ConvaTec

Press Release – Full year 2016 results

Strong results, delivering on strategy

2 March, 2017 - ConvaTec Group Plc and subsidiaries ("ConvaTec" or "Group") (LSE: CTEC) announces unaudited results for the full year to **31** December, 2016.

Adjusted results[1]	Full Year 2016	Full Year 2015	Growth	Growth at CER[2]
Revenue	$1,688m	$1,650m	2.3%	4.0%
Gross Margin	60.9%	59.6%		
EBITDA	$508m	$474m	7.1%	6.5%
EBIT/Operating profit	$472m	$437m	8.1%	7.1%
EBIT margin	28.0%	26.5%		
Earnings per share	$0.13	$0.10		
Pro-forma Earnings per share	$0.18	$0.17		

Reported results	Full Year 2016	Full Year 2015	Growth	Growth at CER[2]
Revenue	$1,688m	$1,650m	2.3%	4.0%
Gross Margin	51.4%	51.5%		
EBITDA	$336m	$412m	(18.4)%	(19.0)%
EBIT/Operating profit	$154m	$230m	(33.2)%	(37.9)%
Operating profit margin	9.1%	14.0%		
Earnings per share	$(0.15)	$(0.07)		

(1) Certain financial measures in this press release, 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 46 to 49.
(2) Constant currency growth 'CER' is calculated by restating 2016 results using 2015 foreign exchange rates for the relevant period.

2016 Full Year Highlights:

- Strong franchise revenue performance with financial results in line with guidance
- Significant margin development, Margin Improvement Programme ("MIP") execution ahead of plan
- Continuing strong performance in Advanced Wound Care ("AWC") supported by our differentiated AQUACEL® portfolio
- Ostomy Care showing consistent growth momentum following implementation of strategic actions
- Successful execution of IPO and new debt refinancing at attractive terms

Paul Moraviec Chief Executive Officer commented:

"We are successfully delivering on the strategy set out at the time of our IPO. All four franchises advanced well in 2016, resulting in Group revenue growth of 4% at constant currency. Performance in the Advanced Wound Care franchise was particularly strong, and strategic initiatives in Ostomy Care are gaining traction. We are ahead of schedule on our Margin Improvement Plan and now expect to achieve around half of the targeted 300bps improvement during 2017.

2016 was a transformative year for ConvaTec, culminating in a successful IPO and the refinancing of our debt. We have a diversified business, with leading positions in large and structurally growing markets together with a strong pipeline of innovative new products. We are well placed to create value for shareholders and to improve the lives of our patients across the world living with chronic conditions."

Analyst meeting

There will be an analysts & investors meeting today at 9.00am GMT / 4.00am EST, which can be viewed live through the ConvaTec website at https://www.convatecgroup.com/investors/ and a recording will be available on the site shortly afterwards.

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About ConvaTec

ConvaTec is a global medical products and technologies company focused on therapies for the management of chronic conditions, with leading market positions in advanced wound care, ostomy care, continence and critical care, and infusion devices. Our products provide a range of clinical and economic benefits including infection prevention, protection of at-risk skin, improved patient outcomes and reduced total cost of care. To learn more about ConvaTec, please visit www.convatecgroup.com where a copy of this announcement can also be found.

CEO REVIEW

Our results for 2016 show that we have delivered in line with or ahead of the guidance which we set out in our IPO Prospectus. At constant currency, revenue grew 4% to $1,688 million and adjusted EBITDA was $508 million, up 6.5% at constant currency. We are ahead of schedule on our MIP, delivering 0.9% of gross margin benefit in the year, against a target of 3.0% by the year 2020. We now expect to deliver around half of our target through 2017. The reported net loss after tax was $203 million compared to $93 million in 2015, reflecting the costs related to our reorganisation and initial public offering.

The Advanced Wound Care franchise had a further strong year, with revenues up 6.5% at constant currency. We continued to see consistent growth in our AQUACEL® product lines, particularly in EMEA and the Americas and an increasing contribution from AQUACEL® Foam, where we are continuing to add to our portfolio in the protection and prevention segments. We entered the Negative Pressure Wound Therapy market with the launch of the Avelle™ system in the UK, which is being rolled out to other markets, and we launched the AQUACEL® AG Surgical SP dressing, expanding our reach into new surgical indications including caesarean sections, cardio-thoracic procedures and lumbar spine surgery.

Our strategy to return the Ostomy franchise to consistent growth has continued to gain traction, particularly in the Americas and APAC regions. Revenues grew 1.7% at constant currency in the year, reflecting our actions to improve our engagement with the nursing community, invest in our direct-to-consumer programme and close previous gaps in our product portfolio. We have also successfully renewed a number of key strategic distributor agreements in the USA including the two major group purchasing organisation agreements.

Revenues in Continence & Critical Care were up 3.6% at constant currency, reflecting good growth in our GentleCath™ intermittent catheter portfolio, partially offset in the second half of the year by the start of planned rationalisation initiatives within the Hospital Care business, which were identified as a part of our MIP. We will continue to innovate and expand the GentleCath™ portfolio to address a wider range of needs and we will continue to leverage the reach of 180 Medical in the USA to support the adoption of our new products. Later in the year, we intend to commence the launch of GentleCath™ outside the USA market.

The Infusion Devices franchise grew revenues by 4.0% at constant currency. Our partners experienced strong end-market demand for infusion pumps where our devices are a key component. We will continue to strengthen our long term partnerships with insulin pump manufacturers whilst innovating to develop products for insulin and other drug delivery.

2016 has been a transformative year for ConvaTec. We successfully raised £1.465 billion in the largest healthcare IPO in Europe for 20 years. We have strengthened our management team and shortly after the year end, completed our first acquisition as a listed company, Netherlands-based EuroTec, which will further strengthen our Ostomy franchise. We have also refinanced our debt on terms beneficial to our long term plans.

We have made significant progress in the past year, and I am confident that with the experience and advice of our Board, the strong leadership of our management team and in particular, the hard work and dedication of all our employees across ConvaTec, we will continue to deliver value to our shareholders whilst improving the lives of our patients across the world who live with chronic conditions.

OPERATING REVIEW

Revenue[1]	Full Year 2016	Full Year 2015	Growth	Growth at CER [2]
	$m	$m	%	%
Advanced Wound Care	559.5	536.1	4.4	6.5
Ostomy	512.1	515.5	(0.7)	1.7
Continence & Critical Care	356.5	348.2	2.4	3.6
Infusion Devices	260.2	250.6	3.8	4.0
Total Group Revenue	**1,688.3**	**1,650.4**	**2.3**	**4.0**

(1) Results and percentages compare to the full financial year 2015. Quarterly revenue figures can be found in the notes to financial statements within this release.

(2) Constant currency growth 'CER' is computed by restating 2016 results using 2015 foreign exchange rates for the relevant period. See Page 14 - Exchange Rates for further details of FX sensitivity.

Advanced Wound Care

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

In 2016 our revenues grew by 6.5% at constant currency (4.4% reported) to $559.5 million.

We continued to see consistent growth in our AQUACEL® product lines, particularly in EMEA and the USA with strong growth from AQUACEL® Foam.

Key developments in 2016 included:

- the launch of AQUACEL® Foam Pro and Foam Lite ConvaTec dressings, which expands our product portfolio into the $1.2b foam market segment;
- the launch of AQUACEL® Ag Surgical SP dressing which has expanded our reach into new surgical indications including caesarean sections and spine surgery;
- our entry into the fast growing disposable segment of the Negative Pressure Wound Therapy ("NPWT") market with the launch of the Avelle™ System in the UK and Nordic regions;
- recognition for our R&D team and AQUACEL® Ag+ anti-biofilm technology at the Journal of Wound Care World Union of Wound Healing Societies Awards, for the scientific contribution they have made to the complex area of microbial biofilms and their relationship to wound infection.

We are focused on three priorities to drive our growth:

- expand our core AQUACEL® offering through the extension of our AQUACEL® Ag+ 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; and
- build on our differentiated entry into the fastest growing segment of the NPWT market.

Ostomy Care

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.

In 2016 our revenues grew 1.7% at constant currency (-0.7% on a reported basis) as the implementation of our plan to return the franchise to consistent growth continued to gain traction.

Key developments in 2016 included:

- the development of our nurse engagement programmes and the continued roll-out of our me+™ direct to consumer programme globally;
- successful renewal of a number of key strategic distributor and both major group purchasing organisation agreements in the USA;
- launch of our Esteem™+ Flex Convex range of one-piece products in Japan, Italy and the Netherlands. The global roll out has commenced in 2017;
- successful closure of product portfolio gaps; and
- agreement to acquire EuroTec, based in the Netherlands, which increases our competitive position in the Dutch market and provides a foundation for accelerating growth across France and Benelux.

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 programme to engage directly and frequently with ostomates to build strong and long term consumer relationships; and
- continue to enhance our product portfolio, leveraging our adhesive technology with consumer led design.

Continence & Critical Care

Our Continence & Critical Care (“CCC”) franchise comprises three businesses: Continence Care (including our 180 Medical subsidiary in the USA), Critical Care and Hospital Care.

- Continence Care, which 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, which 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, which 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 2016 our revenues grew 3.6% at constant currency (2.4% on a reported basis). Strong growth in our GentleCath™ intermittent catheter portfolio was partially offset in the second half of the year by the beginning of rationalisation initiatives within our Hospital Care business. These have been identified as part of our MIP.

Key developments in 2016 included:

- strong growth in our GentleCath™ intermittent catheter portfolio;
- launch of GentleCath™ Glide, a low friction hydrophilic intermittent catheter made with our unique FeelClean™ technology which activates immediately when in contact with water and reduces the residuals left behind by conventional cathing technologies;
- the global roll out of Flexi-Seal™ SIGNAL™ Fecal Management System ("FMS") with odour barrier. This new product launch helped us retain our leading market position and underpinned strong growth in our Critical Care business; and
- the successful commencement of initiatives to support the MIP, which identified significant rationalisation opportunities within our Hospital Care business.

In Continence Care we are focused on three priorities to drive our 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 180 Medical, the largest medical equipment distributor of intermittent catheters in the USA, to support the adoption of our new products in the USA; and
- 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 and rationalisation of our Hospital Care portfolio through our MIP (see below).

Infusion Devices

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 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®".

In 2016 our revenues grew 4.0% at constant currency (3.8% on a reported basis). Our partners are seeing strong end-market demand for infusion pumps.

Key developments in 2016 included:

- the development of the next generation fully automatic all-in-one infusion set with a retractable needle which is convenient to use, and has been tested for use with insulin and other sub-cutaneous drugs including those for management of Parkinson's disease and palliative pain management;
- the launch of our 30-degree soft cannula infusion set with disposable serter through Medtronic-Minimed (Mio™ 30) and Tandem Diabetes (t:30™); and
- significant advances in research focused on the longevity of our infusion sets.

We are focused on three priorities to drive our growth:

- strengthen 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; and
- 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.

Regional Revenue

Revenue[1]	Full Year 2016	Full Year 2015	Growth	Growth at CER [2]
	$m	$m	%	%
EMEA	726.4	735.5	(1.2)	2.5
Americas	829.4	787.8	5.3	5.8
APAC	132.5	127.1	4.3	2.1
Total Group Revenue	**1,688.3**	**1,650.4**	**2.3**	**4.0**

(1) Results and percentages compare to the full financial year 2015. Quarterly revenue figures can be found in the notes to financial statements within this release.

(2) Constant currency growth 'CER' is computed by restating 2016 results using 2015 foreign exchange rates for the relevant period.

In 2016 revenues at constant currency increased across all regions with particularly strong growth from Americas our largest region.

Revenues in EMEA were up 2.5% at constant currency (down 1.2% on a reported basis) driven by strong performance in our Advanced Wound Care franchise particularly our AQUACEL® product family. On a reported basis revenue in EMEA declined 1.2% due foreign exchange headwinds particularly from the British pound.

Revenues in Americas grew strongly, up 5.8% at constant currency (up 5.3% on a reported basis). The region experienced consistent growth across all franchises with particularly strong growth in Advanced Wound Care.

Revenues in Asia Pacific grew 2.1% at constant currency (up 4.3% on a reported basis). The region benefited from strong growth in our Ostomy franchise.

Margin Improvement Programme (MIP)

In the fourth quarter of 2015 we launched our MIP to drive efficiencies in our manufacturing and distribution cost base. The MIP is targeting a minimum net impact on margins of 300 basis points by 2020. In 2016 we delivered 130 basis points of gross margin benefit of which approximately 90 points were driven by the MIP and the remainder by foreign exchange.

In 2016, targeted savings were ahead of plan. The key achievements included:

- the closure of our operations at our Continence & Critical Care plants in Mexico and Malaysia;
- the redevelopment and expansion of our sites in Slovakia and Dominican Republic and the start of the transfer of production lines;
- training of approximately 2,000 employees across the business in LEAN manufacturing principles;
- the final determination of product portfolio changes in our Ostomy Care and CCC franchise;
- successfully completed negotiations for several third party sourcing contracts.

We now expect to deliver 150bps of our 300bps target during 2017. Our key focus areas will be the closure of our Greensboro facility by the end of the first quarter, and completion of the Dominican Republic process qualifications by the end of the third quarter. In Slovakia, we will complete the validation milestones including for ostomy adhesives equipment, also by the end of the third quarter, and for new APS closed pouch lines by the end of the fourth quarter. During the year, we will also complete more of our sourcing initiatives including for ostomy filters in the first quarter and adhesive raw materials by the end of the third quarter.

Innovation

We launched 13 new products during 2016 and we have a strong future pipeline with a further 60 programmes in various stages of development. Key launches last year included the AQUACEL® Foam Pro dressing, the Foam Lite™ ConvaTec dressing and the Avelle™ System in the disposable NPWT segment in AWC. In Ostomy Care we have introduced the Esteem ®+Flex Convex one-piece range and our new InvisiClose® drainable pouch closure system across the Natura®, Esteem® + and Esteem synergy® ranges. In our CCC franchise we launched the GentleCath® Glide intermittent catheter range and also our Flexi-Seal™ Fecal Management System with Odour barrier. In Infusion Devices we launched the Mio™ 30, a 30-degree soft cannula infusion set with a retractable needle. Looking ahead, we are developing further NPWT products and additional AQUACEL® Foam product lines, as well as other new products to further prevent wound infections. We have a new catheter system using the FeelClean™ technology to expand the GentleCath™ brand in development and we plan new consumer-led design and enhancements to optimise our Ostomy Care portfolio. In Infusion Devices we are developing a next-generation all-in-one infusion set with a retractable needle and we will continue our innovation programme to ensure that our products continue to lead in the market in terms of advanced mechanical design.

Acquisition of EuroTec Beheer B.V.

On 4 January, 2017, ConvaTec announced the acquisition of EuroTec Beheer B.V. (“EuroTec”), a Netherlands-based manufacturer of ostomy appliances for a purchase price of €25 million net of working capital assumed of €5 million.

The addition of EuroTec to the ConvaTec family significantly strengthens our Ostomy Care business in the France and Benelux region, and is an important pillar in the growth strategy for our ostomy care franchise. EuroTec achieved sales of €10 million in 2016.

EuroTec manufactures and distributes one and two-piece ostomy systems and accessories through various distribution channels in the Netherlands and Belgium, and through distributor partners in other markets.

OUTLOOK

Following a successful 2016, we are well positioned to grow our business and deliver further value to our shareholders in the current year.

We expect to deliver an organic revenue growth rate greater than the 2016 rate on a constant currency basis, enhanced by the contribution from new products and expansion of our portfolio into new geographic areas, as well as continuing to build on our leading market positions in all of our franchises. It should be noted that this guidance incorporates approximately 1% point of negative headwind resulting from the impact of product rationalisation in connection with our MIP program (circa $15 million full year effect) and excludes the first year of revenue contribution from our recently acquired EuroTec business (2016 revenues of €10 million).

We expect revenue growth to be weighted towards the second half of the year reflecting the timing of our product rationalization MIP initiatives, anticipated impact of our product launches, and some timing impacts within our Ostomy & Infusion Devices franchises.

Foreign exchange continues to impact our business and we expect our reported revenue growth rate to be negatively impacted by approximately 2% points based on current spot rates.

Our MIP programme is ahead of schedule in 2016 and we expect to have delivered circa half of our targeted 300bps gross margin benefit during 2017.

We expect Capital expenditure of 2-3% of revenue with a further $50 million related to MIP.

As previously guided we expect to incur $15 million of PLC related costs in 2017.

Our adjusted tax rate is expected to be broadly in line with 2016 pro forma effective tax rate.

Following our refinancing in October 2016, our blended coupon rate of debt is circa 3%.

Dividends

Post year end ConvaTec Group plc, 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.

We are targeting a payout ratio of between 35% and 45% of Adjusted Net Income 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 profitability of the Company, whilst also maintaining appropriate levels of dividend cover.

As indicated at the time of our listing, it is our current intention that the Company's first dividend payment will be an interim dividend in respect of the six months ended 30 June 2017, based on a target payout ratio of 35% of the first six months of Adjusted Net income annualised for a full year.

FINANCIAL REVIEW

OVERVIEW OF FULL YEAR 2016 FINANCIAL RESULTS

ConvaTec results for the full year ended 31 December 2016

$m (unless stated)	Adjusted[1]			Reported		
	2016	2015	CER[2+3] Growth %	2016	2015	CER[2+3] Growth %
Revenue	**1,688.3**	**1,650.4**	**4.0%**	**1,688.3**	**1,650.4**	**4.0%**
Cost of goods sold	(660.2)	(667.4)		(821.0)	(799.9)	
Gross Profit	**1,028.1**	**983.0**		**867.3**	**850.5**	
Gross margin %	60.9%	59.6%		51.4%	51.5%	
Operating Expenses	(555.9)	(546.2)		(713.3)	(620.1)	
EBIT / Operating Profit	**472.2**	**436.8**	**7.1%**	**154.0**	**230.4**	**(37.9)%**
EBIT / Operating margin %	28.0%	26.5%		9.1%	14.0%	
Finance Costs	(242.2)	(275.8)		(271.4)	(303.6)	
Other expense, net	—	—		(8.4)	(37.1)	
Profit / (Loss) before income taxes	**230.0**	**161.0**		**(125.8)**	**(110.3)**	
Income tax (expense) / benefit	(51.2)	(36.6)		(77.0)	16.9	
Net Profit (Loss)	**178.8**	**124.4**		**(202.8)**	**(93.4)**	
EPS ($ per share)	**0.13**	**0.10**		**(0.15)**	**(0.07)**	
Pro Forma EPS ($ per share)	**0.18**	**0.17**				

(1) Certain financial measures in this press release, 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 46 to 49.
(2) Constant currency growth 'CER' is calculated by restating 2016 results using 2015 foreign exchange rates for the relevant period.
(3) Revenue growth of 2.3% on both an adjusted and reported basis; EBIT/Operating Profit growth of 8.1% and (33.2)% on an adjusted and reported basis, respectively.

Non-IFRS Financial Information

This preliminary statement contains certain financial measures that are not defined or recognised under IFRS. These measures are referred to as “Adjusted” measures and this information has been provided to permit a more complete and comprehensive analysis of the Group’s operating performance, consistent with how the Group’s business performance is evaluated by management. Items adjusted for include acquisition-related amortisation, restructuring and other costs primarily related to the MIP programme, and costs incurred in connection with the Group’s refinancing and initial public offering. All adjusted measures are explained and reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 46 to 49.

Revenue

On a reported basis, revenue increased 2.3%, to $1,688.3 million in 2016 from $1,650.4 million in 2015. On a constant exchange rate basis, revenue increased 4.0% in 2016. The primary exchange rate movement that impacted revenue was the movement of the British Pound sterling compared to the US dollar. The average British Pound sterling exchange rate was $1.356 in 2016 compared to $1.529 in 2015. The changes in revenue are further described above.

Operating costs and expenses

Cost of goods sold

Cost of goods sold primarily comprises manufacturing and production costs, including raw materials, labour, overhead and processing costs and any freight costs borne by the Group in the transport of goods to the Group from suppliers, depreciation of manufacturing facilities and equipment and lower of cost or market adjustments to inventories.

Adjusted Gross Profit margin excluding impacts from amortisation of certain intangible assets and certain non-recurring costs in 2016 was 60.9%, as compared with 59.6% in 2015. This 130 basis points (bps) improvement in the Group's adjusted gross margin percentage reflects strong initial benefits from the first year of implementation of the MIP (90 bps), along with favorable foreign exchange impacts (40 bps). Refer to *Non-IFRS Financial Information* below for further details.

Reported cost of goods sold increased $21.1 million, or 2.6%, to $821.0 million in 2016 from $799.9 million in 2015, primarily due to incremental restructuring and other related costs of $31.8 million, primarily resulting from closure of the Group's manufacturing facility in Malaysia in 2016 and manufacturing operations in Greensboro, United States by early 2017, along with increased volumes sold. As a percentage of revenue, reported cost of goods sold increased to 48.6% in 2016 from 48.5% in 2015.

On a reported basis, gross profit (revenue less cost of goods sold) increased $16.8 million, or 2.0%, and gross profit margin (gross profit as a percentage of revenue) was 51.4% and 51.5% in 2016 and 2015, respectively.

Selling and distribution expenses

Selling and distribution expenses consist of advertising, promotion, marketing, sales force, and distribution costs.

Reported selling and distribution expenses increased $10.3 million, or 3.0%, to $357.0 million in 2016 from $346.7 million in 2015. As a percentage of revenue, selling and distribution expenses were 21.1% and 21.0% in 2016 and 2015, respectively. On a constant exchange rate basis, selling and distribution expenses increased $17.8 million (5.1%), primarily due to an increase in compensation costs and spending on marketing support programmes.

General and administrative expenses

General and administrative expenses consist of executive management, human resources, finance, information management, legal, facilities and other costs.

As a percentage of revenue, adjusted general and administrative expenses were 9.7% and 9.8% in 2016 and 2015, respectively. On a constant exchange rate basis and excluding other income and expense items discussed under *Non-IFRS Financial Information* below, general and administrative expenses increased by $7.5 million (4.6%), primarily due to incremental compensation costs.

Reported general and administrative expenses increased $85.1 million, or 36.5%, to $318.2 million in 2016 from $233.1 million in 2015. On a constant exchange rate basis, general and administrative expenses increased $90.0 million (38.6%), primarily due to (i) an increase in share-based compensation expenses of $74.2 million driven by the impact of the accelerated vesting of legacy equity compensation plans in 2016, (ii) an increase in professional service fees mainly related to the IPO of $23.9 million, (iii) incremental compensation and benefit costs, and (iv) impairment charges on the Group's former corporate facility located in Skillman, New Jersey of $4.6 million. These increases were partially offset by (i) settlement of ordinary course multi-year patent-related litigations in 2015 of $13.3 million (for more details, see Note 5 - Legal Proceedings - *Smith & Nephew/Patent Litigations and Settlement*) and (ii) lower professional service fees primarily related to a number of remediation activities that were

undertaken in the prior year period to enhance the Group's compliance function and strengthen its control environment within finance.

Research and development expenses

Research and development ("R&D") expenses consist of product development and enhancement costs incurred within a centralised R&D function.

On a constant exchange rate basis and excluding other income and expense items discussed under *Non-IFRS Financial Information* below, R&D expenses increased by $0.5 million (1.4%).

Reported R&D expenses decreased $2.2 million, or 5.5%, to $38.1 million in 2016 from $40.3 million in 2015. As a percentage of revenue, R&D expenses were 2.3% and 2.4% in 2016 and 2015, respectively. On a constant exchange rate basis, R&D expenses increased $0.3 million (0.7%). This increase in R&D expense is primarily driven by spending on certain development programmes, partially offset by lower regulatory compliance costs and FDA remediation costs.

Operating profit

Adjusted operating profit increased $35.4 million, or 8.1%, to $472.2 million in 2016 from $436.8 million in 2015, primarily due higher revenue and an increase in gross margin as described above, partially offset by overall increases in the Group's operating expenses (discussed above). As a percentage of revenue, adjusted operating profit was 28.0% and 26.5% in 2016 and 2015, respectively. On a constant exchange rate basis, adjusted operating profit increased $31.2 million, or 7.1% in 2016.

Reported operating profit decreased $76.4 million, or 33.2%, to $154.0 million in 2016 from $230.4 million in 2015, primarily due to overall increases in the Group's operating expenses (discussed above), partially offset by higher revenues and an increase in gross margin as described above. As a percentage of revenue, operating profit was 9.1% and 14.0% in 2016 and 2015, respectively.

Other costs and net (expenses) income

Finance costs

Finance costs consist of interest costs, standby fees, and any loss related to debt extinguishment.

Adjusted finance costs decreased $33.6 million to $242.2 million in 2016 from $275.8 million in 2015, primarily reflecting the following: (i) a decrease in interest expense on long-term borrowings of $24.2 million and (ii) a decrease in the non-cash amortisation of debt discounts and deferred financing fees of $9.5 million. The decrease in interest expense was primarily driven by the early redemption of (i) the Payment-in-Kind notes ("PIK Notes") due 15 January 2019 in October 2016, (ii) the 7.375% senior secured notes due 2017 (the "Secured Notes") in June 2015 and (iii) the 10.5% senior notes due 2018 and the 10.875% senior notes due 2018 (collectively, the ‘‘Senior Notes’’) in October 2016. These decreases were partially offset by an increase in interest expense driven by borrowings related to the new US dollar and euro term loan A facility under the Group's Credit Agreement as a result of the October 2016 financing.

Reported finance costs decreased $32.2 million, or 10.6%, to $271.4 million in 2016 from $303.6 million in 2015, primarily reflecting the following: (i) a decrease in interest expense on long-term borrowings of $24.2 million, (ii) a decrease in the non-cash amortisation of debt discounts and deferred financing fees of $9.5 million, and (iii) a decrease in the loss on extinguishment of debt of $5.9 million. These decreases were partially offset by the 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 4 - Long-term Borrowings for further information). The decrease in interest expense was primarily driven by the early redemption of (i) the PIK Notes in October 2016, (ii) the Secured Notes in June 2015 and (iii) the Senior Notes in October 2016, partially offset by borrowings related to the new US dollar and euro term loan A facility under the Group's Credit Agreement 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 decreased $28.7 million to $8.4 million in 2016 from $37.1 million in 2015, primarily driven by a foreign exchange net gain related to (i) intercompany transactions, including loans transacted in non-functional currencies and (ii) foreign currency impact on re-measurement of the Group's long-term borrowings denominated in non-functional currency. These gains were partially offset by (i) reclassification of foreign exchange accumulated losses of $36.4 million from other comprehensive income to the unaudited Group Consolidated Statement of Profit or Loss as a result of restructuring of certain foreign subsidiaries as part of the IPO process and (ii) a loss of $17.8 million related to the settlement of a foreign currency forward exchange contract.

Income tax (expense) benefit

After adjusting for certain financial measures which the Group believes are useful supplemental indicators of future operating performance (see reconciliation to adjusted earnings for the years ended 2016 and 2015), the adjusted tax rate on continuing operations was 22.3% and 22.7% for the years ended 31 December 2016 and 2015 respectively.

On a reported basis, income tax increased by $93.9 million to $77.0 million for the year ended 31 December 2016, compared to a tax benefit of $16.9 million for the year ended 31 December 2015. The increase is mainly driven by deferred tax expense, from a benefit of $55.8 million in 2015 to expense of $37.2 million in 2016. This change was mainly driven by a change related to unremitted earnings, due to achange in tax law in Dominican Republic. In addition, in 2016 the Group had a $10.8 million prior period impact on deferred tax related to indefinite-lived intangible assets in the United States.

The Group’s pro forma effective tax rate was 14.2% and 12.0% for the years ended 31 December 2016 and 2015.

Net loss

Adjusted net income increased $54.4 million, or 43.7%, to $178.8 million in 2016 from $124.4 million in 2015. As a percentage of revenue, adjusted net income was 10.6% and 7.5% in 2016 and 2015, respectively. The increase was primarily driven by higher operating profit due to revenue growth, strong gross margin expansion and solid cost control combined with decreased finance costs as described above.

As a result of all of the above, reported net loss increased $109.4 million to a net loss of $202.8 million in 2016, compared to a net loss of $93.4 million in 2015.

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	2016	2015
USD/EUR	Average	1.11	1.11
	Closing	1.05	1.09
USD/GBP	Average	1.36	1.53
	Closing	1.23	1.47
USD/DKK	Average	0.15	0.15
	Closing	0.14	0.15

Our business is primarily impacted by foreign exchange movements in the British pound ("GBP"), Euro ("EUR") and Danish Krona ("DKK"). The approximate impact of a 1% movement of the US dollar on both our revenue and EBITDA is as follows:

Currency	Revenue	Adjusted EBITDA
EUR/DKK	~$4 million	~$2 million
GBP	~$2 million	~Neutral

Our cost base in the UK provides a natural offset to the impact of GBP currency movements on revenues.

FINANCIAL POSITION

Selected Measures of Financial Position

The following table presents a summary of the Group's financial position at 31 December 2016 and 2015:

	2016	2015	Change	
(asset (liability))	$M	$M	$M	%
Long-lived assets[(1)]	2,661.6	2,818.7	(157.1)	(5.6)%
Cash and cash equivalents	264.1	273.0	(8.9)	(3.3)%
Long-term borrowings, including current portion	(1,775.6)	(3,498.5)	1,722.9	(49.2)%

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

Long-lived assets

Long-lived assets decreased $157.1 million, or 5.6%, to $2,661.6 million at 31 December 2016, from $2,818.7 million at 31 December 2015, primarily due to (i) the depreciation of property, plant, and equipment and amortisation of intangible assets of $181.8 million, in the aggregate, (ii) a decrease from foreign currency exchange of $56.4 million, and (iii) impairment and write-off charges on property, plant, and equipment of $11.1 million, partially offset by (iv) additions of property, plant, and equipment of $91.0 million.

Cash and cash equivalents

Cash and cash equivalents decreased $8.9 million, or 3.3%, to $264.1 million at 31 December 2016, from $273.0 million at 31 December 2015, primarily due to (i) purchases of property, plant, and equipment and capitalised software of $66.5 million, and (ii) the effect of exchange rate changes on cash and cash equivalents of $24.6 million. These decreases were partially offset by (i) cash generated from operating activities of $74.9 million and (ii) cash generated from financing activities of $4.5 million driven by the financing transaction in October 2016 (refer to Note 4 - Long-term Borrowings for further information).

Long-term borrowings

Long-term borrowings decreased $1,722.9 million, or 49.2%, to $1,775.6 million at 31 December 2016, from $3,498.5 million at 31 December 2015, primarily due to the net IPO proceeds that allowed the Group to redeem the PIK Notes and the Senior Notes in October 2016. The decrease was partially offset by (i) incremental borrowings under the Group's credit facilities as a result of the October 2016 financing and (ii) an increase in finance leases in 2016. Refer to Note 4 - Long-term Borrowings for further information. As a result of the above the net debt to adjusted EBITDA ratio was 3.0x as of 31 December 2016 down from 6.9x as of 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At 31 December 2016, the Group's cash and cash equivalents were $264.1 million. Additionally, at 31 December 2016, the Group had $198.7 million of availability under the revolving credit facility. Restricted cash was $5.1 million at 31 December 2016 (refer to Note 1 - Significant Accounting Policies for further information).

Cash flows

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

	2016 $M	2015 $M
Net cash generated from operating activities	74.9	100.3
Net cash used in investing activities	(63.7)	(36.9)
Net cash generated from (used in) financing activities	4.5	(8.3)
Net change in cash and cash equivalents	15.7	55.1
Cash and cash equivalents at beginning of the period	273.0	237.5
Effect of exchange rate changes on cash and cash equivalents	(24.6)	(19.6)
Cash and cash equivalents at end of the year	**264.1**	**273.0**

Cash flows from operating activities

Net cash generated from operating activities was $74.9 million and $100.3 million in 2016 and 2015, respectively. The following table sets forth the components of net cash generated from operating activities for each of the last two years:

	2016 $M	2015 $M
Adjusted EBITDA	**507.6**	**473.8**
Cash interest payments	(270.6)	(257.9)
Cash tax payment	(39.0)	(42.2)
Cash-settled awards[(1)]	(30.2)	—
Other payments[(2)]	(55.9)	(51.3)
Working capital increase	(37.0)	(22.1)
Net cash generated from operating activities	**74.9**	**100.3**

(1) Relates to cash settled annual equity program and management incentive plan awards.

(2) Other payments represent payments related to the IPO-related costs, restructuring and other related costs, a settlement payment made in 2015 related to multi-year patent-related litigations (refer to Note 5 - Legal Proceedings - *Smith & Nephew/Patent Litigations and Settlement* for further information), remediation costs, ownership structure costs and corporate development costs.

Cash interest payments increased $12.7 million, to $270.6 million in 2016, from $257.9 million in 2015, primarily due to (i) the payment of accrued interest associated with the PIK Notes at redemption in October 2016 and (ii) the payment of commitment fees as a result of the financing (described in Note 4 - Long-term Borrowings). These increases were partially offset by a decrease in interest payments related to (i) the redemption of the Secured Notes in June 2015 and (ii) the timing of interest payments related to the Group's credit facilities, as under the Credit Agreement, no interest payment shall occur prior to 31 March 2017.

The other payments increased $4.6 million to $55.9 million in 2016, from $51.3 million in 2015, primarily driven by an increase in payments related to (i) incremental professional service fees mainly associated with IPO-related activities and (ii) restructuring charges. These payments were partially offset by (i) a payment related to the settlement of multi-year patent litigation in 2015 and (ii) a decrease in payments related to Management Equity Plan awards and remediation and compliance costs.

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. The working capital increase of $22.1 million in 2015 was primarily related to timing of receipts and payments in the ordinary course of business.

Cash flows from investing activities

Net cash used in investing activities increased $26.8 million to $63.7 million in 2016, from $36.9 million in 2015. The increase in capital expenditures was primarily related to new manufacturing equipment to support the MIP productivity initiative and additional capacity for the Advanced Wound Care product portfolio.

Cash flows from financing activities

Net cash generated from financing activities was $4.5 million in 2016, compared with net cash used in financing activities of $8.3 million in 2015, reflecting a change of $12.8 million, primarily due to (i) net proceeds from the issue of share capital of $1,764.3 million, (ii) $338.5 million paid on the redemption of the Secured Notes in June 2015, (iii) a decrease of $34.4 million in mandatory prepayments for excess cash retained in the business and quarterly amortisation payments under the Group's credit facilities, and (iv) a decrease in deferred financing fees paid of $6.9 million. These increases were partially offset by (i) $1,917.3 million paid, in the aggregate, on redemption of the PIK Notes and the Senior Notes in October 2016 and (ii) a decrease of $213.7 million in net borrowings under the Group's credit facilities as a result of the financing in October 2016.

Contractual obligations

The Group's contractual obligations consist mainly of payments related to long-term 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 2016:

	Payments Due by Period				
	Total	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years
			$M		
Long-term borrowings, including interest[1]	2,034.2	96.7	121.2	1,383.2	433.1
Operating lease obligations	61.9	18.9	14.5	19.8	8.7
Finance lease obligations	38.4	2.2	2.3	7.7	26.2
Purchase obligations[2]	363.7	108.6	75.9	170.0	9.2
Total	**2,498.2**	**226.4**	**213.9**	**1,580.7**	**477.2**

(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.

Going Concern

The directors have, at the time of approving the annual financial statements, a reasonable expectation and a high level of confidence that the Group and the Company has the adequate liquid resources to meets its liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual financial statements.

Responsibility Statement of the Directors On the Annual Report and Accounts

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2016. Certain parts thereof are not included within these Results.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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 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; and
- 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 position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 28 February 2017 and is signed on its behalf by:

Paul Moraviec	Nigel Clerkin
Chief Executive	Chief Financial Officer

FINANCIAL INFORMATION

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Unaudited Group Consolidated Statement of Profit or Loss for the year to December 31, 2016

	Notes	2016 $M	2015 $M
Revenue	3	**1,688.3**	**1,650.4**
Cost of goods sold		(821.0)	(799.9)
Gross profit		**867.3**	**850.5**
Selling and distribution expenses		(357.0)	(346.7)
General and administrative expenses		(318.2)	(233.1)
Research and development expenses		(38.1)	(40.3)
Operating profit		**154.0**	**230.4**
Finance costs		(271.4)	(303.6)
Other expense, net		(8.4)	(37.1)
Loss before income taxes		**(125.8)**	**(110.3)**
Income tax (expense) benefit		(77.0)	16.9
Net loss		**(202.8)**	**(93.4)**
Earnings Per Share			
Basic and diluted loss per share ($ per share)	2	(0.15)	(0.07)

All results are attributable to equity holders of the Group and wholly derived from continuing operations.

Unaudited Group Consolidated Statement of Comprehensive Loss for the year to December 31, 2016

	2016 $M	2015 $M
Net loss	**(202.8)**	**(93.4)**
Other comprehensive income		
Items that will not be reclassified subsequently to Statement of Profit or Loss		
Remeasurement of defined benefit obligation, net of tax	(0.4)	(0.8)
Recognition of the pension assets restriction	(6.3)	—
Items that may be reclassified subsequently to Statement of Profit and Loss		
Foreign operations - foreign currency translation differences, net of a tax benefit of $31.6 and a tax expense of $19.7 in 31 December 2016 and 2015, respectively.	(16.7)	(84.1)
Other comprehensive loss for the year, net of taxation	(23.4)	(84.9)
Total comprehensive loss	**(226.2)**	**(178.3)**

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

Unaudited Group Consolidated Statement of Financial Position as at 31 December 31, 2016

	Notes	2016 $M	2015 $M
Assets			
Non-current assets			
Property, plant and equipment		264.8	251.5
Intangible assets		1,521.4	1,729.1
Goodwill		875.4	838.1
Deferred tax assets		22.0	5.3
Restricted cash		2.5	5.7
Other assets		11.4	23.3
		2,697.5	**2,853.0**
Current assets			
Inventories		247.5	228.9
Trade and other receivables		233.7	232.1
Prepaid expenses and other current assets		19.9	23.2
Cash and cash equivalents		264.1	273.0
Assets held for sale		5.6	—
		770.8	**757.2**
Total Assets		**3,468.3**	**3,610.2**
Equity and Liabilities			
Current liabilities			
Trade and other payables		111.6	114.5
Long-term borrowings	4	38.5	21.5
Accrued expenses and other current liabilities		81.3	98.1
Accrued compensation		57.0	43.6
Provisions		9.4	3.6
Deferred revenue		2.2	4.3
		300.0	**285.6**
Non-current liabilities			
Long-term borrowings	4	1,737.1	3,477.0
Deferred tax liabilities		192.2	186.9
Provisions		1.1	1.1
Other liabilities		37.3	59.6
		1,967.7	**3,724.6**
Total Liabilities		**2,267.7**	**4,010.2**
Equity			
Share capital		238.8	154.4
Share premium		1,674.1	—
Retained deficit		(2,658.2)	(2,448.7)
Merger reserve		2,098.9	2,098.9
Cumulative translation reserve		(210.4)	(200.4)
Other reserves		57.4	(4.2)
Total Equity		**1,200.6**	**(400.0)**
Total Equity and Liabilities		**3,468.3**	**3,610.2**

Unaudited Consolidated Statement of Changes in Equity for the year to 31 December 2016

	Share capital	Share premium	Retained deficit	Merger Reserve	Cumulative translation reserve	Other reserves	Total
	$M	$M	$M	$M	$M	$M	$M
At 1 January 2015	**154.4**	**—**	**(2,351.7)**	**2,098.9**	**(119.9)**	**(3.4)**	**(221.7)**
Net loss	**—**	**—**	**(93.4)**	**—**	**—**	**—**	**(93.4)**
Other comprehensive (loss)/income:							
Foreign currency translation adjustment, net of tax	—	—	(3.6)	—	(80.5)	—	(84.1)
Remeasurement of defined benefit obligation, net of tax	—	—	—	—	—	(0.8)	(0.8)
Total other comprehensive (loss)/income	**—**	**—**	**(3.6)**	**—**	**(80.5)**	**(0.8)**	**(84.9)**
Total comprehensive (loss)/income	**—**	**—**	**(97.0)**	**—**	**(80.5)**	**(0.8)**	**(178.3)**
At 31 December 2015	**154.4**	**—**	**(2,448.7)**	**2,098.9**	**(200.4)**	**(4.2)**	**(400.0)**
Net loss	**—**	**—**	**(202.8)**	**—**	**—**	**—**	**(202.8)**
Other comprehensive (loss)/income:							
Foreign currency translation adjustment, net of tax	—	—	(6.7)	—	(10.0)	—	(16.7)
Remeasurement of defined benefit obligation, net of tax	—	—	—	—	—	(0.4)	(0.4)
Recognition of pension assets restriction	—	—	—	—	—	(6.3)	(6.3)
Total other comprehensive (loss)/income	**—**	**—**	**(6.7)**	**—**	**(10.0)**	**(6.7)**	**(23.4)**
Total comprehensive (loss)/income	**—**	**—**	**(209.5)**	**—**	**(10.0)**	**(6.7)**	**(226.2)**
Issuance of shares under share-based compensation plans	4.7	—	—	—	—	67.5	72.2
Issue of share capital	79.7	1,713.7	—	—	—	—	1,793.4
Cost of issue of share capital	—	(39.6)	—	—	—	—	(39.6)
Share-based payments	—	—	—	—	—	0.8	0.8
Deferred tax on share-based payments transactions	—	—	—	—	—	—	—
At 31 December 2016	**238.8**	**1,674.1**	**(2,658.2)**	**2,098.9**	**(210.4)**	**57.4**	**1,200.6**

Unaudited Group Consolidated Statement of Cash Flows for the year to 31 December 2016

	2016 $M	2015 $M
Cash flows from operating activities		
Net loss	(202.8)	(93.4)
Adjustments for		
Depreciation	39.0	31.0
Amortisation	142.8	150.1
Income tax expense (benefit)	77.0	(16.9)
Impairment losses	4.7	—
Other expense, net	8.4	37.1
Finance costs	271.4	303.6
Share-based compensation	53.0	12.5
Hyperinflation	(6.7)	3.1
Write off / disposal of assets	6.7	2.0
Changes in assets and liabilities:		
Inventories	(27.3)	(3.3)
Trade and other receivables	(8.9)	(11.7)
Other current assets	0.3	5.4
Deferred revenue	(2.1)	(10.9)
Accounts payable and accrued expenses	25.6	(9.3)
Other liabilities	3.4	0.9
Other	—	0.2
Cash generated from operations	384.5	400.4
Interest paid	(270.6)	(257.9)
Income taxes paid	(39.0)	(42.2)
Net cash generated from operating activities	**74.9**	**100.3**
Cash flows from investing activities		
Acquisition of property, plant and equipment and capitalised software	(66.5)	(36.7)
Proceeds from sale of property, plant and equipment and other assets	0.7	—
Change in restricted cash	3.5	(0.8)
Capitalised development expenditure	(1.4)	(0.9)
Other	—	1.5
Net cash used in investing activities	**(63.7)**	**(36.9)**
Cash flows from financing activities		
Proceeds from issue of share capital, net	1,764.3	—
Proceeds from long-term borrowings, net of discount	1,792.6	1,649.9
Repayment of borrowings	(3,531.6)	(1,630.9)
Payment of finance lease liabilities	(0.4)	—
Payments of deferred financing fees	(20.4)	(27.3)
Net cash generated from (used in) financing activities	**4.5**	**(8.3)**
Net change in cash and cash equivalents	**15.7**	**55.1**
Cash and cash equivalents at beginning of the year	**273.0**	**237.5**
Effect of exchange rate changes on cash and cash equivalents	**(24.6)**	**(19.6)**
Cash and cash equivalents at end of the year	**264.1**	**273.0**
Supplemental cash flow information		
Non-cash investing activities		
Accrued capital expenditures included in accounts payable and accrued expenses	13.4	8.6

Selected Notes to the Unaudited Consolidated Financial Statements

1. Significant Accounting Policies

General information

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.

The financial information contained in this document does not constitute statutory accounts as defined in sections 434 and 435 of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (IFRS).

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. 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 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 annual 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. 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.

The Group's published consolidated historical financial statements for the year ended 31 December 2015 were included in the prospectus issued on 26th October 2016 supporting the Group's initial listing on the London Stock Exchange ("the prospectus"). The auditor's report on the 2015 financial statements included in the prospectus, which were prepared in accordance with IFRS as adopted by the European Union (EU), was unqualified and did not draw attention to any matters by way of emphasis without qualifying their report. The financial statements for the year ended 31 December 2016 are the first financial statements prepared for the purposes of UK company law and in accordance with IFRS. The unaudited financial information for the year ended 31 December 2016 has been extracted from the Group's financial statements. The audit of the financial statements for the year ended 31 December 2016 is not yet complete. These financial statements will be finalized on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of companies in due course.

Basis of preparation and accounting policies

The results are based on the Company's financial statements for the year ended 31 December 2016 which are prepared in accordance with IFRS as adopted for use by the EU and as issued by the International Accounting Standards Board (IASB). The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU and therefore comply with Article 4 of the EU International Accounting Standards (IAS) Regulations. The preliminary announcement has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated historical financial statements included its prospectus issued on 26th October 2016 supporting the Group's initial listing on the London Stock Exchange ("the prospectus"). With the exception of the new standards adopted in the year, as discussed below, there have been no significant changes in accounting policies from those set out in the prospectus.

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. The annual 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.

New accounting standards applied for the first time

In the current year the Group has applied a number of amendments to IFRSs issued by the IASB. Their adoption has not had a material impact on the disclosures or on the amounts reported in the annual financial statements. The following amendments were applied:

- Amendments to IAS 1, Presentation of Financial Statements: Disclosure Initiative.
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation.
- Annual Improvements 2012-2014 Cycle, specifically amendments to (i) IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, (ii) IFRS 7, Financial Instruments: Disclosures, and (iii) IAS 19, Employee Benefits.

New accounting standards not yet applied

At the date of authorisation of the annual financial statements, the following new and revised IFRSs that are potentially relevant to the Group, and which have not been applied in the annual financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the 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.
- IAS 7, Statement of Cash Flows - effective for accounting periods beginning on or after 1 January 2017.
- IAS 12, Income Taxes - effective for accounting periods beginning on or after 1 January 2017.
- 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 the future periods will have no material impact on the financial statements of the Group except for IFRS 16, Leases, which will bring a significant portion of the Group's operating leases on the statement of financial position.

The Group is currently evaluating the impact on its financial statements related to the following standards (i) IFRS 9, Financial Instruments, which will introduce a number of changes in the presentation of financial instruments and (ii) IFRS 15, Revenue from Contracts with Customers, which may change the timing of revenue recognition to some companies within the Group.

Basis of Consolidation

The annual 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 annual 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 annual financial statements after the date of acquisition.

Going Concern

The directors have, at the time of approving the annual 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 the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual financial statements.

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 unaudited 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 programs, and vehicle/office leases by financial institutions on the Group's behalf. Total restricted cash balances were $5.1 million and $8.6 million, at 31 December 2016 and

2015, respectively, of which $2.6 million and $2.9 million were current assets included in Prepaid expenses and other current assets within the unaudited Consolidated Statement of Financial Position.

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 charges off uncollectible 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 labor, other direct costs and indirect production overhead. Production overhead comprise indirect material and labor 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 unaudited 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 unaudited Consolidated Statement of Financial Position and the net amount, less any proceeds, is taken to the unaudited Consolidated Statement of Profit or Loss.

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 unaudited 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 2016 and 2015.

Finance Costs

Finance costs include interest costs, standby fees, 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 2016 and 2015 was $1.1 million and $0.3 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 unaudited Consolidated Statement of Financial Position. However, if an inflow of economic benefits is probable, then it is appropriately disclosed in the notes to the annual financial statements.

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, the share-based incentives are provided to employees under the Group's Long-Term Incentive Plan ("LTIP"), Deferred Bonus Plan ("DBP") and Matching Share Plan ("MSP").

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 unaudited Consolidated Statement of Profit or Loss (General and administrative expenses). The Group's reorganisation 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 unaudited 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 unaudited Consolidated Statement of Financial Position.

Financial Instruments

The carrying amounts reflected in the unaudited 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.

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 Groups 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 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 unaudited 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.

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 unaudited 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 unaudited Consolidated Statement of Profit and 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 unaudited 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.

Venezuela has been considered as a hyperinflationary economy since 2010. The hyperinflation accounting has been applied to Boston Estada (Venezuela based subsidiary) in the annual 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 2016 and 2015 were $12.2 million and $9.5 million, respectively. The following table summarises the changes in the Venezuelan CPI for the reporting periods ended 31 December 2016 and 2015:

Reporting Period	CPI*	Movement from previous reporting period
31 December 2015	2,357.9	86.9%
31 December 2016	7,729.5	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 unaudited Consolidated Statement of Financial Position with a charge or credit to the unaudited Consolidated Statement of Comprehensive Loss in the period in which they occur. Remeasurement recorded in the unaudited Consolidated Statement of Comprehensive Loss is not recycled. Past service cost is recognised in the unaudited 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 unaudited 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 unaudited 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.

Derivative Financial Instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in the notes to the annual financial statements.

Derivative financial instruments are classified at fair value through profit or loss unless they are in a designated hedge relationship.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the unaudited Consolidated Statement of Profit or Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2. Earnings Per Share

Basic and diluted loss per ordinary share for the years ended 31 December 2016 and 2015 was calculated as follows:

	2016	2015
	($M, except share data)	
Net loss attributable to the equity holders of the Group	(202.8)	(93.4)
Basic weighted average ordinary shares in issue	1,376,365,276	1,261,343,801
Dilution	—	—
Diluted weighted average ordinary shares in issue	1,376,365,276	1,261,343,801
Basic loss per share ($ per share)	(0.15)	(0.07)
Diluted loss per share ($ per share)	(0.15)	(0.07)

In 2016, all share awards granted on 11 November 2016 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	2015
Basic weighted average ordinary shares in issue	1,376,365,276	1,261,343,801
Dilutive effect of share awards	282,672	—
Diluted weighted average ordinary shares in issue	1,376,647,948	1,261,343,801

In 2016, share options granted on 11 November 2016 to purchase approximately 3,120,000 ordinary shares of the Group were not included in the computation of diluted loss per share 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.

3. 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 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 2016 and 2015 by market franchise:

	2016 $M	2015 $M
Revenue by market franchise		
Advanced Wound Care	559.5	536.1
Ostomy Care	512.1	515.5
Continence & Critical Care	356.5	348.2
Infusion Devices	260.2	250.6
	1,688.3	**1,650.4**

Geographic information

Geographic markets

The following table sets forth the Group's revenue for the years ended 31 December 2016 and 2015 in each geographic market in which customers are located:

	2016 $M	2015 $M
Geographic markets		
EMEA	726.4	735.5
Americas	829.4	787.8
APAC	132.5	127.1
	1,688.3	**1,650.4**

Geographic regions

The following table sets forth the Group's revenue for the years ended 31 December 2016 and 2015 on the basis of geographic regions where the legal entity resides and from which those revenues were made:

	2016 $M	2015 $M
Geographic regions		
U.S.	543.8	509.2
Denmark	293.5	289.7
U.K.	157.0	170.8
Switzerland	110.8	110.9
France	90.1	84.6
Other[1]	493.1	485.2
	1,688.3	**1,650.4**

(1) 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 2016 and 2015 by geographic regions:

	2016 $M	2015 $M
Long-lived assets[1]		
U.S.	1,125.0	1,232.8
U.K.	432.9	558.6
Denmark	124.8	132.8
Slovakia	45.0	17.5
Other[2]	58.5	38.9
Total long-lived assets	**1,786.2**	**1,980.6**

(1) Long-lived assets consist of property, plant and equipment and intangible assets.

(2) Other consists primarily of countries in Europe and Latin America.

Major Customers

In 2016, and 2015, no single customer generated more than 10% of the Group's revenue.

4. Long-term Borrowings

A summary of the Group's consolidated long-term borrowings at 31 December 2016 and 2015 is outlined in the table below:

	2016 $M	2015 $M
Credit Facilities Agreement[1]:		
Revolving Credit Facility	—	—
US Dollar Term A Loan Facility	760.5	—
Euro Term A Loan Facility	567.5	—
US Dollar Term B Loan Facility	424.6	792.5
Euro Term B Loan Facility	—	814.6
Total Credit Facilities	1,752.6	1,607.1
Senior Notes:		
10.5% US Dollar Senior Notes	—	736.4
10.875% Euro Senior Notes	—	268.3
8.25% PIK Notes	—	886.5
Finance Lease Obligations	23.0	0.2
Total long-term borrowings	**1,775.6**	**3,498.5**
Less: Current portion of long-term borrowings	38.5	21.5
Total non-current long-term borrowings	**1,737.1**	**3,477.0**

(1) On 25 October 2016, the Group entered into the Credit Agreement which consists of (i) US dollar and euro term loans, (ii) a revolving credit facility, and (iii) incremental unfunded term facilities (collectively, the “Credit Facilities”).

The terms and conditions of total long-term borrowings outstanding at 31 December 2016 and 2015 are as follows:

			2016		2015	
	Currency	Year of maturity	Face value $M	Carrying amount $M	Face value $M	Carrying amount $M
Revolving Credit Facilities[1]		2021	—	—	—	—
US Dollar Term A Loan Facility[1]	USD	2021	770.0	760.5	—	—
Euro Term A Loan Facility[1][2]	EURO	2021	574.2	567.5	—	—
US Dollar Term B Loan Facility[1][3]	USD	2023	430.0	424.6	796.0	792.5
Euro Term B Loan Facility[2][3]	EURO	—	—	—	816.0	814.6
10.5% US Dollar Senior Notes[3]	USD	—	—	—	745.0	736.4
10.875% Euro Senior Notes[3]	EURO	—	—	—	271.6	268.3
PIK Notes[3]	USD	—	—	—	900.0	886.5
Finance lease obligations	EURO/USD	—	23.0	23.0	0.2	0.2
Total interest-bearing liabilities			**1,797.2**	**1,775.6**	**3,528.8**	**3,498.5**

(1) The current nominal interest rates for the Credit Facilities included in the table above are described below.

(2) Total face value of the borrowings outstanding under the Euro Term A Loan Facility denominated in euros was €546.0 million ($574.2 million) at 31 December 2016. Total face value of the borrowings outstanding under the Euro Term B Loan Facility denominated in euro was €751.2 million ($816.0 million) at 31 December 2015.

(3) The net proceeds from the issue of share capital, together with approximately $1,795 million drawn under the Credit Facilities were used to redeem immediately following the listing all of the outstanding Payment-in-Kind Notes ("PIK Notes"), all of the existing Senior Notes (as defined below) then outstanding, and to repay all amounts outstanding under the existing credit facilities and cancel the available revolving commitments. As a result, for the year ended 31 December 2016, the Group recognised a loss on extinguishment of debt of $21.9 million, in the aggregate. Refer to the discussion below for detailed information related to these transactions.

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 2016 and 2015, the Group was in compliance with all financial covenants associated with the Group's outstanding debt.

Credit Facilities

On 15 June 2015, the Group executed the amendment to the existing Credit Facility Agreement dated 22 December 2010 (the “Amended Credit Facility Agreement”) to refinance the Group’s previous US dollar and euro term B loans and the revolving credit facility (the “Refinancing”). The Amended Credit Facility Agreement provided for (i) US dollar and euro term B loans of $800.0 million (issued for a discount of $2.0 million) and €755.0 million ($851.9 million at 15 June 2015), respectively, (the “Pre-IPO Term Loan Facilities”) and (ii) a $200.0 million revolving credit facility (the “Pre-IPO Revolving Credit Facility”). The Pre-IPO Term Loan Facilities were amortised quarterly at an annual rate of 1%. The Pre-IPO Revolving Credit Facility was not amortised. The net proceeds from the Refinancing were used to (i) repay amounts outstanding prior to the Refinancing under the US dollar term B loans of $744.1 million and the euro term B loans of €436.4 million ($492.4 million) and (ii) redeem all of the outstanding €300.0 million ($338.5 million) aggregate principal amount of 7.375% senior secured notes due 15 December 2017 (the “Secured Notes”) for €322.1 million ($363.4 million), including a call premium of €11.1 million ($12.5 million), plus accrued and unpaid interest, and satisfied and discharged the Secured Notes indenture. As a result, for the year ended 31 December 2015, the Group recognised a loss on extinguishment of debt of $27.8 million, in the aggregate.

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 installments (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 installments (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 unaudited Consolidated Statement of Profit or Loss.

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 each revolving credit facility at 31 December 2016 and 2015. Availability under each revolving credit facility, after deducting letters of credit of $1.3 million and $2.6 million, was $198.7 million and $197.4 million at 31 December 2016 and 2015, 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 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 amortisation payment of $4.1 million. In 2015, the Group made payments of $55.9 million, in the aggregate, related to the Pre-IPO Term Loan Facilities as follows: (i) mandatory prepayment of $43.6 million for excess cash retained in the business, (ii) scheduled September and December 2015 amortisation payments of $8.2 million, in the aggregate, and (iii) principal payment of $4.1 million in May 2015.

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.

Borrowings under the Credit Agreement are secured by substantially all of the Group’s assets. Pursuant to the Credit Agreement, the Group pledged certain property, plant and equipment as collateral with an aggregate net carrying amount of $12.6 million at 31 December 2016.

Senior Notes

The Senior Notes consisted of $745.0 million (the "US Dollar Senior Notes”) and €250.0 million ($271.6 million at 31 December 2015) 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 long-term borrowings was $8.7 million and $39.2 million at 31 December 2016 and 2015, respectively, and is recorded in Accrued expenses and other current liabilities. Interest expense for the years ended 31 December 2016 and 2015 associated with the Group's long-term borrowings was as follows:

	2016 $M	2015 $M
Revolving Credit Facility[(a)]	1.4	1.7
US Dollar Term A Loan Facility	3.9	—
Euro Term A Loan Facility	2.3	—
US Dollar Term B Loan Facility	30.7	32.9
Euro Term B Loan Facility	29.8	29.5
10.5% US Dollar Senior Notes	74.7	78.2
10.875% Euro Senior Notes	28.9	30.2
8.25% PIK Notes	62.1	74.3
7.375% Secured Notes	—	11.2
Total interest expense on long-term borrowings	**233.8**	**258.0**

(a) Represents the commitment fees in respect of the unutilised commitments under the Revolving Credit Facility.

The weighted average interest rate for borrowings under the Group's outstanding long-term borrowings was 6.9% and 7.2% for the years ended 31 December 2016 and 2015, respectively.

Finance Lease Obligations

The table below presents total obligations under finance leases at 31 December 2016 and 2015:

	Minimum lease payments		Present value of lease payments	
	2016 $M	2015 $M	2016 $M	2015 $M
Amount payable:				
Within 1 year	2.2	0.1	0.6	0.1
1 to 5 years inclusive	10.0	0.1	3.7	0.1
After 5 years	26.2	—	18.7	—
	38.4	0.2	23.0	0.2
Less future finance charges	15.4	—	—	—
Total obligations under finance	**23.0**	**0.2**	**23.0**	**0.2**

5. Legal Proceedings

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 May 2015, the Group initiated a voluntary recall of certain batches of its Steel cannula infusion set devices, including the Sure-T, Sure-T Paradigm, contact detach, contact, Sub Q, neria, neria detach, neria multi and thalaset models, due to an increase in reported needle breakage. The recall is currently limited to affected devices in Germany and certain other European countries, and in some other countries, such as the U.S., a Field Safety notification has been issued. The Group also initiated a voluntary recall of its Suction Catheter devices in June 2015 after an increase in reported complaints of splitting of the connector portion. The recall has been initiated in Australia and the Czech Republic and is a precaution to ensure that distributed products are of the highest quality. The Group has completed destruction of the affected devices that have been returned and the recall has been closed.

In January 2016, the Group initiated a recall of a range of nebulizer products in Europe, the U.S., Canada and China due to an increase in complaints related to the products' failure to generate an atomized spray as intended. Following an investigation, the Group determined that the issue was due to variability in a molding process during manufacturing. The FDA classified this recall as a Class II recall, reflecting a determination that exposure to the device may cause temporary or reversible adverse health consequences or that the probability of serious health consequences is remote. The Group is in the process of completing destruction of the affected devices that have been returned and anticipates closing out this recall shortly.

In April 2016, post-market reports identified a limited issue with the Instructions for Use ("IFU") on the Group's Italian models for the Flexiseal Catheter system where the local language requirements were missing. As a precautionary measure, shipments were held for a short period of time to update the IFU and the Group supplied Italian language instructions to the customers. The device is now back in production.

In June 2013, Medtronic MiniMed, Inc. ("Medtronic"), issued a recall of certain infusion sets, including the Quick-Set® and Silhouette® infusion sets, which 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 issued this recall due to a potential safety issue that can occur if insulin or other fluids come in contact with the inside of the tubing/P-Cap connector. This 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-one product liability lawsuits had been filed. The Group's entities have been voluntarily dismissed without prejudice from eleven of these lawsuits and dismissed with prejudice from one lawsuit that was settled by Medtronic. In one other lawsuit the parties have agreed upon settlement terms and are preparing a settlement. 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 unfavorable outcome or estimate any potential loss.

Smith & Nephew / Patent Litigations and Settlement

The Group and its competitor Smith & Nephew ("S&N") have engaged in a series of multi-year litigations related to patents concerning various wound care products. In one of these matters, the defendants (including S&N) agreed to not market the product (Durafiber) during the pendency of the litigation provided that in the event the Group lost at trial it would pay for the defendants' lost profits. The Group lost at trial and on appeal and had been engaged in litigation with the defendants as to the amount of their lost profits. The parties entered into a confidential settlement agreement dated 5 December 2015, which resolved this litigation.

6. 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 installments. The Group also paid other specified fees, in accordance with the Management Agreement. For the years ended 31 December 2016 and 2015, the Group incurred $2.5 million ($1.8 million-Nordic Capital and $0.7 million-Avista Capital Partners) and $3.0 million ($2.1 million-Nordic Capital and $0.9 million-Avista Capital Partners), respectively, in contractual fees to the equity sponsors for services rendered in accordance with the Management Agreement. Upon completion of the IPO, the Management Agreement was terminated.

The Group's revenue included $7.4 million and $7.6 million for the years ended 31 December 2016 and 2015, respectively, of revenue to a related party (customers affiliated with Nordic Capital, former equity sponsor and principal shareholder). The accompanying unaudited 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 $1.2 million and $0.8 million at 31 December 2016 and 2015, respectively. In addition, during the year ended 31 December 2016, the Group purchased inventory product totaling $0.7 million from a related party (vendors affiliated with Nordic Capital, former equity sponsor and principal shareholder). These purchases were fully paid at 31 December 2016. The Group did not make purchases from a related party during the year ended 31 December 2015.

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 2016 and 2015 comprised the following:

	2016 $M	2015 $M
Short-term employee benefits	7.2	9.3
Share-based expense	38.2	8.7
Post-employment benefits	0.7	1.0
Total	**46.1**	**19.0**

The above table does not include an outstanding loan of $0.3 million and $0.4 million at 31 December 2016 and 2015, 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.

7. Subsequent Events

The Group has evaluated subsequent events through the date of this release.

Post year end ConvaTec Group plc 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.

On 3 January 2017, the Group acquired the entire share capital of Eurotec Beheer B.V. ("EuroTec") for approximately €30 million in cash. EuroTec manufactures ostomy care systems and commercialises its products directly in the Benelux region and through distributor partners in other markets. The transaction will be accounted for as a business combination under the acquisition method of accounting. The Group will record the assets and liabilities assumed at their fair values as of the respective acquisition date. Due to the limited time since the closing of the acquisition, the valuation efforts and related acquisition accounting are incomplete at the time the Financial Statements are authorised for issue. As a result, the Group is unable to provide amounts recognised as of the acquisition date for major classes of assets and liabilities acquired, including goodwill.

Non-IFRS Financial Information

This release 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. These measures are not measurements of financial performance or liquidity under IFRS and should not replace measures of liquidity or operating profit 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 operating performance, which management uses to assess and measure the Group's operating performance. Accordingly, this information has been disclosed to permit a more complete and comprehensive analysis of the Group's operating performance, consistent with how the Group's business performance is evaluated by management. Items adjusted for include acquisition-related amortisation, restructuring and other costs primarily related to the MIP programme, and costs incurred in connection with the Group's refinancing and initial public offering.

Reconciliation to adjusted earnings - for the years ended 31 December 2016 and 2015

		Adjustments							
2016	**Reported**	(a)	(b)	(c)	(d)	(e)	(f)	(g)	**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)*	**(0.15)**								**0.13**
Diluted Earnings Per Share *($ per share)*	**(0.15)**								**0.13**

2015	Reported	Adjustments							Adjusted
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
					$M				
Revenue	1,650.4	—	—	—	—	—	—	—	1,650.4
Cost of goods sold	(799.9)	130.0	2.5	—	—	—	—	—	(667.4)
Gross profit	**850.5**	**130.0**	**2.5**	**—**	**—**	**—**	**—**	**—**	**983.0**
Gross Margin %	*51.5%*								*59.6%*
Selling and distribution expenses	(346.7)	—	—	—	—	—	—	—	(346.7)
General and administrative expenses	(233.1)	15.5	7.6	12.1	13.8	—	18.6	4.1	(161.4)
Research and development expenses	(40.3)	—	0.2	2.0	—	—	—	—	(38.1)
Operating profit	**230.4**	**145.5**	**10.3**	**14.1**	**13.8**	**—**	**18.6**	**4.1**	**436.8**
Operating Profit %	*14.0%*								*26.5%*
Finance costs	(303.6)	—	—	—	—	27.8	—	—	(275.8)
Other expense, net	(37.1)	—	—	—	—	37.1	—	—	—
(Loss) profit before income taxes	**(110.3)**	**145.5**	**10.3**	**14.1**	**13.8**	**64.9**	**18.6**	**4.1**	**161.0**
Income tax benefit (expense)[(h)]	16.9								(36.6)
Net (loss) profit	**(93.4)**								**124.4**
Net (Loss) Profit %	*(5.7)%*								*7.5%*
Basic Earnings Per Share *($ per share)*	**(0.07)**								**0.10**
Diluted Earnings Per Share *($ per share)*	**(0.07)**								**0.10**

(a) Represents an adjustment to exclude (i) acquisition-related amortisation expense of $136.1 million and $143.5 million in 2016 and 2015, respectively, (ii) accelerated depreciation of $11.1 million and $0.6 million in 2016 and 2015, respectively, related to the closure of certain manufacturing facilities, and (iii) impairment charges and assets write offs related to property, plant and equipment and intangible assets of $7.9 million and $1.4 million, in the aggregate, in 2016 and 2015, respectively.

(b) Represents restructuring costs and other-related costs (excluding accelerated depreciation described above under (a)) primarily incurred in connection with the MIP.

(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 (i) corporate development activities and (ii) a settlement of ordinary course multi-year patent-related litigations in 2015 (refer to Note 5 - Legal Proceedings for further information).

(e) Represents adjustments to exclude (i) loss on extinguishment of debt and write-off of deferred financing fees (refer to Note 4 - Long-term Borrowings for further information) and (ii) foreign exchange related transactions.

(f) Represents an adjustment to exclude (i) share-based compensation expense of $85.9 million and $12.5 million in 2016 and 2015, respectively, arising from pre-IPO employee equity grants and (ii) pre-IPO ownership structure related costs, including management fees to Nordic Capital and Avista (refer to Note 6 - Related Party Transactions for further information).

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

(h) Adjusted income tax expense/benefit is income tax (expense) benefit net of tax adjustments.

Pro Forma Earnings per Share

Pro forma basic earnings per share is computed as pro forma adjusted net profit allocated to each outstanding share of common stock as if the Group's shares outstanding at 31 December 2016 were outstanding for the entire year for both 2016 and 2015. Pro forma diluted earnings per share is computed as pro forma adjusted net profit allocated to each outstanding share of common stock and dilutive awards outstanding at 31 December 2016 as if they were outstanding for the entire year for both 2016 and 2015.

	2016 $M	2015 $M
Adjusted net profit	**178.8**	**124.4**
Pro forma interest adjustment	185.5	218.8
Tax effect of pro forma interest adjustment	(7.8)	(8.9)
Pro forma adjusted net profit[1]	**356.5**	**334.3**
Pro forma basic and diluted earnings per share *($ per share)*	**0.18**	**0.17**
Pro forma effective tax rate	**14.2%**	**12.0%**

(1) Pro forma adjusted net profit is computed as adjusted net profit further adjusted to reflect the post-IPO debt structure as if it had been in place as of 1 January 2016 and 2015.

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 share-based compensation.

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

	2016 $M	2015 $M
Adjusted EBIT	472.2	436.8
Software and R&D amortisation	6.7	6.6
Depreciation	27.9	30.4
Post-IPO share-based compensation	0.8	—
Adjusted EBITDA	**507.6**	**473.8**

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 2016 and 2015 is as follows:

	2016 $M	2015 $M
Adjusted EBITDA	507.6	473.8
Working capital increase	(37.0)	(22.1)
PP&E purchases	(66.5)	(36.7)
	404.1	**415.0**
Cash conversion	**79.6%**	**87.6%**

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 2016 and 2015 is as follows:

	2016 $M	2015 $M
Net cash generated from operating activities	**74.9**	**100.3**
Add:		
Cash interest payments	270.6	257.9
Cash tax payments	39.0	42.2
Cash-settled AEP and MEP awards	30.2	—
Other payments[(1)]	55.9	51.3
Less:		
PP&E purchases	(66.5)	(36.7)
	404.1	**415.0**
Adjusted EBITDA	**507.6**	**473.8**
Cash conversion	**79.6%**	**87.6%**

(1) Other payments represent payments related to the IPO-related costs, restructuring and other related costs, a settlement payment made in 2015 related to multi-year patent-related litigations (refer to Note 5 - Legal Proceedings for further information), remediation costs, ownership structure costs and corporate development costs.

Principal risks and uncertainties

Set out below 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. These risks are supported by the robust risk management and internal control systems and procedures noted in the Annual Report and Accounts 2016.

Risk	Potential impact	Response / mitigation
Macroeconomic and Foreign Exchange Risk We could be exposed to negative global economic trends in certain of our geographic markets.	• Movements in exchange rates between foreign currencies and the US dollar (our reporting currency) could have a negative effect on our results of 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 patients' 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.	• We maintain an operational presence in a diversity 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. • We maintain a model that allows us to run sensitivity analyses based on FX movements in order to provide management with FX predictions/estimates for the year.

Risk	Potential impact	Response / mitigation
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	• 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.	• 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.
Intellectual Property and Product Innovation Risk	• Our competitors may secure intellectual property rights that disrupt our ability to compete in certain markets.	• We pursue appropriate patent protection for our intellectual property developments.

We are dependent on our intellectual property and our continued development of products.	• 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.	• 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 global 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.
Regulatory Risk We operate in intensive and diverse regulatory regimes which are subject to change.	• 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.	• We coordinate regulatory approvals on an on-going basis, including scheduling appropriate review periods with regulatory bodies in advance of certification requirements. • We maintain processes 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 have implemented a process to ensure marketing collateral receives thorough and adequate review prior to launch in relevant jurisdictions.
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.	• 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.	• We have processes throughout each phase of product development 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.

	• Defects in our products may result in recalls, safety alerts, product liability claims or negative publicity.	• 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.
Ethics, Bribery and Corruption Risk Violations of anti-corruption laws could significantly impact our finances and reputation.	• 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-bribery laws could result in criminal exposure for our employees and cause material disruption to our operations	• We maintain top down leadership of compliance initiatives through a Compliance Steering Committee that is comprised of senior leadership. • We operate on-going 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 program. • 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.
Data Loss / Mistreatment Risk Failure to comply with privacy and data protection laws and regulations could impact our reputation.	• 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.	• We operate an IT Steering Committee deployed to assess requirements and prioritisations relating to data privacy and security. • 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.

Forward Looking Statements

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

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

Forward calendar

A copy of the Annual Report and Accounts will be made available to shareholders on 21 March 2017 either by post or online at www.convatec.com and will be available to the general public online or on written request to the Company's registered office at 3 Forbury Place, 23 Forbury Road, Reading, United Kingdom RG1 3JH.