sliding scale between these points). The LTIP has a performance period of at least three years and a minimum vesting period of three years. A two-year post-vesting holding period will apply.

Malus and clawback provisions apply under certain circumstances.

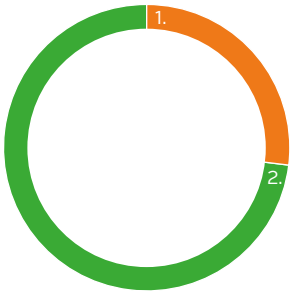
Pay at risk*

CEO – Paul Moraviec



1. Fixed	**24%**
2. Variable	**76%**

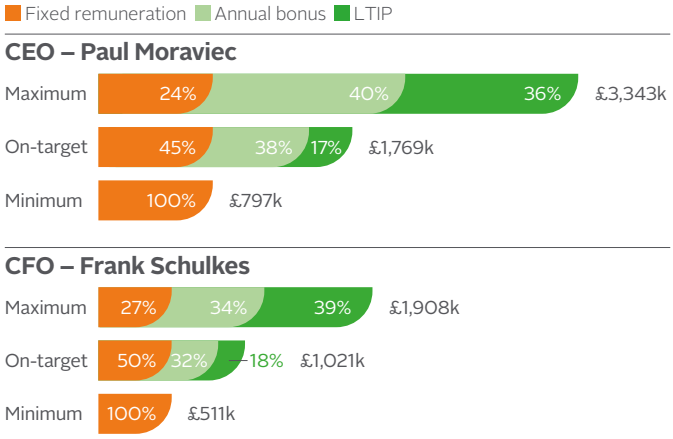
CFO – Frank Schulkes



1. Fixed	**27%**
2. Variable	**73%**

* Based on maximum opportunity.

Pay scenarios



The above charts are based on the following assumptions:
"Maximum": fixed remuneration (salary, pension, other benefits), plus maximum bonus (CEO: 200% of salary, CFO: 150%) and full vesting of LTIP awards (CEO: 180% of salary, CFO: 175%).
"On-target": fixed remuneration as above, plus target bonus (50% of maximum) and threshold LTIP vesting (25% of maximum).
"Minimum": fixed remuneration only, being the only element of Executive Directors' remuneration not linked to performance.

Shareholding requirements

CEO	**400% of base salary**
CFO	**300% of base salary**

Remuneration for the wider workforce

Remuneration for the wider workforce is determined based on broadly consistent principles as those for Executive Directors. Annual salary reviews take into account Group performance, local pay and market conditions to ensure that reward at ConvaTec remains competitive. Incentive arrangements are in place for some employees below the executive level.

Remuneration Committee report
Annual Report on Remuneration

This section of the Remuneration Report provides details of how our Remuneration Policy was implemented during the financial year ended 31 December 2017, and how it will be implemented during the year ending 31 December 2018. It has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UKLA's Listing Rules.

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the single total figure of remuneration for Executive Directors and Non-Executive Directors, and accompanying notes (pages 82 to 83), scheme interests awarded during the financial year (page 84), exit payments made in the year (page 86), payments to past Directors (page 86) and the statement of Directors' shareholdings (page 89). The remaining sections of the report are not subject to audit.

Committee membership in 2017
Details about the membership of the Committee, the number of times it met during 2017 and attendance at its meetings are set out in the Committee Chair's letter on page 78.

The Committee operates within agreed terms of reference, which are available on our website at www.convatecgroup.com. The Committee is responsible for determining the Remuneration Policy and packages for the Executive Directors and the Executive Committee (being the direct reports to the Group CEO and covering the next most senior executives across the Group). The Committee is also responsible for agreeing the fees for the Non-Executive Chairman.

The CEO, EVP Global Human Resources and VP Compensation & Benefits attend meetings of the Committee by invitation. The members of the Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

Advisers
Mercer Kepler is the Committee's appointed independent advisor, having been appointed by the Committee at its first meeting following Listing (on 13 December 2016). Mercer Kepler provides support to the Committee and the Group on remuneration-related matters, and reports to the Committee Chairman. Mercer Kepler is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK (www.remunerationconsultantsgroup.com). Neither Mercer Kepler (nor its parent, Mercer) has any other connection with the Group and is considered to be independent by the Committee. Fees paid to Mercer Kepler are determined on a time and materials basis, and totalled £71,150 (excluding expenses and VAT) for the 2017 financial year (2016: £8,900) in their capacity as advisers to the Committee.

Summary of shareholder voting at the 2017 AGM
The following table shows the results at the 2017 AGM of the binding vote on the Remuneration Policy and the advisory vote on the 2016 Annual Report on Remuneration.

Resolution	Vote 'for'	Vote 'against'	Votes withheld[1]
Approve the Directors' Remuneration Policy	99.45%	0.55%	338,007
To approve the Directors' Remuneration Report	97.94%	2.06%	338,007

1. Votes 'withheld' are not votes in law and, therefore, have not been included in the calculation of the proportion of votes 'for' or 'against' each resolution.

Single total figure of remuneration for Executive Directors (audited)
The table overleaf sets out a single figure for the total remuneration received by each Executive Director for the 2017 financial year, and compares this with the equivalent figure for the 2016 financial year. As disclosed in last year's Remuneration Report, figures for the 2016 financial year are based on the period between each Director's appointment as an Executive Director of ConvaTec Group Plc (being 31 October 2016, when the Group listed) and 31 December 2016. Frank Schulkes joined ConvaTec on 3 August 2017 as CFO Designate, before joining the Board as CFO on 1 November 2017. His disclosed remuneration relates to the period from 3 August 2017 to 31 December 2017. Nigel Clerkin stepped down from the Board and left the Group on 31 October 2017 and his disclosed remuneration relates to the period from 1 January 2017 to this date. The values of each element of remuneration are based on the actual value delivered, where known.

Director	2017 Base salary[1] '000	Taxable benefits[2] '000	Annual bonus[3] '000	LTIP '000	Pension benefit[4] '000	Other[5] '000	Total '000
Paul Moraviec	**£670**	**£27**	**£118**	**n/a**	**£102**	**n/a**	**£917**
Nigel Clerkin	**€388**	**€25**	**€51**	**n/a**	**€63**	**n/a**	**€527**
Frank Schulkes	**£176**	**£6**	**£50**	**n/a**	**£26**	**n/a**	**£258**

Director	2016 Base salary[1] '000	Taxable benefits[2] '000	Annual bonus[3] '000	LTIP '000	Pension benefit[4] '000	Other[5] '000	Total '000
Paul Moraviec	£112	£4	£90	n/a	£16	£1,191	£1,413
Nigel Clerkin	€78	€5	€47	n/a	€7	€658	€795
Frank Schulkes	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. Prior to Listing, the salaries of our Executive Directors were reviewed against other international MedTech companies and FTSE-listed companies of comparable size to ConvaTec Group. Paul Moraviec's base salary figure for 2016 reflects his annual salary of £670,000 paid by the Group from Listing to 31 December 2016. Nigel Clerkin's base salary figure for 2016 reflects his annual salary of €465,000 paid by the Group from Listing to 31 December 2016. Nigel Clerkin's base salary figure for 2017 reflects his annual salary of €465,000 paid by the Group from 1 January 2017 to 31 October 2017. Frank Schulkes' base salary figure for 2017 reflects his annual salary of £430,000 paid by the Group from the date of his joining ConvaTec (on 3 August 2017) to 31 December 2017.
2. Consist primarily of car allowance, private medical insurance, life assurance and permanent health insurance.
3. Reflects the total bonus paid for performance in the relevant financial year. For 2016, the annual bonus was paid 100% in cash. For 2017, one-third of the bonus earned by Paul Moraviec and Frank Schulkes will be deferred into shares for three years. See below and overleaf for further details.
4. Pension benefits in the year, equivalent to 15% of base salary. For 2017, the values for Paul Moraviec and Nigel Clerkin reflect additional one-off payments made in February 2017 to true-up an underpayment of pension in 2016 (during the period from Admission to 31 December 2016), so that the total value of pension contributions now received since Admission equals 15% of the salary earned over the same period.
5. For 2016, reflects the value of Transition Awards granted shortly after Listing, which vest (or vested, as applicable) in three equal tranches on the first, second and third anniversaries of grant, subject to continued employment.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the 2017 and 2016 financial years.

Director	Fee 2017 '000	Fee 2016[2] '000	Total[1] 2017 '000	Total[1] 2016[2] '000
Sir Christopher Gent	**£400**	£133	**£400**	£133
Steve Holliday	**£174**	£45	**£174**	£45
Jesper Ovesen	**£106**	£28	**£106**	£28
Rick Anderson	**£84**	£24	**£84**	£24
Ros Rivaz[3]	**£41**	n/a	**£41**	n/a
Regina Benjamin[4]	**£28**	n/a	**£28**	n/a
Margaret Ewing[4]	**£33**	n/a	**£33**	n/a
Kasim Kutay[5]	**£45**	n/a	**£45**	n/a
Raj Shah[6]	**–**	–	**–**	–
Thomas Vetander[7]	**–**	–	**–**	–
Kunal Pandit[7]	**–**	–	**–**	–

1. In addition to the fees payable to each of the Directors, the Group reimburses reasonable expenses. No taxable benefits were paid to Non-Executive Directors in 2016 or 2017.
2. Reflects the fees paid by the Group from each Director's date of appointment to 31 December 2016.
3. Joined the Board on 21 June 2017.
4. Joined the Board on 14 August 2017.
5. Joined the Board on 28 March 2017. Mr Kutay's fee is paid to Novo Nordisk A/S.
6. Stepped down from the Board on 8 September 2017.
7. Stepped down from the Board on 31 March 2017.

Incentive outcomes for the year ended 31 December 2017 (audited)

Annual bonus in respect of performance in the 2017 financial year

For 2017, the CEO had a maximum bonus opportunity of 200% of base salary, and each of Nigel Clerkin and Frank Schulkes had a maximum opportunity of 150% of the salary they earned in respect of 2017. Any payments under the annual bonus are normally payable two-thirds in cash and one-third in shares, deferred for three years. The on-target opportunity was 50% of maximum. The annual bonus for 2017 was based on a combination of organic revenue growth (weighted 40%), Adjusted EBIT (40%) and personal strategic objectives (20%).

Remuneration Committee report
Annual Report on Remuneration continued

The table below summarises the structure of the 2017 annual bonus, the targets set, our performance over the financial year and the resulting annual bonus payout for each of the Executive Directors.

			Maximum	Performance targets				Earned bonus	
Director	Measure	Weighting	opportunity (% of salary)	Threshold	Target	Maximum	Actual performance*	(% of max.)	('000)
Paul Moraviec	Organic revenue growth	40%	80%	$1,713m	$1,793m	$1,876m	$1,745m	44%	£118
	Adjusted EBIT	40%	80%	$479.9m	$492.0m	$523.5m	$439.4m	0%	£0
	Personal objectives	20%	40%	Paul Moraviec's personal objectives for the 2017 financial year were to: (1) gain Board approval of a 5-year strategic plan for the Group; (2) launch the NPWT new product platforms; (3) drive continued momentum in the Ostomy Franchise; and (4) gain Board approval for two projects driving the transformation of key internal processes across the Group. The Committee considered these objectives were partially achieved, but considering other performance issues, decided that no award should be made this year.				0%	£0
		100%	200%					9%	£118
Nigel Clerkin	Organic revenue growth	40%	60%	$1,713m	$1,793m	$1,876m	$1,745m	44%	€51
	Adjusted EBIT	40%	60%	$479.9m	$492.0m	$523.5m	$439.4m	0%	€0
	Personal objectives	20%	30%	Nigel Clerkin's personal objectives for the 2017 financial year related to: (1) achievement of the Group's Margin Improvement Plan; (2) transforming and optimising the Finance function; and (3) implementation of shared services across the Group for key functions. The Committee considered these objectives were not met, and accordingly that no award should be made this year.				0%	€0
		100%	150%					9%	€51
Frank Schulkes	Organic revenue growth	40%	60%	$1,713m	$1,793m	$1,876m	$1,745m	44%	£23
	Adjusted EBIT	40%	60%	$479.9m	$492.0m	$523.5m	$439.4m	0%	£0
	Personal objectives	20%	30%	The Committee determined that the personal performance element of Mr Schulkes' bonus (pro-rated for the part-year from his appointment to 31 December 2017) should pay out in full, reflecting his strong contribution to ConvaTec since joining.				100%	£26
		100%	150%					19%	£50

* Excluding Woodbury.

One-third of the bonus earned by Paul Moraviec and Frank Schulkes will be deferred into shares for three years. As Nigel Clerkin left the Group during 2017, the Committee determined that the bonus earned by him for 2017 should be paid 100% in cash, in line with the discretion available in the Policy.

Scheme interests vesting in 2017 – first tranche of Transition Awards

As disclosed in last year's Annual Report on Remuneration, Paul Moraviec and Nigel Clerkin were each granted one-off Transition Awards (comprising restricted shares and market value options) under the LTIP shortly after Listing. The values of these awards were captured in full in the 2016 single figure for each Executive Director. The first tranche of the restricted shares and market value options vested on 11 November 2017, as follows:

Director	Vehicle	Number awarded	Exercise price	Vesting %	Number vesting	Vesting date	Market price[1]	Value/gain 000
Paul Moraviec	Share options	201,807	249.00p	100%	201,807	11/11/17	189.75p	£nil
	Restricted shares	134,538	–	100%	135,061**	11/11/17	189.75p	£256
Nigel Clerkin	Share options	89,203*	249.00p	100%	89,203	11/11/17	189.75p	£nil
	Restricted shares	61,168*	–	100%	61,406**	11/11/17	189.75p	£116

1. The closing share price on the vesting date.
* Pro-rated to reflect the proportion of the vesting period to Nigel Clerkin's departure date of 31 October 2017.
** Reflects additional shares awarded in lieu of the value of dividends accruing on the restricted shares over the vesting period (523 shares and 238 shares for Paul Moraviec and Nigel Clerkin respectively).

These vested awards remain subject to a two-year post-vesting holding period.

Scheme interests awarded in 2017 (audited)

2017 LTIP Awards

During the year ended 31 December 2017, the Executive Directors were awarded conditional share awards under the LTIP, details of which are summarised in the table below.

Director	Date of grant	Number awarded	Award price[1]	Face value £	Face value % of annualised salary	Vesting date
Paul Moraviec	6 March 2017	600,358	251.10p	£1,507,500	225%	6 March 2020
Nigel Clerkin	6 March 2017	276,850	251.10p	£695,170	175%[2]	6 March 2020
Frank Schulkes	13 September 2017	115,656	267.60p	£309,495	72%[3]	13 September 2020

1. The LTIP face values are determined as a % of each Executive Director's salary, and converted into numbers of conditional shares using the closing price on the trading day preceding the date of grant.
2. Nigel Clerkin's salary was converted from € into GBP at a rate of €1 = £0.854.
3. Frank Schulkes' award is based on an opportunity of 175% of his pro-rated salary for 2017.

The performance conditions attached to these 2017 LTIP awards are set out in the table below.

Measure	Weighting	Performance period	Vesting schedule: Performance	Vesting schedule: % vesting
Three-year Relative TSR against the following comparators: Ambu, Beckton Dickinson, Coloplast, C R Bard, Fresenius, Getinge, GN Store Nord, Integra Lifesciences, Smith & Nephew, Stryker, Teleflex, William Demant and Zimmer Biomet	50%	1 January 2017 to 31 December 2019	< Median	0%
			Median	25%
			≥ 90th percentile	100%
			Straight-line sliding scale vesting between these points	
Three-year cumulative EPS	50%	1 January 2017 to 31 December 2019	< 62¢	0%
			62¢	25%
			≥ 69¢	100%
			Straight-line sliding scale vesting between these points	

To the extent the 2017 LTIP awards vest, vested shares will be required to be held for a further two-year post-vesting holding period.

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration (from 2016 to 2017) compared to the average percentage change in remuneration for all other employees over the same period.

Element of remuneration	CEO[1]	Average of employees[2]
Base salary	0%	2.41%
Benefits	12.5%	2.41%
Annual bonus	-78.2%	-78.2%

1. Comparison is based on the annualised value of each element disclosed in the 2016 Remuneration Report. The year-on-year increase in the value of the CEO's benefits reflects the introduction of medical insurance to his benefits package for 2017, in line with the standard provision for all UK employees.
2. The year-on-year increase in benefits reflects the Group's best estimate for the change in the average value of benefits for all employees. Although there was no change to benefits provision in 2017 compared to 2016, some benefits increased in value through being linked to employees' salaries.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2016 and 31 December 2017, and the percentage change year on year.

	2016 $m	**2017 $m**	Year-on-year change
Total employee pay expenditure	528.9	**471.9**	-10.8%
Shareholder distributions	0	**111.5**	n/a

Exit payments made in the year (audited)
Nigel Clerkin left the Group on 31 October 2017, after deciding not to relocate his family from Ireland when the Group decided to relocate the CFO role to Reading. Details of payments due to him on cessation of employment were published on 1 November 2017. In accordance with the terms of his service agreement, the Company agreed to make nine equal monthly payments of €39,853 to Nigel Clerkin following his departure date, in lieu of notice for the remainder of his contractual notice period and comprising: base salary (€354,115) and other benefits (€4,569). The Company also made a lump sum payment for accrued but unused holiday of €5,284. It was further determined that, if Nigel Clerkin was to obtain an alternative remunerated position with a salary or fee in excess of £100,000 per annum prior to 3 August 2018, then the monthly payments still outstanding would be reduced by an amount equal to 50% of the earnings received in excess of £100,000 in respect of the alternative role. Nigel Clerkin was appointed as CFO of UDG Healthcare with effect from 1 May 2018. In line with our policy for exit payments to be subject to mitigation and the terms agreed when he left the Group, the monthly payments due to Nigel Clerkin following 1 May 2018 will be reduced to €24,809. The total value of payments made in lieu of notice to Nigel Clerkin will be reduced to €313,550.

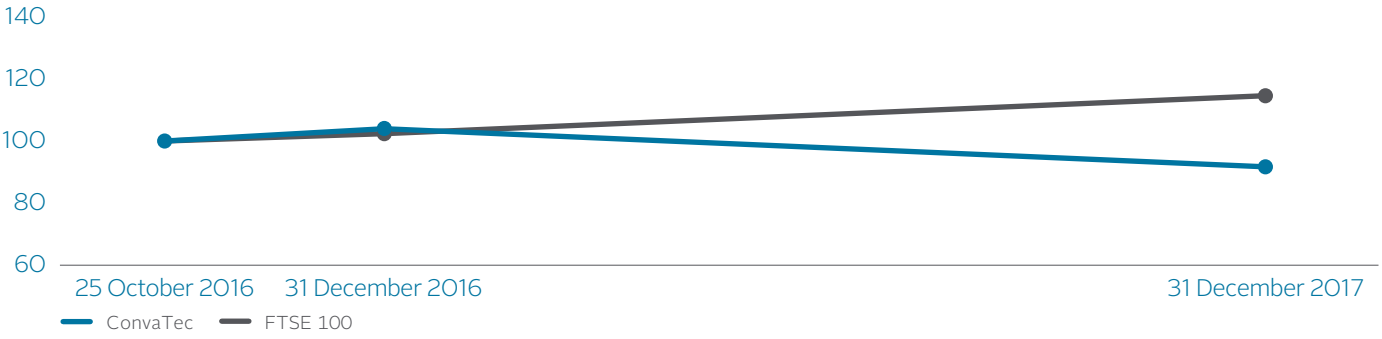
It was agreed that Nigel Clerkin would be entitled to a pro-rata bonus payment for the 2017 financial year, the value of which is disclosed in the single total figure of remuneration for Executive Directors on page 83 (along with the remuneration received by Nigel Clerkin in respect of his employment from 1 January to 31 October 2017). The Committee agreed to apply the good leaver provisions set out in the Remuneration Policy to Nigel Clerkin's outstanding Transition and 2017 LTIP awards. These awards will be pro-rated for time, and the vesting of 2017 LTIP awards will remain subject to performance over the three-year performance period. Mr. Clerkin's pro-rated outstanding Transition Awards will vest as follows: 30,584 shares and 44,602 options on 11 November 2018, and 20,389 shares and 29,734 options on 11 November 2019. The two-year post-vesting holding period will continue to apply to the Transition Awards and any 2017 LTIP awards that vest.

Payments to past Directors (audited)
No payments were made to past directors in the 2017 financial year.

External appointments
In error, last year's Remuneration Report stated that neither Paul Moraviec nor Nigel Clerkin held any external appointments from Listing to 31 December 2016. As disclosed in the Listing Prospectus, Paul Moraviec was a Director of Sequana Medical AG (a privately-held organisation) during the financial year to 31 December 2016, a position from which he stepped down during the year to 31 December 2017. Paul was entitled to retain any fees received in connection with this appointment. His fee in connection with this appointment was share-based; he received no cash fee. As at the publication date of this report, neither of the current Executive Directors holds any external appointments.

Review of past performance
This graph shows the Group's Total Shareholder Return (TSR) compared to the FTSE 100 Index, of which the Group is a constituent. Performance, as required by legislation, is measured by TSR over the period from commencement of conditional dealing (26 October 2016) to 31 December 2017.

TSR chart for 2017 DRR – ConvaTec vs the FTSE 100 index
Value of £100 invested on 25 October 2016 in ConvaTec and the FTSE 100 index (£)



The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period:

	2017	2016
CEO	**Paul Moraviec**	Paul Moraviec
CEO single figure ('000)	**£917**	£1,413
Annual bonus (% max)	**9%**	40%
LTIP vesting (% max)	**n/a**	n/a

Implementation of Executive Director Remuneration Policy for 2018

Base salary

The base salary for the CEO was set on Listing, taking into account competitive practice for similar roles in other international MedTech companies and FTSE 100 companies of similar size. The salary for the CFO was set on the date of his appointment (3 August 2017). As disclosed in the Annual Statement at the start of this Remuneration Report, Executive Director salary levels will remain at these levels for the 2018 financial year, and will be reviewed again later in 2018 (with any increases that may be determined and awarded in line with our Policy being effective 1 April 2019):

Director	Role	2018	2017
Paul Moraviec	CEO	**£670,000**	£670,000
Frank Schulkes	CFO	**£430,000**	£430,000

Pension

Both Executive Directors will continue to receive a cash allowance of 15% of base salary in lieu of a pension contribution.

Annual bonus

For 2018, the CEO will continue to have a maximum bonus opportunity of 200% of salary, and the CFO will continue to have a maximum bonus opportunity of 150% of salary. The on-target bonus opportunity remains 50% of maximum. Two-thirds of any bonus earned will be paid in cash, with the remainder deferred into ConvaTec Group Plc shares for a further three-year period.

The annual bonus for 2018 will continue to be based on the following measures and weightings:

Measure	Weighting
Organic revenue growth	40%
Adjusted EBIT[1]	40%
Personal strategic objectives	20%

1. Excludes exceptional one-off items and the impact of portfolio changes occurring in the performance year.

The Committee will normally disclose the annual bonus targets retrospectively in next year's Annual Report on Remuneration. In the event the Board considers these targets to remain commercially sensitive, they will be disclosed as soon as possible once they are no longer considered to be sensitive.

In line with our Policy, bonuses for the 2018 financial year will be subject to the Group's malus and clawback provisions (see page 92 for further details).

Long-Term Incentive Plan ("LTIP")

The Executive Directors will receive conditional awards of shares under the ConvaTec LTIP in respect of 2018, with face values of 180% of salary for the CEO, and 175% of salary for the CFO.

In line with the commitment made to shareholders last year to introduce a returns measure alongside Relative TSR and EPS, the 2018 LTIP will vest after three years, subject to the following targets:

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Three-year Relative TSR	One-third	Median	90th percentile
Three-year compound annualised growth in EPS	One-third	5% p.a.	12% p.a.
Three-year average Return on Invested Capital (ROIC)	One-third	9.1%	11%

Relative TSR will continue to be measured over a three-year period (commencing 1 January 2018) compared to the following companies on the basis of TSR rank: Ambu, Beckton Dickinson, Coloplast, C R Bard, Fresenius, Getinge, GN Store Nord, Integra Lifesciences, Smith & Nephew, Stryker, Teleflex, William Demant and Zimmer Biomet. TSR will be calculated in GBP and using three-month averaging.

EPS targets have been set at stretching levels taking into account both internal and external forecasts, and commensurate with the targets set for the Relative TSR element of the LTIP (median to 90th percentile). EPS performance shall be measured on a constant currency basis by reference to 2017 average rates. The maximum vesting level is set to represent very stretching performance. Going forward, the Committee considers it more appropriate to calibrate the EPS targets on a point-to-point basis, and express these in terms of compound annualised growth rates. They are set to be no less challenging to achieve than the cumulative targets set for the 2017 LTIP cycle.

In line with the commitment made following investor feedback last year, the Committee has introduced adjusted Return on Invested Capital (ROIC) as a third measure to 2018 LTIP awards.

Our definition of adjusted ROIC is:

$$\text{Adjusted ROIC} = \frac{\text{Adjusted Net Operating Profit after Tax (NOPAT)}}{\text{Adjusted Invested Capital}}$$

Where:

Adjusted NOPAT = Adjusted EBIT less tax at the adjusted effective tax rate. Adjusted EBIT will be consistent with the definition previously published by the Company and excludes acquisition related amortisation expense. It also excludes items identified as non-recurring, infrequent or unusual in nature that management believes are not indicative of the underlying performance of the consolidated Group.

Adjusted Invested Capital = Net Assets excluding cash, debt and all amortisation related to the Company's historical acquisitions.

The impact of future acquisitions (including intangibles assets, amortisation and goodwill) will be captured in the calculations of both the numerator and denominator. However the Remuneration Committee will review and consider adjusting for the impact of material mergers and acquisitions (M&A) activity on the Adjusted ROIC targets. Any adjustment will be made on the basis of ensuring neutrality of the LTIP to this M&A.

Adjusted ROIC targets will be set and measured on a 3-year average basis for LTIP purposes.

Including ROIC provides an appropriate balance between growth and returns in the LTIP, helps align executive remuneration more closely with our stated strategic pillar of efficiency, and rewards the making of appropriate investments to grow. ROIC targets have been set at stretching levels taking into account a range of reference points, and commensurate with the targets set for the Relative TSR and EPS elements of the LTIP (median to 90th percentile). The maximum vesting level is set to represent very stretching performance.

The Committee retains discretion to adjust performance targets under the EPS and ROIC elements to appropriately reflect the impact of acquisitions and disposals occurring during the performance period, to ensure fairness to shareholders and participants. The use of any such discretion would be detailed in the relevant Annual Report on Remuneration.

2018 LTIP awards will be subject to an additional post-vesting holding period. To the extent an award vests subject to three-year performance, shares will be required to be held for a further two years (i.e. until the fifth anniversary of the date of grant). In line with our policy, LTIP awards will also be subject to the Group's malus and clawback provisions.

Implementation of Non-Executive Director Remuneration Policy for 2018

Non-Executive Director fees were set on Listing taking into account competitive practice for similar roles in other international MedTech companies and FTSE 100 companies of similar size. The current fees payable to the Non-Executive Directors are set out below:

Role	Fee
Chairman	£400,000
Deputy Chairman basic fee	£110,000
Non-Executive Director basic fee	£60,000
Additional fees:	
Senior Independent Director	£20,000
Chairman of the Audit Committee	£22,000
Chairman of the Remuneration Committee	£20,000
Membership of Board committees	£12,000

Non-Executive Director fees will remain at these levels for 2018.

Directors' shareholdings (audited)

The table below sets out details of the current shareholdings of each Director (and any relevant connected persons) as at 31 December 2017 or the date of leaving. For Executive Directors, the current shareholding is compared to their shareholding guideline.

	Shares				Options			
	Owned outright or vested[1]		Unvested and not subject to performance	Unvested and subject to performance[2]	Vested but not exercised	Unvested and not subject to performance[2]	Current shareholding[3] (% salary)	Shareholding guideline (% salary)
Director	31 December 2016	**31 December 2017**						
Paul Moraviec	4,837,448	**4,972,509**	269,076	600,358	201,807	403,614	1,588%	400%
Nigel Clerkin[4]	3,976,976	**4,038,382**	50,973	53,832	89,203	74,336	2,099%	300%
Frank Schulkes	n/a	**100,000**		115,656			49.76%	300%
Sir Christopher Gent	111,111	**150,000**	–	–	–	–	–	–
Steve Holliday	88,889	**88,889**	–	–	–	–	–	–
Jesper Ovesen	88,889	**88,889**	–	–	–	–	–	–
Rick Anderson	72,651	**72,934**	–	–	–	–	–	–
Kasim Kutay	n/a	**N/A**	–	–	–	–	–	–
Dr Ros Rivaz	n/a	**13,224**	–	–	–	–	–	–
Dr Regina Benjamin	n/a	**N/A**	–	–	–	–	–	–
Margaret Ewing	n/a	**N/A**	–	–	–	–	–	–
Raj Shah	–	**–**	–	–	–	–	–	–
Thomas Vetander	–	**–**	–	–	–	–	–	–
Kunal Pandit	–	**–**	–	–	–	–	–	–

1. Certain vested shares remain subject to a time-based lock-up arrangement and/or a forfeiture arrangement as follows:
   a. Paul Moraviec and Nigel Clerkin (alongside other senior employees of the Group) entered into a lock-up arrangement with the Company and ConvaTec Management Holdings Limited in relation to shares in the Company that they did not sell in connection with the Listing. Pursuant to this arrangement, Paul Moraviec and Nigel Clerkin agreed that, subject to certain exceptions, they will not sell or otherwise dispose of, directly or indirectly, any of their shares (or any interest therein) or enter into any transaction with the same economic effect as a sale or disposal in respect of 50% of their shares prior to the second anniversary of Listing (on 31 October 2016).
   b. 1,273,048 shares held by Paul Moraviec are subject to a forfeiture arrangement (the "Forfeit Mechanism") pursuant to which these shares (which are held through a nominee arrangement with ConvaTec Management Holdings Limited) may be acquired by the Employee Benefit Trust in the event that a Termination Event occurs. For these purposes, a "Termination Event" occurs when an individual gives notice to terminate his contract of employment other than for good reason or an individual is dismissed for cause within a specified period following the Listing (the "Forfeit Period"). Where the Termination Event occurs by reason of an individual being dismissed for cause, the Forfeit Period will last 24 months. Where the Termination Event occurs by reason of the Executive Director giving notice to terminate his contract of employment other than for good reason, the Forfeit Period shall last for 21 months for Paul Moraviec. The proportion of shares that can be forfeited is dependent on when a Termination Event occurs. After the Forfeit Period no shares will be subject to the Forfeit Mechanism.
2. Unvested awards not subject to performance reflect the second and third tranches of the Transition Awards granted on 11 November 2016, which vest on the second and third anniversaries of the date of grant, subject to continued employment.
3. Executive Director shareholdings calculated using a share price of 213.98p, being the average share price during the last three months of the 2017 financial year.
4. Nigel Clerkin left the Group on 31 October 2017. All data in this table relating to Nigel Clerkin is as at that date, and reflects the time pro-rating of any outstanding Transition Awards and 2017 LTIP awards.

No further shares were acquired by the Directors between 31 December 2017 and 14 February 2018, being the latest practicable date prior to publication of this Annual Report.

Share scheme dilution limits

The Company complies with the guidelines laid down by the Investment Association. These restrict the issue of new shares under all the Company's share schemes in any ten-year period to 10% of the issued ordinary share capital and under the Company's discretionary schemes to 5% in any ten-year period. As at 31 December 2017, the headroom available under these limits was 10% and 5%, respectively.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

Steve Holliday
Chairman of the Remuneration Committee
14 February 2018

Remuneration Committee report
Remuneration Policy report

This section of the report sets out the Remuneration Policy for the Directors that was developed to reflect the guiding principles set out on page 80. The Remuneration Policy was approved by shareholders at the 2017 AGM on 11 May 2017 and is effective for a period of up to three years from this date. The only amendments to this Policy Report from the version approved by shareholders in 2017 are to update: (i) the data used in the pay-for-performance scenarios; (ii) the section 'Approach to target setting and performance measure selection', to reflect the introduction of ROIC to the LTIP for 2018; (iii) page references; and (iv) the sections on Executive Director service contracts and Non-Executive Director letters of appointment, to reflect changes in Board composition during 2017.

2017 Remuneration Policy for the Executive Directors

Purpose and link to strategy	Operation	Opportunity	Performance measures
Base salary			
To attract and retain talented Executive Directors to deliver the Group's strategy, by ensuring base salaries and the implied total package are competitive in relevant talent markets, while not overpaying.	Base salaries will be reviewed by the Committee annually, and benchmarked periodically against comparable roles at international MedTech peers, as well as UK-listed companies of similar size and complexity. Any resulting changes are normally effective from 1 April, in line with the effective date for salary increases for the broader workforce. In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of the Group's strategic objectives. The Committee will also consider employment conditions and salary levels across the Group, and prevailing market conditions. Base salary increases for the Executive Directors will normally be aligned with those of the wider workforce, but may be made above this level in exceptional circumstances such as a material change in responsibilities, size or complexity of the role, or if a Director was intentionally appointed on a below-market salary.	The maximum salary payable to Executive Directors will be capped at the upper quartile of the benchmarking comparator group for the role under review. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual. Base salaries for the year under review and the following year, as well as the rationale for any increases, will be disclosed in the relevant year's Annual Report on Remuneration.	n/a
Pension			
To provide an appropriate level of post-retirement benefit for Executive Directors in a cost-efficient manner.	Executive Directors may receive a contribution to a personal pension plan, a cash allowance in lieu, or a combination thereof. Salary is the only element of remuneration that is pensionable.	Executive Directors are eligible for a company contribution from the Group of up to 15% of salary. Details of the pension contributions made to Executive Directors during the year are disclosed in the Annual Report on Remuneration.	n/a
Other benefits			
To provide non-cash benefits which are competitive in the market in which the Executive Director is employed.	The Group may provide benefits in kind including, but not limited to, a company car or car allowance, private medical insurance (or allowance in lieu), permanent health insurance, and life insurance. Executive Directors may also be provided certain other benefits to take account of individual circumstances such as, but not limited to, payment of tax, financial, and/or legal adviser fees, expatriate allowance, relocation expenses, housing allowance and tax equalisation (including associated interest, penalties or fees plus, in certain circumstances or where the Committee consider it appropriate, any tax incurred on such benefits). Executive Directors may also be offered any other future benefits made available either to all senior employees globally or in the region in which the Executive Director is employed.	Benefits for Executive Directors are set at a level which the Committee considers appropriate compared to wider employee benefits, as well as competitive practices in relevant markets. The value of annual benefits will normally not exceed 10% of salary, and it is not anticipated that the costs of benefits provided will increase significantly in the financial years over which this Policy will apply, although the Committee retains discretion to approve non-material increases in cost. In addition, the Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside the Group's control have changed (e.g. market increases in insurance costs). Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.	n/a

Purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus			
To incentivise Executive Directors to deliver strong financial performance on an annual basis and reward the delivery of the Group's strategic aims that will underpin the longer-term health and growth of the business. Deferral into shares enhances alignment with shareholders.	Performance measures, targets and weightings are set by the Committee at the start of the year. After the end of the financial year, the Committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved. To the extent that the performance criteria have been met, one-third of the annual bonus earned will normally be compulsorily deferred into shares for a period of three years under the Deferred Bonus Plan. The remainder of the bonus will be paid in cash. Dividends may accrue on deferred bonus shares over the deferral period and, if so, will be paid (in cash or additional shares) on deferred shares that vest at the time these are released to the Executive Director. Malus and clawback provisions apply to the annual bonus in certain circumstances (as set out in the Notes to the Policy Table).	The maximum annual bonus opportunity is 200% of base salary. The payout for on-target performance is 50% of maximum; threshold performance (which will not normally be set lower than the prior year outturn) results in nil payout. The current maximum bonus opportunities for each of the Executive Directors are disclosed in the Annual Report on Remuneration.	Bonuses are based on a combination of stretching annual financial and non-financial/strategic performance measures, selected to reflect the Group's short-term KPIs, financial goals and strategic drivers. The financial element of the annual bonus will normally be weighted 80% of the overall bonus opportunity, as measured by two equally-weighted elements based on Group revenue and Group profit. The remainder of the bonus will be linked to the achievement of personalised strategic objectives. The Committee may adjust the formulaic annual bonus outcomes (including to zero) to avoid unintended outcomes, align pay outcomes with underlying Group performance and ensure fairness to shareholders and participants. Further details will be disclosed in the relevant Annual Report on Remuneration. Performance targets set for each year will be disclosed retrospectively, usually in the Annual Report on Remuneration in respect of the year to which such performance targets relate.
Long-Term Incentive Plan (LTIP)			
To align the interests of Executive Directors and shareholders in growing the value of the Group over the long term.	Executive Directors are eligible to receive annual awards over ConvaTec Group Plc shares under the LTIP either in the form of conditional share awards or nil cost options. Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to the Group's strategy. Awards granted under the LTIP to Executive Directors will have a performance period of three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will not vest. Shares received as a result of an award vesting will normally be subject to an additional two-year holding period. Dividends may accrue on LTIP awards over the vesting period and, if so, will be paid (in additional shares or in cash) on shares that vest at the end of the vesting period. LTIP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.	The maximum annual LTIP opportunity is 250% of base salary. 25% of an award will vest if performance against each performance condition is at threshold and 100% if it is at maximum, with straight-line vesting in between. Further details of the LTIP awards granted to each of the Executive Directors will be disclosed in the relevant Annual Report on Remuneration.	Vesting of the LTIP is subject to continued employment during the performance period and the achievement of performance conditions aligned with the Group's strategic plan and shareholder value creation. LTIP awards granted in 2017 will be based on a combination of EPS and relative Total Shareholder Return, and for awards granted in 2018 onwards will include an additional returns measure. The weighting on each measure may be adjusted prior to making new awards, although each measure will be weighted at least 25% of the award opportunity. The Committee may adjust the formulaic LTIP outcome to ensure it takes account of any major changes to the Group (e.g. as a result of M&A activity) and is a fair reflection of the underlying financial performance of the Group over the performance period. Further details, including the performance targets attached to the LTIP in respect of each year, will be disclosed in the relevant Annual Report on Remuneration.
Save-As-You-Earn (SAYE) or equivalent scheme			
To align the interests of employees and shareholders by encouraging all employees to buy and own ConvaTec Group Plc shares.	Executive Directors are entitled to participate in the Group's all-employee share plan applicable to the jurisdiction in which they are based on identical terms as other eligible employees. A UK or Europe-based Executive Director may make monthly savings over a period of three or five years or other period set by any relevant tax authority linked to the grant of an option over Group shares. The option price will be set at a discount of up to 15% of the market value of the shares at grant (to align with similar all-employee arrangements in the US).	Employees are limited to saving a maximum in line with the maximum monthly savings limit imposed by the Committee (which will not exceed any limits imposed by legislation) at the time they are invited to participate.	n/a

Purpose and link to strategy	Operation	Opportunity	Performance measures
Transition Awards (legacy IPO related awards – not part of 2017 Policy)			
To maximise alignment of executive and shareholder interests through strong linkage to the Group's share price performance over the first three years post-Listing, and support retention.	Transition Awards were made on a one-off basis shortly after Listing. Awards comprise a grant of market value share options and an award of restricted shares. Awards will vest in three equal tranches on the first, second and third anniversary of grant, subject to continued employment. Share options have a five-year life. Dividends shall accrue on restricted share awards (but not options) over the vesting period and will be paid (in cash or additional shares) on shares that vest at the end of the relevant vesting period. Transition Awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.	Share options: CEO: 225% of base salary CFO: 175% of base salary Restricted shares: CEO: 150% of base salary CFO: 120% of base salary	n/a

Notes to the Policy Table

Malus and clawback policy

Malus and clawback may be applied to the annual bonus, LTIP awards and Transition Awards in cases of fraud, negligence or gross misconduct by the Executive Director or material financial misstatement in the audited financial results of the Group. Cash bonuses will be subject to clawback, with deferred shares being subject to malus, over the deferral period. LTIP awards and Transition Awards will be subject to malus over the vesting period and clawback from the vesting date to the second anniversary of the relevant vesting date.

Share ownership guidelines

The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through significant shareholdings in the Group. The Group's policy (as published in the Prospectus) was initially set to require Executive Directors to build up a shareholding worth 200% of their base salary, and to retain these shares until retirement from the Board of Directors. However, the Committee has since decided to increase the share ownership guidelines – in line with prevailing best practice – to 400% of base salary for the CEO, and 300% of base salary for other Executive Directors. 50% of any net vested share awards (after sales to meet tax liabilities) must be retained until the minimum shareholding requirements are met. The share ownership guidelines have been met by the Executive Directors (see page 89).

Details of the Executive Directors' current personal shareholdings are provided in the Annual Report on Remuneration.

Use of discretion

The Committee may apply its discretion (as set out below) when agreeing remuneration outcomes, to help ensure that the implementation of our Remuneration Policy is consistent with the guiding principles for ConvaTec remuneration.

Payments from outstanding awards

The Committee reserves the right in certain circumstances to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) where the terms of the payment were agreed: before the Policy came into effect; or at a time when the relevant individual was not a Director of the Group provided, that in the opinion of the Committee, the payment was not agreed in consideration of the individual becoming a Director of the Group. For these purposes, payments include the satisfaction of variable remuneration awards previously granted, but not vested, to an individual.

Minor changes to Policy

The Committee retains discretion to make minor, non-significant changes to the Policy set out above (for reasons including, but not limited to, regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without reverting to shareholders for approval for that amendment, where seeking such shareholder approval would be disproportionate to the discretion being exercised.

LTIP awards

The Committee may exercise its discretion as provided for in the LTIP rules approved by shareholders. The Committee may also adjust the number of shares comprising an LTIP award (or the exercise price if the award comprises options) in the event of a variation of share capital, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award. It is intended that any adjustment will be made on a neutral basis, i.e. to not be to the benefit or detriment of participants.

Any use of discretion by the Committee during a financial year will be detailed in the relevant Annual Report on Remuneration and may be the subject of consultation with the Group's major shareholders, as appropriate.

Remuneration Policy for the wider workforce

The Remuneration Policy for other employees is based on principles that are broadly consistent with those applied to Executive Director remuneration, with a common objective of driving financial performance and the achievement of strategic objectives, and contributing to the long-term success of the Group. Remuneration supports our ability to attract, motivate and retain skilled and dedicated individuals, whose contribution continues to be a key factor in the Group's success. Annual salary reviews take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies. Pension entitlements and other benefits vary according to jurisdiction, to ensure these remain appropriately competitive for the local market.

Employee ownership of ConvaTec Group Plc shares is promoted across the Group. Some employees below executive level are eligible to participate in annual bonus schemes; opportunities and performance measures vary by organisational level, geographical region and an individual's role. Senior executives are eligible for LTIP awards on similar terms as the Executive Directors, although award opportunities are lower and vary by organisational level. Other executives are eligible for restricted share awards on a discretionary basis. ConvaTec also offers all employees the opportunity to participate in a share purchase plan, as approved by shareholders at the 2017 AGM.

Approach to target setting and performance measure selection

The Committee considers carefully the selection of performance measures at the start of each performance cycle, taking into consideration the Group's strategic objectives and the macroeconomic environment.

Annual bonus measures are selected to align with the Group's short-term KPIs. Measures may change from year to year (subject to the Remuneration Policy), and the rationale for any changes to the bonus measures selected will therefore be disclosed in the relevant Annual Report on Remuneration.

LTIP performance measures are selected to ensure they align with the Group's strategy and long-term shareholder value creation. In line with the commitment made to shareholders last year, LTIP awards to be granted in 2018 will be based on a blend of EPS performance, relative Total Shareholder Return ("TSR") and Return on Invested Capital ("ROIC") (as defined on page 88) over a three-year period. The Committee considers these measures to align executive incentives to the Group's strategy and shareholder interests, and provide a good balance between external and internal measures of performance, and between growth and returns.

Targets are set to be stretching but achievable over the three-year performance period. EPS and ROIC targets are set taking account of multiple relevant reference points, including internal forecasts, external expectations for future performance at both the Group and its closest sector peers, and (for EPS) typical EPS performance ranges at other FTSE companies of comparable size and complexity.

Pay-for-performance: scenario analysis

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: "Maximum", "On-target" and "Minimum".

Potential reward opportunities are based on the forward-looking policy (i.e. excluding Transition Awards), applied to 2018 base salaries and incentive opportunities. Note that the LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value excludes the impact of share price movement or dividend accrual.

Pay scenarios

The above charts are based on the following assumptions:
"Maximum": fixed remuneration (salary, pension, other benefits), plus maximum bonus (CEO: 200% of salary, CFO: 150%) and full vesting of LTIP awards (CEO: 180% of salary, CFO: 175%).
"On-target": fixed remuneration as above, plus target bonus (50% of maximum) and threshold LTIP vesting (25% of maximum).
"Minimum": fixed remuneration only, being the only element of Executive Directors' remuneration not linked to performance.

Executive Director service contracts

In accordance with general market practice, each of the Executive Directors has a rolling service contract. Paul Moraviec and Frank Schulkes have service contracts with the Company. Until he left the Company on 31 October 2017, Nigel Clerkin was employed under a service contract with ConvaTec Healthcare Ireland Limited and a separate appointment letter (dated 30 September 2016) with the Company in relation to his appointment as a Director of the Company. Nigel Clerkin received no compensation or benefits under this appointment letter in addition to those provided under his service contract. The Executive Directors' service contracts (copies of which are available to view at the Group's registered office) are each terminable on 12 months' notice from the Group and six months' notice from the Executive Director. This practice will also apply for any new Executive Directors. The following table shows the date of the service contract for each Executive Director that served during the year:

Executive Director	Position	Date of appointment	Date of service agreement
Paul Moraviec	CEO	6 September 2016	12 October 2016[1]
Nigel Clerkin	CFO	30 September 2016	29 September 2016[1]
Frank Schulkes	CFO	1 November 2017	2 August 2017

1. The service contracts for Paul Moraviec and Nigel Clerkin took effect on 31 October 2016.

Exit payments policy

The Group's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of termination. Executive Directors' contracts provide for the payment of a pre-determined sum in the event of termination of employment in certain circumstances (but excluding circumstances where the Group is entitled to dismiss without compensation), comprising base salary, pension allowance and benefits in respect of the unexpired portion of the notice period. Termination payments may take the form of payments in lieu of notice. Payments would normally be made on a phased basis and subject to mitigation.

If the employment is terminated by the Group, the Committee retains the discretion to settle any other amount the Committee considers reasonable to the Executive Director including in settlement of claims, in respect of legal fees incurred in connection with the termination and fees for outplacement services and relocation costs.

In addition to contractual provisions, the table below summarises how awards under each discretionary incentive plan are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan. In the event of termination, any outstanding options granted under the SAYE – or equivalent – scheme will be treated in accordance with the rules of the scheme, which do not include discretion.

Disclosure in relation to any departing Executive Director, including details of any remuneration payment made to him after he ceases to be a Director, will be made on the Company's website in accordance with Section 430(2B) of the Companies Act 2006.

Treatment of awards on cessation of employment

Reason for cessation	Calculation of vesting/payment	Timing of vesting/payment
Annual bonus		
Injury, disability, death, redundancy, retirement, or other such event as the Committee determines	The Committee may determine that a bonus is payable on cessation of employment (normally pro-rated for the proportion of the performance year worked) and the Committee retains discretion to determine that the bonus should be paid wholly in cash. The bonus payable will be determined based on the performance of the Group and of the individual over the relevant period, and the circumstances of the Director's loss of office.	
All other reasons (including voluntary resignation)	No bonus will be paid for the financial year.	Not applicable.
Deferred bonus shares		
Resignation or dismissal for cause	Awards normally lapse.	Not applicable.
All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)	Awards will normally vest in full (i.e. not pro-rated for time) unless the Committee determines that time pro-rating should apply.	At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).
Change of control	Awards will normally vest in full (i.e. not pro-rated for time). Awards may alternatively be exchanged for equivalent replacement awards, where appropriate.	On change of control.
LTIP awards		
Resignation or dismissal for cause	Awards normally lapse.	Not applicable.
All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)	Awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating) and will vest based on performance over the original performance period (unless the Committee decides to measure performance to the date of cessation).	At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).
Change of control	LTIP awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating) and will vest subject to performance over the performance period to the change of control. LTIP awards may alternatively be exchanged for equivalent replacement awards, where appropriate.	On change of control.

Reason for cessation	Calculation of vesting/payment	Timing of vesting/payment
Transition awards		
Resignation or dismissal for cause	Awards normally lapse.	Not applicable.
All other reasons (e.g. injury, disability, death, redundancy, retirement, or other such event as the Committee determines)	Unvested awards will normally be pro-rated for time (unless the Committee exercises discretion to disapply time pro-rating).	At the normal vesting date, unless the Committee decides that awards should vest earlier (e.g. in the event of death).
Change of control	Unvested awards will normally vest in full. Unvested awards may alternatively be exchanged for equivalent replacement awards, where appropriate.	On change of control.

In addition to awards to be made under the above incentives, the Executive Directors hold ConvaTec Group Plc shares following the exchange on Listing of units held under the Management Equity Plan, a legacy scheme used pre-IPO. Some of these shares remain subject to forfeiture in certain circumstances, and will be treated on cessation of employment as follows:

Reason for cessation	Treatment of awards subject to forfeiture
Equity awards granted under legacy pre-IPO scheme that remain subject to forfeiture	
Dismissal for cause, or resignation other than for good reason during the applicable period ("the Forfeit Period").	Shares may be forfeited on cessation of employment during the Forfeit Period.
All other reasons, or following the end of the Forfeit Period.	Shares cease to be subject to forfeiture on cessation of employment.
Change of control during the Forfeit Period.	Shares cease to be subject to forfeiture on change of control.

Approach to remuneration on recruitment

External appointments

In cases of hiring or appointing a new Executive Director from outside the Group, the Committee may make use of all existing components of remuneration set out in the Policy table, up to the disclosed maximum opportunities (where applicable).

When determining the remuneration package for a new Executive Director, the Committee will take into account all relevant factors based on the circumstances at that time to ensure that arrangements are in the best interests of the Group and its shareholders. This may include factors such as the experience and skills of the individual, internal comparisons and relevant market data.

The Committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the maximum limits on incentive opportunities set out in the Policy table. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the time over which they would have vested. The intention is that the expected value of any buy-out award would be no higher than the expected value of the forfeited arrangements, and that the structure will replicate (as far as reasonably possible) that of the awards being forfeited. The Committee may consider it appropriate to structure 'buy-out' awards differently from the structure described in the Policy table, exercising its discretion under the LTIP rules to structure awards in other forms (including market value options, restricted shares, forfeitable shares or phantom awards) and the discretion available under UKLA Listing Rule 9.4.2R where necessary to make a one-off award to an Executive Director in this context.

Internal promotion

Where a new Executive Director is appointed by way of internal promotion, the Policy will be consistent with that for external appointees, as detailed above (other than in relation to 'buy-out' awards). Any commitments made prior to an individual's promotion will continue to be honoured even if they would not otherwise be consistent with the Policy prevailing when the commitment is fulfilled, although the Group may, where appropriate, seek to revise an individual's existing service contract on promotion to ensure it aligns with other Executive Directors and good practice.

Disclosure on the remuneration structure of any new Executive Director, including details of any 'buy-out' awards, will be disclosed in the RNS notification made at the time of appointment and in the Annual Report on Remuneration for the year in which recruitment occurred.

External appointments held by Executive Directors

Executive Directors may accept up to one external appointment subject to approval by the Board, there being no conflicts of interest and the appointment not leading to deterioration in the individual's performance. Executive Directors may retain the fees paid for such roles. Details of external appointments and the associated fees received will be included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in the Group

The Committee seeks to promote and maintain good relations with employees as part of its broader employee engagement strategy, considers pay practices across the Group and is mindful of the salary increases applying across the rest of the business in relevant markets when considering any increases to salaries for Executive Directors. However, the Committee does not currently consult with employees on its executive remuneration policy.

Consideration of shareholder views

The Committee will take into consideration all shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping the Group's implementation of its Remuneration Policy, as well as any future changes to Policy. It is the Committee's intention to consult with major shareholders in advance of making any material changes to remuneration arrangements.

Remuneration Policy for the Non-Executive Directors

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

Purpose and link to strategy	Operation	Opportunity	Performance measures
Non-Executive Director fees			
To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Group.	The fees of the Chairman are determined by the Committee. The fees paid to Non-Executive Directors are determined by the Chairman and Executive Directors. Additional fees are payable for acting as Senior Independent Director and for chairing or being a member of the Audit & Risk Committee, the Remuneration Committee and any other Board committee.	Fee increases will be applied taking into account the outcome of the annual review.	n/a
	Fee levels are reviewed annually (with any increases normally effective 1 April), taking into account external advice on best practice and competitive levels, in particular at other FTSE companies of comparable size and complexity. Time commitment and responsibility are also taken into account when reviewing fees. Chairman and Non-Executive Director fees are paid in cash. The Committee reimburses the Chairman and Non-Executive Directors for reasonable expenses in performing their duties and may settle any tax incurred in relation to these expenses. For any Non-Executive Director that is based overseas, the Group will meet travel and accommodation expenditure as required to fulfil their Non-Executive duties. The fees paid to the Chairman and Non-Executive Directors are disclosed in the Annual Report on Remuneration.	The maximum aggregate annual fee for all Non-Executive Directors (including the Chairman) as provided in the Group's Articles of Association is £1,500,000.	

Non-Executive Directors are not eligible to join the Group's pension, incentives or share schemes or to participate in any of the Group's other benefit arrangements.

In recruiting a new Non-Executive Director, the Committee will use the Policy set out above.

Non-Executive Director letters of appointment

None of the Non-Executive Directors has a service contract with the Group. They do have letters of appointment, and will be submitted for re-election annually. The dates relating to the appointments of the Chairman and Non-Executive Directors who served during the reporting period are as follows:

Director	Role	Date of appointment	Date of letter of appointment	Date of election
Sir Christopher Gent	Non-Executive Chairman	31 October 2016	18 October 2016	11 May 2017
Steve Holliday	Deputy Chairman	31 October 2016	14 October 2016	11 May 2017
Jesper Ovesen	Independent Non-Executive Director	31 October 2016	14 October 2016	11 May 2017
Rick Anderson	Independent Non-Executive Director	31 October 2016	12 October 2016	11 May 2017
Raj Shah[1]	Non-Executive Director	30 September 2016	29 September 2016	11 May 2017
Thomas Vetander[2]	Non-Executive Director	30 September 2016	29 September 2016	n/a
Kunal Pandit[2]	Non-Executive Director	30 September 2016	29 September 2016	n/a
Kasim Kutay	Non-Executive Director	28 March 2017	31 March 2017	11 May 2017
Dr Ros Rivaz[3]	Independent Non-Executive Director	21 June 2017	20 June 2017	n/a
Dr Regina Benjamin[3]	Independent Non-Executive Director	11 August 2017	15 August 2017	n/a
Margaret Ewing[3]	Independent Non-Executive Director	11 August 2017	17 August 2017	n/a

1. Stepped down from the Board on 8 September 2017, following the reduction by Nordic Capital of their shareholding in the Company.
2. Stepped down from the Board on 31 March 2017, following the reduction by Nordic Capital and Avista of their shareholdings in the Company.
3. Joined the Board after the 2017 AGM. Will be standing for election at the 2018 AGM.

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and auditor's report, for the year ended 31 December 2017.

The Corporate governance report set out on pages 64 to 69 forms part of this Directors' report and is incorporated by reference. Disclosures elsewhere in the Annual Report are cross-referenced where appropriate. Taken together, the Strategic report on pages 4 to 59 and this Directors' report fulfil the requirements of the Disclosure and Transparency Rules to provide a management report.

Post balance sheet events

Details of significant events since the balance sheet date are contained in Note 28 to the Financial Statements. An indication of likely future developments in the business of the Company and details of research and development activities are included on page 19 and 24 to 25 of the Strategic report.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Deloitte have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Going concern and longer-term viability

The Directors have, at the time of approving these Financial Statements, a reasonable expectation and a high level of confidence that the Group and the Company has the adequate liquid resources to meet its liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 14 February 2018. Thus the Directors continue to adopt the going concern basis in preparing these Financial Statements.

The Code requires the Directors to assess and report on the prospects of the Company over a longer period. This longer-term viability statement is set out on page 37.

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries is contained in Note 26 to the Financial Statements.

Branches of the Company

There are no branches of the Company.

Dividends

We are targeting a payout ratio of between 35% and 45% of Adjusted Net Income[1] over time and it is our intention to pay an interim and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the annual total dividend. We may periodically reassess this policy to reflect, among other things, our growth prospects, capital efficiency and the profitability of the Company, whilst also maintaining appropriate levels of dividend cover. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, the Group's financial position, working capital requirements, restrictions on dividends in the Group's banking facilities, finance costs, general economic conditions and other factors the Directors deem significant. In February 2017 the Company carried out a capital reduction to convert the amount standing to the credit of the share premium account to distributable reserves to facilitate its ability to declare and pay dividends subject to the discretion of the Directors. Further, a shareholder's resolution was passed at the Company's first Annual General Meeting to authorise the Directors to implement a scrip dividend scheme within three years from the date of the 2017 AGM for those shareholders who elected to avail of such scheme. During the year the Directors resolved to pay an interim dividend of 1.4¢ per share on 20 October 2017. A scrip dividend scheme was also implemented for the 20 October 2017 interim dividend, with 377,948 new shares issued accordingly. The Directors recommend a final dividend for the year of 4.3¢ per share (2016: nil) which, together with the interim dividend, makes a total for the year of 5.7¢ per share (2017: nil). The final dividend, if approved by the Shareholders, will be paid on 17 May 2018 to shareholders on the register at the close of business on 6 April 2018.

1. Certain financial measures in this Annual Report, including Adjusted Net Income, are not prepared in accordance with IFRS. All adjusted measures are explained and reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 54 to 57.

Capital structure

Share capital

As at 31 December 2017, the Company's issued share capital consisted of 1,951,850,599 ordinary shares of 10p each. Further details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 22 to the Financial Statements. As at 31 December 2017 the Company had only one class of share consisting of ordinary shares of 10p each.

Acquisition of Company's own shares

At the end of the year, the Directors had authority, under the shareholders' resolutions of 11 May 2017, to purchase through the market up to 10% of the Company's ordinary shares at prices per share at the higher of: (i) up to 105% of middle market quotations of the price of shares for the five business days prior to the date of purchase; and (ii) an amount equal to the higher of the last independent trade and the highest current independent bid at the time of purchase. This authority expires at the date of the Company's 2018 AGM and the Company will seek its renewal at the AGM. It is confirmed that no acquisition of the Company's own shares have been made under such authority.

Shareholders' rights

The rights attaching to the ordinary shares are governed by the Company's Articles of Association and prevailing legislation. There are no specific restrictions on the size of a holding. Subject to applicable law and the Articles of Association, holders of ordinary shares are entitled to receive all shareholder documents, including notice of any general meeting, attend, speak and exercise voting rights at general meetings, either in person or by proxy, and participate in any distribution of income or capital.

Restrictions on voting

There are no specific restrictions on voting rights, save in situations where the Company is legally entitled to impose such restrictions (usually where amounts remain unpaid on shares after request, or the shareholder is otherwise in default of an obligation to the Company). Currently all issued ordinary shares are fully paid. There are no agreements between holders of securities in the Company that are known to the Company and may result in restrictions on transfer or on voting rights.

Shares held by the Company's employee benefit trust

The Company's offshore employee benefit trust (the "EBT") is used to purchase the Company's shares for the benefit of employees, including satisfying outstanding awards made under its employee share plans. In respect of all shares held in the EBT, the trustee has waived its right to receive dividends. As at 31 December 2017, 4,204,211 shares were held in the EBT representing approximately 0.22% of the Company's issued share capital. Further details regarding the EBT are contained in Note 22 to the Financial Statements.

Restrictions on the transfer of ordinary shares

The transfer of ordinary shares is governed by the general provisions of the Company's Articles of Association and applicable legislation. There are no restrictions on the transfer of ordinary shares other than: (i) as set out in the Articles of Association; and (ii) certain restrictions which may from time to time be imposed by laws and regulations and pursuant to the Listing Rules of the Financial Conduct Authority (the "Listing Rules") whereby Directors and certain officers and employees of the Company require approval to deal in the ordinary shares in accordance with the Company's share dealing policies and the Market Abuse Regulation.

Directors

The membership of the Board and biographical details of the Directors are included in the Governance section on pages 62 and 63. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the Directors are described in the Board's terms of reference, which can be found at www.convatecgroup.com and in the Corporate governance report on pages 64 to 69.

Significant agreements

There are a number of other agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Company Secretary

The Company Secretary provides ongoing support to the Board in relation to corporate governance issues and compliance with the Listing Rules. She is responsible for establishing, implementing and monitoring the corporate governance framework, attending all Board and committee meetings, advising on effective Board processes, advising on Directors' statutory duties, disclosure obligations and Listing Rule requirements, and working in conjunction with investor relations and corporate affairs regarding dialogue with investors.

Political donations
No political donations, including non-EU political parties, were made during the period. Information about the Company's lobbying and charitable activities is included in the Company's Corporate Responsibility Report, which is available on our website, www.convatecgroup.com/corporate-responsibility.

Substantial shareholdings
At 31 December 2017, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Shareholder	No. of ordinary shares	Percentage of voting rights	Nature of holding
Novo Holdings A/S	389,318,793	19.95%	Direct holding
GIC Private Ltd	160,440,416	8.2199%	Direct/Indirect holding/ Financial instruments
Companies owned by Nordic Capital	143,158,828	7.34%	Direct/Indirect holding
Pelham Capital	97,850,000	5.01%	Direct holding/Financial instruments
The Capital Group Companies, Inc	97,418,767	4.9911%	Indirect holding
Artisan Partners	96,257,676	4.93%	Indirect holding
Harbor International Fund	58,975,446	3.02%	Direct holding

During the period between 31 December 2017 and 14 February 2018, being the latest practicable date prior to publication of this Annual Report, the Company received the following notifications under Chapter 5 of the Disclosure and Transparency Rules.

Shareholder	No. of ordinary shares	Percentage of voting rights	Nature of holding
Harbor International Fund	58,537,591	2.99% (Below 3%)	Direct holding

Relationship agreement with controlling shareholders
The Company entered into, on listing, a relationship agreement with Nordic Capital and Avista as controlling shareholders as required by Listing Rule 9.2.2A R(2)(a). Nordic Capital was entitled to appoint two Non-Executive Directors to the Board for so long as it and its associates were entitled to exercise, or to control the exercise of, 25% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. Nordic Capital and Avista together were each entitled to appoint one Non-Executive Director to the Board for so long as they and their associates were entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. On listing, Raj Shah and Thomas Vetander were appointed as Non-Executive Directors for Nordic Capital and Kunal Pandit was appointed as Non-Executive Director for Avista. Following the sell down of the shareholdings of Nordic Capital and Avista, Thomas Vetander and Kunal Pandit ceased to be Directors on 31 March 2017 and Raj Shah ceased to be a Director on 8 September 2017. The relationship agreement automatically terminated for each of Nordic Capital and Avista upon them respectively ceasing to hold 10% or more shares in the Company. As such the agreement terminated with respect to Avista on 31 March 2017 and to Nordic Capital on 6 June 2017. Until 31 March 2017 for Avista and 6 June 2017 for Nordic Capital, the Company complied with the independence provisions of the relationship agreement, and so far as the Company was aware, Avista and Nordic Capital and their associates also complied with the independence provisions.

Novo Holdings A/S ("Novo") became a significant shareholder on 31 March 2017 and the Company entered a relationship agreement with Novo on such date as required by Listing Rule 9.2.2A R(2)(a). Given its significant investment in the Company, Novo is entitled to appoint one Non-Executive Director to the Board for so long as they and their associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. In the financial period to 31 December 2017 (and also from 31 December 2017 to 14 February 2018, being the latest practicable date prior to publication of this Annual Report), the Company has complied with the independence provisions of the relationship agreement, and so far as the Company is aware, Novo and their associates also complied with the independence provisions.

Related party transactions
Details of the Company's related party transactions are contained in Note 27 to the Financial Statements.

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Diversity
The Group considers a diverse workforce as critical to its success. Information about the Group's initiatives to achieve diversity across the business, including specific objectives, are contained on page 18 and in the Company's Corporate Responsibility Report for the year ended 31 December 2017, which is available on our website, www.convatecgroup.com/corporate-responsibility.

Employee consultation
The Group places considerable value on creating a positive collaborative working environment and to ensuring that all employees are engaged and motivated. Details of employee engagement are provided on page 17.

Employee share schemes
In addition to the discretionary share schemes operated as part of the Group's long-term incentives, detailed in the Remuneration report on pages 84 to 85 and 87 to 88, the Group operates an all employee share scheme globally. The Directors believe that such a scheme is a benefit to the Company as it facilitates the ability for all employees to purchase shares in the Company, thus enabling them to benefit directly from the anticipated growth and success of the Company in the future.

The Executive Directors may participate in the UK all-employee share scheme, an HMRC approved savings related share option plan, on the same basis as other eligible employees. All participants may invest up to the limits operated by the Company at the time set in line with HMRC guidance.

Shares acquired through the Group's share plans rank pari passu with existing ordinary shares in issue and have no special rights with regards to voting, rights to dividend, control of the Company or otherwise.

All of the Group's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Group's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.

Greenhouse emissions reporting
The disclosures concerning greenhouse gas emissions required by law are included in the Strategic report on pages 20 to 21.

Relationships with capital providers
Throughout the year, a comprehensive and active programme of meetings to discuss strategy and performance was conducted by the Executive Directors. The Chairman and Deputy Chairman held a shareholder consultation meeting in September 2017 where a range of governance and remuneration issues were discussed with shareholders. The Chairman has also met with a number of the Company's largest shareholders to discuss performance. The Chair of the Remuneration Committee has also written to shareholders in January 2018 to engage with them regarding the performance measures and targets for annual incentive and long-term incentive arrangements.

Listing Rules – compliance with LR 9.8.4R
The information required to be disclosed by LR 9.8.4R can be found in the following locations:

Section	Applicable sub-paragraph within LR 9.8.4R	Location
1	Interest capitalised	Group Financial Statements, Note 3, page 119
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Remuneration Committee report, pages 84 to 85 and 87 to 88
5	Waiver of emoluments by a Director	Not applicable
6	Waiver of future emoluments by a Director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Confirmation of relationship agreement	Directors' report, page 99

Special business
The Annual General Meeting will be held at Reading Town Hall, Blagrave Street, Reading, Berkshire RG1 1QH, on 10 May 2018 at 11.00am. Notice of the meeting, containing details of the resolutions to be put to the meeting, will be available on the Company's website.

Clare Bates
Company Secretary
14 February 2018

ConvaTec Group Plc is registered in England No. 10361298

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:
- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:
- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance and position, business model and strategy.

This responsibility statement was approved by the Board of Directors on 14 February 2018 and is signed on its behalf by:

Paul Moraviec
Chief Executive Officer

Frank Schulkes
Chief Financial Officer

Independent auditor's report to the members of ConvaTec Group Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements of ConvaTec Group plc (the "Parent Company") and its subsidiaries (the 'Group') which comprise:

- the Consolidated Statement of Profit or Loss;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position and Company Balance Sheet;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related Notes 1 to 28 of the Consolidated Financial Statements and Notes 1 to 11 of the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our Report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – **Revenue Recognition** – focusing on whether sales are valid, with higher risk in the recording of revenue for sales/shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. – **Taxation** – focusing on the tax impact of provisions for uncertain tax positions and recognition of deferred tax assets and the related impact on taxation charge and balance sheet amounts.
Materiality	The materiality that we used for the Group Financial Statements was $12.3 million. Materiality was determined on the basis of forecasted profit before tax (PBT), normalised for non-recurring costs including margin improvement programme "MIP" costs, initial public offering "IPO" related costs and pre-IPO share based payment expenses. Our materiality represents 5.6% of the normalised pre-tax profit measure. In the prior year audit our materiality of $16.9 million was determined by utilising a blended rate of financial metrics including revenue, adjusted EBITDA and current assets in the absence of a profit before tax benchmark.
Scoping	We performed full scope audit procedures on eleven legal entities covering eight countries. In addition, we have performed specified audit procedures in twelve legal entities across nine countries. Together, these accounted for 85% of revenue, 82% of profit before tax and 83% of net assets.
Significant changes in our approach	Last year our Report included valuation of goodwill as a key audit matter in respect of key judgements applied by management in determining recoverable amounts which included: short and long-term growth projections; identification of cash generating units (CGUs); and discount rates applied. Whilst still an area of audit focus, this matter is not included in our Report this year for the following reasons. There is sufficient headroom in management's impairment calculations to reduce the sensitivity of key assumptions without triggering a reasonably possible impairment, and the market capitalisation of the Group is significantly in excess of the recoverable amount of its cash generating units.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the Directors' statement in Note 3 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: – the disclosures on pages 30 to 36 that describe the principal risks and explain how they are being managed or mitigated; – the Directors' confirmation on page 37 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or – the Directors' explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of ConvaTec Group Plc continued

Revenue recognition	
Key audit matter description	ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks. We have specifically focused this risk to whether sales are valid with higher risk in the area of recording revenue for sales/ shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. Pressures to meet stakeholder expectations in the Group's first full year of trading following IPO as well as the trading update provided to the market on 16 October 2017 could provide incentives to record revenues where risk and reward have not passed and therefore we consider this is be a key audit matter. *The associated disclosure by franchise and geographical region is included within Note 5. The Audit Committee has included their assessment of this risk on page 77 and it is included within the critical accounting policies in Note 4. For specific detail on the Group's accounting policy, please see Note 3.*
How the scope of our audit responded to the key audit matter	In response to the pressure identified in the key audit matter description above, we performed a risk assessment across the Group to identify specific areas of risk, focusing our testing accordingly. Our audit response consisted of several procedures including those summarised below. The specific combination of procedures performed varied by location. We performed walkthroughs of the revenue cycle at full scope components to gain an understanding of when the revenue should be recognised, to map out the relevant controls and the end to end processes in place. We have assessed the design and implementation of these controls. We made enquiries of local finance management, including finance directors, on movements in the revenue balance and have considered their responses against the detailed testing performed to determine whether the information corroborates the movements identified. We performed detailed transaction testing on a sample basis, agreeing sales through to invoice, final sales contracts or purchase orders. We compared invoice prices to Company price lists on a sample basis to validate levels of discounting, agreeing the net revenue amount recorded by management to underlying accounting records and remittance. We performed analytical reviews and utilised our analytics tools in certain components to identify any unusual sales trends and obtained an explanation for any such movements. We obtained confirmations from customers in certain locations to support the assertion that revenue has been appropriately recognised. We also reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue. We held interviews with a selection of sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. We held quarterly review calls with franchise and geographic market leaders to identify changes in customer demand and new product introductions that might impact sales patterns. In addition, we utilised our audit work on the transition to IFRS 15, which will be applied in 2018. We performed an assessment of the revenue recognition for 54 customer contracts which did not identify inappropriate accounting treatment under IAS 18. Our procedures performed allowed us to gain a thorough understanding of the revenue cycle with a variety of procedures performed to minimise the risk associated to potential fraud.
Key observations	We were satisfied that the key assumptions used in the application of revenue recognition have been applied appropriately. We noted no instances above our reporting threshold to the Audit Committee of inappropriate revenue recognition arising from our testing.

Taxation	
Key audit matter description	The Group operates internationally with trading across multiple tax jurisdictions. Transfer pricing and loan agreements can be complex and subject to challenge by tax authorities. As a result the Group is potentially exposed to transfer pricing risks and challenges on interest deductions, and has to make judgements about uncertain tax positions (UTPs). In addition to UTPs there is management judgment in the recognition of deferred tax assets (DTAs), as the recognition of these assets will be based on management's assessment of their recoverability. As at 31 December 2017 the Group held a provision for UTPs of $15.4 million (2016: $19.1 million), principally in respect of historical transfer pricing and disallowable interest deduction items. Total recognised DTAs at 31 December 2017 were $9.6 million (2016: $22.0 million). At 31 December 2017 management assessed that unrecognised temporary differences of $2,217 million (2016: $1,927 million) were irrecoverable and therefore no DTA was recognised for these tax attributes. The accuracy of the tax provision is a key audit matter due to the level of complexity in the underlying tax judgements. Recognition of DTAs, in particular those regarding the material unrecognised assets, involved high levels of judgement. Whilst the US Tax Reform in 2017 does not form part of our key audit matter, it does indirectly impact the recognition and valuation of DTAs recognised in the US, which has been considered as part of our work on DTAs and further contributes to taxation being a key audit matter. *The associated disclosure is included within Note 10. The Audit Committee has included their assessment of this risk on page 77 and it is included within the key sources of estimation uncertainty in Note 4. For specific detail on the Groups accounting policy, please see Note 3.*
How the scope of our audit responded to the key audit matter	In conjunction with our internal tax audit specialists, we have challenged the completeness of UTPs by considering changes to the business and tax legislation in key jurisdictions, discussion with key management, and review of correspondence with authorities where relevant. We have assessed and challenged the calculation for the tax provision and the procedures in place to analyse movements including the rationale for any release, increase or continued provision in the year. We have reviewed and challenged management's judgements regarding the recoverability of temporary differences. We have obtained forecasts showing the expected utilisation of key unrecognised temporary differences in order to further assess their recoverability. We have challenged management on the impact of the Tax Reform on the Group. We have audited the mandatory repatriation tax calculation prepared by management. We have confirmed the rate reduction has been correctly applied with respect to the Group's closing deferred tax balances, including assessing the impact on recognition of DTAs.
Key observations	We did not identify any material tax errors or changes to the provisions or assets recognised. We note that the appropriate recognition criteria have been met and we therefore concur with the treatment adopted by management both for DTAs unrecognised, and for those recognised.

Independent auditor's report to the members of ConvaTec Group Plc continued

Our application of materiality
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

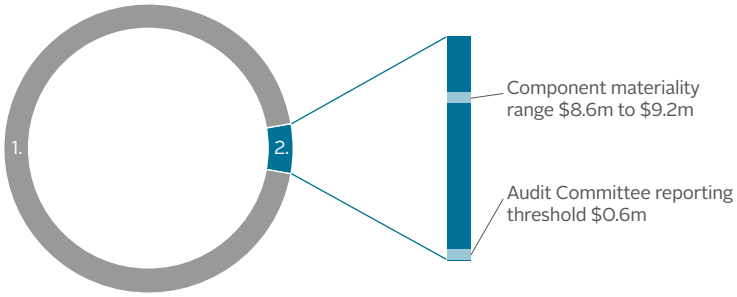
Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Group Financial Statements
We have determined materiality for the Group to be $12.3 million (2016: $16.9 million) which equates to 5.6% of our chosen benchmark, this being normalised profit before tax. Normalised profit before tax is calculated as profit before tax, adding back specific non-recurring items which included pre-IPO share based compensation expense, IPO related costs, and costs associated with the margin improvement programme (MIP).

Our 2016 materiality was $16.9 million. In 2016 there was no meaningful PBT measure which could be used as a benchmark for materiality due to the previous debt structure. Our materiality was determined using a blended rate of financial metrics including: current assets; Adjusted EBITDA; and revenue. We selected these three benchmarks which we believed covered key metrics of the Group and were relevant to the users of the Financial Statements.

Parent Company Financial Statements
We have determined materiality for the Company to be $9.2 million (2016: $16.8 million).

Materiality was determined as part of our scoping of components, assessing the risk within the Company compared to others within the Group. A set percentage of Group materiality was applied to the Company based upon the risk assessment.



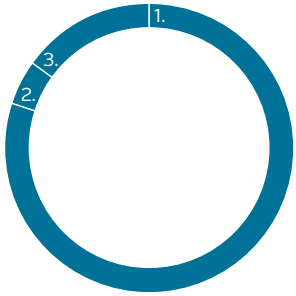
1. Normalised PBT	**$218.8m**
2. Group materiality	**$12.3m**

Materiality applied by the component auditors ranged from $8.6 million to $9.2 million, depending on the scale of the component's operations and our assessment of risks specific to each location.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.6 million (2016: $0.9 million) for the Group and the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

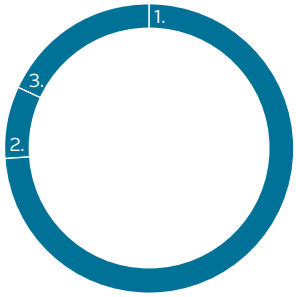
An overview of the scope of our audit
Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. We have also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

Revenue %



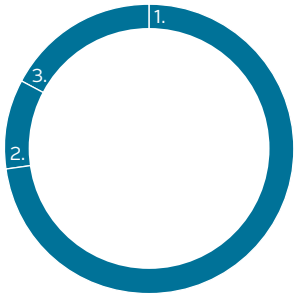
1. Full audit scope	**80%**
2. Specified audit procedures	**5%**
3. Review at Group level	**15%**

Profit before tax %



1. Full audit scope	**74%**
2. Specified audit procedures	**8%**
3. Review at Group level	**18%**

Net assets %



1. Full audit scope	**73%**
2. Specified audit procedures	**10%**
3. Review at Group level	**17%**

Based on this assessment, we focused our work on eleven (2016: twelve) legal entities covering eight (2016: nine) countries, 80% (2016: 75%) of revenue, 74% (2016: not applicable as loss making) of profit before tax and 73% (2016: 71%) of net assets. All eleven (2016: 12) entities were subject to a full scope audit. The eleven (2016: twelve) legal entities are located in: the United States of America; the United Kingdom; Switzerland; Denmark; Germany; Italy; France; and Japan, representing the principal operating units of the Group.

In addition, we have performed specified audit procedures in twelve (2016: eleven) legal entities covering nine (2016: eight) countries, 5% (2016: 10%) of revenue, 8% (2016: not applicable as loss making) of PBT, and 10% (2016: 12%) of net assets. The twelve (2016: eleven) entities are located in: the United States of America; the United Kingdom; Denmark; the Netherlands; Portugal; Spain; Canada; the Dominican Republic; Australia; and Slovakia.

Our only change in scoping year on year was the downgrade of the Dominican Republic entity from full scope audit to specified audit procedures. This is due to the fact that the entity is purely a manufacturing entity with no third party revenue, and where only certain key balances of audit interest.

At the Group level we also tested the consolidation process and carried out analytical review procedures on those entities outside of those noted above. Any movements in account balances which did not corroborate our initial risk assessment were investigated further. This testing confirmed our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified procedures.

As part of our audit, a senior member of the Group audit team visited each of the most significant components of the Group, including the United States of America, the United Kingdom, Denmark and Switzerland. These locations were also visited during our prior year audit. They encompass 64% (2016: 63%) of the Group's revenue. As part of these visits meetings were held with both component management and the component audit team. In addition to our visits, we send detailed instructions to our component audit teams, include them in our team briefings, and discuss their risk assessment papers.

Independent auditor's report to the members of ConvaTec Group Plc continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report including the Overview, Strategic Report and Governance sections but does not include the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our Report

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company Financial Statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' Remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' Remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

Other matters

Auditor tenure
The Company was newly incorporated in 2016 and had not yet had an Annual General Meeting. Accordingly, following the recommendation of the Audit Committee, we were appointed by the Directors on 12 December 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods. Our appointment was confirmed by the Company at its Annual General Meeting on 11 May 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the periods ending 31 December 2016 to 31 December 2017.

Consistency of the Audit Report with the additional report to the Audit Committee
Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Gregory Culshaw, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
14 February 2018

Consolidated Statement of Profit or Loss
For the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Revenue	5	**1,764.6**	1,688.3
Cost of goods sold	7,14,15,25	**(838.3)**	(821.0)
Gross profit		**926.3**	867.3
Selling and distribution expenses	7,25	**(377.5)**	(357.0)
General and administrative expenses	7,14,15,25	**(259.8)**	(318.2)
Research and development expenses	7,15,25	**(41.2)**	(38.1)
Operating profit		**247.8**	154.0
Finance costs	8	**(62.1)**	(271.4)
Other expense, net	9	**(21.7)**	(8.4)
Profit (loss) before income taxes		**164.0**	(125.8)
Income tax expense	10	**(5.6)**	(77.0)
Net profit (loss)		**158.4**	(202.8)
Earnings Per Share			
Basic and diluted earnings (loss) per share ($ per share)	12	**0.08**	(0.15)

The accounting policies and notes on pages 115 to 158 form an integral part of the Financial Statements. All results are attributable to equity holders of the Group and wholly derived from continuing operations.

Consolidated Statement of Comprehensive Income (Loss)
For the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Net profit (loss)		**158.4**	(202.8)
Other comprehensive income			
Items that will not be reclassified subsequently to Statement of Profit or Loss			
Remeasurement of defined benefit obligation, net of tax		**2.4**	(0.4)
Recognition of the pension assets restriction	25	**0.2**	(6.3)
Items that may be reclassified subsequently to Statement of Profit or Loss			
Exchange differences on translation of foreign operations		**109.7**	(183.9)
Effective portion of changes in fair value of cash flow hedges	26	**7.4**	–
Income tax relating to items that may be reclassified		**(1.7)**	31.6
Other comprehensive income (loss)		**118.0**	(159.0)
Total comprehensive income (loss)		**276.4**	(361.8)

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

Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 $m	2016 $m
Assets			
Non-current assets			
Property, plant and equipment	14	**334.0**	264.8
Intangible assets	15	**1,487.3**	1,521.4
Goodwill	16	**1,072.2**	921.0
Deferred tax assets	10	**9.6**	22.0
Restricted cash	3	**3.8**	2.5
Other assets		**18.9**	11.4
		2,925.8	2,743.1
Current assets			
Inventories	17	**284.5**	247.5
Trade and other receivables	18	**269.0**	233.7
Prepaid expenses and other current assets		**32.3**	19.9
Cash and cash equivalents		**289.3**	264.1
Assets held for sale	14	**–**	5.6
		875.1	770.8
Total Assets		**3,800.9**	3,513.9
Equity and Liabilities			
Current liabilities			
Trade and other payables	26	**122.0**	111.6
Borrowings	19, 26	**78.2**	38.5
Accrued expenses and other current liabilities		**64.9**	81.3
Accrued compensation		**52.7**	57.0
Provisions	20	**2.2**	9.4
Deferred revenue		**3.1**	2.2
		323.1	300.0
Non-current liabilities			
Borrowings	19, 26	**1,744.7**	1,737.1
Deferred tax liabilities	10	**172.2**	192.2
Provisions	20	**1.6**	1.1
Other liabilities	21	**35.5**	37.3
		1,954.0	1,967.7
Total Liabilities		**2,277.1**	2,267.7
Equity			
Share capital	22	**238.8**	238.8
Share premium	22	**1.3**	1,674.1
Own shares		**(8.1)**	–
Retained deficit		**(850.0)**	(2,650.2)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(58.4)**	(172.8)
Other reserves	22	**101.3**	57.4
Total Equity		**1,523.8**	1,246.2
Total Equity and Liabilities		**3,800.9**	3,513.9

The Financial Statements of ConvaTec Group Plc, company number 10361298, were approved by the Board of Directors (the Directors) and authorised for issue on 14 February 2018 and signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2016		154.4	–	–	(2,440.7)	2,098.9	(27.2)	(4.2)	(218.8)
Net loss		–	–	–	(202.8)	–	–	–	(202.8)
Other comprehensive loss:									
Foreign currency translation adjustment, net of tax		–	–	–	(6.7)	–	(145.6)	–	(152.3)
Remeasurement of defined benefit obligation, net of tax		–	–	–	–	–	–	(0.4)	(0.4)
Recognition of pension assets restriction	25	–	–	–	–	–	–	(6.3)	(6.3)
Total other comprehensive loss		–	–	–	(6.7)	–	(145.6)	(6.7)	(159.0)
Total comprehensive loss		–	–	–	(209.5)	–	(145.6)	(6.7)	(361.8)
Issuance of shares under share-based compensation plans	24	4.7	–	–	–	–	–	67.5	72.2
Issue of share capital	22	79.7	1,713.7	–	–	–	–	–	1,793.4
Cost of issue of share capital	22	–	(39.6)	–	–	–	–	–	(39.6)
Share-based payments	24	–	–	–	–	–	–	0.8	0.8
At 31 December 2016		238.8	1,674.1	–	(2,650.2)	2,098.9	(172.8)	57.4	1,246.2
Net profit		**–**	**–**	**–**	**158.4**	**–**	**–**	**–**	**158.4**
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		**–**	**–**	**–**	**(4.7)**	**–**	**114.4**	**–**	**109.7**
Remeasurement of defined benefit obligation, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Recognition of pension assets restriction	25	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Effective portion of changes in fair value of cash flow hedges, net of tax	26	**–**	**–**	**–**	**–**	**–**	**–**	**5.7**	**5.7**
Total other comprehensive income		**–**	**–**	**–**	**(4.7)**	**–**	**114.4**	**8.3**	**118.0**
Total comprehensive income		**–**	**–**	**–**	**153.7**	**–**	**114.4**	**8.3**	**276.4**
Capital reduction of share premium	22	**–**	**(1,674.1)**	**–**	**1,674.1**	**–**	**–**	**–**	**–**
Dividends paid	11	**–**	**–**	**–**	**(26.3)**	**–**	**–**	**–**	**(26.3)**
Scrip dividend	11	**–**	**1.3**	**–**	**(1.3)**	**–**	**–**	**–**	**–**
Share-based payments	24	**–**	**–**	**–**	**–**	**–**	**–**	**36.9**	**36.9**
Share awards vested		**–**	**–**	**1.5**	**–**	**–**	**–**	**(1.5)**	**–**
Excess tax benefits from share-based compensation		**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Purchase of own shares	22	**–**	**–**	**(9.6)**	**–**	**–**	**–**	**–**	**(9.6)**
At 31 December 2017		**238.8**	**1.3**	**(8.1)**	**(850.0)**	**2,098.9**	**(58.4)**	**101.3**	**1,523.8**

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Cash flows from operating activities			
Net profit (loss)		**158.4**	(202.8)
Adjustments for			
Depreciation	14	**34.6**	39.0
Amortisation	15	**144.8**	142.8
Acquisition accounting adjustment on inventory sold		**1.6**	–
Income tax expense	10	**5.6**	77.0
Impairment losses	14,15	**–**	4.7
Other expense, net	9	**21.7**	8.4
Finance costs	8	**62.1**	271.4
Share-based compensation	24	**36.9**	53.0
Write-off/disposal of assets	14,15	**2.5**	6.7
Hyperinflation		**–**	(6.7)
Changes in assets and liabilities:			
Inventories		**(10.9)**	(27.3)
Trade and other receivables		**(6.2)**	(8.9)
Other current assets		**(6.3)**	0.3
Deferred revenue		**0.9**	(2.1)
Accounts payable and accrued expenses		**(27.3)**	25.6
Other liabilities		**1.6**	3.4
Cash generated from operations		**420.0**	384.5
Interest paid		**(66.5)**	(270.6)
Income taxes paid		**(46.9)**	(39.0)
Net cash generated from operating activities		**306.6**	74.9
Cash flows from investing activities			
Acquisition of property, plant and equipment and capitalised software		**(82.7)**	(66.5)
Proceeds from sale of property, plant and equipment and other assets		**2.6**	0.7
Acquisitions, net of cash acquired	13	**(105.5)**	–
Proceeds from assets held for sale		**5.7**	–
Change in restricted cash		**(0.6)**	3.5
Capitalised development expenditure	15	**(2.1)**	(1.4)
Net cash used in investing activities		**(182.6)**	(63.7)
Cash flows from financing activities			
Proceeds from issue of share capital, net	22	**–**	1,764.3
Proceeds from borrowings, net of discount		**–**	1,792.6
Repayment of borrowings		**(70.9)**	(3,531.6)
Payment of accrued share capital issue costs		**(10.5)**	–
Payment of finance lease liabilities		**(0.6)**	(0.4)
Payments of deferred financing fees		**(1.4)**	(20.4)
Dividend paid		**(26.3)**	–
Purchase of own shares	22	**(9.6)**	–
Net cash (used in) generated from financing activities		**(119.3)**	4.5
Net change in cash and cash equivalents		**4.7**	15.7
Cash and cash equivalents at beginning of the year		**264.1**	273.0
Effect of exchange rate changes on cash and cash equivalents		**20.5**	(24.6)
Cash and cash equivalents at end of the year		**289.3**	264.1
Supplemental cash flow information			
Non-cash investing activities			
Accrued capital expenditures included in accounts payable and accrued expenses		**15.4**	13.4

Notes to the Consolidated Financial Statements

1. General Information

ConvaTec Group Plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act of 2006 with its registered office situated in England and Wales. The Company's registered office and principal place of business is at 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, United Kingdom.

The Company and its subsidiaries (collectively, the "Group") is a global medical products and technologies group focused on therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care, continence and critical care and infusion devices used in treatment of diabetes and other conditions. A list of the Company's subsidiary companies is set out on pages 163 to 165 of the ConvaTec Group Plc company only financial statements.

The Financial Statements are presented in US dollars ("USD"), being the functional currency of the primary economic environment in which the Group operates. All values are rounded to the nearest $0.1 million except where otherwise indicated.

2. Accounting Standards

New standards and interpretations applied for the first time

In the current year the Group has applied a number of amendments to International Financial Reporting Standards ("IFRS" or "IFRSs") issued by the International Accounting Standards Board ("IASB"). Their adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements. The following amendments were applied:

- IAS 7, Statement of Cash Flows.
- IAS 12, Income Taxes.

Otherwise the accounting policies set out in Note 3 – Significant Accounting Policies, below, have been applied consistently to both years presented in these Financial Statements.

New standards and interpretations not yet applied

At the date of authorisation of these Financial Statements, the following new and revised IFRSs that are potentially relevant to the Group, and which have not been applied in these Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the European Union ("EU")):

- IFRS 2, Share-based Payment – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16, Leases – effective for accounting periods beginning on or after 1 January 2019.
- IFRS 9, Financial Instruments: Classification and measurement – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15, Revenue from Contracts with Customers – effective for accounting periods beginning on or after 1 January 2018.

The Directors anticipate that the adoption of these standards in future periods will have no material impact on the Financial Statements of the Group except for IFRS 16, Leases.

IFRS 16

IFRS 16, Leases, will bring a significant portion of the Group's operating leases onto the statement of financial position. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model. As such it requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease. Accounting requirements for lessors are substantially unchanged from IAS 17.

The Group has established a working group to assess the impact of the new standard. Work performed includes assessing the accounting impacts of the change, the process of collecting the required data from across the business and the necessary changes to systems and processes. From work performed to date, it is expected implementation of the new standard will have a significant impact on the consolidated results of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the Statement of Profit or Loss on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the Statement of Profit or Loss over the life of the lease. These charges will replace the lease costs currently charged to the Statement of Profit or Loss.

The Group continues to assess the full impact of IFRS 16, however, the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

IFRS 15

IFRS 15, Revenue from Contracts with Customers supersedes IAS 18, Revenue, and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognizing revenue when performance obligations are satisfied. An assessment of the impact of IFRS 15 has been completed. Revenue recognition under IFRS 15 is considered to be consistent with the current practice for the Group's revenue. Based on the Group's assessment from work performed, the adoption of IFRS 15 will not have a material impact on the consolidated financial statements.

IFRS 9

IFRS 9, Financial Instruments, provides a new expected losses impairment model and includes amendments to classification and measurement of financial instruments. The Group does not expect that the adoption of IFRS 9 will have a material impact on the consolidated financial statements but will impact both the measurement and disclosure of financial instruments.

3. Significant Accounting Policies

Statement of Compliance

The Financial Statements have been prepared in accordance with IFRS as adopted by EU and therefore comply with Article 4 of the EU IAS Regulations. IFRS includes the standards and interpretations approved by the IASB including International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRSIC").

The principal Group accounting policies are explained below and have been applied consistently throughout the years ended 31 December 2017 and 2016 other than those noted in Note 2 – Accounting Standards above.

Basis of Preparation

The consolidated financial information has been prepared on a historical cost basis, except for derivatives where fair value has been applied. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2016 Reorganisation

On 31 October 2016, the Group completed the initial public offering ("IPO") of its ordinary shares, was admitted to the premium listing segment of the Official List of the Financial Conduct Authority and is trading on the main market of the London Stock Exchange.

The Company was initially incorporated as ConvaTec Group Limited on 6 September 2016, with its registered office situated in the United Kingdom, and was registered as a public company and changed its name to ConvaTec Group plc on 10 October 2016.

Prior to listing, the Company became the holding company of the Group through the acquisition of the full share capital of Cidron Healthcare Limited ("Cidron") and its subsidiaries (the "Existing Group"). Shares in Cidron, an entity formerly owned by Nordic Capital and Avista Capital Partners, the former equity sponsors and principal shareholders, were exchanged for 1,261,343,801 shares in the Company. These shares were issued and credited as fully paid of 10 pence each giving rise to the share capital of $154.4 million.

Both the Company and the Existing Group were under common control before and after the 2016 reorganisation. As a common control transaction, this does not meet the definition of a business combination under IFRS 3 *Business Combinations* and as such, falls outside the scope of that standard. As a consequence, following guidance from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the introduction of the company has been prepared under merger accounting principles. This policy, which does not conflict with IFRS, reflects the economic substance of the transaction. Under these principles, no acquirer is required to be identified and all entities are included at their pre-combination carrying amounts. This accounting treatment leads to differences on consolidation between share capital in issue ($154.4 million) and the book value of the underlying net assets acquired, this difference is included within equity as a merger reserve. Under these principals, the Group has presented its Financial Statements of the Group as though the current Group structure had always been in place. Accordingly, the results of the combined entities for both the current and prior period are presented as if the Group had been in existence throughout the periods presented, rather than from the restructuring date.

Immediately prior to listing, management shares held in the subsidiaries of the Group were converted to shares in the Company. Furthermore, the modification of the MEP (defined below) management incentive plan resulted in the issuance of further shares (see Note 24 – Share-Based Payments for further details). The effects of these two events was to bring the total shares in the Company immediately prior to listing to 1,300,000,000 from 1,261,343,801.

Basis of Consolidation

The Group Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the group. Control exists when the Group: (i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement in the investee and (iii) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. All intercompany transactions and balances have been eliminated. The consolidated financial information of the Company's subsidiaries is included within the Group's Financial Statements from the date that control commences until the date that control ceases, and are prepared for the same year end date using consistent accounting policies.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Consideration transferred in respect of the acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed on the date of the acquisition. Identified assets acquired and liabilities assumed are measured at their respective acquisition-date fair values. The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill. Acquisition-related cost is expensed as incurred. The operating results of the acquired business are reflected in the Group's Financial Statements after the date of acquisition.

Going Concern

The Directors have, at the time of approving these Financial Statements, a reasonable expectation and a high level of confidence that the Group and the Company has the adequate liquid resources to meet its liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 14 February 2018. Thus the Directors continue to adopt the going concern basis in preparing these Financial Statements.

3. Significant Accounting Policies (continued)

Revenue Recognition

Revenue for goods sold is recognised to the extent that it is probable that economic benefits will flow to the Group upon transfer to the customer of the significant risks and rewards of ownership and revenue can be reliably measured. Generally, products are insured through delivery and revenue is recognised upon the date of receipt by the customer.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business to external customers, net of sales discounts and volume rebates. Due to the short-term nature of the receivables from sale of goods, the Group measures them at the original invoice amounts without discounting.

Revenues are recorded based on the price specified in the sales contracts, net of value-added tax, and sales rebates and returns estimated at the time of sale. Revenues are reduced at the time of recognition to reflect expected product returns and chargebacks, discounts, rebates and estimated sales allowances based on historical experience and updated for changes in facts and circumstances, as appropriate.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the Consolidated Statement of Profit or Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

Cash represents cash on hand and cash held at banks. All liquid investments with original maturities of three months or less are considered cash equivalents.

Restricted Cash

In certain instances, there are requirements to set aside cash for guarantees on the payment of value-added taxes, custom duties on imports, tender programmes, and vehicle/office leases by financial institutions on the Group's behalf. Total restricted cash balances were $5.7 million and $5.1 million at 31 December 2017 and 2016, respectively, of which $1.9 million and $2.6 million were current assets included in Prepaid expenses and other current assets within the Consolidated Statement of Financial Position.

3. Significant Accounting Policies (continued)

Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which the distribution is approved by the Company's shareholders.

Trade and Other Receivables

Credit is extended to customers based on the evaluation of the customer's financial condition. Creditworthiness of customers is evaluated on a regular basis. Trade and other receivables consist of amounts billed and currently due from customers. An allowance for doubtful accounts is maintained for estimated losses that result from the failure or inability of customers to make required payments. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors. Certain trade and other receivables may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy. The Group writes-off uncollectable receivables at the time it is determined the receivable is no longer collectable. The Group does not charge interest on past due amounts. The analysis of receivable recoverability is monitored and the bad debt allowances are adjusted accordingly.

Trade and other receivables are not collateralised or factored. The Group sells its products primarily through an internal sales force and sales are made through various distributors around the world. Credit risk with respect to accounts receivable is generally diversified due to the large dispersion of customers across many different industries and geographies. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures.

Inventories

Inventories are stated at the lower of cost or net realisable value with the cost determined using an average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overhead. Production overhead comprise indirect material and labour costs, maintenance and depreciation of the machinery and production buildings used in the manufacturing process as well as costs of production administration and management.

Net realisable value is defined as anticipated selling price or anticipated revenue less cost to completion. Estimates of net realisable value are based on the average selling prices at the end of the reporting period, net of applicable direct selling expenses. Subsequent events related to the fluctuation of prices and costs are also considered, if relevant. If net realisable values are below inventory costs, a provision corresponding to this difference is recognised. Provisions are also made for obsolescence of products, materials, or supplies that (i) do not meet the Group's specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving inventory. The Group evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Group expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Expenditures for additions, renewals and improvements are capitalised at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be measured reliably. Replacements of major units of property are capitalised and replaced properties are retired. The carrying amount of a replaced asset is derecognised when replaced. Repairs and maintenance costs are charged to the Consolidated Statement of Profit or Loss during the period in which they are incurred.

Depreciation is calculated using straight-line method over the estimated useful lives of each part of a property's, plant and equipment item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated. Depreciation commences when the assets become available for productive use, based on the following estimated useful lives:

Buildings	– 20 to 50 years
Building equipment and depreciable land improvements	– 15 to 40 years
Machinery, equipment and fixtures	– 3 to 20 years

Leasehold improvements and assets under finance lease arrangements are amortised over the lesser of the asset's estimated useful life or the term of the respective lease. Maintenance costs are expensed as incurred. Construction-in-progress reflects amounts incurred for property, plant, equipment construction or improvements that have not been placed in service. Interest is capitalised in connection with the construction of qualifying capital assets during the period in which the asset is being installed and prepared for its intended use. Interest capitalisation ceases when the construction of the asset is substantially complete and the asset is available for use. Capitalised interest cost is depreciated on a straight-line method over the estimated useful lives of the related assets.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

On disposal of items of property and equipment, the cost and related accumulated depreciation and impairments are removed from the Consolidated Statement of Financial Position and the net amount, less any proceeds, is taken to the Consolidated Statement of Profit or Loss.

3. Significant Accounting Policies (continued)

Intangible Assets

To meet the definition of an intangible asset, an item lacks physical substance and is: (i) identifiable, (ii) non-monetary, and (iii) controlled by the entity and expected to provide future economic benefits to the entity. The Group's intangible assets consist of patents/trademarks and licenses, technology, capitalised software (acquired and internally generated), contracts and customer relationships, non-compete agreements, trade names and development costs.

Initial recognition

Intangible assets acquired separately by the Group are measured at cost on initial recognition and those acquired in business combinations are measured at fair value at the date of acquisition. Following initial recognition of the intangible asset, the asset is carried at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Purchased computer software and certain costs of information technology projects are capitalised as intangible assets. Software that is integral to computer hardware is capitalised as property, plant and equipment.

The Group follows the guidance of IAS 38 Intangible Assets ("IAS 38") on internally generated development costs associated with its system. The costs incurred in the preliminary stages of development are expensed as incurred. Once a project has reached the application development stage, internal and external costs, if direct and incremental, are capitalised until the software is substantially complete and ready for its intended use. Costs related to design or maintenance of internal-use software are expensed as incurred. Upgrades and enhancements are capitalised to the extent they will result in added functionality.

Amortisation of intangible assets is calculated using the straight-line method based on the following estimated useful lives:

Patents, trademarks and licenses	– 3 to 20 years
Technology	– 10 to 18 years
Capitalised software (acquired and internally generated)	– 3 to 10 years
Contracts and customer relationships	– 2 to 20 years
Non-compete agreements	– 3 to 5 years
Trade names	– 10 years
Development costs	– 5 years

The Group has finite-lived and indefinite-lived trade names. Indefinite-lived trade names are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired, either individually or at the cash generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Impairment of Non-Monetary Assets including Goodwill

The Group tests goodwill and indefinite-lived intangibles for impairment annually or more frequently, if there are any impairment indicators. However, property, plant and equipment and finite-lived intangibles are tested for impairment only if indicators of impairment are present. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or CGUs. Additionally, goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value, less costs of disposal. Impairment losses are recognised in the Consolidated Statement of Profit or Loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the remaining assets in the CGU, on a prorated basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Group has not recognised any impairment reversals in 2017 or 2016.

Finance Costs

Finance costs include interest costs, standby fees, interest cost on derivative financial instruments, and any loss related to debt extinguishment. Interest costs are expensed as incurred, except to the extent such interest is related to construction in progress, in which case interest is capitalised. The capitalised interest recorded in 2017 and 2016 was $0.7 million and $1.1 million, respectively.

Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgmental nature of these items, future settlements may differ from amounts recognised. Provisions consist of decommissioning provisions, restructuring provisions, and legal claims and obligations.

The Group does not recognise contingent assets in the Consolidated Statement of Financial Position. However, if an inflow of economic benefits is probable, then it is appropriately disclosed in the notes to the Financial Statements. For a discussion on provisions, refer to Note 20 – Provisions and Note 23 – Commitments and Contingencies.

3. Significant Accounting Policies (continued)

Research and Development

Research and development expenses are comprised of costs incurred in performing research and development activities including payroll and benefits, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development and regulatory costs, contract services and other outside contractors costs, research license fees, depreciation and amortisation of lab facilities, and lab supplies.

Research costs are expensed as incurred. Development expenditures are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use or sell the asset. Otherwise, development expenditures are expensed as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortisation and any accumulated impairment losses.

Share-Based Payments

Prior to listing, the Group had granted share-based compensation to employees under the Annual Equity Plan ("AEP"), Management Executive Plan ("MEP"), and Management Incentive Plan ("MIP"). Post IPO, share-based incentives are provided to employees under the Group's Long-Term Incentive Plan ("LTIP"), Deferred Bonus Plan ("DBP"), Matching Share Plan ("MSP"), and Share Save plans ("Employee Plans").

Certain features of share-based awards, such as cash-settled share-based payments to employees require the awards to be accounted for as liabilities as opposed to equity. Liability awards are measured at the grant date based on the fair value of the award and are required to be remeasured to the fair value at the end of each reporting period until settlement. True up compensation cost is recognised in each reporting period for changes in fair value prorated for the portion of the requisite service period rendered in the Consolidated Statement of Profit or Loss (General and administrative expenses). The Group's 2016 reorganisation (discussed above) triggered the modification accounting where the terms of awards (MEP units) were changed immediately prior to listing to vested equity shares. The liability recognised for such shares was converted to equity, with a true up cost recognised to reflect the accelerated vesting period for shares not subject to a continued employment clawback. Shares subject to continued employment are recognised over the term of the clawback arrangement.

Equity-settled share-based payments to employees are measured at the fair value of the award on the grant date. The fair value of the awards at the date of the grant, which is estimated to be equal to the market value, is expensed to the Consolidated Statement of Profit or Loss (General and administrative expenses) over the vesting period, with appropriate adjustments being made during the period to reflect expected and actual forfeitures. The corresponding credit is to Other reserves in the Consolidated Statement of Financial Position.

Refer to Note 24 – Share-Based Payments for a further description of the plans and the relevant accounting guidance applied.

Financial Instruments

The carrying amounts reflected in the Consolidated Statement of Financial Position for cash and cash equivalents, trade and other receivables, restricted cash, trade and other payables, and certain accrued expenses and other current liabilities approximate fair value due to their short-term maturities. Debt obligations are initially carried at fair value less any directly attributable transaction costs and subsequently at amortised cost.

At initial recognition, the Group classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i. Financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at cost, less any accumulated impairment losses.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

ii. Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

The Group derecognises a financial liability when its contractual obligations are discharged, terminated or expired. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group's accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

The Group classifies its financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative Financial Instruments

Derivative financial instruments are classified at fair value through profit or loss unless they are in a designated hedge relationship. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent balance sheet dates.

Interest rate derivatives transacted to fix interest rates on floating rate borrowings are accounted for as cash flow hedges and changes in the fair values resulting from changes in market interest rates are recognised in other comprehensive income. Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit and loss. Any ineffectiveness on hedging instruments and changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of profit or loss within finance costs as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained there until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred.

Foreign Currency Translation and Transactions

Assets and liabilities of subsidiaries whose functional currency is not USD are translated into USD at the rate of exchange in effect on the statement of financial position date. The related equity accounts of subsidiaries are translated into USD at the historical rate of exchange. Income and expenses are translated into USD at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into USD are recognised in the statement of other comprehensive income. Exchange differences arising from the translation of the net investment in foreign operations are taken to a separate translation reserve within equity. They are recycled and recognised in the Consolidated Statement of Profit or Loss upon disposal of the operation.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Statement of Profit or Loss.

Hyperinflationary Economies

IAS 29, *Financial Reporting in Hyperinflationary Economies* ("IAS 29") requires financial statements to be stated in terms of the measuring unit current at the end of the reporting period whose functional currency is the currency of a hyperinflationary economy. The financial information is restated based on the consumer price index ("CPI") before being translated into a different presentation currency. All amounts are translated at the closing exchange rate at the date of the most recent Consolidated Statement of Financial Position. Hyperinflation is indicated by the characteristics of an economy, which includes a cumulative inflation rate over three years that approaches or exceeds 100 percent, sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short and the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency.

3. Significant Accounting Policies (continued)

Hyperinflationary Economies (continued)

Venezuela has been considered as a hyperinflationary economy since 2010. The hyperinflation accounting has been applied to Boston Estada (Venezuela based subsidiary) in the Financial Statements. The financial information of the subsidiary has been restated for the changes in the CPI (as published by the Central Bank of Venezuela) of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period. This complies with the accounting treatment described in IAS 29. The gain on the net monetary position in 2017 and 2016 were $10.4 million and $12.2 million, respectively. The following table summarises the changes in the Venezuelan CPI for the reporting periods ended 31 December 2017 and 2016:

Reporting Period	CPI*	Movement from previous reporting period
31 December 2016	7,729.5	228.0%
31 December 2017	**25,338.5**	**228.0%**

* Base period, 31 December 2007 = 100

Retirement Benefit Costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the Consolidated Statement of Financial Position with a charge or credit to the Consolidated Statement of Comprehensive Loss in the period in which they occur. Remeasurement recorded in the Consolidated Statement of Comprehensive Loss is not recycled. Past service cost is recognised in the Consolidated Statement of Profit or Loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Leases

i. Operating leases

Payments made under operating leases are charged to the Consolidated Statement of Profit or Loss on a straight-line basis over the term of the lease.

ii. Finance leases

Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases as if the asset had been purchased outright. Assets acquired under the finance leases are recognised as assets of the Group and the capital and interest elements of the leasing commitments are shown as obligations to creditors. Depreciation is charged on a consistent basis with similar owned assets or over the lease term if shorter. The interest element of the lease payment is charged to the Consolidated Statement of Profit or Loss on a basis which produces a consistent rate of charge over the period of the liability.

Non-current Assets Held for Sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 – Significant Accounting Policies, the Directors are required to make judgements, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of income and expenses for the years presented. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following two areas of critical accounting judgements and key sources of estimation uncertainty have been identified as having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

Critical accounting judgements

Revenue recognition

The Group has a number of agreements with customers which require careful consideration as to when revenue recognition is appropriate. In management's assessment of the judgements against the accounting criteria, the terms of each contract are assessed. Together with available historic information and trends, informed decisions are made to ensure appropriate allowances are recognised. Refer to Note 3 – Significant Accounting Policies – Revenue Recognition for detailed information of the Group's accounting policy.

Key sources of estimation uncertainty

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGU or groups of CGUs to which goodwill and intangible assets have been allocated. The value in use calculation involves an estimation of the present value of future cash flows of CGUs. The future cash flows are based on the forecasts, as approved by the Board, to which the management's expectation of terminal value growth rates are applied. The present value is then calculated based on management's judgement of future discount rates. The Board reviews these key assumptions (terminal value growth rates and discount rates) and the sensitivity analysis around these assumptions. Refer to Note 15 – Intangible Assets and Note 16 – Goodwill for further details.

Uncertain tax position

The Group operates globally and is required to submit tax returns to the relevant tax authorities in numerous tax jurisdictions. Whilst the Group's policy is to submit tax returns on a timely basis, at any given time tax authorities have years outstanding to make additional tax assessments, or initiate tax audits. This may result in tax disputes, and significant issues may take several years to resolve. The assessment and recognition of tax charges and benefits requires management judgement supplemented by views of external advisors, as needed. Tax charges related to tax risks are included within deferred tax liabilities, or current tax liabilities where applicable. The ultimate tax liability may differ from the amount provided depending on interpretation of (or changes in) tax laws, regulations and other authoritative tax guidance in the various tax jurisdictions in which the Group operates.

The Group defines an 'uncertain tax treatment' or 'uncertain tax position' as an item, the tax treatment of which is either unclear or is a matter of unresolved dispute between the Group's reporting entities and the relevant tax authority. Uncertain tax treatments occur where there is an uncertainty as to the meaning of the law, or to the applicability of the law to a particular transaction, or both.

The Group considers the following items when determining uncertain tax positions: interpretation of local country tax law, previous experience with tax authorities, likelihood of agreeing to proposed settlement offers, and advice of local country tax advisors.

The Group measures uncertain tax positions as "the single likely amount" of the expenditure required to settle the present obligation at the end of the reporting period. The single likely amount approach utilises the single most likely amount of a range of possible outcomes.

With respect to "detection risk", the Group assumes that where a taxation authority has a right to examine amounts reported to it, they will do so; and that when it performs those examinations, the taxation authority will have full knowledge of all relevant information.

5. Segment Information

The Group's management considers its business to be a single segment entity, being engaged in the development, manufacture and sales of medical products and technologies. The Group is a global medical products and technologies group focused on therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care and management, continence and critical care, and infusion devices used in the treatment of diabetes and other conditions. The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. The R&D manufacturing and central functions are managed globally for the Group. The revenues are managed both on a franchise and regional basis. The Group's CEO, who is the Group's Chief Operating Decision Maker evaluates the Group's global product portfolios on a revenue basis and generally evaluates profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures between the franchises. In making these decisions, the CEO evaluates the financial information on a Group wide basis to determine the most appropriate allocation of resources. This financial information relating to revenues provided to the CEO for the decision making purposes is made on a combination of a franchise and regional basis, however profitability measures are presented on a global basis.

Revenue by franchise

The Group generates revenue across four major market franchises:

Advanced Wound Care. The Advanced Wound Care franchise includes advanced wound dressings and skin care products. These dressings and products are used for the management of chronic wounds resulting from ongoing conditions such as diabetes, immobility and venous disease, as well as acute conditions resulting from traumatic injury, burns, invasive surgery and other causes.

Ostomy Care. The Ostomy Care franchise includes devices, accessories and services for people with an ostomy or stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer, obesity and other causes.

Continence and Critical Care ("CCC"). The CCC franchise includes products for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The franchise also includes devices and products used in intensive care units and hospital settings.

Infusion Devices. The Infusion Devices franchise provides disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions. In addition, the franchise supplies a range of products to hospitals and the home healthcare sector.

The following table sets forth the Group's revenue for the years ended 31 December 2017 and 2016 by market franchise:

	2017 $m	2016 $m
Revenue by market franchise		
Advanced Wound Care	**577.8**	559.5
Ostomy Care	**528.9**	512.1
Continence and Critical Care	**382.9**	356.5
Infusion Devices	**275.0**	260.2
	1,764.6	1,688.3

Geographic information

Geographic markets

The following table sets forth the Group's revenue for the years ended 31 December 2017 and 2016 in each geographic market in which customers are located:

	2017 $m	2016 $m
Geographic markets		
EMEA	**733.0**	726.4
Americas	**898.1**	829.4
APAC	**133.5**	132.5
	1,764.6	1,688.3

5. Segment Information (continued)

Geographic information (continued)

Geographic regions

The following table sets forth the Group's revenue for the years ended 31 December 2017 and 2016 on the basis of geographic regions where the legal entity resides and from which those revenues were made:

	2017 $m	2016 $m
Geographic regions		
US	**591.1**	543.8
Denmark	**298.0**	293.5
UK	**149.4**	157.0
Switzerland	**107.8**	110.8
France	**92.5**	90.1
Other[a]	**525.8**	493.1
	1,764.6	1,688.3

(a) Other consists primarily of countries in Europe, APAC, Latin America and Canada.

The following table sets forth the Group's long-lived assets at 31 December 2017 and 2016 by geographic regions:

	2017 $m	2016 $m
Long-lived assets[a]		
US	**1,071.2**	1,125.0
UK	**438.8**	432.9
Denmark	**142.1**	124.8
Slovakia	**69.2**	45.0
Dominican Republic	**60.0**	42.4
Netherlands	**19.1**	–
Other[b]	**20.9**	16.1
Total long-lived assets	**1,821.3**	1,786.2

(a) Long-lived assets consist of property, plant and equipment and intangible assets.
(b) Other consists primarily of countries in Europe and Latin America.

Major Customers

In 2017 and 2016, no single customer generated more than 10% of the Group's revenue.

6. Auditor Remuneration

Auditor remuneration for the years ended 31 December 2017 and 2016 is as follows:

	2017 $m	2016 $m
Fees for audit services		
Group	**1.8**	5.0
Subsidiaries	**1.5**	3.7
Total fees for audit services	**3.3**	8.7
Fees for non-audit services		
Audit-related assurance services	**0.6**	–
Corporate finance transactions	**–**	3.4
Other non-audit services	**0.1**	–
Total fees for non-audit services	**0.7**	3.4
Total auditor remuneration	**4.0**	12.1

Auditor remuneration has reduced in 2017 as a result of additional audit and non-audit services performed as part of the IPO process in 2016.

7. Staff Costs

The following table details the numbers of the Group's employees by function (full and part time) at 31 December 2017 and 2016:

	2017	2016
Operations	**6,189**	5,376
Sales and marketing	**2,360**	2,220
General and administrative	**688**	680
R&D	**304**	248
Total	**9,541**	8,524

The following table details the numbers of the Group's employees by location (full and part time) at 31 December 2017 and 2016:

	2017	2016
EMEA	**3,707**	3,470
Americas	**5,361**	4,578
APAC	**473**	476
Total	**9,541**	8,524

The following table details the Group's employees' aggregate remuneration (full and part time) at 31 December 2017 and 2016:

	2017 $m	2016 $m
Wages and salaries[a]	**338.3**	349.1
Share-based compensation[b]	**36.9**	86.7
Social security costs	**75.5**	72.9
Pension related costs	**16.6**	16.3
Recruitment and other employment related fees	**4.6**	3.9
Total	**471.9**	528.9

(a) Includes wages, salaries and bonuses.
(b) Refer to Note 24 – Share-Based Payments for further details.

The remuneration of the Directors is set out on pages 80 to 89 within the Remuneration Report described as being audited and forms part of these Financial Statements.

8. Finance Costs

Finance costs for the years ended 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
Interest expense on borrowings[a]	**(54.8)**	(233.8)
Loss on extinguishment of debt	**–**	(21.9)
Amortisation of deferred financing fees and OID	**(4.8)**	(8.9)
Write-off of deferred financing fees[b]	**–**	(7.3)
Interest expense on finance leases	**(1.8)**	(0.6)
Interest cost on derivative financial instruments	**(1.8)**	–
Other income	**1.5**	1.7
Other expense	**(0.4)**	(0.6)
Finance costs	**(62.1)**	(271.4)

(a) Refer to Note 19 – Borrowings for further details.
(b) Includes the write-off of deferred financing fees related to (i) the Group's revolving credit facility financing in October 2016 ($3.8 million) and (ii) the commitment letter entered into connection with the financing of the Group's credit facilities ($3.5 million). Refer to Note 19 – Borrowings for further information.

9. Other Expense, Net

Other expense, net for the years ended 31 December 2017 and 2016 was as follows:

	2017 $m	2016 $m
Foreign exchange loss on restructuring of certain foreign subsidiaries[a]	–	(36.4)
Foreign exchange (losses)/gains[b]	(23.8)	44.1
Gain on sale of assets[c]	2.6	0.4
Foreign currency forward exchange contract[d]	–	(17.8)
Other	(0.5)	1.3
Other expense, net	**(21.7)**	(8.4)

(a) Refer to Note 22 – Share Capital and Reserves for further details.
(b) Primarily relates to the foreign currency impact on intercompany transactions, including loans transacted in non-functional currencies and foreign exchange losses as a result of hyperinflation accounting. Additionally, foreign exchange gain for the year ended 31 December 2016 includes foreign currency impact on re-measurement of the Group's borrowings denominated in non-functional currency.
(c) The gain on sale of assets during the year ended 31 December 2017 relates to the sale of fully depreciated assets in Malaysia.
(d) On 25 October 2016, the Group entered into foreign currency forward-exchange contracts to (i) sell £332.6 million and buy euro and (ii) sell £1,092.5 million and buy USD in order to reduce its exposure to the variability in expected cash inflows attributable to the changes in foreign exchange rates related to the repayment of our borrowings immediately following the listing (refer to Note 19 – Borrowings for further information). These derivative contracts are not designated as hedges for accounting purposes, and such contracts matured on 31 October 2016. For the year ended 31 December 2016, the Company recorded a foreign exchange loss of $17.8 million in Other expense, net in the Consolidated Statement of Profit or Loss related to the settlement of these derivative contracts.

10. Income Taxes

A. Tax on profit (loss) for the year

Current tax on profit before income taxes in 2017 (loss before income taxes in 2016) is recognised as an expense in the Consolidated Statement of Profit or Loss, along with any change in the provision for deferred tax:

	2017 $m	2016 $m
Current		
UK current year charge	2.3	4.7
Overseas taxation	35.7	35.3
Adjustment for prior years	0.1	(0.2)
Total current tax expense	**38.1**	39.8
Deferred		
Origination and reversal of temporary differences	(9.1)	43.4
Change in tax rate	(22.8)	(5.7)
Adjustment for prior years	(0.6)	(0.5)
Total deferred tax (benefit) expense	**(32.5)**	37.2
Income tax expense	**5.6**	77.0

10. Income Taxes (continued)

B. Reconciliation of effective tax rate

Variance in effective tax rate on prior year

The effective tax rate for the year ended 31 December 2017 was 3.4% as compared with 61.2% for the year ended 31 December 2016. The variance in the effective tax rate on prior year is primarily driven by 2017 impacts of: US tax reform benefit of $28.1 million related to reduction in federal tax rate and implementation of participation exemption on dividends; Woodbury M&A purchase accounting benefit of $9.9 million; unremitted earnings benefit primarily in the Dominican Republic of $18.4 million; the impact of lower non-deductible costs incurred in 2017, including share based compensation and 2016 related IPO and reorganisation costs; and the 2016 prior year effect on deferred benefit of $10.8 million. The reduction in the US main rate (35% to 21%) and Luxembourg main rate (19% to 18%) generated tax charges of $33.6 million and $17.1 million, respectively, on re-measurement of deferred tax assets. As these deferred tax assets are fully provided for, there was no impact on the effective tax rate as shown below.

Key factors influencing the effective tax rate

The Company's tax rate is sensitive to the geographic mix of profits and its ability to recognise unrealised losses primarily in the US. Other factors that could influence the effective tax rate include tax rate changes, changes in tax legislation or regulations in jurisdictions where the Company does business, evolving developments and implementation of the OECD's BEPS Actions, or tax disputes.

	2017		2016	
	$m		$m	
Profit (loss) before income taxes	**164.0**		(125.8)	
Profit before tax multiplied by rate of corporation tax in the UK of 19.25% (2016: 20%)	**31.5**		(25.2)	
Difference between UK and rest of world tax rates	**(10.4)**		13.1	
Non-deductible/non-taxable items	**4.1**		35.6	
Previously unrecognised losses and other assets	**5.0**		19.0	
Amortisation of indefinite life intangibles	**8.1**		7.9	
Taxes on unremitted earnings	**(2.4)**		20.0	
Deferred impact of tax rate changes	**(22.8)**		(5.7)	
Prior year effect on deferred	**–**		10.8	
Previously unrecognised tax benefits	**(4.2)**		1.6	
Other	**(3.3)**		(0.1)	
Income tax expense reported in the Consolidated Statement of Profit or Loss at the effective tax rate	**5.6**	**3.4%**	77.0	(61.2)%

C. Movement in deferred tax balances

A provision is recorded for deferred tax on the basis of all temporary differences in accordance with the balance sheet liability method. Temporary differences arise between the tax base of assets and liabilities and their carrying amounts which are offset over time. Deferred tax is measured on the basis of the tax rates applicable at the statement of financial position date. The UK main rate is reduced to 17% effective 1 April 2020. Deferred tax assets are recognised to the extent that it is probable that future positive taxable income will be generated, against which the temporary differences and tax losses can be offset. Deferred tax assets are measured at expected net realisable values in 2017 and 2016. The following table shows movements in the deferred tax assets and liabilities:

	Inventory $m	Loss carry forward $m	Employee benefits $m	Equity $m	Fixed assets $m	Intangibles $m	Unremitted earnings $m	Intercompany profit on inventory $m	Other $m	Total $m
At 1 January 2016	(0.7)	5.6	1.3	(38.1)	(7.4)	(155.6)	(3.4)	14.6	2.1	**(181.6)**
Exchange adjustments	–	0.1	0.5	1.4	0.7	14.6	–	–	–	**17.3**
Movement in Income statement	(0.3)	(5.3)	(0.2)	4.5	(1.1)	(3.5)	(29.6)	3.4	(5.1)	**(37.2)**
Movement in Other comprehensive income	–	–	(0.3)	31.6	–	–	–	–	–	**31.3**
At 1 January 2017	(1.0)	0.4	1.3	(0.6)	(7.8)	(144.5)	(33.0)	18.0	(3.0)	**(170.2)**
Exchange adjustments	(0.3)	0.5	0.2	–	(1.0)	(9.3)	–	–	(0.7)	**(10.6)**
Movement in Income statement	1.6	(2.7)	0.5	2.1	0.5	36.0	2.4	(6.7)	(1.2)	**32.5**
Movement in Other comprehensive income	–	–	–	0.2	–	–	–	–	–	**0.2**
Other	(0.6)	1.8	–	–	(0.7)	(16.8)	–	–	1.8	**(14.5)**
At 31 December 2017	(0.3)	–	2.0	1.7	(9.0)	(134.6)	(30.6)	11.3	(3.1)	**(162.6)**

The Group offsets non-current deferred tax assets and liabilities in jurisdictions where group tax relief or consolidated tax filing is available.

10. Income Taxes (continued)

D. Components of deferred tax assets and liabilities

The components of deferred tax assets and liabilities at 31 December 2017 and 2016 are as follows:

	2017 $m	2016 $m
Deferred tax assets	**9.6**	22.0
Deferred tax liabilities	**(172.2)**	(192.2)
Net position at the end of the period	**(162.6)**	(170.2)

E. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. The following is a summary of unrecognised deferred tax assets at 31 December 2017 and 2016:

	2017 $m	2016 $m
Deductible/taxable temporary differences	**–**	49.2
Tax losses	**2,217.4**	1,878.1
Unrecognised deferred tax assets	**2,217.4**	1,927.3

F. Tax losses carried forward

The Group recorded UK net corporation tax losses carried forwards of $17.6 million and overseas net corporation tax losses carried forwards of $2,236.2 million at 31 December 2017. The Group recorded UK net corporation tax losses carried forwards of $15.4 million, and overseas net corporation tax losses carried forwards of $1,872.5 million at 31 December 2016. UK net corporation tax losses can be carried forward indefinitely. The 2017 overseas net corporation tax losses carried forwards and years in which they begin to expire are shown below:

Country	Gross Corporation tax losses $m	Corporation tax losses expiration
Luxembourg	1,640.1	Indefinite
US	533.9	2021
Other overseas	62.2	Various
Total	2,236.2	

11. Dividends

Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, the Group's financial position, working capital requirements, restrictions on dividends in the Group's banking facilities, finance costs, general economic conditions and other factors the Directors deem significant.

At the Company's Annual General Meeting held in May 2017, shareholders approved the implementation of a Scrip Dividend Scheme (the "Scrip Scheme"). The Scrip Scheme enables ordinary shareholders to elect to receive new fully paid ordinary shares instead of cash. The operation of the Scrip Scheme is always subject to the Directors' decision to make the Scrip Scheme offer available in respect of any particular dividend. Should the Directors decide not to offer the Scrip Scheme in respect of any particular dividend, cash will be paid automatically instead. Under the current authority, the operation of the Scrip Scheme will cease on the date of the third Annual General Meeting of the Company, which will take place in 2019.

On 2 August 2017, the Board declared the first interim dividend in the total amount of $27.7 million, representing 1.4 cents per share based upon the issued and fully paid share capital as at 30 June 2017. The dividend on ordinary shares was declared in USD and was paid in Sterling at the chosen exchange rate of $1.32/£1.00 determined on 2 August 2017. A scrip dividend alternative was offered in respect of the first interim dividend, allowing shareholders to elect to receive their dividend in the form of new ordinary shares at a Calculation Price of 272 pence for each new ordinary share which was equivalent to one new share for approximately 256.6 shares held prior to the ex-dividend date of 7 September 2017. On 20 October 2017, 377,948 ordinary shares of 10 pence each were allotted and issued by the Company to those shareholders who elected to receive the scrip dividend alternative.

On 13 February 2018, the Board proposed the final dividend in respect of 2017 subject to shareholder approval at our Annual General Meeting on 10 May 2018, to be distributed on 17 May 2018 to shareholders registered at the close of business on 6 April 2018 in the total amount of $83.9 million, representing 4.3 cents per share based upon the issued and fully paid share capital as at 31 December 2017. The dividend on ordinary shares shall be declared in USD and will be paid in Sterling at the chosen exchange rate of $1.39/£1.00 determined on 13 February 2018. A scrip dividend alternative shall be offered in respect of the final dividend, allowing shareholders to elect by 20 April 2018 to receive their dividend in the form of new ordinary shares. The interim dividend of 1.4 cents per share and the final dividend of 4.3 cents per share gives a total dividend for the year of 5.7 cents per share.

12. Earnings Per Share

Basic and diluted earnings (loss) per ordinary share for the years ended 31 December 2017 and 2016 was calculated as follows:

	2017	2016
	$m (except share data)	
Net profit (loss) attributable to the equity holders of the Group	**158.4**	(202.8)
Basic weighted average ordinary shares in issue (net of shares purchased by the Company and held as Own shares)	**1,951,006,350**	1,376,365,276
Dilutive impact of share awards	**2,935,460**	–
Diluted weighted average ordinary shares in issue	**1,953,941,810**	1,376,365,276
Basic earnings (loss) per share ($ per share)	**0.08**	(0.15)
Diluted earnings (loss) per share ($ per share)	**0.08**	(0.15)

In 2016, all share awards were excluded from the calculation of diluted loss per share, as the effect of including them would have been anti-dilutive. The dilutive effect of potential shares issuable for share awards on the weighted average ordinary shares in issue would have been as follows:

	2016
Basic weighted average ordinary shares in issue	1,376,365,276
Dilutive effect of share awards	282,672
Diluted weighted average ordinary shares in issue	1,376,647,948

Share options to purchase approximately 5,231,000 and 3,120,000 ordinary shares of the Group were not included in the computation of diluted earnings (loss) per share for the year ended 31 December 2017 and 2016, respectively, because the exercise prices of the share options were greater than the average market price of the Group's ordinary shares and, therefore, the effect would have been anti-dilutive.

13. Acquisition of Subsidiaries

Woodbury Holdings ("Woodbury")

Description of the transaction

On 1 September 2017, the Group acquired the entire share capital of Woodbury for a total cash consideration of approximately $84.8 million, including $4.7 million of the cash and cash equivalents acquired. Woodbury provides an extensive array of incontinence and catheter products, as well as nutritional, enteral feeding and vascular compression supplies. Woodbury has national distribution across the US, delivering directly to customers in the home environment. The acquisition will provide further breadth and reach to the Group's home distribution unit and further consolidate the Group's leading position in this market and bring its comprehensive end-to-end suite of services to even more patients.

Assets acquired and liabilities assumed

The transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarises the estimated fair values of the assets acquired and liabilities assumed as of acquisition date. The following recognised amounts are provisional and subject to change:

- amounts for income tax assets and liabilities, pending finalisation of estimates and assumptions in respect of certain tax aspects of the transaction; and
- amount of goodwill pending the completion of the valuation of assets acquired and liabilities assumed.

The Group will finalise these amounts as it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recognised at the acquisition date. The Group will finalise these amounts no later than one year from the acquisition date.

13. Acquisition of subsidiaries (continued)
Woodbury Holdings ("Woodbury") (continued)

	Provisional amounts recognised as of acquisition date $m
Non-current assets	
Property, plant and equipment	0.2
Intangible assets[a]	43.4
Other assets	0.1
Current assets	
Inventories[b]	1.6
Trade and other receivables[c]	8.6
Prepaid expenses and other current assets	0.4
Cash and cash equivalents	4.7
Total assets	59.0
Current liabilities	
Trade and other payables	(3.1)
Borrowings[d]	(1.3)
Accrued expenses and other current liabilities	(4.4)
Non-current liabilities	
Borrowings[d]	(30.0)
Deferred tax liabilities	(9.9)
Total liabilities	(48.7)
Net assets acquired	10.3
Initial cash consideration[e]	79.5
Deferred purchase consideration paid into escrow[f]	5.3
Total consideration	84.8
Goodwill arising on acquisition[g]	74.5

	Year ended 31 December 2017 $m
Analysis of cash outflow in the Condensed Consolidated Cash Flow Statement	
Initial cash consideration	**79.5**
Cash acquired on acquisition	**(4.7)**
Deferred purchase consideration paid into escrow	**5.3**
Net cash outflow on acquisition (per Condensed Consolidated Cash Flow Statement)	**80.1**

(a) The following table summarises the provisional amounts and useful lives assigned to identifiable intangible assets:

	Weighted average useful lives (Years)	Provisional amounts recognised as of acquisition date $m
Finite-lived intangible assets:		
– Customer relationship	8 years	40.9
Indefinite-lived intangible assets:		
– Trade name[1]	Indefinite lived	2.5
Total intangible assets		43.4

(1) The provisional amount of indefinite-lived trade name has been allocated to the Group's Woodbury Catheter ($1.3 million) and Woodbury Incontinence ($1.2 million) CGU.

(b) Includes an estimated fair value adjustment to inventory of $0.1 million.

(c) The fair value of receivables acquired approximate the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

(d) Effective 1 September, 2017, the date of acquisition, the Group terminated the term loan and revolver agreement, repaid the assumed debt outstanding and cancelled the undrawn revolver facilities.

(e) The initial cash consideration includes cash at closing of $4.7 million.

(f) $5.3 million was paid on closing into escrow as security for the due and punctual fulfilment by the seller of its obligations under the Share Purchase Agreement. The escrow account will be maintained for three years, of which (i) $0.4 million was released after 60 days, (ii) an additional $0.9 million will be released after 18 months, and (iii) the remaining $4.0 million will be released after three years.

(g) Goodwill is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. None of the goodwill is expected to be deductible for tax purposes. The goodwill recorded represents the following:
– costs savings and operating synergies expected to result from combining the operations of Woodbury with those of the Group; and
– intangible assets that do not qualify for separate recognition (for instance, Woodbury's assembled workforce).
The provisional amount of goodwill has been allocated to the Group's Woodbury Catheter ($44.7 million) and Woodbury Incontinence ($29.8 million) CGU.

13. Acquisition of subsidiaries (continued)

Woodbury Holdings ("Woodbury") (continued)

Acquisition-related costs

The Group incurred $0.9 million of transaction costs directly related to the Woodbury acquisition through 31 December 2017, which includes expenditures for advisory, legal, valuation, accounting and other similar services. These costs have been expensed as acquisition-related costs.

Revenue and net profit of Woodbury

The revenue of Woodbury for the period from the acquisition date to 31 December 2017 was $18.9 million and net profit, net of tax, was $0.1 million. The net profit, net of tax, includes the effects of the acquisition accounting adjustments.

EuroTec

Description of the transaction

On 3 January 2017, the Group acquired the entire share capital of EuroTec for a total cash consideration of approximately $30.4 million (€29.3 million), including $5.0 million (€4.9 million) of the cash and cash equivalents acquired. EuroTec manufactures ostomy care systems and commercialises its products directly in the Benelux region and through distributor partners in other markets. The acquisition was made to complement the product portfolio and services provided to the ostomy market.

Assets acquired and liabilities assumed

The transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarises the fair values of the assets acquired and liabilities assumed as of acquisition date:

	Amounts recognised as of acquisition date $m
Non-current assets	
Property, plant and equipment	6.1
Intangible assets[a]	12.5
Current assets	
Inventories[b]	4.4
Trade and other receivables[c]	1.3
Cash and cash equivalents	5.0
Total assets	29.3
Current liabilities	
Trade and other payables	(0.7)
Accrued expenses and other current liabilities	(0.2)
Non-current liabilities	
Deferred tax liabilities	(4.1)
Total liabilities	(5.0)
Net assets acquired	24.3
Initial cash consideration[d]	26.3
Deferred purchase consideration paid into escrow[e]	4.1
Total consideration	30.4
Goodwill arising on acquisition[f]	6.1

	Year ended 31 December 2017 $m
Analysis of cash outflow in the Condensed Consolidated Cash Flow Statement	
Initial cash consideration	**26.3**
Cash acquired on acquisition	**(5.0)**
Deferred purchase consideration paid into escrow	**4.1**
Net cash outflow on acquisition (per Condensed Consolidated Cash Flow Statement)	**25.4**

13. Acquisition of subsidiaries (continued)
EuroTec (continued)

(a) The following table summarises the amounts and useful lives assigned to identifiable intangible assets:

	Weighted average useful lives (Years)	Amounts recognised as of acquisition date $m
Finite-lived intangible assets:		
Technology, one-piece ostomy system	8 years	8.4
Technology, two-piece ostomy system	8 years	3.1
Technology, accessories	7 years	1.0
Total intangible assets		12.5

(b) Includes the fair value adjustment to inventory of $1.5 million.
(c) The fair value of receivables acquired approximate the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.
(d) The initial cash consideration includes cash at closing of $5.0 million (€4.9 million).
(e) €4.0 million ($4.1 million) was paid on closing into escrow as security for the due and punctual fulfilment by the seller of its obligations under the Share Purchase Agreement. The escrow account will be maintained for three years, of which 50% (€2.0 million) will be released to seller on 3 July 2018 and the remaining balance will be released after the third year.
(f) Goodwill is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. None of the goodwill is deductible for tax purposes. The goodwill recorded represents the following:
– costs savings and operating synergies expected to result from combining the operations of EuroTec with those of the Group; and
– intangible assets that do not qualify for separate recognition (for instance, EuroTec's assembled workforce).
Goodwill has been allocated to the Group's EMEA CGU.

Acquisition-related costs
The Group incurred $0.6 million of transaction costs directly related to the EuroTec acquisition through 31 December 2016, which includes expenditures for advisory, legal, valuation, accounting and other similar services. These costs have been expensed as acquisition-related costs. There were no transaction costs related to the EuroTec acquisition in the year ended 31 December 2017.

Revenue and net loss of EuroTec
The revenue of EuroTec for the period from the acquisition date to 31 December 2017 was $11.3 million and net loss, net of tax, was $0.5 million. The net loss, net of tax, includes the effects of the acquisition accounting adjustments.

14. Property, Plant and Equipment
The major categories of property, plant and equipment ("PP&E") and movement in the carrying value of each category is as follows:

	Land and land improvements $m	Building, building equipment, and leasehold improvements $m	Machinery, equipment and fixtures $m	Construction in progress $m	Total $m
Property, Plant and Equipment at Cost					
At 1 January 2016	19.7	115.4	333.1	44.1	512.3
Additions	–	25.5	2.7	62.8	91.0
Impairments/write offs	(1.3)	(5.1)	(11.1)	(4.5)	(22.0)
Disposals	–	(1.1)	(10.3)	(0.1)	(11.5)
Transfers	–	3.7	30.5	(34.2)	–
Reclassified as held for sale[(a)]	(1.9)	(11.5)	–	–	(13.4)
Foreign exchange	(1.6)	(10.6)	(21.1)	(5.6)	(38.9)
At 31 December 2016	**14.9**	**116.3**	**323.8**	**62.5**	**517.5**
Additions	**–**	**0.2**	**11.7**	**64.2**	**76.1**
Acquisitions (see Note 13)	**1.1**	**2.1**	**3.1**	**–**	**6.3**
Write offs	**–**	**(0.3)**	**(8.7)**	**–**	**(9.0)**
Disposals	**(0.5)**	**(3.0)**	**(13.9)**	**(1.0)**	**(18.4)**
Transfers	**–**	**16.4**	**38.4**	**(54.8)**	**–**
Foreign exchange	**1.3**	**9.5**	**28.5**	**4.7**	**44.0**
31 December 2017	**16.8**	**141.2**	**382.9**	**75.6**	**616.5**

14. Property, Plant and Equipment (continued)

	Land and land improvements $m	Building, building equipment, and leasehold improvements $m	Machinery, equipment and fixtures $m	Construction in progress $m	Total $m
Accumulated Depreciation					
1 January 2016	1.0	47.0	212.8	–	260.8
Depreciation[(b)]	0.6	11.2	27.2	–	39.0
Write offs	–	(1.9)	(9.0)	–	(10.9)
Disposals	–	(1.1)	(9.8)	–	(10.9)
On assets reclassified as held for sale	(0.3)	(7.5)	–	–	(7.8)
Foreign exchange	(0.1)	(3.6)	(13.8)	–	(17.5)
31 December 2016	**1.2**	**44.1**	**207.4**	**–**	**252.7**
Depreciation[(b)]	**0.1**	**7.7**	**26.8**	**–**	**34.6**
Write offs	**–**	**(0.1)**	**(8.4)**	**–**	**(8.5)**
Disposals	**(0.5)**	**(3.0)**	**(12.9)**	**–**	**(16.4)**
Foreign exchange	**–**	**2.7**	**17.4**	**–**	**20.1**
31 December 2017	**0.8**	**51.4**	**230.3**	**–**	**282.5**

(a) In 2016, the Group signed an agreement for the sale of the Skillman facility and subsequently transferred the $5.6 million carrying value of related assets to Assets held for sale. The transaction closed in 2017.
(b) Includes accelerated depreciation of $1.3 million and $11.1 million in 2017 and 2016, respectively, related to the closure of certain manufacturing facilities.

	Land and land improvements $m	Building, building equipment, and leasehold improvements $m	Machinery, equipment and fixtures $m	Construction in progress $m	Total $m
Net carrying amount					
31 December 2016	13.7	72.2	116.4	62.5	264.8
31 December 2017	**16.0**	**89.8**	**152.6**	**75.6**	**334.0**

Included within Building, building equipment and leasehold improvements, and Machinery, equipment and fixtures are finance leases with a net carrying value of (i) $23.6 million and $0.4 million, respectively, at 31 December 2017 and (ii) $22.2 million and $0.4 million, respectively, at 31 December 2016.

The Group recorded write-off charges on PP&E of $0.5 million for the year ended 31 December 2017. For the year ended 31 December 2016, the Group recorded impairment and write-off charges on PP&E of $11.1 million. The charges recorded for the year ended 31 December 2016 were primarily related to (i) an impairment of $4.6 million included in General and administrative expenses, related to the Group's former corporate facility located in Skillman, New Jersey and (ii) asset write-offs of $6.5 million, in the aggregate, of which $5.7 million, $0.7 million, and $0.1 million were included in Cost of goods sold, General and administrative expenses, and Research and development expenses, respectively. The asset write-offs for the year ended 31 December 2016 were primarily related to restructuring activities associated with the closure of the Group's manufacturing operations in Greensboro, US, which are described further in Note 20 – Provisions.

Asset impairment charges were measured at fair value less costs to sell (market value approach) using significant unobservable inputs that are categorised as Level 3 measurement in the fair value hierarchy under IFRS 13 *Fair Value Measurement*.

15. Intangible Assets

The major categories of intangible assets and the changes in the carrying value of each category were as follows:

	Patents, trademarks and licenses $m	Technology $m	Acquired capitalised software $m	Internally generated software $m	Contracts and customer relationship $m	Non-compete agreements $m	Trade names $m	Development costs[a] $m	Total $m
Intangibles at cost									
1 January 2016	1,954.0	224.3	75.9	7.1	247.4	5.7	255.5	7.1	2,777.0
Additions	–	–	0.1	6.0	–	–	–	1.4	7.5
Disposals[b]	–	–	(2.8)	–	(4.5)	–	–	–	(7.3)
Impairments[c]	–	–	–	–	–	–	–	(0.1)	(0.1)
Foreign exchange[d]	(100.5)	(24.0)	(0.2)	–	(4.3)	(0.1)	(0.4)	(0.2)	(129.7)
31 December 2016	**1,853.5**	**200.3**	**73.0**	**13.1**	**238.6**	**5.6**	**255.1**	**8.2**	**2,647.4**
Additions	**–**	**–**	**–**	**9.2**	**0.1**	**–**	**–**	**2.1**	**11.4**
Acquisitions (see Note 13)	**–**	**12.5**	**–**	**–**	**40.9**	**–**	**2.5**	**–**	**55.9**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange[d]	**49.1**	**20.5**	**0.2**	**0.1**	**13.1**	**–**	**2.1**	**1.2**	**86.3**
31 December 2017	**1,902.6**	**233.3**	**73.2**	**22.4**	**292.7**	**5.6**	**259.7**	**11.5**	**2,801.0**

(a) Internally generated development costs.
(b) In 2016, the Group disposed of fully amortised intangible assets related to (i) acquired capitalised software and (ii) contracts and customer relationships.
(c) The impairment relates to development costs which no longer satisfy criteria of IAS 38.
(d) Primarily related to intangible assets denominated in British Pound sterling.

	Patents, trademarks and licenses $m	Technology $m	Acquired capitalised software $m	Internally generated software $m	Contracts and customer relationship $m	Non-compete agreements $m	Trade names $m	Development costs $m	Total $m
Accumulated amortisation									
1 January 2016	803.7	95.0	56.3	1.7	81.5	3.5	1.6	4.6	1,047.9
Amortisation	106.2	13.1	5.0	1.1	15.3	1.0	0.5	0.6	142.8
Disposals	–	–	(2.8)	–	(4.5)	–	–	–	(7.3)
Foreign exchange	(44.2)	(10.7)	–	–	(2.2)	(0.1)	–	(0.2)	(57.4)
31 December 2016	**865.7**	**97.4**	**58.5**	**2.8**	**90.1**	**4.4**	**2.1**	**5.0**	**1,126.0**
Amortisation	**104.6**	**14.5**	**5.0**	**2.1**	**17.1**	**0.8**	**0.5**	**0.2**	**144.8**
Foreign exchange	**24.6**	**10.0**	**0.2**	**–**	**7.6**	**(0.1)**	**–**	**0.6**	**42.9**
31 December 2017	**994.9**	**121.9**	**63.7**	**4.9**	**114.8**	**5.1**	**2.6**	**5.8**	**1,313.7**

	Patents, trademarks and licenses $m	Technology $m	Acquired capitalised software $m	Internally generated software $m	Contracts and customer relationship $m	Non-compete agreements $m	Trade names $m	Development costs $m	Total $m
Net carrying amounts									
31 December 2016	**987.8**	**102.9**	**14.5**	**10.3**	**148.5**	**1.2**	**253.0**	**3.2**	**1,521.4**
31 December 2017	**907.7**	**111.4**	**9.5**	**17.5**	**177.9**	**0.5**	**257.1**	**5.7**	**1,487.3**

The carrying amount of indefinite-lived trade names was $254.7 million and $250.3 million at 31 December 2017 and 2016, respectively. Each of these trade names is considered to have an indefinite life, given the strength and durability of the trade name and the level of marketing support. The trade names are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the trade names is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit their useful lives. Accordingly, these indefinite-lived trade names are not amortised.

15. Intangible Assets (continued)

The carrying values of indefinite-lived intangible assets (i.e. indefinite-lived trade names) allocated to each of the Group's CGUs (see Note 16 – Goodwill for definition of CGUs) at 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
CGUs		
Americas	**234.6**	234.6
180 Medical	**1.6**	1.6
Woodbury Catheter[a]	**1.3**	–
Woodbury Incontinence[a]	**1.2**	–
ID	**14.2**	12.3
IS	**1.8**	1.8
Indefinite-lived intangible assets	**254.7**	250.3

(a) Relates to the Woodbury acquisition. Refer to Note 13 for further details.

In 2017 and 2016, the Group performed its annual CGU-based impairment tests in respect of indefinite-lived intangible assets and determined that none of its indefinite-lived intangible assets were impaired. Refer to Note 16 – Goodwill for details of the annual CGU-based impairment tests.

Amortisation expense related to finite-lived intangible assets for the years ended 31 December 2017 and 2016 was as follows:

	2017 $m	2016 $m
Cost of goods sold	**123.4**	123.8
General and administrative expenses	**21.2**	19.0
Research and development expenses	**0.2**	–
Total amortisation expense	**144.8**	142.8

16. Goodwill

The changes in the carrying value of goodwill for the years ended 31 December 2017 and 2016 were as follows:

	Total $m
1 January 2016	1,019.3
Effect of foreign currency translation rates	(98.3)
31 December 2016	**921.0**
Additions[a]	**80.6**
Effect of foreign currency translation rates	**70.6**
31 December 2017	**1,072.2**

(a) Relates to the Woodbury and EuroTec acquisitions (as described in Note 13).

The Group identifies CGUs at the operating company level as this represents the lowest level at which cash flows are largely independent of other cash flows. Goodwill acquired in a business combination is allocated, at acquisition, to the Group's CGUs, or groups of CGUs, that are expected to benefit from that business combination. The Group has identified eight CGUs in applying the provisions of IAS 36 Impairment of Assets: (i) Americas, (ii) 180 Medical, (iii) Europe, Middle East and Africa ("EMEA"), (iv) Asia-Pacific ("APAC"), (v) Woodbury Catheter, (vi) Woodbury Incontinence, (vii) Infusion Devices ("ID"), and (viii) Industrial Sales ("IS").

16. Goodwill (continued)

Goodwill is allocated to the Group's CGUs as follows:

	2017 $m	2016 $m
CGUs		
Americas[a]	**15.3**	15.2
180 Medical[a]	**241.3**	237.6
EMEA[a][b]	**647.8**	582.9
Woodbury Catheter[c]	**44.7**	–
Woodbury Incontinence[c]	**29.8**	–
ID[a]	**53.4**	47.4
IS[a]	**39.9**	37.9
Goodwill	**1,072.2**	921.0

(a) The Group has completed an evaluation of goodwill for impairment by comparing the recoverable amount of each CGU with its carrying amount, including goodwill.
(b) Includes goodwill from the EuroTec acquisition (as described in Note 13).
(c) Represents goodwill from the Woodbury acquisition. The goodwill recognized for the Woodbury acquisition has been allocated to the Group's Woodbury Catheter and Woodbury Incontinence CGU, which to date has been recorded provisionally, will be tested for impairment within 12 months of the acquisition date. Refer to Note 13 for further information.

The recoverable amounts of the CGUs have been determined based on value in use calculations, which are based on estimated future cash flows of each CGU discounted by an estimated weighted average cost of capital, reflecting the overall level of inherent risk of a CGU and the rate of return an outside investor would expect to earn. Determining the estimated recoverable amount of a CGU is judgmental in nature and requires the use of significant estimates and assumptions, including estimated future cash flows and discount rates.

Future cash flows are determined using Board approved forecasts. Such forecasts are based on the revenue growth, earnings and strategy plans. These forecasts are based on specific assumptions for each CGU during the planning period with respect to revenue, results of operations, working capital, capital investments and other general assumptions for the projected period. The forecast assumptions are based on the historical results of each CGU combined with external market information. The key assumptions used in the estimation of value in use at 31 December 2017 were as follows:

Discount rate (pre-tax)	2017 %
Americas	11.5
180 Medical	11.5
EMEA	12.0
ID	12.5
IS	14.5
Terminal value growth rate[a]	2.0

(a) The estimated terminal value growth rate of 2.0% for the CGUs is based on expectations concerning the growth trends of the CGUs and global gross domestic product, the CGUs' strengths and weaknesses relative to its competitors and general long-term inflation and population expectations. The key significant factors considered in analysis included the business risks and uncertainties introduced by the healthcare reform, such as the downward pressure on reimbursement rates.

In 2017 and 2016, the Group performed its annual goodwill impairment tests and determined that there was no goodwill impairment.

Sensitivity analysis shows that if terminal value growth rate assumptions are lowered by 2% and discount rates (pre-tax) increased by 2%, no goodwill impairment would arise at any of the CGUs.

17. Inventories

The components of inventories at 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
Raw and packaging materials	**77.2**	53.7
Work in progress	**29.5**	23.0
Finished goods	**177.8**	170.8
Inventories	**284.5**	247.5

For the years ended 31 December 2017 and 2016, inventories of $685.2 million and $662.5 million, respectively, were recognised as an expense and included in Cost of goods sold.

The adjustments recorded as write-downs of inventory to net realisable value were $11.8 million and $15.0 million for the years ended 31 December 2017 and 2016, respectively. The write-downs are included in Cost of goods sold.

18. Trade and Other Receivables

The following table contains balances for trade and other receivables at 31 December 2017 and 2016:

	2017 $m	2016 $m
Trade receivables	**298.9**	266.9
Other receivables	**12.6**	6.9
Less: allowances for bad and doubtful debts	**(17.1)**	(12.6)
Less: sales discounts and chargebacks	**(25.4)**	(27.5)
Trade and other receivables	**269.0**	233.7

The Group establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. The Group believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Group's accounts receivable.

The ageing analysis of trade receivables at 31 December 2017 and 2016 was as follows:

	2017 $m	2016 $m
Current	**221.8**	192.7
Past due 1 to 30 days	**16.1**	20.8
Past due 31 to 90 days	**17.7**	15.8
Past due 91 to 180 days	**11.5**	19.3
Past due by more than 180 days	**31.8**	18.3
	298.9	266.9

At 31 December 2017 and 2016, the unimpaired amounts that are past due are $60.0 million and $61.6 million, respectively. There are no impaired trade receivables that are current. The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk.

Movements in the allowance for bad and doubtful debts for the years ended 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
At the beginning of the period	**(12.6)**	(14.0)
Charges	**(8.7)**	(2.0)
Utilisation of provision	**4.9**	3.3
Foreign exchange adjustment	**(0.7)**	0.1
At the end of the period	**(17.1)**	(12.6)

19. Borrowings

A summary of the Group's consolidated borrowings at 31 December 2017 and 2016 is outlined in the table below:

	2017 $m	2016 $m
Credit Facilities Agreement:		
Revolving Credit Facility	–	–
US Dollar Term A Loan Facility	743.3	760.5
Euro Term A Loan Facility	632.9	567.5
US Dollar Term B Loan Facility	421.1	424.6
Total Credit Facilities	1,797.3	1,752.6
Finance Lease Obligations	25.6	23.0
Total borrowings	1,822.9	1,775.6
Less: Current portion of borrowings	78.2	38.5
Total non-current borrowings	1,744.7	1,737.1

The terms and conditions of total borrowings outstanding at 31 December 2017 and 2016 are as follows:

			2017		2016	
	Currency	Year of maturity	Face value $m	Carrying amount $m	Face value $m	Carrying amount $m
Revolving Credit Facilities[a]		2021	–	–	–	–
US Dollar Term A Loan Facility[a]	USD	2021	750.8	743.3	770.0	760.5
Euro Term A Loan Facility[a][b]	EURO	2021	639.1	632.9	574.2	567.5
US Dollar Term B Loan Facility[a]	USD	2023	425.7	421.1	430.0	424.6
Finance lease obligations	EURO/USD	–	25.6	25.6	23.0	23.0
Total interest-bearing liabilities			1,841.2	1,822.9	1,797.2	1,775.6

(a) The current nominal interest rates for the Credit Facilities included in the table above are described below.
(b) Total face value of the borrowings outstanding under the Euro Term A Loan Facility denominated in euros was €532.4 million ($639.1 million) and €546.0 million ($574.2 million) at 31 December 2017 and 2016, respectively.

The Group's Credit Facilities contain customary operating and negative covenants, including, among other things, covenants limiting: (i) incurrence of indebtedness; (ii) incurrence of liens; (iii) mergers, consolidations, liquidations, dissolutions and other fundamental changes; (iv) sales of assets; (v) dividends and other payments in respect of capital stock or junior debt subject to an available amount built by consolidated net income; (vi) acquisitions; (vii) transactions with affiliates; (viii) changes in fiscal year; (ix) negative pledge clauses and clauses restricting subsidiary distributions; and (x) holding companies.

The Group's Credit Facilities also contain a financial covenant, various customary affirmative covenants and specified events of default.

At 31 December 2017 and 2016, the Group was in compliance with all financial covenants associated with the Group's outstanding debt.

Credit Facilities

On 25 October 2016, the Group entered into the Credit Agreement (the "Credit Agreement") with various financial institutions (the "Financing").The Credit Agreement provides for (i) term A loans denominated in USD of $770.0 million and euros of €546.0 million ($594.7 million at 25 October 2016) (the "Term A Loan Facilities"), (ii) term B loans denominated in USD of $430.0 million (issued at an offering price of 99.5%, after adjustment for a discount of $2.2 million) (the "Term B Loan Facility" and together with the Term A Loan Facilities, the "Term Loan Facilities") and (iii) a $200.0 million revolving credit facility (the "Revolving Credit Facility", and together with the Term Loan Facilities, the "Credit Facilities"). The Term A Loan Facilities are repayable in semi-annual instalments (commencing 30 June 2017) in aggregate annual amounts equal to (i) 2.5% in year one, (ii) 5.0% in year two, (iii) 7.5% in year three, (iv) 10.0% in year four, and (v) 7.5% in year five, in each case of the original principal amount of the Term A Loan Facilities. The Term B Loan Facility is repayable in semi-annual instalments (commencing 30 June 2017) in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B Loan Facility. Interest on outstanding principal under the Credit Facilities is payable quarterly in arrears, providing that no interest payment date shall occur prior to 31 March 2017. In connection with the Financing, the Group entered into a commitment letter dated 30 September 2016 with various financial institutions and incurred $3.5 million in fees, which were expensed to Finance costs in the Consolidated Statement of Profit or Loss.

19. Borrowings (continued)

Credit Facilities (continued)

The net proceeds from the Financing, together with the net proceeds from the issue of share capital, were used to (i) repay all amounts outstanding prior to the Financing under the US dollar and euro term B loans of $785.5 million and €741.3 million ($807.3 million), respectively, and (ii) redeem all of the outstanding PIK Notes and all of the existing Senior Notes further discussed below. As a result, for the year ended 31 December 2016, the Group recognised (i) a loss on extinguishment of debt of $21.9 million, in the aggregate, of which $2.6 million was recognised with respect to the pre-IPO term loan facilities and was comprised of $1.9 million of unamortised deferred financing fees and $0.7 million of unamortised original issue discount ("OID") and (ii) a write off of deferred financing fees of $3.8 million related to the pre-IPO revolving credit facility. The Group incurred fees of approximately $23.9 million, in the aggregate, of which $21.3 million were deferred and capitalised over the term of the Term Loan Facilities and $2.5 million were deferred and capitalised over the term of the Revolving Credit Facility (recorded in Other assets).

The Revolving Credit Facility of $200.0 million is available through its termination date in certain currencies (USD, euro and sterling) at the borrower's option and is used to provide for ongoing working capital requirements, letters of credit, and general corporate purposes of the Group. The Revolving Credit Facility allows for up to $50.0 million of letter of credit issuances as well as $25.0 million for borrowings on same-day notice, referred to as the swingline loans. There were no borrowings outstanding under the Revolving Credit Facility at 31 December 2017 and 2016. Availability under the Revolving Credit Facility, after deducting letters of credit of $7.1 million and $1.3 million, was $192.9 million and $198.7 million at 31 December 2017 and 2016, respectively.

The Credit Agreement also provides for the ability of the Group to enter into incremental term facilities (the "Incremental Term Facilities") and incremental revolving facilities (the "Incremental Revolving Credit Facilities") and to issue senior secured, senior unsecured, senior subordinated or subordinated notes (the "Incremental Notes" and together with the Incremental Term Facilities and the Incremental Revolving Credit Facilities, the "Incremental Facilities").

The Incremental Term Facilities and Incremental Revolving Credit Facilities are subject to certain conditions and are available in (i) a cash-capped amount equal to the greater of $475 million and consolidated EBITDA as of the end of the most recently ended two half-fiscal year period, provided that the consolidated total net leverage ratio (as defined in the Credit Agreement) does not exceed 4.00 to 1.00, (ii) an unlimited amount so long as the maximum total leverage requirement (as defined in the Credit Agreement) is satisfied, and (iii) an amount equal to all voluntary prepayments or repurchases under the Term Loan Facilities and voluntary prepayments under the Revolving Credit Facility (to the extent accompanied by a corresponding permanent reduction in the revolving commitments) (such sum, the "Incremental Amount"), in US dollars and/or euro (and, in the case of the Incremental Revolving Credit Facilities, pounds sterling), provided that the Group satisfies certain other requirements, including: no default or event of default, minimum borrowing amounts of $15.0 million and, in respect of Incremental Term Facilities, a maturity date and weighted average life to maturity of each individual loan within the Incremental Term Facilities that is greater than the weighted average maturity date of the Term Loan Facilities and if shorter, shall not have an amortisation of greater than 5.0% per annum. Additionally, should the yield on any Incremental Term Facility exceed the interest margin on the Term Loan Facilities denominated in the same currency by more than 0.50%, then the yield on the applicable Term Loan Facilities will automatically increase such that the yield on such Term Loan Facilities denominated in the same currency shall be 0.50% below the yield on the applicable Incremental Term Facilities. Any loan advances made under the Incremental Term Facilities will rank pari passu with or junior to the Term Loan Facilities and the Revolving Credit Facility.

The Incremental Notes shall not exceed the Incremental Amount and are available in US dollars and euro, provided that the Group satisfies certain other requirements, including: no default or event of default and the issuance shall be in an amount of no more than $15.0 million (or its equivalent).

Subject to certain conditions, the Group may voluntarily prepay their utilisations under the Credit Facilities in a minimum amount of $1.0 million (or its equivalent) for term loans or revolving facilities. Amounts repaid under the Term Loan Facilities may not be re-borrowed. In addition to voluntary prepayments, the Credit Agreement requires mandatory prepayment in full or in part in certain circumstances including, in relation to the Term Loan Facilities and subject to certain criteria, from the proceeds of asset sales in excess of $20.0 million and the issuance or incurrence of debt and from excess cash flow. In 2017, the Group made scheduled loan amortisation payments of $39.6 million, in the aggregate, related to the Credit Facilities. In 2016, the Group made payments of $21.5 million, in the aggregate, related to the pre-IPO term loan facilities as follows: (i) mandatory prepayment of $17.4 million for excess cash retained in the business and (ii) scheduled March 2016 loan amortisation payment of $4.1 million.

19. Borrowings (continued)

Credit Facilities (continued)

Borrowings under the Credit Facilities bear interest at either EURIBOR rate, Eurodollar rate, or an Alternate Base Rate ("ABR"), in each case, plus an applicable margin. Under the Term Loan Facilities, EURIBOR interest is associated with the borrowings in euros; while LIBOR and ABR interest is associated with borrowings in USD. EURIBOR, Eurodollar or ABR interest rates may apply to any outstanding borrowings under the Revolving Credit Facility. ABR, as defined in the Credit Agreement, is the greater of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50% or (c) the Eurodollar Rate for a one month interest period plus 1.00%, provided that the ABR for the Term Loan Facilities may not be less than 1.00%. The Eurodollar rate is subject to a floor of 0.75% per annum in respect of the Term B Loan Facility and 0.00% per annum in respect of all other loans. The margins applicable to the Term A Loan Facilities denominated in euro range from 2.0% to 2.25% and the margins applicable to the Term A Loan Facilities denominated in USD range from 1.0% to 1.25% if using ABR and 2.0% to 2.25% if using the Eurodollar rate and the margins applicable to the Term B Loan Facility range from 1.25% to 1.50% if using ABR and 2.25% to 2.50% if using the Eurodollar rate, in each case, with the relevant step-down in margin occurring depending on the relevant first lien net leverage ratio.

Senior Notes

The Senior Notes consisted of $745.0 million (the "US Dollar Senior Notes") and €250.0 million senior notes (the "Euro Senior Notes") each due 15 December 2018 (collectively, the "Senior Notes"). The US Dollar Senior Notes and the Euro Senior Notes bore interest at the rate of 10.5% and 10.875% per annum, respectively, which was payable semi-annually on 15 June and 15 December of each year.

As discussed above, the Group redeemed all $745.0 million and €250.0 million ($272.3 million) of the outstanding principal amount of the US Dollar Senior Notes and Euro Senior Notes, respectively, plus accrued and unpaid interest of $39.1 million and €13.6 million ($14.8 million), respectively. In connection with these transactions, the Group recognised a loss on extinguishment of debt related to unamortised deferred financing fees of $9.1 million, in the aggregate, in the year ended 31 December 2016.

PIK Notes

On 12 August 2013, the Group issued $900.0 million principal amount of the PIK Notes. The PIK Notes accrued cash interest at a rate of 8.25% per annum and PIK Notes interest (if cash interest was not elected to be paid) at a rate of 9.00% per annum.

As discussed above, the Group redeemed all $900.0 million of the outstanding principal amount of the PIK Notes, plus accrued and unpaid interest of $22.1 million. In connection with this transaction, the Group recognised a loss on extinguishment of debt of $10.2 million, comprised of $6.8 million of unamortised deferred financing fees and $3.4 million of OID.

Interest Related Information

Accrued interest related to the Group's borrowings was $0.7 million and $8.7 million at 31 December 2017 and 2016, respectively, and is recorded in Accrued expenses and other current liabilities. Interest expense for the years ended 31 December 2017 and 2016 associated with the Group's borrowings was as follows:

	2017 $m	2016 $m
Revolving Credit Facility[a]	**1.0**	1.4
US Dollar Term A Loan Facility	**25.3**	3.9
Euro Term A Loan Facility	**13.3**	2.3
US Dollar Term B Loan Facility	**15.2**	30.7
Euro Term B Loan Facility[b]	**–**	29.8
10.5% US Dollar Senior Notes[b]	**–**	74.7
10.875% Euro Senior Notes[b]	**–**	28.9
8.25% PIK Notes[b]	**–**	62.1
Total interest expense on borrowings	**54.8**	233.8

(a) Represents the commitment fees in respect of unutilised commitments under the Revolving Credit Facility.
(b) As described above, on 25 October 2016, the Group entered into the Credit Agreement and immediately following the listing redeemed all if the outstanding (i) PIK Notes, (ii) US Dollar Senior Notes, and (iii) Euro Senior Notes and repaid all amounts outstanding under the existing credit facilities at that time.

The weighted average interest rate for borrowings under the Group's outstanding borrowings was 3.1% and 6.9% for the years ended 31 December 2017 and 2016, respectively.

19. Borrowings (continued)

Finance Lease Obligations

The table below presents total obligations under finance leases at 31 December 2017 and 2016:

	Minimum lease payments		Present value of lease payments	
	2017 $m	2016 $m	**2017 $m**	2016 $m
Amount payable:				
Within 1 year	**2.7**	2.2	**0.8**	0.6
1 to 5 years inclusive	**11.5**	10.0	**4.9**	3.7
After 5 years	**27.1**	26.2	**19.9**	18.7
	41.3	38.4	**25.6**	23.0
Less future finance charges	**15.7**	15.4	**–**	–
Total obligations under finance leases	**25.6**	23.0	**25.6**	23.0

Reconciliation of Liabilities Arising from Financing Activities

	2016 $m	Debt assumed on acquisition $m	Cash flows $m	Foreign exchange $m	Non-cash movements $m	2017 $m
Borrowings – current	37.9	**1.3**	**(40.9)**	**1.7**	**77.4**	**77.4**
Borrowings – non-current	1,714.7	**30.0**	**(30.0)**	**78.3**	**(73.1)**	**1,719.9**
Finance lease obligations – current	0.6	**–**	**(0.6)**	**0.1**	**0.7**	**0.8**
Finance lease obligations – non-current	22.4	**–**	**–**	**3.1**	**(0.7)**	**24.8**
Total liabilities from financing activities	1,775.6	**31.3**	**(71.5)**	**83.2**	**4.3**	**1,822.9**

20. Provisions

	Legal provisions[a] $m	Restructuring provisions[a] $m	Decommissioning provisions[b] $m	Total $m
1 January 2016	0.2	3.4	1.1	4.7
Charges	–	15.6	–	15.6
Utilisation	(0.3)	(9.6)	–	(9.9)
Changes in estimate	0.2	(0.3)	–	(0.1)
Foreign exchange impact	–	0.2	–	0.2
31 December 2016	**0.1**	**9.3**	**1.1**	**10.5**
Charges	**–**	**1.0**	**0.4**	**1.4**
Utilisation	**(0.1)**	**(7.3)**	**–**	**(7.4)**
Changes in estimate	**–**	**(0.8)**	**–**	**(0.8)**
Foreign exchange impact	**–**	**–**	**0.1**	**0.1**
31 December 2017	**–**	**2.2**	**1.6**	**3.8**

(a) Legal and Restructuring provisions for all years presented in the above table are included as current Provisions on the Consolidated Statement of Financial Position.
(b) Decommissioning provisions represent the estimated costs of dismantling and removing PP&E, and restoring the site on which it was located when an item is acquired or as a consequence of using the item during a particular period other than to produce inventory. Decommissioning provisions at 31 December 2017 and 2016 are included as non-current Provisions on the Consolidated Statement of Financial Position.

Legal Provisions

At 31 December 2016, the Group's provision for unsettled lawsuits, claims, proceedings and investigations amounted to $0.1 million. In accordance with the accounting guidance related to provisions, the Group records provisions for such contingencies when it is probable that a liability will be incurred and the loss can be reasonably estimated. These legal matters involve intellectual property, commercial or environmental health and safety matters. For further details, please refer to Note 23 – Commitments and Contingencies.

20. Provisions (continued)

Restructuring Provisions

2017 Initiatives

In 2017, the Group incurred restructuring charges related to employee termination benefits for involuntary workforce reduction.

2016 Initiatives

In 2016, the Group approved the plan for business restructuring activities, primarily related to severance benefits for involuntary workforce reductions associated with (i) the closure of the Group's Hospital Care ("HC") manufacturing facility in Sungai-Petani (Malaysia) by the end of the third quarter of 2016 and manufacturing operations in Greensboro, US by early 2017 and (ii) the restructure of the Deeside, UK organisation to become a manufacturing facility designated as a technology and automation centre of excellence for advanced wound care. The Group plans to expand its capabilities at the other ConvaTec facilities, including Deeside, UK, Haina, Dominican Republic, Michalovce, Slovakia, Rhymney, UK, and Herlev, Denmark to optimise its supply chain for the Advanced Wound, Ostomy, and CCC franchises.

2015 Initiatives

In 2015, the Group approved the plan for business restructuring activities, primarily related to severance benefits for involuntary workforce reductions associated with the closure of the Group's HC manufacturing facility in Reynosa, Mexico. The Group's Infusion Devices franchise, which has a separate existing facility in Reynosa, Mexico, plans to expand and repurpose the HC plant to support its manufacturing operations and its customers.

2014 Initiatives

In 2014, the Group incurred restructuring charges for business restructuring activities, primarily related to termination benefits for involuntary workforce reductions associated with closure of the Group's operational headquarters in Skillman, New Jersey and the termination of certain executive management team members. All business activities performed at the facility in Skillman, New Jersey were transferred to other ConvaTec sites around the world.

Charges and changes in estimate recorded for the year ended 31 December 2017 related to the above initiatives were as follows:

	Employee termination costs[a] $m	Total $m
2017 Initiatives	**1.0**	**1.0**
2016 Initiatives	(0.8)	(0.8)
Total	**0.2**	**0.2**
Classified in the Consolidated Statement of Profit or Loss:		
Cost of goods sold	(0.8)	(0.8)
General and administrative expenses	1.0	1.0

Charges and changes in estimate recorded for the year ended 31 December 2016 related to the above initiatives were as follows:

	Employee termination costs[a] $m	Lease termination costs[a] $m	Asset write-offs $m	Accelerated depreciation $m	Total $m
2016 Initiatives	14.7	–	4.6	7.9	27.2
2015 Initiatives	0.2	0.8	–	1.1	2.1
2014 Initiatives	(0.2)	–	–	–	(0.2)
Total	14.7	0.8	4.6	9.0	29.1
Classified in the Consolidated Statement of Profit or Loss:					
Cost of goods sold	14.7	0.8	4.6	9.0	29.1

(a) The movement in restructuring provisions during the years ended 31 December 2017 and 2016 related to employee termination costs and lease terminations is outlined in the table above.

21. Other Liabilities

The major components of Other liabilities at 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
Uncertain tax position	**15.4**	19.1
Defined benefit obligation[a]	**13.5**	13.1
Employee costs	**4.0**	3.5
Other	**2.6**	1.6
Other liabilities	**35.5**	37.3

(a) Refer to Note 25 – Employee Benefits for further details.

22. Share Capital and Reserves

Share capital

The share capital recognised as equity comprised of ordinary shares issued and fully paid or credited as fully paid at 31 December 2017 and 2016 was as follows:

	2017 $m	2016 $m
Issued and fully paid or credited as fully paid ordinary shares of 10p each	**238.8**	238.8

Additionally, the Company issued 50,000 redeemable preference shares of £1.00 each classified as liabilities at 31 December 2016. These shares did not carry any voting rights and had no rights to the payment of dividends. The preference shares were redeemed in February 2017.

The movements in ordinary shares in issue was as follows:

Issued and fully paid or credited as fully paid	Ordinary shares number
1 January 2016[a]	**1,261,343,801**
Issue of shares under share-based compensation plan[b]	**38,656,199**
Ordinary shares prior to listing	**1,300,000,000**
Shares issued upon IPO[c]	**651,472,651**
31 December 2016	**1,951,472,651**
Issue of new shares for the Scrip Scheme[d]	**377,948**
31 December 2017	**1,951,850,599**

(a) Represents the ordinary shares in issue as a result of the 2016 reorganisation. Refer to Note 3 – Significant Accounting Policies – *Basis of Preparation* for detailed information.
(b) Represents management shares converted into ordinary shares in the Company as a result of the 2016 reorganisation. Approximately 8,623,885 of these shares were sold in the market at the time of the IPO in accordance with the management agreement concurrent with the reorganisation. Refer to Note 3 – Significant Accounting Policies – *Basis of Preparation* and Note 24 – Share-Based Payments for additional information.
(c) Represents the shares issued and fully paid upon IPO, excluding 8,623,885 shares in the Company discussed above.
(d) Refer to Note 11 – Dividends for further details.

The rights attaching to the ordinary shares are uniform in all respects, they form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Group.

Share premium

The share premium represents amounts received in excess of the nominal value of the ordinary shares.

At 31 December 2016, the share premium represented amounts received in excess of the nominal value of shares issued upon IPO ($1,713.7 million), net of the direct costs associated with issuing those shares ($39.6 million). $10.5 million of accrued share capital costs at 31 December 2016 were paid in 2017.

In February 2017, the Company carried out a capital reduction, converting share premium of $1,713.7 million to distributable reserves. As part of this capital reduction, expenses of issue of equity shares which had been offset against the same share premium balance has also been taken to retained earnings. The net impact of the capital reduction exercise has resulted in distributable earnings being increased by $1,674.1 million.

In October 2017, 377,948 shares were issued under the Scrip Scheme resulting in $1.3 million of share premium.

22. Share Capital and Reserves (continued)

Own Shares

Own shares are ordinary shares in the Company purchased and held by an Employee Benefit Trust to fulfil the Company's obligations under the Group's share plans. At 31 December 2017, 4,204,211 were held in an Employee Benefit Trust. The market value of Own shares was $8.2 million at 31 December 2017.

Merger reserve

In 2016, the Financial Statements were prepared under merger accounting principles. Under these principles, no acquirer was required to be identified and all entities were included at their pre-combination carrying amounts. This accounting treatment lead to differences on consolidation between share capital in issue and the book value of the underlying net assets acquired, this difference is included within equity as a merger reserve.

Cumulative translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. In 2016, the Group reclassified foreign exchange accumulated losses of $36.4 million from other comprehensive income to the Consolidated Statement of Profit or Loss as a result of restructuring of certain foreign subsidiaries as part of the IPO process.

Other reserves

Other reserves in the Consolidated Statement of Changes in Equity are comprised of the following:

	1 January 2017 $m	Change in year $m	31 December 2017 $m
Issuance of shares under share-based compensation plans	67.5	–	67.5
Share-based payments	0.8	36.9	37.7
Excess tax benefits from share-based compensation	–	0.2	0.2
Remeasurement of defined benefit obligation, net of tax	(4.6)	2.4	(2.2)
Recognition of pension assets restriction	(6.3)	0.2	(6.1)
Share awards vested	–	(1.5)	(1.5)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	5.7	5.7
Other reserves	57.4	43.9	101.3

	1 January 2016 $m	Change in year $m	31 December 2016 $m
Issuance of shares under share-based compensation plans	–	67.5	67.5
Share-based payments	–	0.8	0.8
Remeasurement of defined benefit obligation, net of tax	(4.2)	(0.4)	(4.6)
Recognition of pension assets restriction	–	(6.3)	(6.3)
Other reserves	(4.2)	61.6	57.4

23. Commitments and Contingencies

Operating Leases

Future minimum rental commitments under all non-cancellable operating leases in effect at 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
Within 1 year	20.2	18.9
After 1 and within 5 years	32.9	34.3
After 5 years	8.3	8.7
Total	61.4	61.9

Certain lease agreements, primarily for real estate, contain renewal options and rent escalation clauses. Operating lease rental expense was $23.4 million and $22.9 million for the years ended 31 December 2017 and 2016, respectively.

23. Commitments and Contingencies (continued)

Other commitments

The Group had commitments related to capital expenditures of approximately $12.9 million and $18.2 million at 31 December 2017 and 2016, respectively, primarily related to manufacturing equipment for new products, capacity expansions and productivity primarily related to the Margin Improvement Programme implementation.

Legal Proceedings

The nature of the Group business exposes it to a variety of product liability, regulatory and IP claims. The Group makes appropriate provision for liabilities and disclosure of contingent liabilities in accordance with its accounting policies, using informed and unbiased management judgement based on the best available information at the time. However, it is not always possible to predict outcomes and additional facts may come to light. As a result, provision amounts and contingency disclosures are subject to revision over time. In accordance with the accounting guidance related to contingencies, the Group records provisions for liabilities when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. Legal costs related to litigation matters are expensed as incurred.

Corrections and Removals

In January 2016, the Group initiated a recall of a range of nebuliser products in Europe, the US, Canada and China due to an increase in reports related to the products' periodic inability to generate an atomised spray as intended. Following an investigation, the Group determined that the issue was due to variability in a molding process during manufacturing, which was duly corrected. This recall was closed globally in December 2016. The Group completed final destruction of the affected devices that were returned in January 2017.

In May 2017, the Group initiated a global recall of a range of oxygen mask products due to reports related to the products' failure to supply oxygen as intended. Following an investigation, The Group determined that the issue was due to inconsistency in the solvent bonding process during manufacturing. A permanent correction was put in place. The Group completed destruction of the affected devices in November 2017 and the Group will be closing out this recall in the near future.

In 2017, the Group initiated two product recalls in Israel. A recall of endotracheal tubes was initiated in Israel in June 2017 based on reports of mismatched product labels and product size; this recall was closed in September 2017. A voluntary recall for one lot of incorrectly manufactured ostomy irrigation sleeves was initiated in October 2017 and was closed in January 2018.

In October 2017, the Group initiated a recall of a single lot of ostomy skin barriers in the US due to a labelling issue that impacted a small number of products in the affected lot. The Group anticipates closing out this recall in the near future.

In September 2017, Medtronic Misnamed, Inc. ("Medtronic"), issued a recall of certain infusion sets, including the Quick-Set® and Silhouette® infusion sets. The Quick-Set® and Silhouette® infusion sets include P-Cap connectors designed by Medtronic and manufactured for Medtronic by the Group for use with Medtronic insulin infusion pumps in diabetes care. Medtronic modified the design of P-Cap connectors, which we have integrated into the infusion set design.

Medtronic previously issued a recall of Quick-Set® and Silhouette® infusion sets in June 2013. Medtronic issued this recall due to a potential safety issue that can occur if insulin or other fluids meet the inside of the tubing/P-Cap connector. The June 2013 recall has resulted in pending or threatened litigation against various of the Group's entities. These lawsuits allege that the infusion sets are defective and have caused injuries or death to various plaintiffs. All of these cases also include claims against Medtronic, and allegations that their insulin pumps (which the Group does not make or sell) are defective. To the best of the Group's knowledge, as of this report date, approximately twenty-two product liability lawsuits had been filed. The Group's entities have been voluntarily dismissed without prejudice from twelve of these lawsuits and dismissed with prejudice from two lawsuits that have been settled. The Group has sent a demand to Medtronic seeking indemnification for these lawsuits consistent with the terms of the agreements between them. To date, Medtronic has rejected this demand. The Group also carries product liability insurance, subject to a self-insured retention, and has notified the insurance carrier about these lawsuits. The remaining pending lawsuits are all in their early stages. At this point the Group is unable to predict the likelihood of an unfavourable outcome or estimate any potential loss.

24. Share-Based Payments

Prior to listing, the Group had granted share-based compensation to employees under the AEP, MEP, and MIP (collectively, the "Pre-IPO Share Plans"). On 25 October 2016, the Group established the following additional share-based compensation plans: LTIP, DBP and MSP (collectively, the "New Share Plans"). In addition, at the Company's Annual General Meeting held in May 2017, shareholders adopted the Employee Plans. With the exception of the MEP plan, the Pre-IPO Share Plans were dissolved upon completion of the 2016 reorganisation of the Group. The details on each scheme are given in the Annual Report on remuneration on pages 91 to 92.

The total share-based compensation expense recognised in the Consolidated Statement of Profit or Loss related to the outlined above share-based compensation plans in the years ended 31 December 2017 and 2016 was as follows:

	2017			2016		
	Equity-settled $m	**Cash-settled $m**	**Total $m**	Equity-settled $m	Cash-settled $m	Total $m
AEP	**–**	**–**	**–**	–	28.9	28.9
MEP[(a)]	**29.3**	**–**	**29.3**	17.6	34.6	52.2
MIP	**–**	**–**	**–**	–	4.8	4.8
LTIP	**6.1**	**–**	**6.1**	0.8	–	0.8
DBP	**–**	**–**	**–**	–	–	–
MSP	**0.8**	**–**	**0.8**	–	–	–
Employee Plans	**0.7**	**–**	**0.7**	–	–	–
	36.9	**–**	**36.9**	18.4	68.3	86.7

(a) Prior to the IPO, the MEP units were accounted for as liabilities awards ("cash-settled") as opposed to equity awards ("equity-settled") due to their underlying terms. The Group's 2016 reorganisation discussed in Note 3 – Significant Accounting Policies triggered a modification in the accounting for these awards, where the terms of awards (MEP units) were changed immediately prior to listing to vested equity shares. Accordingly, while they are described as "cash-settled" in the table above under accounting rules, they were in fact settled through the issuance of equity shares at the IPO.

Annual equity plan (AEP) and Management incentive plan (MIP)

The AEP and MIP allowed for the issuance of units to employees for shares of common stock. The AEP and MIP units were granted at the allocable fair market value of a share of stock on the date of grant. The units could only vested upon a liquidity event, such as an IPO where they would be settled in cash. Upon completion of the IPO, the AEP and MIP units were settled in cash. As a result, the Group recorded a charge of $33.7 million, in the aggregate, in the year ended 31 December 2016 in General and administrative expenses on the Consolidated Statement of Profit or Loss for the redemption of these units.

Following is the activity during the year ended 31 December 2016:

	AEP Units 000s	MIP Units 000s
Outstanding at 1 January 2016	833	1,164
Granted	94	–
Forfeited/cancelled	(61)	(72)
Settled for cash	(866)	(1,092)
Outstanding at 31 December 2016	–	–

Management executive plan (MEP)

The MEP allowed for the issuance of units to employees for shares of common stock. The MEP units were granted at the allocable fair market value of a share of stock on the date of grant and vested over five years or upon a liquidity event, such as an IPO. The units could be settled in cash or through the issuance of common stock.

Prior to listing in 2016, MEP units were accounted as liability awards. Upon completion of the 2016 reorganisation (prior to 2016 listing), the MEP units were converted into shares, which are held by the Company (38,656,199).

The Group's 2016 reorganisation and IPO triggered the modification of the MEP units related to the (i) reclassification of an award from liability-classified award to equity-classified award and (ii) an acceleration of vesting. Accordingly, in the fourth quarter of 2016, the Group reclassified the previously recorded liability (prior to 2016 listing) of $54.6 million to Other reserves and recognised additional compensation expense of $17.6 million equal to the excess of the modified award's fair value ($72.2 million) over the liability award's fair value prior to the modification ($54.6 million). The modification of the MEP units included a clawback provision whereby 60% of units previously held by the scheme which had not fully vested are subject to a two year lock-in arrangement. These units are subject to continued employment over a two year period with proportional vesting. The total unrecognised compensation expense related to the fair value of these units at 31 December 2017 amounted to $6.9 million, which will be expensed through 31 October 2018.

24. Share-Based Payments (continued)

Management executive plan (MEP) (continued)

MEP activity during the year ended 31 December 2016 was as follows:

	MEP Units 000s
Outstanding at 1 January 2016	751
Granted	70
Forfeited/cancelled	(9)
Repurchased	(10)
Settled in equity upon modification	(802)
Outstanding at 31 December 2016	–

Long-term incentive plan (LTIP)

The LTIP provides for grants of awards over shares to Executive Directors and employees of the Group in the form of performance share awards, restricted share awards, options, forfeitable shares, and cash settled phantom awards, and are subject to the lock-up and clawback provisions. The Remuneration Committee will determine (i) the appropriate level of LTIP award for participants and (ii) the form of the award and its performance and other conditions.

The LTIP awards vest in the ordinary course on the latest of: (i) the vesting date or dates specified by the Remuneration Committee at the time of grant (which will ordinarily be no less than three years from the date of grant), (ii) in respect of an LTIP award subject to performance conditions, the date or dates on which the Remuneration Committee determines the extent to which the specified performance conditions have been satisfied, and (iii) any other date determined by the Remuneration Committee at the date of grant. Any part of an LTIP award which does not vest in accordance with its terms and, if relevant the performance conditions, will immediately lapse.

2016 LTIP Awards

On 11 November 2016, the Group granted one-off awards to the Executive Directors, the senior managers and certain senior employees under the LTIP (the "Transition Awards"). The Transition Awards granted were a combination of options over shares and conditional awards over shares, both of which vest as to one-third subject only to continued employment on the first, second, and third anniversary. The Transition Awards are not subject to performance conditions.

A summary of the movements in the share options and share awards granted under the 2016 LTIP is as follows:

(in 000s, except as indicated)	Share options	Share awards
Outstanding at 1 January 2016	–	–
Granted	3,120	2,069
Forfeited	–	–
Exercised	–	–
Expired	–	–
Outstanding at 31 December 2016	**3,120**	**2,069**
Granted	**–**	**–**
Forfeited	**(537)**	**(359)**
Exercised	**–**	**(491)**
Expired	**–**	**–**
Outstanding at 31 December 2017	**2,583**	**1,219**
Exercisable at 31 December 2017	**652**	**–**
Exercisable at 31 December 2016	**–**	**–**
Weighted average exercise price (£ per share)	**2.49**	**–**
Fair value of awards granted (£ per share)	**0.34**	**2.44**
Weighted average remaining contractual life (years)	**3.9**	**–**

24. Share-Based Payments (continued)

Long-term incentive plan (LTIP) (continued)

The fair value of share options granted was calculated using a Black-Scholes option-pricing model with the following assumptions:

Weighted time to vesting as of the grant date[(a)]	**2 years**
Contractual term	**5 years**
Expected life[(a)]	**3.5 years**
Risk-free interest rate[(b)]	**0.4%**
Share price at date of grant	**£2.44**
Expected volatility[(c)]	**23.5%**
Dividend yield[(d)]	**1.7%**

(a) Weighted time to vest based on contractual vesting schedule; expected life as the midpoint between the time to vest and the time to expiration.
(b) Determined based on the GPB UK Sovereign Curve Yields commensurate with the expected life.
(c) Determined based on the median asset volatility of the comparable companies adjusted for the Group's leverage.
(d) The future expected dividend payments are discounted at cost of equity. The cumulative sum is divided by the valuation date market cap to estimate a dividend yield assumption over the term of the award.

The total unrecognised compensation expense related to the fair value of awards granted under the 2016 LTIP at 31 December 2017 amounted to $2.0 million, which will be expensed over a weighted average period of 0.8 years.

2017 LTIP Awards

In 2017, the Group granted the following: (i) conditional awards over shares (the "PSP"), (ii) cash-settled phantom awards, and (iii) restricted stock units ("RSU") to the Executive Directors.

The PSP and cash-settled phantom awards will vest after three years, subject to the following performance measures and targets:

Measures	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
3-year relative Total Shareholder Return (TSR)	50%	Median	90th percentile
3-year cumulative earnings per share (EPS)	50%	62¢	69¢

RSUs are only subject to continued employment.

A summary of the movements in PSP, cash-settled phantom awards, and RSUs granted is as follows:

(in 000s, except as indicated)	PSP	Cash-settled phantom awards	RSU
Outstanding at 1 January 2017	–	–	–
Granted	5,008	3	310
Forfeited	(847)	–	–
Vested	(6)	–	(76)
Expired	–	–	–
Outstanding at 31 December 2017	**4,155**	**3**	**234**
Exercisable at 31 December 2017	**6**	**–**	**–**
Weighted-average grant date fair value (£ per share)	**2.55**	**2.51**	**2.97**

The total unrecognised compensation expense related to the fair value of the awards granted under the 2017 LTIP at 31 December 2017 amounted to (i) $4.3 million related to PSP and cash-settled phantom awards, which will be expensed over a weighted average period of 1.1 years and (ii) $0.7 million related to RSU, which will be expensed over a weighted average period of 0.9 years.

Deferred bonus plan (DBP)

The DBP provides for grants of awards or nil-cost options over shares and also cash-settled phantom awards (collectively, the "DBP Awards") to Executive Directors and other employees of the Group with a market value at the date of grant equal to the participant's proportional annual cash bonus that he or she may be required to defer by the Remuneration Committee from time to time. The Remuneration Committee will determine (i) the appropriate level of the DBP Awards for participants, (ii) the form, amount and other terms and conditions of the DBP Awards, and (iii) the persons to whom the DBP Awards will be granted. The DBP Awards will not be subject to performance conditions but will normally vest subject to continued employment only.

The DBP Awards will vest in the ordinary course on the latest of: (i) the vesting date or dates specified by the Remuneration Committee at the time of grant (which will ordinarily be no less than three years from the date of grant) and (ii) any other date determined by the Remuneration Committee at the date of grant. Any part of a DBP Award which does not vest in accordance with its terms and will immediately lapse.

At 31 December 2017, no DBP Awards were granted.

24. Share-Based Payments (continued)

Matching share plan (MSP)

The MSP provides for grants of awards over shares in the form of restricted share awards, options, forfeitable shares, and also cash-settled phantom awards (collectively, the "MSP Awards") to employees of the Group, other than Executive Directors with a market value at the date of grant equal to the participant's proportional annual cash bonus as may be determined by the Remuneration Committee from time to time. The Remuneration Committee may determine (i) the form, amount and other terms and conditions of the MSP Awards and (ii) the persons to whom the MSP Awards will be granted. The Remuneration Committee will determine the appropriate level of the MSP Awards for participants. The MSP Awards will not be subject to performance conditions but will normally vest subject to continued employment only.

The MSP Awards will vest in the ordinary course on the latest of: (i) the vesting date or dates specified by the Remuneration Committee at the time of grant (which will ordinarily be no less than three years from the date of grant) and (ii) any other date determined by the Remuneration Committee at the date of grant. Any part of an MSP Award which does not vest in accordance with its terms and, if relevant the performance conditions, will immediately lapse.

In 2017, the Group granted conditional awards over shares (the "Shares") under the MSP. A summary of the movements in the Shares granted under the MSP is as follows:

	Shares 000s
Outstanding at 1 January 2017	–
Granted	1,054
Forfeited	(76)
Vested	–
Expired	–
Outstanding at 31 December 2017[a]	**978**
Exercisable at 31 December 2017	**–**

(a) Includes 40,253 of cash-settled phantom awards.

The fair value of the Shares granted under the MSP in 2017 was £2.51 per share. The total unrecognised compensation expense related to the fair value of the Shares granted under the MSP at 31 December 2017 amounted to $2.4 million, which will be expensed over a weighted average period of 1.2 years.

Employee Plans

In May 2017, the Group's shareholders approved the Employee Plans, which provides eligible employees with the opportunity to acquire shares through accumulated contributions. The Employee Plans are available to employees under the following schemes: (i) Save-As-You-Earn ("SAYE") is available to all employees in the UK employed by participating Group companies, (ii) Employee Stock Purchase Plan ("ESPP") is available to all employees in the US, and (iii) International Share Save plan is available to all employees in the rest of world.

The Employee Plans enable employees to save up to £500 per month (or local currency equivalent) at any given time and give them an option to acquire shares based on the committed amount to be saved. The option price is set at a discount of 15% of the market value of the shares at grant. The vesting period is three years for SAYE and International Share Save schemes and 27 months for ESPP scheme.

A summary of the movements in options granted under the Employee Plans is as follows:

	Share options 000s	Range of option exercise prices £ per share	Weighted average exercise price £ per share
Outstanding at 1 January 2017	–	–	–
Granted	5,557	2.78	**2.78**
Forfeited/cancelled	(326)	–	**–**
Vested	–	–	**–**
Expired	–	–	**–**
Outstanding at 31 December 2017	**5,231**	**2.78**	**2.78**
Exercisable at 31 December 2017	**–**	**–**	**–**

24. Share-Based Payments (continued)

Employee Plans (continued)

Options granted under Employees Plans are valued using the Black-Scholes model as management considers that options granted under these schemes are exercised within a short time after the vesting date. The following assumptions were used in calculating the fair value of options granted in 2017:

	SAYE	ESPP	International Share Save
Option price per share	£2.78	£2.78	£2.78
Expected life	3.3 years	2.3 years	3.3 years
Risk free interest rate[a]	0.5%	0.4%	0.5%
Expected volatility[b]	22.6%	23.1%	22.6%
Dividend yield[c]	1.4%	1.4%	1.4%

(a) Determined based on the UK Government debt interest rates commensurate with the expected life.
(b) Determined based on the historical equity volatility over a look-back period commensurate with the remaining expected life.
(c) Determined based on the Group's dividend projections.

The total unrecognised compensation expense related to the fair value of awards granted under the Employee Plans at 31 December 2017 amounted to $3.1 million, which will be expensed over a weighted average period of 1.3 years.

25. Employee Benefits

Retirement benefit obligations

The Group operates a wide range of retirement benefit arrangements, which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution and funded and unfunded defined benefit schemes.

Defined contribution arrangements

The Group operates several defined contribution arrangements where the employer contribution and the resulting charge to the Consolidated Statement of Profit or Loss is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the Consolidated Statement of Profit or Loss totalled $14.7 million and $14.6 million for the years ended 31 December 2017 and 2016, respectively.

Defined benefit arrangements

The Group operates several defined benefit schemes covering certain international employees where the benefits are based on employees' length of service. Whilst the Group's primary schemes are funded and partially funded schemes in the UK and Switzerland, respectively, it also operates other significant unfunded benefit schemes in Germany, Austria and France (referred to as "Other" in the tables below). The UK scheme is closed to new participants and closed to future benefit accruals. The Switzerland scheme is still being funded and under the Switzerland pension plan, the estimated contributions to be paid within the next year are $0.5 million. In funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds or similar structures in the countries concerned. The asset surplus within the UK plan of $6.4 million and $6.3 million for the year ended 31 December 2017 and 2016, respectively, have been restricted in accordance with IFRIC Interpretation 14 – *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* and have been recorded within the Consolidated Statement of Comprehensive Income (Loss).

The schemes typically expose the Company to actuarial risks such as:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan invests primarily in debt instruments. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in debt instruments to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

25. Employee Benefits (continued)

Defined benefit arrangements (continued)

Actuarial Assumptions

The principal actuarial assumptions for each defined benefit arrangement used at 31 December 2017 and 2016 were as follows:

	UK		Switzerland		Other	
	2017	2016	**2017**	2016	**2017**	2016
Discount rate	**2.40%**	2.80%	**0.80%**	0.50%	**1.20% to 2.00%**	1.50% to 2.25%
Rate of price inflation	**2.30%**	2.40%	**0.50%**	0.50%	**1.70% to 2.00%**	1.70% to 2.00%
Future salary increases	**N/A**	N/A	**1.75%**	1.75%	**2.00% to 3.00%**	2.00% to 3.00%

Actuarial assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the obligations in the defined benefit plans are as follows:

	UK		Switzerland		Other	
	2017	2016	**2017**	2016	**2017**	2016
Life expectancy at Plan retirement age						
Males	**23.2 years**	23.6 years	**22.4 years**	22.3 years	**20.0 years**	19.9 years
Females	**24.2 years**	24.8 years	**25.4 years**	25.3 years	**23.8 years**	23.7 years
Life expectancy at Plan retirement age in 20 years' time						
Male	**24.6 years**	25.4 years	**24.3 years**	24.2 years	**21.8 years**	21.8 years
Female	**25.8 years**	26.7 years	**27.2 years**	27.1 years	**25.5 years**	25.4 years

Net Pension Liabilities

The amount recognised for each defined benefit arrangement in the Consolidated Statement of Financial Position at 31 December 2017 and 2016 was as follows:

	UK		Switzerland		Other		Total	
	2017 $m	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m
Fair value of schemes' assets	**18.6**	18.2	**5.9**	4.8	**–**	–	**24.5**	23.0
Present value of funded schemes' liabilities	**(12.2)**	(11.9)	**(9.0)**	(8.9)	**–**	–	**(21.2)**	(20.8)
Surplus (deficit) in the funded schemes	**6.4**	6.3	**(3.1)**	(4.1)	**–**	–	**3.3**	2.2
Present value of unfunded schemes' liabilities	**–**	–	**–**	–	**(10.4)**	(9.0)	**(10.4)**	(9.0)
Restrict recognition of asset	**(6.4)**	(6.3)	**–**	–	**–**	–	**(6.4)**	(6.3)
Net pension assets (liability)	**–**	–	**(3.1)**	(4.1)	**(10.4)**	(9.0)	**(13.5)**	(13.1)

Plan Assets

Plan assets for each defined benefit arrangement, all of which are quoted, consist of the following at 31 December 2017 and 2016:

	UK		Switzerland		Other		Total	
	2017 $m	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m
Equity instruments	**–**	–	**1.6**	1.3	**–**	–	**1.6**	1.3
Debt instruments	**18.6**	18.2	**2.5**	2.0	**–**	–	**21.1**	20.2
Property	**–**	–	**0.6**	0.5	**–**	–	**0.6**	0.5
Other	**–**	–	**1.2**	1.0	**–**	–	**1.2**	1.0
Plan assets	**18.6**	18.2	**5.9**	4.8	**–**	–	**24.5**	23.0

25. Employee Benefits (continued)

Defined benefit arrangements (continued)

The movements in the fair value of plan assets during the years ended 31 December 2017 and 2016 were as follows:

	UK		Switzerland		Other		Total	
	2017 $m	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m
Fair value of plan assets at beginning of year	**18.2**	20.2	**4.8**	4.5	**–**	–	**23.0**	24.7
Expected return on assets	**0.5**	0.6	**0.6**	0.1	**–**	–	**1.1**	0.7
Remeasurement (loss) gain	**(0.2)**	3.1	**–**	–	**–**	–	**(0.2)**	3.1
Contributions paid by employer	**–**	–	**0.5**	0.5	**–**	–	**0.5**	0.5
Contributions paid by members	**–**	–	**0.5**	0.5	**–**	–	**0.5**	0.5
Actual benefit payments	**(1.7)**	(2.4)	**(0.5)**	(0.4)	**–**	–	**(2.2)**	(2.8)
Risk insurance premium	**–**	–	**(0.2)**	(0.1)	**–**	–	**(0.2)**	(0.1)
Currency translation adjustment	**1.8**	(3.3)	**0.2**	(0.3)	**–**	–	**2.0**	(3.6)
Fair value of plan assets at end of year	**18.6**	18.2	**5.9**	4.8	**–**	–	**24.5**	23.0

Benefit Obligations

The movements in the defined benefit obligation during the years ended 31 December 2017 and 2016 were as follows:

	UK		Switzerland		Other		Total	
	2017 $m	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m
Defined benefit obligation at beginning of year	**(11.9)**	(14.3)	**(8.9)**	(7.7)	**(9.0)**	(7.7)	**(29.8)**	(29.7)
Current service cost	**–**	–	**(0.9)**	(0.9)	**(0.8)**	(0.8)	**(1.7)**	(1.7)
Past service cost	**–**	–	**–**	–	**–**	–	**–**	–
Interest cost	**(0.3)**	(0.4)	**–**	(0.1)	**(0.2)**	(0.2)	**(0.5)**	(0.7)
Contributions by members	**–**	–	**(0.5)**	(0.5)	**–**	–	**(0.5)**	(0.5)
Remeasurement (loss) gain	**(0.5)**	(1.6)	**0.6**	(0.3)	**0.4**	(1.0)	**0.5**	(2.9)
Actual benefit payments	**1.7**	2.4	**0.5**	0.4	**0.1**	0.1	**2.3**	2.9
Experience (loss) gain	**(0.1)**	(0.3)	**0.5**	(0.2)	**0.4**	0.3	**0.8**	(0.2)
Risk insurance premium	**–**	–	**0.2**	0.1	**–**	–	**0.2**	0.1
Currency translation adjustment	**(1.1)**	2.3	**(0.5)**	0.3	**(1.3)**	0.3	**(2.9)**	2.9
Defined benefit obligation at end of year	**(12.2)**	(11.9)	**(9.0)**	(8.9)	**(10.4)**	(9.0)	**(31.6)**	(29.8)

The history of experience adjustments related to the defined benefit obligation were as follows:

	UK		Switzerland		Other		Total	
	2017 $m	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m	**2017 $m**	2016 $m
Defined benefit obligation at end of year	**(12.2)**	(11.9)	**(9.0)**	(8.9)	**(10.4)**	(9.0)	**(31.6)**	(29.8)
Experience adjustment on schemes' liabilities	**(0.1)**	(0.3)	**0.5**	(0.2)	**0.4**	0.3	**0.8**	(0.2)
Experience adjustment as a percentage of scheme's liabilities	**0.8%**	2.5%	**(5.6)%**	2.2%	**(3.8)%**	(3.3)%	**(2.5)%**	0.7%

Plan Expenses

The aggregate expense for all defined benefit plans recognised in the Consolidated Statement of Profit or Loss for the years ended 31 December 2017 and 2016 was as follows:

	2017 $m	2016 $m
Current service cost	**(1.7)**	(1.7)
Past service cost	**–**	–
Expected return on assets	**0.3**	0.7
Net interest on schemes' liabilities	**(0.5)**	(0.7)
Total expense	**(1.9)**	(1.7)

25. Employee Benefits (continued)

Defined benefit arrangements (continued)

The plan expense of $1.9 million and $1.7 million for the years ended 31 December 2017 and 2016, respectively, was included in the Consolidated Statement of Profit or Loss as Cost of goods sold ($0.3 million and $0.2 million, respectively), Selling and distribution expenses ($1.0 million and $0.9 million, respectively), and Research and development expenses ($0.6 million and $0.6 million, respectively).

Other Comprehensive Income (Loss)

Aggregate actuarial gains and losses for all defined benefit plans recognised in the Consolidated Statement of Comprehensive Income (Loss) for the years ended 31 December 2017 and 2016 were as follows:

	2017 $m	2016 $m
Remeasurement effects recognised in Other comprehensive income:		
Actuarial gain (loss) on liability due to experience	**0.8**	(0.2)
Other remeasurement gain (loss) on liability	**0.5**	(2.9)
Actuarial (loss) gain on asset	**(0.1)**	3.1
Total remeasurement gain recognised in Other comprehensive income	**1.2**	–
Deferred tax on remeasurement loss recognised in Other comprehensive income	**1.6**	(0.3)
Recognition of the pension assets restriction	**0.2**	(6.3)
Currency translation adjustment	**(0.4)**	(0.1)
Cumulative loss recognised in Other comprehensive income at the beginning of the year	**(10.8)**	(4.1)
Cumulative loss at the end of the year	**(8.2)**	(10.8)

Sensitivity Analysis

The effect of an increase or decrease in key actuarial assumptions on the defined benefit obligations related to the UK and Switzerland plans at 31 December 2017 is as follows:

	2017 $m	
	Increase 0.5%	Decrease 0.5%
UK Plan		
Discount rate	**0.9**	**0.9**
Inflation	**0.7**	**0.7**
Mortality (measured at +/- 1 year)	**0.5**	**0.5**

	2017 $m	
	Increase 0.25%	Decrease 0.25%
Switzerland Plan		
Discount rate	**0.4**	**0.5**
Inflation	**0.2**	**0.2**
Mortality (measured at +/- 1 year)	**0.1**	**0.2**

26. Financial Instruments

Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographic locations, bank borrowings. The Group's policies have remained unchanged since the beginning of the year.

Detail of the significant policies and methods adopted for each class of financial asset and financial liability are disclosed in Note 3 – Significant Accounting Policies.

26. Financial Instruments (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 19 – Borrowings, cash and cash equivalents and equity of the Group, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Financial risk management objectives

Based on the operations of the Group throughout the world, the Directors consider that the key financial risks that it faces are liquidity risk, currency risk, interest rate risk, and credit risk. The objectives under each of these risks are as follows:

- **Liquidity risk:** ensure adequate funding to support working capital and future capital expenditure requirements.
- **Currency risk:** reduce exposure to foreign exchange movements principally between euro, USD and the British Pound sterling ("GBP").
- **Interest rate risk:** mitigate risk of significant change in market rates on the cash flow of issued variable rate debt.
- **Credit risk:** minimise the risk of default and concentration (discussed in Note 18 – Trade and Other Receivables and in Note 3 – Significant Accounting Policies – Trade and Other Receivables).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by continuously monitoring actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The tables below analyse the Group's financial liabilities at 31 December 2017 and 2016 by contractual maturity date, including interest payments:

	Contractual cash flows					
	Within 1 year or on demand $m	1 to 2 years $m	2 to 5 years $m	More than 5 years $m	Total $m	Carrying amount $m
31 December 2017						
Borrowings	**77.4**	**110.7**	**1,223.3**	**404.1**	**1,815.5**	**1,797.3**
Finance lease obligations	**2.7**	**2.8**	**8.7**	**27.1**	**41.3**	**25.6**
Trade and other payables	**122.0**	**–**	**–**	**–**	**122.0**	**122.0**
Accrued expenses and other current liabilities	**41.7**	**–**	**–**	**–**	**41.7**	**41.7**
31 December 2016						
Borrowings	37.9	71.5	1,256.3	408.5	1,774.2	1,752.6
Finance lease obligations	2.2	2.3	7.7	26.2	38.4	23.0
Trade and other payables	111.6	–	–	–	111.6	111.6
Accrued expenses and other current liabilities	60.1	–	–	–	60.1	60.1

The contractual maturities of borrowings (excluding finance lease obligations), inclusive of interest payments at 31 December 2017 and 2016 were as follows:

	Contractual cash flows				
Borrowings, including interest[a]	Within 1 year or on demand $m	1 to 2 years $m	2 to 5 years $m	More than 5 years $m	Total $m
31 December 2017	**135.4**	**165.8**	**1,332.9**	**417.5**	**2,051.6**
31 December 2016	96.7	121.2	1,383.2	433.1	2,034.2

(a) Assumes repayment of the principal amount of debt obligations at maturity.

Additionally, if the Group was fully drawn against the $200.0 million Revolving Credit Facility, the cash interest payments would have increased by approximately $7.4 million and $6.0 million for the years ended 31 December 2017 and 2016, respectively.

26. Financial Instruments (continued)

Currency risk

The Group manufactures and sells its products in various countries around the world and as a result of the global nature of the operations, it is exposed to market risk arising from changes in currency exchange rates; however the Group foreign currency risk is diversified. The Group's primary net foreign currency translation exposures are the euro, GBP, and Danish Krone ("DKK"). Where possible, the Group manages foreign currency risk by managing same currency revenues to same currency expenses and strategically denominating its debt in certain functional currencies in order to match with the projected functional currency exposures within its operations and thereby minimising foreign currency risk. As a result, the impact of the fluctuations in the market values of assets and liabilities and the settlement of foreign currency transactions are reduced.

Significant increases in the value of the USD relative to foreign currencies could have a material adverse effect on the results of operations. Assets and liabilities are converted based on the exchange rate on the statement of financial position date, and statement of profit or loss items are converted based on the average exchange rate during the period. Transactions that are to be settled in a currency that is not the functional currency of the transacting entity are recorded to the Consolidated Statement of Profit or Loss at each remeasurement date or settlement date. Additionally, assets and liabilities of subsidiaries whose functional currency is not USD are translated into USD at the exchange rate at each statement of financial position date. Any cumulative translation difference is recorded within equity.

The following exchange rates for the major currencies have been applied at 31 December 2017 and 2016:

Currency	Average rate/ Closing rate	2017	2016
EUR/USD	Average	**1.13**	1.11
	Closing	**1.20**	1.05
GBP/USD	Average	**1.29**	1.36
	Closing	**1.35**	1.23
DKK/USD	Average	**0.15**	0.15
	Closing	**0.16**	0.14

Sensitivity analysis on currency risk

The most significant exposure to foreign currency risk relates to certain borrowings. A reasonably possible 10% fluctuation of the USD against the EUR applied to borrowings from third parties existing at 31 December 2017 would have affected equity by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to borrowings from third parties existing at that date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any tax impact.

	Equity $m
10% strengthening of USD compared to EUR	63.9
10% weakening of USD compared to EUR	(63.9)

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate cash flow risk.

Currency and Nature of Interest Rate of the Nominal Value of Borrowings

The currency and rate structure of the Group's long-term borrowings at 31 December 2017 and 2016 were as follows:

	2017 $m	%	2016 $m	%
Currency structure				
USD	**1,176.8**	**64**	1,200.4	67
EUR	**664.4**	**36**	596.8	33
Total	**1,841.2**	**100**	1,797.2	100
Rate structure				
Fixed	**25.6**	**1**	23.0	1
Floating	**1,815.6**	**99**	1,774.2	99
Total	**1,841.2**	**100**	1,797.2	100

Sensitivity analysis on interest rate risk

The loans under the Group's Credit Facilities bear interest at floating rates of interest per annum equal to LIBOR and/or EURIBOR, or ABR, as adjusted periodically, plus a spread. A plus or minus change of 1% in the interest rates in effect on 31 December 2017 and 2016, would have a negative or positive impact on the Consolidated Statement of Profit or Loss and on equity of $18.2 million and $17.7 million, respectively, assuming that all other variables remain constant and ignoring any tax effect. The Group manage the risk centrally, by maintaining the appropriate mix between fixed and floating rate borrowings, using interest rate swaps.

26. Financial Instruments (continued)

Interest rate swap contracts

As noted above, the Group has variable rate debt instruments and is exposed to market risks resulting from interest rate fluctuations. In order to manage its exposure to variability in expected future cash outflows attributable to the changes in LIBOR rates on the US Dollar Term A and B Loan Facility, in May 2017, the Group entered into interest rate swap agreements. The Group interest rate swaps do not contain credit-risk related contingent features and are not subject to master netting arrangements. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship. As such, changes in the fair value will be recognised in other comprehensive income and accumulated in the other reserve, with the fair value of the interest rate derivatives recorded in the statement of financial position.

The following table presents the Group's outstanding interest rate swaps agreements, notional amounts and related fair values at 31 December 2017. The fair values are based on market values of equivalent instruments at 31 December 2017. These financial instruments are classified as level 2 based upon the degree to which the fair value movements are observable. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (prices from third parties) or indirectly (derived from third party prices).

	Effective date	Maturity date	Notional amount at 31 December 2017 $m	Fair value[c] assets/ (liabilities) $m
3-month LIBOR Float to Fixed Interest Rate Swap[a]	30 June 2017	30 June 2020	585.0	5.0
3-month LIBOR Float to Fixed Interest Rate Swap[b]	30 June 2017	30 June 2020	297.0	2.4
Amounts recognised in Consolidated Statement of Profit or Loss				–
Amounts recognised in Consolidated Comprehensive Income				7.4

(a) Under the interest rate swap agreement, commencing on 29 September 2017, the Group is entitled to receive quarterly interest payments at a variable rate equal to the 3-month LIBOR, subject to an interest rate floor of 0% and is required to make quarterly interest payments at a fixed rate of 1.709%. In addition, for hedging purposes, the notional amount is split into six equal tranches.

(b) Under the interest rate swap agreement, commencing on 29 September 2017, the Group is entitled to receive quarterly interest payments at a variable rate equal to the 3-month LIBOR, subject to an interest rate floor of 0.75% and is required to make quarterly interest payments at a fixed rate of 1.749%. In addition, for hedging purposes, the notional amount is split into three equal tranches.

(c) The fair values of the interest rate swaps are included in non-current Other assets in the Consolidated Statement of Financial Position. The Consolidated Statement of Profit or Loss includes the negligible ineffective impact of the interest rate swaps.

Fair values of financial assets and financial liabilities

The carrying amounts reflected in the Consolidated Statement of Financial Position at 31 December 2017 and 2016 for cash and cash equivalents, trade and other receivables, restricted cash, trade and other payable, and certain accrued expenses and other current liabilities approximate fair value due to their short-term maturities. There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

Liabilities not Measured at Fair Value

The borrowings are initially carried at fair value less any directly attributable transaction costs and subsequently at amortised cost. At 31 December 2017 and 2016, the estimated fair value of the Group's borrowings, excluding finance leases approximated $1,819.5 million and $1,775.2 million, in the aggregate, respectively. The fair values were estimated using the quoted market prices and current interest rates offered for similar debt issuances. Borrowings are categorised as Level 2 measurement in the fair value hierarchy under IFRS 13 *Fair Value Measurements*. See Note 19 – Borrowings for the face and the carrying values of the Group's borrowings.

27. Related Party Transactions

Prior to listing, the Group maintained an agreement with its equity sponsors (the "Management Agreement"), whereby the equity sponsors provided certain management advisory services. For services rendered by the equity sponsors, an annual fee of $3.0 million was payable in equal quarterly instalments. The Group also paid other specified fees, in accordance with the Management Agreement. For the year ended 31 December 2016, the Group incurred $2.5 million ($1.8 million-Nordic Capital and $0.7 million-Avista Capital Partners) in contractual fees to the equity sponsors for services rendered in accordance with the Management Agreement. Upon completion of the IPO in 2016, the Management Agreement was terminated.

The Group's revenue included $8.6 million and $7.4 million for the years ended 31 December 2017 and 2016, respectively, of revenue to a related party (customers affiliated with Nordic Capital, shareholder and former equity sponsor). The accompanying Consolidated Statement of Financial Position includes a receivable from the Group's related party revenue recorded in Trade and other receivables in the amount of $2.1 million and $1.2 million at 31 December 2017 and 2016, respectively. In addition, during the years ended 31 December 2017 and 2016, the Group purchased inventory product totalling $6.3 million and $0.7 million, respectively, from a related party (vendors affiliated with Nordic Capital, shareholder and former equity sponsor). The accompanying Consolidated Statement of Financial Position includes a payable related to the Group's related party purchases recorded in Trade and other payables in the amount of $0.1 million at 31 December 2017. At 31 December 2016, such related party purchases were fully paid.

27. Related Party Transactions (continued)

Key management personnel compensation

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group. The definition of key management personnel includes Directors (both Executive and Non-Executive) and other executives from the management team with significant authority and responsibility for planning, directing and controlling the entity's activities.

Key management personnel compensation for the years ended 31 December 2017 and 2016 comprised the following:

	2017 $m	2016[a] $m
Short-term employee benefits	**9.7**	8.7
Share-based expense	**26.2**	38.2
Post-employment benefits	**0.5**	0.7
Termination benefits	**2.6**	–
Total	**39.0**	47.6

(a) The 2016 comparative has been restated to be on a consistent basis with the 2017 presentation.

The above table does not include an outstanding loan of $0.2 million and $0.3 million at 31 December 2017 and 2016, respectively, to the Group's CEO. The amounts of share-based compensation to the key management personnel disclosed in the table above are based on the expense recognised under IFRS 2. Further details of short-term employee benefits, share-based expense, post-employment benefits and termination benefits for the Executive Directors are shown in the remuneration report on page 80.

28. Subsequent Events

The Group has evaluated subsequent events through 14 February 2018, the date the Financial Statements were approved by the Board of Directors.

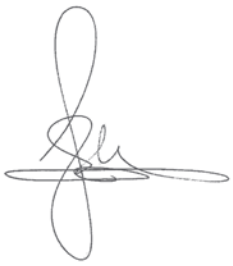
On 13 February 2018, the Board proposed the final dividend in respect of 2017 subject to shareholder approval at our Annual General Meeting on 10 May 2018, to be distributed on 17 May 2018. Refer to Note 11 – Dividends for further details.

Company Balance Sheet
As at 31 December 2017

	Notes	2017 $m	2016 $m
Non-current assets			
Investment in subsidiaries	4	**5,827.4**	5,316.0
Deferred tax asset	5	**0.2**	–
		5,827.6	5,316.0
Current assets			
Trade and other receivables	6	**2.2**	0.3
Cash and bank balances		**0.1**	20.1
		2.3	20.4
Total assets		**5,829.9**	5,336.4
Equity and liabilities			
Current liabilities			
Trade and other payables	7	**1.7**	13.1
		1.7	13.1
Non-current liabilities			
Redeemable preference shares	8	**–**	0.1
		–	0.1
Total liabilities		**1.7**	13.2
Equity			
Share capital	8	**238.8**	238.8
Share premium account	8	**1.3**	1,674.1
Own shares	8	**(8.1)**	–
Retained surplus/(deficit)	10	**1,622.7**	(21.6)
Merger reserve	9	**3,381.9**	3,381.9
Cumulative translation reserve	9	**550.6**	44.6
Other reserve	9	**41.0**	5.4
Total equity		**5,828.2**	5,323.2
Total equity and liabilities		**5,829.9**	5,336.4

The Company reported a loss for the financial period ended 31 December 2017 and 2016 of $2.2 million and $21.6 million, respectively.

The financial statements of ConvaTec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 14 February 2018. They were signed on its behalf by:



Frank Schulkes
Chief Financial Officer

Company Statement of Changes in Equity
For the year ended 31 December 2017

	Equity attributable to equity holders of the Company							
	Share capital $m	Share premium account $m	Own shares $m	Retained surplus/ (deficit) $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total equity $m
Net loss for the period	–	–	–	(21.6)	–	–	–	(21.6)
Foreign currency translation adjustment	–	–	–	–	–	44.6	–	44.6
Total comprehensive income for the period	–	–	–	(21.6)	–	44.6	–	23.0
Issue of share capital	238.8	1,713.7	–	–	–	–	–	1,952.5
Expenses of issue of equity shares	–	(39.6)	–	–	–	–	–	(39.6)
Fair value in excess of par value of share exchange	–	–	–	–	3,381.9	–	–	3,381.9
Credit to equity-settled share-based payments	–	–	–	–	–	–	5.4	5.4
Balance at 31 December 2016	**238.8**	**1,674.1**	**–**	**(21.6)**	**3,381.9**	**44.6**	**5.4**	**5,323.2**
Net loss for the year	**–**	**–**	**–**	**(2.2)**	**–**	**–**	**–**	**(2.2)**
Foreign currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**506.0**	**–**	**506.0**
Total comprehensive income for the period	**–**	**–**	**–**	**(2.2)**	**–**	**506.0**	**–**	**503.8**
Capital reduction of share premium	**–**	**(1,674.1)**	**–**	**1,674.1**	**–**	**–**	**–**	**–**
Purchase of own shares	**–**	**–**	**(9.6)**	**–**	**–**	**–**	**–**	**(9.6)**
Dividends paid	**–**	**–**	**–**	**(26.3)**	**–**	**–**	**–**	**(26.3)**
Scrip dividend	**–**	**1.3**	**–**	**(1.3)**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**36.9**	**36.9**
Share awards vested	**–**	**–**	**1.5**	**–**	**–**	**–**	**(1.5)**	**–**
Excess tax benefits for share-based compensation	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Balance at 31 December 2017	**238.8**	**1.3**	**(8.1)**	**1,622.7**	**3,381.9**	**550.6**	**41.0**	**5,828.2**

For further information on share-based payments, please see Note 24, and for dividends see Note 11 to the consolidated financial statements.

Notes to the Company Financial Statements

1. Significant Accounting Policies

Basis of preparation

The Company was incorporated on 6 September 2016. The financial statements of the Company are for the year ended 31 December 2017, with comparatives reflecting the period from incorporation to 31 December 2016.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the period ended 31 December 2016 the Company decided to adopt FRS 101. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in Note 3 to the consolidated financial statements except as noted below.

Critical accounting judgements and key sources of estimation uncertainty

In the preparation of the Company's financial statements in accordance with FRS 101, management are required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of income and expenses for the periods presented.

The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of judgement that have the most significant effect on the amounts recognised in the financial statements are the review for impairment of investment carrying values and the valuation of share-based payments.

Foreign currencies

The functional currency of the Company is Sterling, being the currency of the primary economic environment in which it operates.

The Company has adopted US Dollars as the presentation currency for its financial statements, in line with the presentation currency for the consolidated financial statements. For the purpose of presenting individual company financial statements, assets and liabilities of the Company are translated into US Dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the cumulative translation reserve.

Investments

Investments in Group undertakings are stated at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. Any impairment loss is offset against the merger reserve. If the merger reserve is not sufficient to cover an impairment loss the excess impairment is recognised immediately in the profit and loss account.

1. Significant accounting policies (continued)

Merger reserve

As part of the Group reorganisation in 2016, the Company entered into a common control transaction to acquire the former ConvaTec Group. The Company acquired the entire issued share capital of Cidron Healthcare Limited and obtained full control of the ConvaTec Group. As a common control transaction, this did not meet the definition of a business combination under IFRS 3 *Business Combinations* and as such, fell outside the scope of that standard. As a consequence, after considering guidance from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the transaction has been accounted for by applying merger accounting principles. The fair value of the shares acquired, representing the fair value of the Group on the date of the IPO, was recorded as the fair value of the investment held. The difference between the nominal value and the fair value of shares acquired was taken to the merger reserve.

Share-based payments

The company has implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to its shares to employees of its subsidiary undertakings under an equity-settled arrangement, the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as a cost of investment in the subsidiary and credits equity with an equal amount.

2. Loss for the Period

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the current year or prior year period. The loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in Note 6 to the consolidated financial statements.

3. Staff Costs

The average monthly number of employees (including Executive Directors) was:

	2017 Number	2016 Number
General and administrative	**2**	2
	2	2

Their aggregate remuneration comprised:

	Year ended 2017 $m	Year ended 2016 $m
Wages and salaries[(a)]	**13.4**	0.3
Social security costs	**0.3**	–
Pension related costs	**0.2**	–
Total	**13.9**	0.3

(a) Included within wages and salaries are share-based payment charges of $12.0 million in 2017 and $nil in 2016.

The remuneration of the Directors' is set out on pages 80 to 89 within the Remuneration Committee report.

4. Investment in Subsidiaries

	$m
Cost and net book value	
Additions	5,316.0
At 31 December 2016	**5,316.0**
Capital contributions arising from share-based payments to employees of subsidiaries	**7.4**
Reduction due to reimbursement upon exercised awards	**(1.4)**
Foreign exchange	**505.4**
At 31 December 2017	**5,827.4**

Foreign exchange represents the impact of translation to the Company's chosen presentational currency of USD in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

4. Investment in subsidiaries (continued)

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name	Place of business and registered office	Proportion of ownership interest %	Proportion of voting power held %
ConvaTec Management Holdings Limited[1]	United Kingdom	100%	100%
Cidron Healthcare Limited[2]	Jersey	100%	100%
ConvaTec Healthcare D S.à.r.l.[3]	Luxembourg	100%	100%
ConvaTec Holdings U.K. Limited[4]	United Kingdom	100%	100%
ConvaTec Limited[4]	United Kingdom	100%	100%
Amcare Limited[4]	United Kingdom	100%	100%
ConvaTec International U.K. Limited[4]	United Kingdom	100%	100%
ConvaTec Specialty Fibres Limited[4]	United Kingdom	100%	100%
ConvaTec Accessories Limited[4]	United Kingdom	100%	100%
SureCalm Healthcare Holdings Limited[4]	United Kingdom	100%	100%
Arthur Wood Limited[4]	United Kingdom	100%	100%
Farnhurst Medical Limited[4]	United Kingdom	100%	100%
Novacare U.K. Limited[4]	United Kingdom	100%	100%
Allied Medical (U.K.) Services Limited[4]	United Kingdom	100%	100%
Alpha-Med (Medical & Surgical) Limited[4]	United Kingdom	100%	100%
B.C.A. Direct Limited[4]	United Kingdom	100%	100%
Resus Positive Limited[4]	United Kingdom	100%	100%
SureCalm Healthcare Limited[4]	United Kingdom	100%	100%
SureCalm Pharmacy Limited[4]	United Kingdom	100%	100%
ConvaTec Canada Limited[5]	Canada	100%	100%
ConvaTec International Services GmbH[6]	Switzerland	100%	100%
ConvaTec Malaysia Sdn Bhd[7]	Malaysia	100%	100%
ConvaTec (Thailand) Co. Limited[8]	Thailand	100%	100%
ConvaTec (Australia) PTY Limited[9]	Australia	100%	100%
ConvaTec (New Zealand) Limited[10]	New Zealand	100%	100%
ConvaTec France Holdings SAS[11]	France	100%	100%
Laboratoires ConvaTec SAS[11]	France	100%	100%
Convatec (Switzerland) GmbH[6]	Switzerland	100%	100%
ConvaTec Polska Sp. Z.o.o[12]	Poland	100%	100%
ConvaTec Sağlik Ürünleri Limited Şirketi[13]	Turkey	100%	100%
ConvaTec Japan Karlskrona[14]	Japan	100%	100%
ConvaTec (Germany) GmbH[15]	Germany	100%	100%
ConvaTec Nederland B.V.[16]	Netherlands	100%	100%
ConvaTec Ceska Republika s.r.o.[17]	Czech Republic	100%	100%
ConvaTec Italia S.r.l.[18]	Italy	100%	100%
ConvaTec Belgium BVBA[19]	Belgium	100%	100%
ConvaTec Hong Kong Limited[20]	Hong Kong	100%	100%
ConvaTec (Singapore) PTE Limited[21]	Singapore	100%	100%
ConvaTec India Private Limited[22]	India	100%	100%
ConvaTec China Limited[23]	China	100%	100%
KVTech Portugal – Produtos Medicos Unipessoal Ltda[24]	Portugal	100%	100%
ConvaTec (Austria) GmbH[25]	Austria	100%	100%
ConvaTec Healthcare Ireland Limited[26]	Ireland	100%	100%
ConvaTec Middle East & Africa LLC[27]	Egypt	100%	100%
ConvaTec Spain Holdings S.L.[28]	Spain	100%	100%
ConvaTec S.L.[28]	Spain	100%	100%
ConvaTec Peru S.A.C.[29]	Peru	100%	100%
ConvaTec Argentina SRL[30]	Argentina	100%	100%
ConvaTec Norway A/S[31]	Norway	100%	100%
ConvaTec South Africa (PTY) Limited[32]	South Africa	100%	100%
ConvaTec (Sweden) AB[33]	Sweden	100%	100%
ConvaTec Hellas Medical Products S.A.[34]	Greece	100%	100%

4. Investment in subsidiaries (continued)

Name	Place of business and registered office	Proportion of ownership interest %	Proportion of voting power held %
ConvaTec Denmark A/S[35]	Denmark	100%	100%
Unomedical Holdings A/S[36]	Denmark	100%	100%
Unomedical A/S[36]	Denmark	100%	100%
Papyro-Tex A/S[35]	Denmark	100%	100%
FE Unomedical Limited[37]	Belarus	99%	99%
Unomedical sdn Bhd[38]	Malaysia	75%	75%
Unomedical France SAS[11]	France	100%	100%
Unomedical Holdings Limited[4]	United Kingdom	100%	100%
Unomedical Limited[4]	United Kingdom	100%	100%
Unomedical Developments Limited[4]	United Kingdom	100%	100%
M.S.B. Limited[4]	United Kingdom	100%	100%
Bradgate-Unitech Limited[4]	United Kingdom	100%	100%
Pharma-Plast Limited[4]	United Kingdom	100%	100%
Unoplast (U.K.) Limited[4]	United Kingdom	100%	100%
Steriseal Limited[4]	United Kingdom	100%	100%
Rotax Razor Company Limited[4]	United Kingdom	100%	100%
Nottingham Medical Equipment Limited[4]	United Kingdom	100%	100%
Shrimpton & Fletcher Limited[4]	United Kingdom	100%	100%
Lance Blades Limited[4]	United Kingdom	100%	100%
Needle Industries (Sheffield) Limited[4]	United Kingdom	100%	100%
Akers & Dickinson Limited[4]	United Kingdom	100%	100%
Unomedical Devices SA de CV[39]	Mexico	100%	100%
Unomedical (Americas) Inc.[40]	US	100%	100%
Unomedical SA de CV[41]	Mexico	100%	100%
Unomedical s.r.o.[42]	Slovakia	100%	100%
Unomedical Inc.[40]	US	100%	100%
ZAO ConvaTec[43]	Russia	100%	100%
ConvaTec OY[44]	Finland	100%	100%
ConvaTec Inc.[45]	US	100%	100%
ConvaTec Korea Limited[46]	Korea	100%	100%
180 Medical Holdings Inc.[47]	US	100%	100%
180 Medical Acquisition[47]	US	100%	100%
180 Medical Inc.[47]	US	100%	100%
South Shore Medical Supply Inc.[48]	US	100%	100%
Symbius Medical Inc.[49]	US	100%	100%
ConvaTec Technologies[50]	US	100%	100%
Boston Medical Device Inc.[45]	US	100%	100%
BMD Comercio de Productos Medicos Ltda[51]	Brazil	100%	100%
Boston Medical Device de Mexico S de RL de CVR[52]	Mexico	100%	100%
Boston Medical Devices Columbia Ltda[53]	Colombia	100%	100%
Boston Medical Device de Venezuela C.A.[54]	Venezuela	100%	100%
Boston Medical Device de Chile S.A.[55]	Chile	100%	100%
Boston Medical Device Dominicana S.R.L.[56]	Dominican Republic	100%	100%
Boston Medical Device Ecuador S.A.[57]	Ecuador	100%	100%
Boston Medical Care de Mexico S de RL de CVR[52]	Mexico	100%	100%
Boston Medical Care S.A.S IPS[58]	Colombia	100%	100%
Boston Medical Care de Chile SPA[55]	Chile	100%	100%
AbViser Medical LLC[45]	US	100%	100%
Boston Medical Devices LLC[45]	US	100%	100%
ConvaTec Dominican Republic Inc.[59]	Dominican Republic	100%	100%
PRNMS Investments LLC[49]	US	100%	100%
PRN Medical Services, LLC[49]	US	100%	100%
EuroTec BV[60]	Netherlands	100%	100%

4. Investment in subsidiaries (continued)

Name	Place of business and registered office	Proportion of ownership interest %	Proportion of voting power held %
EuroTec Beheer BV[60]	Netherlands	100%	100%
EuroTec GmbH[61]	Germany	100%	100%
Woodbury Holdings, Inc.[62]	US	100%	100%
WPI Holdings Corp[62]	US	100%	100%
WPI Acquisition Corp[62]	US	100%	100%
Wilmington Medical Supply, Inc.[63]	US	100%	100%
In-Home Products, Inc.[64]	US	100%	100%

\+ Investments held directly by ConvaTec Group Plc

1. 3 Forbury Place, 23 Forbury Road, Reading RG1 3JH, UK
2. 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands
3. 1, Rue Hildegard von Bingen, L-1282, Luxembourg
4. GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire CH5 2NU, UK
5. 1959 Upper Water Street, P.O. Box 997, Halifax, Nova Scotia, B3J 2N2, Canada
6. Mühlentalstrasse 36/38, 8200 Schaffhausen, Switzerland
7. 10th floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
8. 87M Thai Tower, All Seasons Place, 9/F, Wireless Road, Lumpini, Phatumwan, Bangkok 10330, Thailand
9. Brandon Building 5 Office Park, 530-540 Springvale Road, Glen Waverley, VIC 3150, Australia
10. Crowe Horwath, level 29, 188 Quay Street, Auckland, 1010, New Zealand
11. Immeuble le Sigma, 90 Boulevard National, 92250 La Garenne Colombes, Paris, France
12. Al. Armii Ludowej 26, 00-609 Warsaw, Poland
13. Şehit İlknur Keles, No.5/3 Kozyatagi/, Istanbul, Turkey
14. 8-7, Roppongi 1-chome, Minato-ku, Tokyo, Japan
15. Radlkoferstraße 2, 81373 München, Germany
16. Houttuinlaan 5F, 3447 GM Woerden, Netherlands
17. Olivova 2096/4, Prague 1, 110 00, Czech Republic
18. Via della Sierra Nevada, 60-00144 Rome, Italy
19. Parc d'Alliance, Boulevard de France 9, B-1420 Braine l'Alleud, Belgium
20. Unit 1901 Yue Xiu Bldg 160-174, Lockhart Road, Wan Chai, Hong Kong
21. Shenton Way #20-01, SGX Centre 1, Singapore 068804
22. S-604, 6th Floor, BRIGADE GATEWAY, World Trade Centre, Dr. Rajkumar Road, Yeshwantpur Bangalore – 560055, Karnataka, India
23. Room 1704 & 1705, Shui On Plaza, 333 Middle Huai Hai Road, Huangpu District, Shanghai, 200021, Peoples Republic of China
24. Avenida da Libertade, 144, 7º 1250-146, Lisbon, Portugal
25. Schubertring 6, 1010 Wien, Austria
26. Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland
27. 22 Kamal El Din Hussein St, 3rd Floor, Heliopolis Sheraton, Post Code 11977., Cairo, Egypt
28. Constitucion 1, 3ªPlanta, 08960 Sant Just Desvern, Barcelona, Spain
29. Estudio Lazo de Romaña Gagiufli, Av. Pardo y Aliaga 699, Piso 7, San Isidro, Lima, Perú
30. Calle Cerrito No. 1070 Tercer Piso, oficina 71. Buenos Aires, Argentina
31. Nils Hansen vei 2, 0667 Oslo, Norway
32. 24A-18th Street, Menlo Park, Pretoria 0081, South Africa
33. Gårdsfogdevägen 18 B, 167 15 Bromma, Sweden
34. 317 Mesogeion Avenue and Lokridos (2nd floor), Municipality of Halandri, Greece
35. Skinderskovvej 32-36, 2730 Herlev, Denmark
36. Aaholmvej 1-3, Osted, 4320 Lejre, Denmark
37. Zavodskaya str., 50, Fanipol, 222750, Dzerzhinsk reg., Minsk distr., Belarus
38. Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah, Malaysia
39. Fomento Industrial L9 M3, Parque Ind.del Norte, Reynosa Tam. Mexico
40. 5701-1 S Ware RD, McAllen, TX 78504, US
41. Ave Industrial Falcon Lote 7, Parque Industrial Del Norte, Cd Reynosa Tamaulipas, CP88736 Mexico
42. Priemyselny Park 3, 071 01 Michalovce, Slovakia
43. Kosmodamianskaya nab.52 bld.1, 115054, Moscow, Russia
44. Keilaranta 16, 02150 Espoo, Finland
45. 1160 Route 22 East, Suite 304, Bridgewater, NJ 08807, US
46. (Samsung-dong, American Standard B/D) 4F, Yeongdongdaero 112gil 66, Gangnam-Gu, Seoul, Korea
47. 8516 Northwest Expressway, Oklahoma City, OK 73162, US
48. 58 Norfolk Avenue, Unit 2, Easton, MA 02375 US
49. 2311 W. Utopia Road, Phoenix, AZ 85027, US
50. 3993 Howard Hughes Pkwy Ste 250, Las Vegas, NV 89169, US
51. Avenida Portugal, 1100, parte C22, CEP 006696-060 Itaqui, Itapevi, Brazil
52. Osos Num.40, Mezanine Col. Del Valle, Mexico City, Mexico, CP 03100
53. Calle 76 No. 11-17, Piso, 5, Bogota, Colombia 110221
54. Av. Sorocaima, Libertador con Venezuela, Edif Atrium. Piso 3, Oficina 3G, Urb El Rosal, Municipio Chacao, Edo, Miranda, Venezuela
55. Av El Salvador 149 of 401, Piso 4, Providencia. Santiago, Chile
56. Av. Lope de Vega No.59, Plaza Lope de Vega, Local C-8, Santo Domingo, Republica Dominicana
57. Pedro Ponce Carrasco E8-06 y Av. Diego de Almagro. Ed. Almagro Plaza Of. 1204 Quito, Ecuador
58. Calle 82 No. 18-31, Bogota, Colombia
59. Carretera Sanchez km 18½, Parque Industrial Itabo, Haina, San Cristóbal, Dominican Republic
60. Schotsbossenstraat 8, 4705 AG Roosendaal, Nederland
61. Winkelsweg 178-180 / Geb.8, 40737 Langenfeld, Germany
62. 15 Verbena Avenue, Floral Park, NY 110001-2793, US
63. 306 Old Dairy Road, Wilmington, NC 28405-3766, US
64. 12015 Shiloh Road, 158-B Dallas, TX 75228-1599, US

The investments in subsidiaries are all stated at cost less provision for impairments.

5. Deferred Tax Asset

	$m
Credit to the Profit and loss account	0.2
At 31 December 2017	**0.2**

The amounts provided are as follows:

	$m
Share-based payment expense	0.2
At 31 December 2017	**0.2**

Unrecognised deferred tax assets

At the balance sheet date, the Company had unused tax losses available for offset against future profits with a potential tax benefit of $16,981.

6. Trade and Other Receivables

	2017 $m	2016 $m
Amounts falling due within one year:		
Amounts owed by group undertakings	**1.3**	–
Other debtors	**0.1**	0.3
Prepayments and accrued income	**0.8**	–
	2.2	0.3

7. Trade and Other Payables

	2017 $m	2016 $m
Amounts falling due within one year:		
Trade payables	**0.3**	–
Amounts owed to group undertakings	**–**	1.2
Other taxation and social security	**0.5**	–
Accruals and deferred income	**0.9**	11.9
	1.7	13.1

8. Share Capital and Share Premium Account

	Ordinary shares number
Issued and fully paid or credited as fully paid	
Issue of share capital	1,951,472,651
Balance at 31 December 2016	**1,951,472,651**
Issue of new shares for the Scrip Scheme	**377,948**
Balance at 31 December 2017	**1,951,850,599**

For further details of the purchase own shares and issue of new shares, please see Note 22 to the consolidated financial statements.

	Share capital $m	Share premium account $m
Issue of share capital 1,951,472,651 ordinary shares of 10p each	238.8	1,713.7
Expenses of issue of equity shares	–	(39.6)
Balance at 31 December 2016	**238.8**	**1,674.1**
Capital reduction of share premium	**–**	**(1,674.1)**
Issue of new shares for the Scrip Scheme, 377,948 ordinary shares of 10p each	**–**	**1.3**
Balance at 31 December 2017	**238.8**	**1.3**

Share capital

The rights attaching to the ordinary shares are uniform in all respects, they form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

8. Share capital and share premium account (continued)

Redeemable preference shares

The Company issued 50,000 redeemable preference shares with a nominal value of $0.1 million; these were held in long-term liabilities at 31 December 2016. These shares did not carry any voting rights and had no right to the payment of dividends. The preference shares were redeemed in February 2017.

Share premium

The share premium at 31 December 2016 represents amounts received in excess of the nominal value of shares issued upon IPO ($1,713.7 million), net of the direct costs associated with issuing those shares ($39.6 million). $10.5 million of accrued share capital costs at 31 December 2016 were paid in 2017.

On 15 February 2017 the Company carried out a capital reduction converting share premium of $1,713.7 million to distributable reserves. As part of this capital reduction, expenses of issue of equity shares which has been offset against the same share premium balance has also been taken to retained earnings. The net impact of the capital reduction exercise has resulted in distributable earnings being increased by $1,674.1 million.

On 20 October 2017, 377,948 shares were issued under the Scrip Scheme resulting in $1.3 million of share premium.

Own shares

Own shares are ordinary shares in the Company purchased and held by an Employee Benefit Trust to fulfil the Company's obligations under the Group's share plans.

9. Other Reserves

Merger reserve

The merger reserve represents the fair value in excess of the par value of shares issued as part of a share exchange. Shareholders of Cidron Healthcare Limited and the subsidiaries exchanged their shareholdings for 1,300 million shares in ConvaTec Group Plc. The excess over the £0.10 par value of $3,381.9 million is held in the merger reserve.

Currency translation reserve

The movement on the currency translation reserve is the exchange differences arising on the translation of the assets and liabilities of the Company into US Dollars at the prevailing balance sheet rate and income and expense items being translated at the average exchange rates for the period.

Other reserves

The movements in other reserves are a debit to equity for equity-settled share-based payments.

10. Retained Surplus/(Deficit)

	$m
Net loss for the period	(21.6)
Credit to equity for equity-settled share-based payments	5.4
Balance at 31 December 2016	**(16.2)**
Net loss for the year	**(2.2)**
Credit to equity for equity-settled share-based payments	**36.9**
Share awards vested	**(1.5)**
Excess tax benefits from share-based compensation	**0.2**
Capital reduction	**1,674.1**
Dividends paid	**(26.3)**
Scrip dividend	**(1.3)**
Balance at 31 December 2017	**1,663.7**

11. Subsequent Events

On 13 February 2018, the Board proposed the final dividend in respect of 2017 subject to shareholder approval at the Annual General Meeting on 10 May 2018, to be distributed on 17 May 2018. See Note 11 to the consolidated financial statements for further details.

Shareholder information

Our corporate website – www.convatecgroup.com
Information about our Stock Exchange announcements, key dates in our financial calendar, our share price information and background information is available on our corporate website by clicking www.convatecgroup.com/investors.

The date for the release of our interim results for the six months ended 30 June 2018 will be posted in due course on our website.

Shareholders may also receive information by email by signing up to the news alert service available on our corporate website at www.convatecgroup.com/investors/sign-up-for-more-information.

Share price information
Our closing share price as at 31 December 2017 was 205.5p.

Managing your shareholding
You can manage your shareholding online by registering to use Investor Centre, a free and secure website. Investor Centre is available 24 hours a day, 365 days a year. To find out more about Investor Centre visit www.investorcentre.co.uk. Registration is a straightforward process and all you will need is your shareholder reference number (the "SRN") and registered address details.

Shareholders who prefer not to manage their shareholding online can contact our Registrars, Computershare Investor Services PLC, who manage our share dealing service. The share dealing contact telephone number is +44 (0) 370 703 6219 and further information about Computershare Investor Services PLC is set out below.

Internet share dealing
Please note that, at present, this service is only available to shareholders in certain jurisdictions, including the UK. Please refer to the website for an up to date list of these countries. This service provides shareholders with an easy way to buy or sell the Company's Ordinary shares on the London Stock Exchange. The commission is 1.0%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours.

Up to 90 day limit orders are available for sales. Before you can trade you will need to register for the service. To access the service log on to www.computershare.com/dealing/uk.

Shareholders should have their Shareholder Reference Number ('SRN') available. The SRN appears on share certificates as it will be required as part of the registration process. A bank debit card will be required for purchases.

Telephone share dealing
Please note this service is, at present, only available to shareholders resident in certain jurisdictions. The commission is 1% plus a charge of £35. In addition, stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays, on telephone number 0370 703 0084. Before you trade you will need to register for this service. This can be done by going online at www.computershare.trade. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0370 703 0084.

Please note that due to the regulations in the UK, Computershare are required to check that you have read and accepted the Terms & Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their website and registering online first.

Share fraud
We would like to warn all of our shareholders to be very wary of any unsolicited telephone calls or letters which offer investment advice, offer to buy your shares at a discounted price, or sell them at an inflated price or offers free company reports. This type of call should be treated as an investment scam. Further information about investment scams and how they should be reported is available on our corporate website.

Company Secretary and registered office
Clare Bates
3 Forbury Place
23 Forbury Road
Reading RG1 3JH

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
Telephone +44 (0) 370 703 6219
Email webqueries@computershare.co.uk

Auditor
Deloitte LLP

Brokers
Goldman Sachs International
UBS Limited

Solicitors
Freshfields Bruckhaus Deringer LLP

Important information for readers of this Annual Report

Cautionary statement regarding forward-looking statements

The purpose of this Annual Report is to provide information to the members of the Company. The Company and its Directors, employees, agents and advisors do not accept or assume responsibility to any other person to whom this Annual Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. In order, among other things, to utilise the "safe harbour" provisions of the US Private Securities Litigation Reform Act 1995 and the UK Companies Act 2006, we are providing the following cautionary statement: This Annual Report contains statements that are, or may be deemed to be, "forward-looking" statements with respect to the operations, performance and financial condition of the Group, including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements are statements relating to the future which are based on information available at the time such statements are made, including information relating to risks and uncertainties. Although we believe that the forward-looking statements in this Annual Report are based on reasonable assumptions, the matters discussed in the forward-looking statements may be influenced by factors that could cause actual outcomes and results to be materially different from those expressed or implied by these statements, many of which are beyond the Company's control. The forward-looking statements reflect knowledge and information available at the date of the preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. We identify the forward-looking statements by using the words "anticipates", "believes", "expects", "intends" and similar expressions in such statements. Important factors that could cause actual results to differ materially from those contained in forward-looking statements, certain of which are beyond our control include, among other things those factors identified in the Principal Risks and Uncertainties section which begins on page 30. Forward-looking statements are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates, may differ materially from those made or suggested by the forward-looking statements set out in this Annual Report. Past performance of the Company cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

Third-party data

To the extent available, the industry and market data contained in this Annual Report has come from third-party sources. Third-party industry publications, studies and surveys generally state that the data contained therein has been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In addition, certain industry and market data in this Annual Report came from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data in this Annual Report.

ConvaTec website

Information on or accessible through our website www.convatecgroup.com and other websites mentioned in this Annual Report, does not form part of and is not incorporated into this Annual Report.

Figures

Figures in parentheses in tables and in the Financial Statements are used to represent negative numbers.

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Photography:
Included in this Annual Report are photographs of our employees and facilities in Deeside (UK), Haina (Dominican Republic), Michalovce (Slovakia) and Oklahoma City (US).

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ConvaTec