15 February 2018

ConvaTec Group Plc Annual Results 2017

ConvaTec Group Plc and its subsidiaries ("ConvaTec" or the "Group"), a leading global medical products and technologies company focused on therapies for the management of chronic conditions, today reports audited Annual Results for the twelve months ended 31 December 2017 in-line with revised guidance provided in October 2017.

Key points:

- Group reported revenue of $1,764.6 million grew 4.5% year on year, 4.1%[3] CER or 2.3%[4] organically vs. revised guidance of 1% to 2% organic revenue growth;
- Adjusted gross margin increased 10 bps, including 80 bps foreign exchange benefit. Underlying 70 bps decline, in-line with revised guidance;
- Reported operating profit $247.8 million, 60.9% increase year on year; adjusted operating profit $456.8 million, 3.3% lower year on year due to increased investment in growth and inclusion of Plc costs;
- Supply constraints previously reported in Advanced Wound Care and Ostomy Care now resolved, anticipate ongoing impact in H1 2018 from Ostomy backorder fulfilment, and lost orders;
- Leverage 3.0x net debt/adjusted EBITDA, after funding of acquisitions; strong cash generation;
- Full year dividend 5.7 cents, payout ratio of 35% of adjusted net income, in line with policy;
- Guidance for 2018: organic revenue growth 2.5% - 3.0% and a decline in EBIT margin due to the decision to increase targeted investment, despite the temporary shortfall in revenue growth;
- Opportunity for further structural and material EBIT margin expansion remains over medium to long term[7].
- Targeting medium-term[6] revenue growth in-line with market – momentum returning through 2018;

Paul Moraviec, Group Chief Executive Officer, commented

“Over the past 12 months we made good progress in a number of areas. Our Continence & Critical Care and Infusion Devices franchises delivered strong performances, and in Ostomy Care we saw good momentum in the first half in the US, Latin America, Japan and China. We also expanded our product portfolio with the launch of 16 new products and line extensions. We did encounter some significant challenges as well, which resulted in a disappointing performance overall in 2017.

Performance was affected by supply constraints in both Advanced Wound Care and Ostomy Care, and the revenue contribution from new products was lower than anticipated. This reduced our full year organic revenue growth. Headwinds and cost increases more than offset the productivity improvements delivered, resulting in a negative impact on adjusted gross margin compared to our initial expectation of further improvement in 2017. While we have addressed the issues in manufacturing reported in October, there will be an ongoing impact on performance in 2018, especially in the first half.

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

Franchise Summary:

Group reported revenue grew 4.5% in 2017, 4.1%[3] CER or 2.3%[4] organically and 10.3% reported growth in the fourth quarter, 6.7% CER[3] or 2.8%[4] organically.

• **Advanced Wound Care** ("AWC") revenue grew 3.3% on a reported basis, or 2.6%[4] organically, in 2017, and 2.3%[4] organically in the fourth quarter. Foam, silver and surgical cover dressing continued to be the main drivers of growth, although we did underperform in the US in the post-acute channel. Performance was impacted by changes to reimbursement rates in France and supply constraints which together reduced growth for the full year by c. 2 percentage points.

• **Ostomy Care** ("OC") revenue grew 3.3% on a reported basis, 3.0%[3] CER or 0.8%[4] organically in 2017, and in the fourth quarter 2.4%[3] CER or 0.3%[4] organically. Growth driven by execution of the Group's strategy, particularly in the US, Latin America, China and Japan, was offset by supply constraints which took effect in the third quarter and significantly impacted the second half, resulting in a c. 2 percentage points headwind to annual growth. As previously indicated, although those manufacturing issues have been rectified, we anticipate a negative impact from the supply constraints in Ostomy Care over the first half of 2018.

• **Continence & Critical Care** ("CCC") revenue grew 7.4% on a reported basis, 7.0%[3] CER or 1.7%[4] organically in 2017, and by 20.3%[3] CER or 4.6%[4] organically in the fourth quarter, with a strong Continence Care performance from our new Home Distribution Group (HDG)[5] being offset by planned product rationalisation as part of our Margin Improvement Programme (MIP), which impacted growth by c. 3.5 percentage points over the year.

• **Infusion Devices** ("ID") revenue grew 5.7% on a reported basis, 5.2%[4] organically, in 2017 and 6.3%[4] organically in the fourth quarter, a strong performance driven by market growth and new product launches by our partners.

	Twelve months ended 31 December		**Growth**	
	2017	**2016**		
Adjusted results[1]	**$m (unless stated)**		**Reported**	**Organic[4]**
Revenue	1,764.6	1,688.3	4.5%	2.3%
Gross margin	*61.0%*	*60.9%*		
EBIT/Operating profit	456.8	472.2	(3.3)%	(8.4)%
EBIT margin	25.9%	28.0%		
Earnings per share ($)	0.16	0.13	23.1%	

	Twelve months ended 31 December		**Growth**	
	2017	**2016**		
Reported results	**$m (unless stated)**		**Reported**	**Organic[4]**
Revenue	1,764.6	1,688.3	4.5%	2.3%
Gross margin	*52.5%*	*51.4%*		
EBIT/Operating profit	247.8	154.0	60.9%	45.7%
EBIT margin	14.0%	9.1%		
Earnings per share ($)	0.08	(0.15)		
Dividend per share[2] (cents)	5.7	-		

There will be an analysts and investors meeting today at 9.00am GMT at The Auditorium, UBS, 5 Broadgate Street, London, which can be viewed live through the ConvaTec website www.convatecgroup.com/investors/reports. A recording will be available on the site shortly afterwards.

The full text of this announcement and the presentation for the analyst and investors meeting can also be downloaded from the website above.

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Financial Calendar
Ex-dividend date 5 April 2018 *(subject to approval at AGM)*
Dividend record date 6 April 2018 *(subject to approval at AGM)*
Scrip dividend election date 20 April 2018 *(subject to approval at AGM)*
Annual General Meeting 10 May 2018
Dividend payment date 17 May 2018 *(subject to approval at AGM)*
Q1 trading update 2 May 2018

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.

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(1) Certain financial measures in this document, including adjusted results above, are not prepared in accordance with International Financial Reporting Standards ("IFRS"). All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in the Non-IFRS Financial Information below (page 19).

(2) On 13 February 2018, the Board proposed the final dividend to be distributed on 17 May 2018 subject to shareholder approval at the Annual General Meeting on 10 May 2018, in the total amount of $83.9 million, representing 4.3 cents per share based upon the issued and fully paid share capital as at 31 December 2017. The first interim dividend of 1.4 cents per share was declared on 2 August 2017 and paid on 20 October 2017. The interim dividend of 1.4 cents per share and the final dividend of 4.3 cents per share gives a total dividend for the year of 5.7 cents per share. Please see Note 6 - Dividends, for further information.

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

(4) Organic growth presents period over period growth at CER, excluding M&A activities.

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

(6) Medium-term is 2 to 3 years.

(7) Medium to long term is 3 to 5 years.

A copy of the Annual Report and Accounts will be made available to shareholders on 26th February 2018 either by post or online at www.convatecgroup.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, RG1 3JH.

Operating Review
For the twelve months ended 31 December 2017

Organic revenue grew by 2.3%[4] in 2017, slightly ahead of our revised guidance of 1%-2%[4].

	Twelve months ended 31 December				
	2017	2016	Growth		Q4
	$m	$m	Reported	Organic[4]	Organic growth[4]
Revenue by Franchise					
Advanced Wound Care	577.8	559.5	3.3%	2.6%	2.3%
Ostomy Care	528.9	512.1	3.3%	0.8%	0.3%
Continence and Critical Care	382.9	356.5	7.4%	1.7%	4.6%
Infusion Devices	275.0	260.2	5.7%	5.2%	6.3%
Total	**1,764.6**	**1,688.3**	**4.5%**	**2.3%**	**2.8%**

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

However, we did encounter some significant challenges as well, which resulted in a disappointing performance overall in 2017. Performance was affected by supply constraints in both Advanced Wound Care ("AWC") and Ostomy Care and a lower than anticipated revenue contribution from new products. This reduced our full year organic revenue growth.

Following the relocation of production lines from our US manufacturing plant to Haina in the Dominican Republic, we experienced significant delays with the ramp-up of production volumes on the final Convex and Moldable Ostomy lines. We encountered unexpected mechanical failures, and delays with optimising operation of the lines in Haina, the impact of which took effect at the end of the third quarter. We also experienced delays in the ramp-up of production and in obtaining regulatory certification on AWC lines transferred. These delays meant we used up our reserves of safety stock, and backorders quickly developed. We also lost orders, leading to an immediate impact on revenue growth, which we reported in our third quarter update in October. Regulatory certification for AWC production lines was received late in the third quarter, and backorders in AWC have returned to a normal level. Lines manufacturing Convex products have now returned to normal production levels and backorders have been addressed. For Moldable, we implemented a mitigation plan that has increased production volumes to a level which now meets both current market demand and is able to address the backorders that have built up, although we expect fulfilment of all backorders will take until the end of the first half of 2018. We have implemented an external review of manufacturing and supply chain and are strengthening our operating mechanisms and project management. In 2018 we will continue with the stabilisation of our manufacturing and supply chain.

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

Advanced Wound Care ("AWC")

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

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

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

Reported revenue of $577.8 million in 2017 grew 3.3% compared to 2016, and reported revenue of $157.8 million in the fourth quarter grew 6.9% versus the prior year.

Ostomy Care ("OC")

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

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

Organic revenue growth for the full year was 0.8%[4] or 3.0% at CER[3], with supply constraints reducing growth by c. 2 percentage points. Renewal of Group Purchasing Organisation ("GPO") contracts in the US reduced growth by a further c. 0.5 percentage points over the year as a whole.

Organic revenue growth was 0.3%[4] or 2.4% at CER[3] in the fourth quarter, with supply constraints reducing growth by c. 3 percentage points in the quarter.

Reported revenue of $528.9 million grew 3.3% compared to 2016, and included a $11.3 million contribution from Eurotec Beheer B.V. ("EuroTec"), which we acquired at the beginning of the year. Reported revenue for the fourth quarter was $142.2 million, growth of 6.9% year on year, including $3.0 million from EuroTec.

Continence & Critical Care ("CCC")

We made good progress in our CCC franchise. Organic revenue growth of 1.7%[4] or 7.0%[3] at CER reflected good growth in our HDG business and our GentleCath™ portfolio, offset by planned product rationalisation as part of our MIP, which reduced revenue growth by $13 million (3.5 percentage points). In the fourth quarter organic revenue growth was 4.6%[4] or 20.3%[3] at CER.

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

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

On a reported basis revenue increased 7.4% to $382.9 million, and included a $18.9 million contribution from Woodbury. Reported revenue in the fourth quarter was $111.6 million, growth of 22.5% year on year and included a $14.4 million contribution from Woodbury.

Infusion Devices ("ID")

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

ID revenue grew by 5.2%[4] on an organic basis in 2017, with growth of 6.3%[4] in the fourth quarter, with our partners seeing continued growth for diabetes insulin pumps and new product launches.

On a reported basis revenue of $275.0 million grew 5.7% year on year. Reported revenue for the fourth quarter of $76.2 million increased 8.4% year on year.

* Trademarks of Medtronic MiniMed, Inc.

Regional Revenue

	Twelve months ended 31 December		Growth		
	2017 $m	2016 $m	Reported	Organic[4]	Q4 Organic[4] growth
Geographic markets					
EMEA	733.0	726.4	0.9%	(1.2)%	(0.5)%
Americas	898.1	829.4	8.3%	5.6%	6.1%
APAC	133.5	132.5	0.7%	0.4%	(1.2)%
Total	**1,764.6**	**1,688.3**	**4.5%**	**2.3%**	**2.8%**

Revenue in Europe, Middle East and Africa declined by 1.2%[4] on an organic basis, with growth in AWC more than offset by the negative impact of product rationalisation in CCC and a weaker performance in OC. On a reported basis revenue grew by 0.9% due to favourable foreign exchange and the inclusion of EuroTec.

Revenue in Americas grew by 5.6%[4] organically, driven by a strong performance from HDG and growth in OC, offset by product rationalization in CCC. On a reported basis, revenue grew by 8.3% with the inclusion of Woodbury.

Revenue in Asia Pacific grew 0.4%[4] on an organic basis primarily driven by AWC and OC, offset by a weaker performance in CCC. On a reported basis revenue grew by 0.7% due to favourable foreign exchange.

MIP and adjusted gross margin

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

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

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

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

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

A number of actions are in progress following our experience in 2017, focused on improving project management, operating reviews and cross functional collaboration. Leadership has also been strengthened with the appointment of Donal Balfe as our new Executive Vice President Global Operations. Our adjusted gross margin ambition remains, to reduce the gap compared to best in class peers, and we continue to believe that material productivity gains are achievable over the medium to long term.

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

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

Operating expenditure

In line with our revised guidance, total adjusted operating costs represented 35.1% of revenue (2016: 32.9%), an increase of 2.2 percentage points year on year as we continued to invest in sales and distribution to support product launches, drive growth in HDG in the US, and in commercial initiatives in EMEA, the Americas and China. Adjusted general and administrative expenses increased 22.9%, driven by investments to support growth and productivity, the inclusion of a full year of Plc costs of $14.9 million and the cost base of Woodbury and EuroTec. Adjusted R&D investment also increased 11.0% to support new product development.

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

Cash generation and leverage

Net cash from operating activities was $306.6m (2016: $74.9m). This was $231.7m higher primarily due to reduced interest payments following the re-financing completed at the end of last year. Cash conversion was 77.3% (2016: 79.6%) as we increased capital expenditure to support our MIP. Net cash used in investing activities in the year was $182.6m (2016: $63.7m), reflecting the Woodbury and EuroTec acquisitions and increased capital expenditure in support growth and our MIP.

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

Dividend

On 2 August 2017, the Board declared the first interim dividend of 1.4 cents per share. On 13 February 2018, the Board proposed the final dividend in respect of 2017 subject to shareholder approval at our Annual General Meeting on 10 May 2018, representing 4.3 cents per share. The interim dividend of 1.4 cents per share and the final dividend of 4.3 cents per share gives a total dividend for the year of 5.7 cents per share, in line with our dividend policy to target a payout ratio of 35% to 45% of adjusted net income over time. See Note 6 – Dividends, for more detail.

People

During the year there were several changes to the organisational structure and members of the Executive Committee. As of 1 January 2018, ConvaTec's four franchises are led by franchise Presidents who report directly to the Chief Executive Officer and who are members of the Executive Committee. These changes will drive improved focus and performance across the Group and leverage our strong pipeline of new products, as well as our leading market positions.

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

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

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

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

Acquisitions

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

As previously reported, on 3 January 2017 we acquired EuroTec, a Netherlands-based manufacturer of ostomy appliances for a purchase price of $25.4 million, net of working capital assumed of $5.0 million (see Note 8 – Acquisitions for further details).

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

Outlook and Guidance

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

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

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

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

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

2018 guidance summary:

- Organic revenue growth of 2.5% to 3.0%
- Adjusted EBIT margin: opex-driven decline to 24% - 25%

2018 technical guidance:

- Capex broadly in-line with 2017
- Effective tax rate around 15%

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

Principal risks and uncertainties

The Group has a robust risk management process in place to identify, evaluate and manage the identified risks that could impact the Group's performance. Principal risks and uncertainties, together with an explanation of the impact and mitigation actions, are included in the Group's 2016 Annual Report and Accounts on pages 28 to 33 (www.convatecgroup.com/ investors/reports), and they will be disclosed in the 2017 Annual Report and Accounts on pages 30 to 36 and are summarised below.

The following Principal key risks and uncertainties were detailed in the Group's 2016 Annual Report and continue to be considered principal risks:

- Macroeconomic and foreign exchange risk;
- Governmental social health care policy risk;
- Intellectual property and product innovation risk;
- Regulatory risk;
- Product quality and safety risk;
- Ethics, bribery and corruption risk;
- Data loss/mistreatment risk.

The following key risks and uncertainties are principal risks that shall be detailed in the Group's 2017 Annual Report:

- Operational and supply chain risk- inadequate operational and quality control procedures around manufacturing capacity sufficient to meet customer demand could result in operational disruptions, reputational damage and/or financial loss.

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

  Our response to the risk/mitigation is: we maintain stock of certain products at alternative sites to reduce the risk that we are unable to meet customer demand; as part of the MIP, we are reducing the SKUs held by franchises in order to reduce the risk of products becoming obsolete or unmarketable; for product manufacturing that was transferred from one location to another, we have built additional inventory to cover the time for transfer, start-up and registration; we have a programme of ongoing inventory review versus demand and regulatory timing to minimise risk of supply disruption and to

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

(4) Organic growth presents period over period growth at CER, excluding M&A activities.

ensure optimal levels of business continuity; we have enacted special procedures to allow products to be shipped to the regional distribution centres at risk and stored at those locations; we monitor customer contracts to ensure competitiveness and to maintain visibility to expiration terms in an effort to reduce the risk of customer loss; we are focused on strengthening our commercial operations and marketing to prioritise production; we have implemented a Sales Operation Planning Process that seeks to balance supply with demand and facilitates action being taken in relation to constrained lines; we have business continuity plans in place for all facilities and key suppliers across our franchises.

- Budget and forecasting risk – information and/or assumptions used in the production of budgets and forecasts if not updated in a timely manner when required could result in reputational damage and compliance issues.

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

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

Forward Looking Statements

This document 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 document and the Group 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 document.

Financial Review
For the twelve months ended 31 December 2017

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

	Adjusted results[1]				Reported results			
	Year ended 31 December				Year ended 31 December			
	2017	2016	Growth at CER[3]	Organic[4] Growth	2017	2016	Growth CER[3]	Organic[4] Growth
	$m (unless stated)				$m (unless stated)			
Revenue	**1,764.6**	**1,688.3**	**4.1%**	**2.3%**	**1,764.6**	**1,688.3**	**4.1%**	**2.3%**
Cost of goods sold	(688.3)	(660.2)			(838.3)	(821.0)		
Gross profit	1,076.3	1,028.1			**926.3**	**867.3**		
Gross margin %	*61.0%*	*60.9%*			*52.5%*	*51.4%*		
Operating expenses	(619.5)	(555.9)			(678.5)	(713.3)		
EBIT/Operating profit	**456.8**	**472.2**	**(7.6%)**	**(8.4%)**	**247.8**	**154.0**	**44.8%**	**45.7%**
EBIT/Operating margin %	*25.9%*	*28.0%*			*14.0%*	*9.1%*		
Finance costs	(62.1)	(242.2)			(62.1)	(271.4)		
Other expense, net	(24.3)	-			(21.7)	(8.4)		
Profit (loss) before income taxes	370.4	230.0			164.0	(125.8)		
Income tax expense	(54.4)	(51.2)			(5.6)	(77.0)		
Net profit (loss)	**316.0**	**178.8**			**158.4**	**(202.8)**		
Basic EPS ($ per share)	**$0.16**	**$0.13**			**0.08**	**(0.15)**		
Diluted EPS ($ per share)	**$0.16**	**$0.13**			**0.08**	**(0.15)**		
Dividend per share	-	-			**5.7**	**-**		

(1) Refer to Non-IFRS Financial Information for information related to adjustments. The adjustments from reported to adjusted include acquisition-related amortisation, pre-IPO share-based compensation expense, and restructuring and other costs mainly related to the MIP programme and tax benefits resulting from the US Tax Reform and from the acquisition of Woodbury.

(2) On 13 February 2018, the Board proposed the final dividend to be distributed on 17 May 2018 subject to shareholder approval at the Annual General Meeting on 10 May 2018, in the total amount of $83.9 million, representing 4.3 cents per share based upon the issued and fully paid share capital as at 31 December 2017. The first interim dividend of 1.4 cents per share was declared on 2 August 2017 and paid on 20 October 2017. The interim dividend of 1.4 cents per share and the final dividend of 4.3 cents per share gives a total dividend for the year of 5.7 cents per share. Please see Note 6 - Dividends for further information.

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

(4) Organic growth presents period over period growth at CER, excluding M&A activities.

Non-IFRS financial information

The 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. All adjusted measures are explained and reconciled to the most directly comparable measure prepared in accordance with IFRS on pages 19 to 22.

Revenue

On a reported basis revenue increased 4.5% to $1,764.6 million for the year ended 31 December 2017 from $1,688.3 million in the prior year. On a constant exchange rate basis revenue increased 4.1%[3] for the year ended 31 December 2017, including a $30.2 million contribution from the acquisitions of EuroTec and Woodbury. Organic revenue growth for the year ended 31 December 2017 was 2.3%[4]. Reported revenue was primarily impacted by favourable foreign exchange movement in the Euro, compared to the US dollar, partially offset by unfavourable GBP / US dollar movements.

Cost of goods sold

Adjusted gross profit margin for the year ended 31 December 2017, excluding impacts from amortisation of certain intangible assets and certain non-recurring costs, was 61.0% compared with 60.9% for the prior year. The 10 bps improvement in the Group's adjusted gross margin percentage reflected a performance benefit to adjusted gross margin from MIP which was more than offset by headwinds and cost increases. Including pricing, product mix effects and inflation, overall there was a negative impact on adjusted gross margin of 70 basis points, offset by an 80 bps foreign exchange benefit. Refer to *Non-IFRS Financial Information* from page 19 for further information.

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

Reported cost of goods sold increased 2.1% or $17.3 million for the year ended 31 December 2017, from $821.0 million in the prior year, with the increases above offset by a decrease in accelerated depreciation, impairment charges and asset write offs. Refer to page 20 for further information. As a percentage of revenue, cost of goods sold decreased to 47.5% for the year ended 31 December 2017 from 48.6% in the prior year.

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

Operating costs and expenses

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

Operating costs and expenses – adjusted[1]:	Year ended 31 December 2017 $m	2016 $m	2017[2]	2016[2]
Selling and distribution expenses	(377.2)	(355.2)	21.4%	21.0%
General and administrative expenses	(202.0)	(164.4)	11.4%	9.7%
Research and development expenses	(40.3)	(36.3)	2.3%	2.2%
Total operating costs and expenses - adjusted[1]	(619.5)	(555.9)	35.1%	32.9%

Operating costs and expenses – reported:	Year ended 31 December 2017 $m	2016 $m	2017[2]	2016[2]
Selling and distribution expenses	(377.5)	(357.0)	21.4%	21.1%
General and administrative expenses	(259.8)	(318.2)	14.7%	18.8%
Research and development expenses	(41.2)	(38.1)	2.3%	2.3%
Total operating costs and expenses - reported	(678.5)	(713.3)	38.5%	42.2%

[1] Refer to Non-IFRS Financial Information for information related to adjustments

[2] Represents the percentage of revenue

Other costs and net expenses - reported	Year ended 31 December 2017 2017 $m	2016 $m
Finance costs	(62.1)	(271.4)
Other expense, net	(21.7)	(8.4)
Income tax expense	(5.6)	(77.0)

Selling and distribution expenses

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

General and administrative expenses

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

Research and development expenses ("R&D")

Adjusted R&D expenses increased $4.0 million or 11.0% for the year ended 31 December 2017 to $40.3 million, to support new product development. As a percentage of revenue, adjusted R&D expenses were

2.3% and 2.2% for the years ended 31 December 2017 and 2016 respectively. On a constant exchange rate basis, adjusted R&D expenses increased $4.9 million or 13.4%[3]. Reported research and development expenses increased $3.1 million for the year ended 31 December 2017, including foreign exchange.

Operating profit

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

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

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

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

Other costs and net expenses

Finance costs

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

Finance costs decreased $209.3 million, or 77.1%, to $62.1 million in 2017 from $271.4 million in 2016, primarily reflecting the following: (i) a decrease in interest expense on borrowings of $179.0 million, (ii) the 2016 loss on extinguishment of debt of $21.9 million, (iii) the 2016 write off of deferred financing fees of $7.3 million, in the aggregate, related to the Group's revolving credit facility financing in October 2016 and the commitment letter entered into in connection with the financing of the Group's credit facilities (refer to Note 9 - Borrowings for further information), and (iv) a decrease in the non-cash amortisation of debt discounts and deferred financing fees of $4.1 million.

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

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

Other expense, net

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

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

Income tax expense

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

After adjusting for certain financial measures which the Group believes are useful supplemental indicators of future operating performance, the adjusted tax rate was 14.7% for the year ended 31 December 2017. See Note 5 – Income taxes for further details.

Net profit (loss)

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

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

Exchange rates

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

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

Non-IFRS financial information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Represents adjustment to exclude (i) loss on extinguishment of debt and write-off of deferred financing fees and (ii) foreign exchange related transactions.

(f) Represents an adjustment to exclude (i) share-based compensation expense of $29.3 million and $85.9 million in 2017 and 2016, respectively, arising from pre-IPO employee equity grants and (ii) pre-IPO ownership structure related costs, including management fees to Nordic Capital and Avista (refer to Note 12 - Related Party Transactions for further information).

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

(h) Adjusted income tax expense/benefit is income tax (expense) benefit net of tax adjustments. In addition to the tax impacts of items (a) to (g), tax benefits resulting from the US Tax Reform and from the acquisition of Woodbury have been adjusted for. See Note 5 – Income Taxes for further details.

(i) Adjusted earnings per share and adjusted diluted earnings per share has been calculated by dividing adjusted net profit by the weighted average ordinary shares in issue and the diluted weighted average ordinary shares in issue respectively, as calculated in Note 7 - Earnings Per Share.

Adjusted EBITDA

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

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

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

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

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

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

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

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

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

Cash conversion

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

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

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

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

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

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

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

(1) Other payments represent payments related to the IPO-related costs, restructuring and other related costs, remediation costs, ownership structure costs and corporate development costs.

FINANCIAL POSITION

Selected measures of financial position

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

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

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

Long-lived assets

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

Cash and cash equivalents

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

Borrowings

Borrowings increased $47.3 million, or 2.7%, to $1,822.9 million at 31 December 2017, from $1,775.6 million at 31 December 2016, primarily due to (i) foreign currency impact on the Euro denominated borrowings and (ii) the non-cash amortisation of deferred financing fees and debt discounts. These increases were partially offset by the scheduled 2017 loan amortisation payments of $39.6 million, in the aggregate, related to the credit facilities. Refer to Note 9 - Borrowings for further details.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

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

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

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

Cash flows

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

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

Cash flows from operating activities

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

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

____

(1) Other payments represent payments related to the IPO-related costs, restructuring and other related costs, remediation costs, ownership structure costs and corporate development costs.

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

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

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Contractual obligations

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

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

(1) Expected interest payments assume repayment of the principal amount of the debt obligations at maturity.

(2) Purchase obligations consist of agreements to purchase goods and services that are enforceable and legally binding which primarily include (i) capital expenditures, (ii) minimum inventory purchases, and (iii) obligations for warehouse, distribution, freight, and services.

Viability Statement

The Board considers the Company’s financial status and viability on a regular basis as part of its programme to monitor and manage risk. The Board has concluded that the most relevant outlook period for this review should be three years (“Viability Period”).

In making their assessment, the Board took into account the potential impact of the principal risks that could prevent the Company from achieving its strategic objectives. Following an assessment of the Principal Risks and Uncertainties facing the Group, the Board continue to adopt similar scenarios to 2016 and believe these are still appropriate to encapsulate our risk profile. The principal risks used in the assessment are described in detail in the Principal Risks and Uncertainties section of this Annual Report. Plausible downside scenarios were then designed to conduct sensitivity analysis and measure the financial impact these risks would bring to the business. Consideration was also given to a number of other individual risks and events.

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

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

Going Concern

The Directors have, at the time of approving these Financial Statements, a reasonable expectation and a high level of confidence that the Group and the Company has the adequate liquid resources to meet its liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least twelve months from the date of signing the annual report and accounts. Thus the Directors continue to adopt the going concern basis in preparing these 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 Annual Report and Accounts for the year-ended 31 December 2017. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance and position, business model and strategy.

This responsibility statement was approved by the Board of Directors on 14 February 2018 and is signed on its behalf by:

Paul Moraviec
Chief Executive Officer

Frank Schulkes
Chief Financial Officer

FINANCIAL INFORMATION

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2017 Condensed Consolidated Financial Statements
Consolidated Statement of Profit or Loss
For the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Revenue	4	1,764.6	1,688.3
Cost of goods sold		(838.3)	(821.0)
Gross profit		**926.3**	**867.3**
Selling and distribution expenses		(377.5)	(357.0)
General and administrative expenses		(259.8)	(318.2)
Research and development expenses		(41.2)	(38.1)
Operating profit		**247.8**	**154.0**
Finance costs		(62.1)	(271.4)
Other expense, net		(21.7)	(8.4)
Profit (loss) before income taxes		**164.0**	**(125.8)**
Income tax expense		(5.6)	(77.0)
Net profit (loss)		**158.4**	**(202.8)**
Earnings Per Share			
Basic and diluted earnings (loss) per share ($ per share)	7	0.08	(0.15)

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

2017 Condensed Consolidated Financial Statements
Consolidated Statement of Comprehensive Income (Loss)
For the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Net profit (loss)		**158.4**	**(202.8)**
Other comprehensive income			
Items that will not be reclassified subsequently to Statement of Profit or Loss			
Remeasurement of defined benefit obligation, net of tax		2.4	(0.4)
Recognition of the pension assets restriction		0.2	(6.3)
Items that may be reclassified subsequently to Statement of Profit or Loss			
Exchange differences on translation of foreign operations		109.7	(183.9)
Effective portion of changes in fair value of cash flow hedges	11	7.4	—
Income tax relating to items that may be reclassified		(1.7)	31.6
Other comprehensive income (loss)		**118.0**	**(159.0)**
Total comprehensive income (loss)		**276.4**	**(361.8)**

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

2017 Condensed Consolidated Financial Statements
Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 $m	2016 $m
Assets			
Non-current assets			
Property, plant and equipment		334.0	264.8
Intangible assets		1,487.3	1,521.4
Goodwill		1,072.2	921.0
Deferred tax assets	5	9.6	22.0
Restricted cash	3	3.8	2.5
Other assets		18.9	11.4
		2,925.8	**2,743.1**
Current assets			
Inventories		284.5	247.5
Trade and other receivables		269.0	233.7
Prepaid expenses and other current assets		32.3	19.9
Cash and cash equivalents		289.3	264.1
Assets held for sale		—	5.6
		875.1	**770.8**
Total Assets		**3,800.9**	**3,513.9**
Equity and Liabilities			
Current liabilities			
Trade and other payables	11	122.0	111.6
Borrowings	9, 11	78.2	38.5
Accrued expenses and other current liabilities		64.9	81.3
Accrued compensation		52.7	57.0
Provisions		2.2	9.4
Deferred revenue		3.1	2.2
		323.1	**300.0**
Non-current liabilities			
Borrowings	9, 11	1,744.7	1,737.1
Deferred tax liabilities	5	172.2	192.2
Provisions		1.6	1.1
Other liabilities		35.5	37.3
		1,954.0	**1,967.7**
Total Liabilities		**2,277.1**	**2,267.7**
Equity			
Share capital		238.8	238.8
Share premium		1.3	1,674.1
Own shares		(8.1)	—
Retained deficit		(850.0)	(2,650.2)
Merger reserve		2,098.9	2,098.9
Cumulative translation reserve		(58.4)	(172.8)
Other reserves		101.3	57.4
Total Equity		**1,523.8**	**1,246.2**
Total Equity and Liabilities		**3,800.9**	**3,513.9**

2017 Condensed Consolidated Financial Statements
Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Note	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2016		**154.4**	**—**	**—**	**(2,440.7)**	**2,098.9**	**(27.2)**	**(4.2)**	**(218.8)**
Net loss		**—**	**—**	**—**	(202.8)	**—**	**—**	**—**	(202.8)
Other comprehensive loss:									
Foreign currency translation adjustment, net of tax		—	—	—	(6.7)	—	(145.6)	—	(152.3)
Remeasurement of defined benefit obligation, net of tax		—	—	—	—	—	—	(0.4)	(0.4)
Recognition of pension assets restriction		—	—	—	—	—	—	(6.3)	(6.3)
Total other comprehensive loss		**—**	**—**	**—**	**(6.7)**	**—**	**(145.6)**	**(6.7)**	**(159.0)**
Total comprehensive loss		**—**	**—**	**—**	**(209.5)**	**—**	**(145.6)**	**(6.7)**	**(361.8)**
Issuance of shares under share-based compensation plans		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
At 31 December 2016		**238.8**	**1,674.1**	**—**	**(2,650.2)**	**2,098.9**	**(172.8)**	**57.4**	**1,246.2**
Net profit		**—**	**—**	**—**	158.4	**—**	**—**	**—**	158.4
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		—	—	—	(4.7)	—	114.4	—	109.7
Remeasurement of defined benefit obligation, net of tax		—	—	—	—	—	—	2.4	2.4
Recognition of pension assets restriction		—	—	—	—	—	—	0.2	0.2
Effective portion of changes in fair value of cash flow hedges, net of tax	11	—	—	—	—	—	—	5.7	5.7
Total other comprehensive		**—**	**—**	**—**	**(4.7)**	**—**	**114.4**	**8.3**	**118.0**
Total comprehensive income		**—**	**—**	**—**	**153.7**	**—**	**114.4**	**8.3**	**276.4**
Capital reduction of share premium		—	(1,674.1)	—	1,674.1	—	—	—	—
Dividends paid	6	—	—	—	(26.3)	—	—	—	(26.3)
Scrip dividend	6	—	1.3	—	(1.3)	—	—	—	—
Share-based payments		—	—	—	—	—	—	36.9	36.9
Share awards vested		—	—	1.5	—	—	—	(1.5)	—
Excess tax benefits from share-based compensation		—	—	—	—	—	—	0.2	0.2
Purchase of own shares		—	—	(9.6)	—	—	—	—	(9.6)
At 31 December 2017		**238.8**	**1.3**	**(8.1)**	**(850.0)**	**2,098.9**	**(58.4)**	**101.3**	**1,523.8**

Own shares are ordinary shares in the Group purchased and held by an Employee Benefit Trust to fulfil the Company's obligations under the Group's share plans. At 31 December 2017, 4,204,211 were held in an Employee Benefit Trust. The market value of Own shares was $8.2 million at 31 December 2017.

Merger reserve - In 2016, the Financial Statements were prepared under merger accounting principles. Under these principles, no acquirer was required to be identified and all entities were included at their pre-combination carrying amounts. This accounting treatment lead to differences on consolidation between share capital in issue and the book value of the underlying net assets acquired, this difference is included within equity as a merger reserve.

Cumulative translation reserve - The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. In 2016, the Group reclassified foreign exchange accumulated losses of $36.4 million from other comprehensive income to the Consolidated Statement of Profit or Loss as a result of restructuring of certain foreign subsidiaries as part of the IPO process.

2017 Condensed Consolidated Financial Statements
Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Cash flows from operating activities			
Net profit (loss)		158.4	(202.8)
Adjustments for			
Depreciation		34.6	39.0
Amortisation		144.8	142.8
Acquisition accounting adjustment on inventory sold		1.6	—
Income tax expense	5	5.6	77.0
Impairment losses		—	4.7
Other expense, net		21.7	8.4
Finance costs		62.1	271.4
Share-based compensation		36.9	53.0
Write-off/disposal of assets		2.5	6.7
Hyperinflation		—	(6.7)
Changes in assets and liabilities:			
Inventories		(10.9)	(27.3)
Trade and other receivables		(6.2)	(8.9)
Other current assets		(6.3)	0.3
Deferred revenue		0.9	(2.1)
Accounts payable and accrued expenses		(27.3)	25.6
Other liabilities		1.6	3.4
Cash generated from operations		420.0	384.5
Interest paid		(66.5)	(270.6)
Income taxes paid		(46.9)	(39.0)
Net cash generated from operating activities		**306.6**	**74.9**
Cash flows from investing activities			
Acquisition of property, plant and equipment and capitalised software		(82.7)	(66.5)
Proceeds from sale of property, plant and equipment and other assets		2.6	0.7
Acquisitions, net of cash acquired	8	(105.5)	—
Proceeds from assets held for sale		5.7	—
Change in restricted cash		(0.6)	3.5
Capitalised development expenditure		(2.1)	(1.4)
Net cash used in investing activities		**(182.6)**	**(63.7)**
Cash flows from financing activities			
Proceeds from issue of share capital, net		—	1,764.3
Proceeds from borrowings, net of discount		—	1,792.6
Repayment of borrowings		(70.9)	(3,531.6)
Payment of accrued share capital issue costs		(10.5)	—
Payment of finance lease liabilities		(0.6)	(0.4)
Payments of deferred financing fees		(1.4)	(20.4)
Dividend paid		(26.3)	—
Purchase of own shares		(9.6)	—
Net cash (used in) generated from financing activities		**(119.3)**	**4.5**
Net change in cash and cash equivalents		**4.7**	**15.7**
Cash and cash equivalents at beginning of the year		**264.1**	**273.0**
Effect of exchange rate changes on cash and cash equivalents		**20.5**	**(24.6)**
Cash and cash equivalents at end of the year		**289.3**	**264.1**
Supplemental cash flow information			
Non-cash investing activities			
Accrued capital expenditures included in accounts payable and accrued expenses		15.4	13.4

1. General Information

ConvaTec Group Plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act of 2006 with its registered office situated in England and Wales. The Company's registered office and principal place of business is at 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, United Kingdom.

The Company and its subsidiaries (collectively, the "Group") is a global medical products and technologies group focused on therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care, continence and critical care and infusion devices used in treatment of diabetes and other conditions.

The Financial Statements, on which this announcement is based, 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.

The is announcement is based on the Company’s financial statements which are prepared in accordance with IFRS as adopted by EU and therefore comply with Article 4 of the EU IAS Regulations. IFRS includes the standards and interpretations approved by the IASB including International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRSIC").

The 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.

With the exception of the new standards adopted in the year, as discussed in Note 2, there have been no significant changes in accounting policies from those set out in ConvaTec’s Annual Report and Accounts 2016. Those accounting policies have been applied consistently throughout the period ended 31 December 2016 and the year ended 31 December 2017 other than as noted below.

The financial information set out in this announcement does not constitute the Group’s statutory accounts for the period ended 31 December 2016 or the year ended 31 December 2017 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company’s Annual General Meeting. The auditor’s report on the 2016 and 2017 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting Standards

New standards and interpretations applied for the first time

In the current year the Group has applied a number of amendments to International Financial Reporting Standards ("IFRS" or "IFRSs") issued by the International Accounting Standards Board (“IASB”). Their adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements. The following amendments were applied:

- IAS 7, Statement of Cash Flows.
- IAS 12, Income Taxes.

Otherwise the accounting policies set out in Note 3 - Significant Accounting Policies, below, have been applied consistently to both years presented in these Financial Statements.

New standards and interpretations not yet applied

At the date of authorisation of these Financial Statements, the following new and revised IFRSs that are potentially relevant to the Group, and which have not been applied in these Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the European Union ("EU")):

- IFRS 2, Share-based Payment - effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16, Leases - effective for accounting periods beginning on or after 1 January 2019.
- IFRS 9, Financial Instruments: Classification and measurement - effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15, Revenue from Contracts with Customers - effective for accounting periods beginning on or after 1 January 2018.

The Directors anticipate that the adoption of these standards in future periods will have no material impact on the Financial Statements of the Group except for IFRS 16, Leases.

IFRS 16

IFRS 16, Leases, will bring a significant portion of the Group's operating leases onto the statement of financial position. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model. As such it requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease. Accounting requirements for lessors are substantially unchanged from IAS 17.

The Group has established a working group to assess the impact of the new standard. Work performed includes assessing the accounting impacts of the change, the process of collecting the required data from across the business and the necessary changes to systems and processes. From work performed to date, it is expected implementation of the new standard will have a significant impact on the consolidated results of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the Statement of Profit or Loss on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the Statement of Profit or Loss over the life of the lease. These charges will replace the lease costs currently charged to the Statement of Profit or Loss.

The Group continues to assess the full impact of IFRS 16, however, the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

IFRS 15

IFRS 15, Revenue from Contracts with Customers supersedes IAS 18, Revenue, and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognizing revenue when performance obligations are satisfied. An assessment of the impact of IFRS 15 has been completed. Revenue recognition under IFRS 15 is considered to be consistent with the current practice for the Group's revenue. Based on the Group's assessment from work performed, the adoption of IFRS 15 will not have a material impact on the consolidated financial statements.

IFRS 9

IFRS 9, Financial Instruments, provides a new expected losses impairment model and includes amendments to classification and measurement of financial instruments. The Group does not expect that the adoption of IFRS 9 will have a material impact on the consolidated financial statements but will impact both the measurement and disclosure of financial instruments.

3. Significant Accounting Policies

Statement of Compliance

The Financial Statements have been prepared in accordance with IFRS as adopted by EU and therefore comply with Article 4 of the EU IAS Regulations. IFRS includes the standards and interpretations approved by the IASB including IAS and interpretations issued by IFRSIC.

The principal Group accounting policies are explained below and have been applied consistently throughout the years ended 31 December 2017 and 2016 other than those noted in Note 2 - Accounting Standards above.

Basis of Preparation

The consolidated financial information has been prepared on a historical cost basis, except for derivatives where fair value has been applied. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2016 Reorganisation

On 31 October 2016, the Group completed the initial public offering ("IPO") of its ordinary shares, was admitted to the premium listing segment of the Official List of the Financial Conduct Authority and is trading on the main market of the London Stock Exchange.

The Company was initially incorporated as ConvaTec Group Limited on 6 September 2016, with its registered office situated in the United Kingdom, and was registered as a public company and changed its name to ConvaTec Group plc on 10 October 2016.

Prior to listing, the Company became the holding company of the Group through the acquisition of the full share capital of Cidron Healthcare Limited ("Cidron") and its subsidiaries (the “Existing Group”). Shares in Cidron, an entity formerly owned by Nordic Capital and Avista Capital Partners, the former equity sponsors and principal shareholders, were exchanged for 1,261,343,801 shares in the Company. These shares were issued and credited as fully paid of 10 pence each giving rise to the share capital of $154.4 million.

Both the Company and the Existing Group were under common control before and after the 2016 reorganisation. As a common control transaction, this does not meet the definition of a business combination under IFRS 3 *Business Combinations* and as such, falls outside the scope of that standard. As a consequence, following guidance from IAS 8 A*ccounting Policies, Changes in Accounting Estimates and Errors,* the introduction of the company has been prepared under merger accounting principles. This policy, which does not conflict with IFRS, reflects the economic substance of the transaction. Under these principles, no acquirer is required to be identified and all entities are included at their pre-combination carrying amounts. This accounting treatment leads to differences on consolidation between share capital in issue ($154.4 million) and the book value of the underlying net assets acquired, this difference is included within equity as a merger reserve. Under these principals, the Group has presented its Financial Statements of the Group as though the current Group structure had always been in place. Accordingly, the results of the combined entities for both the current and prior period are presented as if the Group had been in existence throughout the periods presented, rather than from the restructuring date.

Immediately prior to listing, management shares held in the subsidiaries of the Group were converted to shares in the Company. Furthermore, the modification of the MEP (defined below) management incentive plan resulted in the issuance of further shares. The effects of these two events was to bring the total shares in the Company immediately prior to listing to 1,300,000,000 from 1,261,343,801.

Basis of Consolidation

The Group Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the group. Control exists when the Group: (i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement in the investee and (iii) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. All intercompany transactions and balances have been eliminated. The consolidated financial information of the Company's subsidiaries is included within the Group's Financial Statements from the date that control commences until the date that control ceases, and are prepared for the same year end date using consistent accounting policies.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Consideration transferred in respect of the acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed on the date of the acquisition. Identified assets acquired and liabilities assumed are measured at their respective acquisition-date fair values. The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill. Acquisition-related cost is expensed as incurred. The operating results of the acquired business are reflected in the Group's Financial Statements after the date of acquisition.

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.

<u>Current tax</u>

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.

<u>Deferred tax</u>

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the Consolidated Statement of Profit or Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

Cash represents cash on hand and cash held at banks. All liquid investments with original maturities of three months or less are considered cash equivalents.

Restricted Cash

In certain instances, there are requirements to set aside cash for guarantees on the payment of value-added taxes, custom duties on imports, tender programmes, and vehicle/office leases by financial institutions on the Group’s behalf. Total restricted cash balances were $5.7 million and $5.1 million at 31 December 2017 and 2016, respectively, of which $1.9 million and $2.6 million were current assets included in Prepaid expenses and other current assets within the Consolidated Statement of Financial Position.

Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which the distribution is approved by the Company's shareholders.

Trade and Other Receivables

Credit is extended to customers based on the evaluation of the customer’s financial condition. Creditworthiness of customers is evaluated on a regular basis. Trade and other receivables consist of amounts billed and currently due from customers. An allowance for doubtful accounts is maintained for estimated losses that result from the failure or inability of customers to make required payments. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors. Certain trade and other receivables may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy. The Group writes-off uncollectable receivables at the time it is determined the receivable is no longer collectable. The Group does not charge interest on past due amounts. The analysis of receivable recoverability is monitored and the bad debt allowances are adjusted accordingly.

Trade and other receivables are not collateralised or factored. The Group sells its products primarily through an internal sales force and sales are made through various distributors around the world. Credit risk with respect to accounts receivable is generally diversified due to the large dispersion of customers across many different industries and geographies. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures.

Inventories

Inventories are stated at the lower of cost or net realisable value with the cost determined using an average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overhead. Production overhead comprise indirect material and labour costs, maintenance and depreciation of the machinery and production buildings used in the manufacturing process as well as costs of production administration and management.

Net realisable value is defined as anticipated selling price or anticipated revenue less cost to completion. Estimates of net realisable value are based on the average selling prices at the end of the reporting period, net of applicable direct selling expenses. Subsequent events related to the fluctuation of prices and costs are also considered, if relevant. If net realisable values are below inventory costs, a provision corresponding to this difference is recognised. Provisions are also made for obsolescence of products, materials, or supplies that (i) do not meet the Group's specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving inventory. The Group evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Group expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Expenditures for additions, renewals and improvements are capitalised at cost. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be measured reliably. Replacements of major units of property are capitalised and replaced properties are retired. The carrying amount of a replaced asset is derecognised when replaced. Repairs and maintenance costs are charged to the Consolidated Statement of Profit or Loss during the period in which they are incurred.

Depreciation is calculated using straight-line method over the estimated useful lives of each part of a property's, plant and equipment item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated. Depreciation commences when the assets become available for productive use, based on the following estimated useful lives:

Buildings	20 to 50 years
Building equipment and depreciable land improvements	15 to 40 years
Machinery, equipment and fixtures	3 to 20 years

Leasehold improvements and assets under finance lease arrangements are amortised over the lesser of the asset's estimated useful life or the term of the respective lease. Maintenance costs are expensed as incurred. Construction-in-progress reflects amounts incurred for property, plant, equipment construction or improvements that have not been placed in service. Interest is capitalised in connection with the construction of qualifying capital assets during the period in which the asset is being installed and prepared for its intended use. Interest capitalisation ceases when the construction of the asset is substantially complete and the asset is available for use. Capitalised interest cost is depreciated on a straight-line method over the estimated useful lives of the related assets.

The assets’ residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

On disposal of items of property and equipment, the cost and related accumulated depreciation and impairments are removed from the Consolidated Statement of Financial Position and the net amount, less any proceeds, is taken to the Consolidated Statement of Profit or Loss.

Intangible Assets

To meet the definition of an intangible asset, an item lacks physical substance and is: (i) identifiable, (ii) non-monetary, and (iii) controlled by the entity and expected to provide future economic benefits to the entity. The Group's intangible assets consist of patents/trademarks and licenses, technology, capitalised software (acquired and internally generated), contracts and customer relationships, non-compete agreements, trade names and development costs.

Initial recognition

Intangible assets acquired separately by the Group are measured at cost on initial recognition and those acquired in business combinations are measured at fair value at the date of acquisition. Following initial recognition of the intangible asset, the asset is carried at cost less any subsequent accumulated amortisation and accumulated impairment losses.

Purchased computer software and certain costs of information technology projects are capitalised as intangible assets. Software that is integral to computer hardware is capitalised as property, plant and equipment.

The Group follows the guidance of IAS 38 *Intangible Assets* ("IAS 38") on internally generated development costs associated with its system. The costs incurred in the preliminary stages of development are expensed as incurred. Once a project has reached the application development stage, internal and external costs, if direct and incremental, are capitalised until the software is substantially complete and ready for its intended use. Costs related to design or maintenance of internal-use software are expensed as incurred. Upgrades and enhancements are capitalised to the extent they will result in added functionality.

Amortisation of intangible assets is calculated using the straight-line method based on the following estimated useful lives:

Patents, trademarks and licenses	3 to 20 years
Technology	10 to 18 years
Capitalised software (acquired and internally generated)	3 to 10 years
Contracts and customer relationships	2 to 20 years
Non-compete agreements	3 to 5 years
Trade names	10 years
Development costs	5 years

The Group has finite-lived and indefinite-lived trade names. Indefinite-lived trade names are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired, either individually or at the cash generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Impairment of Non-Monetary Assets including Goodwill

The Group tests goodwill and indefinite-lived intangibles for impairment annually or more frequently, if there are any impairment indicators. However, property, plant and equipment and finite-lived intangibles are tested for impairment only if indicators of impairment are present. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or CGUs. Additionally, goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value, less costs of disposal. Impairment losses are recognised in the Consolidated Statement of Profit or Loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the remaining assets in the CGU, on a prorated basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Group has not recognised any impairment reversals in 2017 or 2016.

Finance Costs

Finance costs include interest costs, standby fees, interest cost on derivative financial instruments, and any loss related to debt extinguishment. Interest costs are expensed as incurred, except to the extent such interest is related to construction in progress, in which case interest is capitalised. The capitalised interest recorded in 2017 and 2016 was $0.7 million and $1.1 million, respectively.

Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgmental nature of these items, future settlements may differ from amounts recognised. Provisions consist of decommissioning provisions, restructuring provisions, and legal claims and obligations.

The Group does not recognise contingent assets in the Consolidated Statement of Financial Position. However, if an inflow of economic benefits is probable, then it is appropriately disclosed in the notes to the Financial Statements.

Research and Development

Research and development expenses are comprised of costs incurred in performing research and development activities including payroll and benefits, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development and regulatory costs, contract services and other outside contractors costs, research license fees, depreciation and amortisation of lab facilities, and lab supplies.

Research costs are expensed as incurred. Development expenditures are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use or sell the asset. Otherwise, development expenditures are expensed as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortisation and any accumulated impairment losses.

Share-Based Payments

Prior to listing, the Group had granted share-based compensation to employees under the Annual Equity Plan ("AEP"), Management Executive Plan ("MEP"), and Management Incentive Plan ("MIP"). Post IPO, share-based incentives are provided to employees under the Group's Long-Term Incentive Plan ("LTIP"), Deferred Bonus Plan ("DBP"), Matching Share Plan ("MSP"), and Share Save plans ("Employee Plans").

Certain features of share-based awards, such as cash-settled share-based payments to employees require the awards to be accounted for as liabilities as opposed to equity. Liability awards are measured at the grant date based on the fair value of the award and are required to be remeasured to the fair value at the end of each reporting period until settlement. True up compensation cost is recognised in each reporting period for changes in fair value prorated for the portion of the requisite service period rendered in the Consolidated Statement of Profit or Loss (General and administrative expenses). The Group's 2016 reorganisation (discussed above) triggered the modification accounting where the terms of awards (MEP units) were changed immediately prior to listing to vested equity shares. The liability recognised for such shares was converted to equity, with a true up cost recognised to reflect the accelerated vesting period for shares not subject to a continued employment clawback. Shares subject to continued employment are recognised over the term of the clawback arrangement.

Equity-settled share-based payments to employees are measured at the fair value of the award on the grant date. The fair value of the awards at the date of the grant, which is estimated to be equal to the market value, is expensed to the Consolidated Statement of Profit or Loss (General and administrative expenses) over the vesting period, with appropriate adjustments being made during the period to reflect expected and actual forfeitures. The corresponding credit is to Other reserves in the Consolidated Statement of Financial Position.

Financial Instruments

The carrying amounts reflected in the Consolidated Statement of Financial Position for cash and cash equivalents, trade and other receivables, restricted cash, trade and other payables, and certain accrued expenses and other current liabilities approximate fair value due to their short-term maturities. Debt obligations are initially carried at fair value less any directly attributable transaction costs and subsequently at amortised cost.

At initial recognition, the Group classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i. Financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at cost, less any accumulated impairment losses.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

ii. Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, terminated or expired. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group's accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

The Group classifies its financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative Financial Instruments

Derivative financial instruments are classified at fair value through profit or loss unless they are in a designated hedge relationship. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent balance sheet dates.

Interest rate derivatives transacted to fix interest rates on floating rate borrowings are accounted for as cash flow hedges and changes in the fair values resulting from changes in market interest rates are recognised in other comprehensive income. Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit and loss. Any ineffectiveness on hedging instruments and changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of profit or loss within finance costs as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained there until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred.

Foreign Currency Translation and Transactions

Assets and liabilities of subsidiaries whose functional currency is not USD are translated into USD at the rate of exchange in effect on the statement of financial position date. The related equity accounts of subsidiaries are translated into USD at the historical rate of exchange. Income and expenses are translated into USD at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into USD are recognised in the statement of other comprehensive income. Exchange differences arising from the translation of the net investment in foreign operations are taken to a separate translation reserve within equity. They are recycled and recognised in the Consolidated Statement of Profit or Loss upon disposal of the operation.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Statement of Profit or Loss.

Hyperinflationary Economies

IAS 29, *Financial Reporting in Hyperinflationary Economies* ("IAS 29") requires financial statements to be stated in terms of the measuring unit current at the end of the reporting period whose functional currency is the currency of a hyperinflationary economy. The financial information is restated based on the consumer price index ("CPI") before being translated into a different presentation currency. All amounts are translated at the closing exchange rate at the date of the most recent Consolidated Statement of Financial Position. Hyperinflation is indicated by the characteristics of an economy, which includes a cumulative inflation rate over three years that approaches or exceeds 100 percent, sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short and the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency.

Venezuela has been considered as a hyperinflationary economy since 2010. The hyperinflation accounting has been applied to Boston Estada (Venezuela based subsidiary) in the Financial Statements. The financial information of the subsidiary has been restated for the changes in the CPI (as published by the Central Bank of Venezuela) of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period. This complies with the accounting treatment described in IAS 29. The gain on the net monetary position in 2017 and 2016 were $10.4 million and $12.2 million, respectively. The following table summarises the changes in the Venezuelan CPI for the reporting periods ended 31 December 2017 and 2016:

Reporting Period	CPI*	Movement from previous reporting period
31 December 2016	7,729.5	228.0%
31 December 2017	25,338.5	228.0%

* Base period, 31 December 2007 = 100

Retirement Benefit Costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the Consolidated Statement of Financial Position with a charge or credit to the Consolidated Statement of Comprehensive Loss in the period in which they occur. Remeasurement recorded in the Consolidated Statement of Comprehensive Loss is not recycled. Past service cost is recognised in the Consolidated Statement of Profit or Loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Leases

i. <u>Operating leases</u>

Payments made under operating leases are charged to the Consolidated Statement of Profit or Loss on a straight-line basis over the term of the lease.

ii. <u>Finance leases</u>

Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases as if the asset had been purchased outright. Assets acquired under the finance leases are recognised as assets of the Group and the capital and interest elements of the leasing commitments are shown as obligations to creditors. Depreciation is charged on a consistent basis with similar owned assets or over the lease term if shorter. The interest element of the lease payment is charged to the Consolidated Statement of Profit or Loss on a basis which produces a consistent rate of charge over the period of the liability.

Non-current Assets Held for Sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4. Segment Information

The Group's management considers its business to be a single segment entity, being engaged in the development, manufacture and sales of medical products and technologies. The Group is a global medical products and technologies group focused on therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care and management, continence and critical care, and infusion devices used in the treatment of diabetes and other conditions. The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. The R&D manufacturing and central functions are managed globally for the Group. The revenues are managed both on a franchise and regional basis. The Group's CEO, who is the Group's Chief Operating Decision Maker evaluates the Group's global product portfolios on a revenue basis and generally evaluates profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures between the franchises. In making these decisions, the CEO evaluates the financial information on a Group wide basis to determine the most appropriate allocation of resources. This financial information relating to revenues provided to the CEO for the decision making purposes is made on a combination of a franchise and regional basis, however profitability measures are presented on a global basis.

Revenue by franchise

The Group generates revenue across four major market franchises:

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

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

Continence and Critical Care ("CCC"). The CCC franchise includes products for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The franchise also includes devices and products used in intensive care units and hospital settings.

Infusion Devices. The Infusion Devices franchise provides disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions. In addition, the franchise supplies a range of products to hospitals and the home healthcare sector.

The following table sets forth the Group's revenue for the years ended 31 December 2017 and 2016 by market franchise:

	2017	**2016**
	$m	**$m**
Revenue by market franchise		
Advanced Wound Care	577.8	559.5
Ostomy Care	528.9	512.1
Continence & Critical Care	382.9	356.5
Infusion Devices	275.0	260.2
	1,764.6	**1,688.3**

Geographic information

Geographic markets

The following table sets forth the Group's revenue for the years ended 31 December 2017 and 2016 in each geographic market in which customers are located:

	2017 $m	2016 $m
Geographic markets		
EMEA	733.0	726.4
Americas	898.1	829.4
APAC	133.5	132.5
	1,764.6	**1,688.3**

Geographic regions

The following table sets forth the Group's revenue for the years ended 31 December 2017 and 2016 on the basis of geographic regions where the legal entity resides and from which those revenues were made:

	2017 $m	2016 $m
Geographic regions		
US	591.1	543.8
Denmark	298.0	293.5
UK	149.4	157.0
Switzerland	107.8	110.8
France	92.5	90.1
Other[(a)]	525.8	493.1
	1,764.6	**1,688.3**

(a) Other consists primarily of countries in Europe, APAC, Latin America and Canada.

The following table sets forth the Group's long-lived assets at 31 December 2017 and 2016 by geographic regions:

	2017 $m	2016 $m
Long-lived assets[(a)]		
US	1,071.2	1,125.0
UK	438.8	432.9
Denmark	142.1	124.8
Slovakia	69.2	45.0
Dominican Republic	60.0	42.4
Netherlands	19.1	—
Other[(b)]	20.9	16.1
Total long-lived assets	**1,821.3**	**1,786.2**

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

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

Major Customers

In 2017 and 2016, no single customer generated more than 10% of the Group's revenue.

5. Income Taxes

A. Tax on profit (loss) for the year

Current tax on profit before income taxes in 2017 (loss before income taxes in 2016) is recognised as an expense in the Consolidated Statement of Profit or Loss, along with any change in the provision for deferred tax:

	2017 **$m**	**2016** **$m**
Current		
UK current year charge	2.3	4.7
Overseas taxation	35.7	35.3
Adjustment for prior years	0.1	(0.2)
Total current tax expense	**38.1**	**39.8**
Deferred		
Origination and reversal of temporary differences	(9.1)	43.4
Change in tax rate	(22.8)	(5.7)
Adjustment for prior years	(0.6)	(0.5)
Total deferred tax (benefit) expense	(32.5)	37.2
Income tax expense	**5.6**	**77.0**

B. Reconciliation of effective tax rate

Variance in effective tax rate on prior year

The effective tax rate for the year ended 31 December 2017 was 3.4% as compared with 61.2% for the year ended 31 December 2016. The variance in the effective tax rate on prior year is primarily driven by 2017 impacts of: US tax reform benefit of $28.1 million related to reduction in federal tax rate and implementation of participation exemption on dividends; Woodbury M&A purchase accounting benefit of $9.9 million; unremitted earnings benefit primarily in the Dominican Republic of $18.4 million; the impact of lower non-deductible costs incurred in 2017, including share based compensation and 2016 related IPO and reorganisation costs; and the 2016 prior year effect on deferred benefit of $10.8 million. The reduction in the US main rate (35% to 21%) and Luxembourg main rate (19% to 18%) generated tax charges of $33.6 million and $17.1 million, respectively, on re-measurement of deferred tax assets. As these deferred tax assets are fully provided for, there was no impact on the effective tax rate as shown below.

Key factors influencing the effective tax rate

The Company’s tax rate is sensitive to the geographic mix of profits and its ability to recognize unrealized losses primarily in the US. Other factors that could influence the effective tax rate include tax rate changes, changes in tax legislation or regulations in jurisdictions where the Company does business, evolving developments and implementation of the OECD’s BEPS Actions, or tax disputes.

	2017		2016	
	$m		$m	
Profit (loss) before income taxes	**164.0**		**(125.8)**	
Profit before tax multiplied by rate of corporation tax in the UK of 19.25% (2016: 20%)	31.5		(25.2)	
Difference between UK and rest of world tax rates	(10.4)		13.1	
Non-deductible/non-taxable items	4.1		35.6	
Previously unrecognised losses and other assets	5.0		19.0	
Amortisation of indefinite life intangibles	8.1		7.9	
Taxes on unremitted earnings	(2.4)		20.0	
Deferred impact of tax rate changes	(22.8)		(5.7)	
Prior year effect on deferred	—		10.8	
Previously unrecognised tax benefits	(4.2)		1.6	
Other	(3.3)		(0.1)	
Income tax expense reported in the Consolidated Statement of Profit or Loss at the effective tax rate	**5.6**	**3.4 %**	**77.0**	**(61.2)%**

C. Movement in deferred tax balances

A provision is recorded for deferred tax on the basis of all temporary differences in accordance with the balance sheet liability method. Temporary differences arise between the tax base of assets and liabilities and their carrying amounts which are offset over time. Deferred tax is measured on the basis of the tax rates applicable at the statement of financial position date. The UK main rate is reduced to 17% effective 1 April 2020. Deferred tax assets are recognised to the extent that it is probable that future positive taxable income will be generated, against which the temporary differences and tax losses can be offset. Deferred tax assets are measured at expected net realisable values in 2017 and 2016. The following table shows movements in the deferred tax assets and liabilities:

	Inventory	Loss carryforward	Employee benefits	Equity	Fixed assets	Intangibles	Uunremitted earnings	Intercompany profit on inventory	Other	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 January 2016	**(0.7)**	**5.6**	**1.3**	**(38.1)**	**(7.4)**	**(155.6)**	**(3.4)**	**14.6**	**2.1**	**(181.6)**
Exchange adjustments	—	0.1	0.5	1.4	0.7	14.6	—	—	—	17.3
Movement in Income statement	(0.3)	(5.3)	(0.2)	4.5	(1.1)	(3.5)	(29.6)	3.4	(5.1)	(37.2)
Movement in Other comprehensive income	—	—	(0.3)	31.6	—	—	—	—	—	31.3
At 1 January 2017	**(1.0)**	**0.4**	**1.3**	**(0.6)**	**(7.8)**	**(144.5)**	**(33.0)**	**18.0**	**(3.0)**	**(170.2)**
Exchange adjustments	(0.3)	0.5	0.2	—	(1.0)	(9.3)	—	—	(0.7)	(10.6)
Movement in Income statement	1.6	(2.7)	0.5	2.1	0.5	36.0	2.4	(6.7)	(1.2)	32.5
Movement in Other comprehensive income	—	—	—	0.2	—	—	—	—	—	0.2
Other	(0.6)	1.8	—	—	(0.7)	(16.8)	—	—	1.8	(14.5)
At 31 December 2017	**(0.3)**	**—**	**2.0**	**1.7**	**(9.0)**	**(134.6)**	**(30.6)**	**11.3**	**(3.1)**	**(162.6)**

The Group offsets non-current deferred tax assets and liabilities in jurisdictions where group tax relief or consolidated tax filing is available.

D. Components of deferred tax assets and liabilities

The components of deferred tax assets and liabilities at 31 December 2017 and 2016 are as follows:

	2017 $m	2016 $m
Deferred tax assets	9.6	22.0
Deferred tax liabilities	(172.2)	(192.2)
Net position at the end of the period	**(162.6)**	**(170.2)**

E. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. The following is a summary of unrecognised deferred tax assets at 31 December 2017 and 2016:

	2017 $m	2016 $m
Deductible/taxable temporary differences	—	49.2
Tax losses	2,217.4	1,878.1
Unrecognised deferred tax assets	**2,217.4**	**1,927.3**

F. Tax losses carried forward

The Group recorded UK net corporation tax losses carried forwards of $17.6 million and overseas net corporation tax losses carried forwards of $2,236.2 million at 31 December 2017. The Group recorded UK net corporation tax losses carried forwards of $15.4 million, and overseas net corporation tax losses carried forwards of $1,872.5 million at 31 December 2016. UK net corporation tax losses can be carried forward indefinitely. The 2017 overseas net corporation tax losses carried forwards and years in which they begin to expire are shown below:

Country	Gross Corporation tax losses $m	Corporation tax losses expiration
Luxembourg	1,640.1	Indefinite
US	533.9	2021
Other overseas	62.2	Various
Total	**2,236.2**	

6. Dividends

Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, the Group's financial position, working capital requirements, restrictions on dividends in the Group's banking facilities, finance costs, general economic conditions and other factors the Directors deem significant.

At the Company's Annual General Meeting held in May 2017, shareholders approved the implementation of a Scrip Dividend Scheme (the "Scrip Scheme"). The Scrip Scheme enables ordinary shareholders to elect to receive new fully paid ordinary shares instead of cash. The operation of the Scrip Scheme is always subject to the Directors' decision to make the Scrip Scheme offer available in respect of any particular dividend. Should the Directors decide not to offer the Scrip Scheme in respect of any particular dividend, cash will be paid automatically instead. Under the current authority, the operation of the Scrip Scheme will cease on the date of the third Annual General Meeting of the Company, which will take place in 2019.

On 2 August 2017, the Board declared the first interim dividend in the total amount of $27.7 million, representing 1.4 cents per share based upon the issued and fully paid share capital as at 30 June 2017. The dividend on ordinary shares was declared in USD and was paid in Sterling at the chosen exchange rate of $1.32/£1.00 determined on 2 August 2017. A scrip dividend alternative was offered in respect of the first interim dividend, allowing shareholders to elect to receive their dividend in the form of new ordinary shares at a Calculation Price of 272 pence for each new ordinary share which was equivalent to one new share for approximately 256.6 shares held prior to the ex-dividend date of 7 September 2017. On 20 October 2017, 377,948 ordinary shares of 10 pence each were allotted and issued by the Company to those shareholders who elected to receive the scrip dividend alternative.

On 13 February 2018, the Board proposed the final dividend in respect of 2017 subject to shareholder approval at our Annual General Meeting on 10 May 2018, to be distributed on 17 May 2018 to shareholders registered at the close of business on 6 April 2018 in the total amount of $83.9 million, representing 4.3 cents per share based upon the issued and fully paid share capital as at 31 December 2017. The dividend on ordinary shares shall be declared in USD and will be paid in Sterling at the chosen exchange rate of $1.39/£1.00 determined on 13 February 2018. A scrip dividend alternative shall be offered in respect of the final dividend, allowing shareholders to elect by 20 April 2018 to receive their dividend in the form of new ordinary shares. The interim dividend of 1.4 cents per share and the final dividend of 4.3 cents per share gives a total dividend for the year of 5.7 cents per share.

7. Earnings Per Share

Basic and diluted earnings (loss) per ordinary share for the years ended 31 December 2017 and 2016 was calculated as follows:

	2017	**2016**
	$m (except share data)	
Net profit (loss) attributable to the equity holders of the Group	158.4	(202.8)
Basic weighted average ordinary shares in issue (net of shares purchased by the Company and held as Own shares)	1,951,006,350	1,376,365,276
Dilutive impact of share awards	2,935,460	—
Diluted weighted average ordinary shares in issue	1,953,941,810	1,376,365,276
Basic earnings (loss) per share ($ per share)	0.08	(0.15)
Diluted earnings (loss) per share ($ per share)	0.08	(0.15)

In 2016, all share awards were excluded from the calculation of diluted loss per share, as the effect of including them would have been anti-dilutive. The dilutive effect of potential shares issuable for share awards on the weighted average ordinary shares in issue would have been as follows:

	2016
Basic weighted average ordinary shares in issue	1,376,365,276
Dilutive effect of share awards	282,672
Diluted weighted average ordinary shares in issue	1,376,647,948

Share options to purchase approximately 5,231,000 and 3,120,000 ordinary shares of the Group were not included in the computation of diluted earnings (loss) per share for the year ended 31 December 2017 and 2016, respectively, because the exercise prices of the share options were greater than the average market price of the Group's ordinary shares and, therefore, the effect would have been anti-dilutive

8. Acquisition of Subsidiaries

Woodbury Holdings ("Woodbury")

Description of the transaction

On 1 September 2017, the Group acquired the entire share capital of Woodbury for a total cash consideration of approximately $84.8 million, including $4.7 million of the cash and cash equivalents acquired. Woodbury provides an extensive array of incontinence and catheter products, as well as nutritional, enteral feeding and vascular compression supplies. Woodbury has national distribution across the US, delivering directly to customers in the home environment. The acquisition will provide further breadth and reach to the Group's home distribution unit and further consolidate the Group's leading position in this market and bring its comprehensive end-to-end suite of services to even more patients.

Assets acquired and liabilities assumed

The transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarises the estimated fair values of the assets acquired and liabilities assumed as of acquisition date. The following recognised amounts are provisional and subject to change:

- amounts for income tax assets and liabilities, pending finalisation of estimates and assumptions in respect of certain tax aspects of the transaction; and
- amount of goodwill pending the completion of the valuation of assets acquired and liabilities assumed.

The Group will finalise these amounts as it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recognised at the acquisition date. The Group will finalise these amounts no later than one year from the acquisition date.

	Provisional Amounts Recognized as of Acquisition Date $m
Non-current assets	
Property, plant and equipment	0.2
Intangible assets[(a)]	43.4
Other assets	0.1
Current assets	
Inventories [(b)]	1.6
Trade and other receivables[(c)]	8.6
Prepaid expenses and other current assets	0.4
Cash and cash equivalents	4.7
Total assets	**59.0**
Current liabilities	
Trade and other payables	(3.1)
Borrowings[(d)]	(1.3)
Accrued expenses and other current liabilities	(4.4)
Non-current liabilities	
Borrowings[(d)]	(30.0)
Deferred tax liabilities	(9.9)
Total liabilities	**(48.7)**
Net assets acquired	**10.3**
Initial cash consideration[(e)]	79.5
Deferred purchase consideration paid into escrow[(f)]	5.3
Total consideration	**84.8**
Goodwill arising on acquisition[(g)]	**74.5**

Analysis of cash outflow in the Condensed Consolidated Cash Flow Statement	**Year ended 31 December 2017 $m**
Initial cash consideration	79.5
Cash acquired on acquisition	(4.7)
Deferred purchase consideration paid into escrow	5.3
Net cash outflow on acquisition (per Condensed Consolidated Cash Flow Statement)	**80.1**

(a) The following table summarises the provisional amounts and useful lives assigned to identifiable intangible assets:

	Weighted Average Useful Lives (Years)	Provisional Amounts Recognised as of Acquisition Date $m
Finite-lived intangible assets:		
Customer relationship	8 years	40.9
Indefinite-lived intangible assets:		
Trade name[(1)]	Indefinite lived	2.5
Total Intangible Assets		**43.4**

(1) The provisional amount of indefinite-lived trade name has been allocated to the Group's Woodbury Catheter ($1.3 million) and Woodbury Incontinence ($1.2 million) CGU.

(b) Includes an estimated fair value adjustment to inventory of $0.1 million.

(c) The fair value of receivables acquired approximate the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.
(d) Effective 1 September, 2017, the date of acquisition, the Group terminated the term loan and revolver agreement, repaid the assumed debt outstanding and canceled the undrawn revolver facilities.
(e) The initial cash consideration includes cash at closing of $4.7 million.
(f) $5.3 million was paid on closing into escrow as security for the due and punctual fulfilment by the seller of its obligations under the Share Purchase Agreement. The escrow account will be maintained for 3 years, of which (i) $0.4 million was released after 60 days, (ii) an additional $0.9 million will be released after 18 months, and (iii) the remaining $4.0 million will be released after 3 years.
(g) Goodwill is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. None of the goodwill is expected to be deductible for tax purposes. The goodwill recorded represents the following:
   - costs savings and operating synergies expected to result from combining the operations of Woodbury with those of the Group; and
   - intangible assets that do not qualify for separate recognition (for instance, Woodbury's assembled workforce).

   The provisional amount of goodwill has been allocated to the Group's Woodbury Catheter ($44.7 million) and Woodbury Incontinence ($29.8 million) CGU.

Acquisition-related costs

The Group incurred $0.9 million of transaction costs directly related to the Woodbury acquisition through 31 December 2017, which includes expenditures for advisory, legal, valuation, accounting and other similar services. These costs have been expensed as acquisition-related costs.

Revenue and net profit of Woodbury

The revenue of Woodbury for the period from the acquisition date to 31 December 2017 was $18.9 million and net profit, net of tax, was $0.1 million. The net profit, net of tax, includes the effects of the acquisition accounting adjustments.

EuroTec

Description of the transaction

On 3 January 2017, the Group acquired the entire share capital of EuroTec for a total cash consideration of approximately $30.4 million (€29.3 million), including $5.0 million (€4.9 million) of the cash and cash equivalents acquired. EuroTec manufactures ostomy care systems and commercialises its products directly in the Benelux region and through distributor partners in other markets. The acquisition was made to complement the product portfolio and services provided to the ostomy market.

Assets acquired and liabilities assumed

The transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarises the fair values of the assets acquired and liabilities assumed as of acquisition date:

	Amounts Recognised as of Acquisition Date $m
Non-current assets	
Property, plant and equipment	6.1
Intangible assets[(a)]	12.5
Current assets	
Inventories[(b)]	4.4
Trade and other receivables[(c)]	1.3
Cash and cash equivalents	5.0
Total assets	**29.3**
Current liabilities	
Trade and other payables	(0.7)
Accrued expenses and other current liabilities	(0.2)
Non-current liabilities	
Deferred tax liabilities	(4.1)
Total liabilities	**(5.0)**
Net assets acquired	**24.3**
Initial cash consideration[(d)]	26.3
Deferred purchase consideration paid into escrow[(e)]	4.1
Total consideration	**30.4**
Goodwill arising on acquisition[(f)]	**6.1**

Analysis of cash outflow in the Condensed Consolidated Cash Flow Statement	**Year ended 31 December 2017 $m**
Initial cash consideration	26.3
Cash acquired on acquisition	(5.0)
Deferred purchase consideration paid into escrow	4.1
Net cash outflow on acquisition (per Condensed Consolidated Cash Flow Statement)	**25.4**

(a) The following table summarises the amounts and useful lives assigned to identifiable intangible assets:

	Weighted Average Useful Lives (Years)	Amounts Recognised as of Acquisition Date $m
Finite-lived intangible assets:		
Technology, one-piece ostomy system	8 years	8.4
Technology, two-piece ostomy system	8 years	3.1
Technology, accessories	7 years	1.0
Total intangible assets		**12.5**

(b) Includes the fair value adjustment to inventory of $1.5 million.

(c) The fair value of receivables acquired approximate the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

(d) The initial cash consideration includes cash at closing of $5.0 million (€4.9 million).

(e) €4.0 million ($4.1 million) was paid on closing into escrow as security for the due and punctual fulfilment by the seller of its obligations under the Share Purchase Agreement. The escrow account will be maintained for 3 years, of which 50% (€2.0 million) will be released to seller on 3 July 2018 and the remaining balance will be released after the third year.

(f) Goodwill is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. None of the goodwill is deductible for tax purposes. The goodwill recorded represents the following:
- costs savings and operating synergies expected to result from combining the operations of EuroTec with those of the Group; and
- intangible assets that do not qualify for separate recognition (for instance, EuroTec's assembled workforce).

Goodwill has been allocated to the Group's EMEA CGU.

Acquisition-related costs

The Group incurred $0.6 million of transaction costs directly related to the EuroTec acquisition through 31 December 2016, which includes expenditures for advisory, legal, valuation, accounting and other similar services. These costs have been expensed as acquisition-related costs. There were no transaction costs related to the EuroTec acquisition in the year ended 31 December 2017.

Revenue and net loss of EuroTec

The revenue of EuroTec for the period from the acquisition date to 31 December 2017 was $11.3 million and net loss, net of tax, was $0.5 million. The net loss, net of tax, includes the effects of the acquisition accounting adjustments.

9. Borrowings

A summary of the Group's consolidated borrowings at 31 December 2017 and 2016 is outlined in the table below:

	2017 **$m**	**2016** **$m**
Credit Facilities Agreement:		
Revolving Credit Facility	—	—
US Dollar Term A Loan Facility	743.3	760.5
Euro Term A Loan Facility	632.9	567.5
US Dollar Term B Loan Facility	421.1	424.6
Total Credit Facilities	1,797.3	1,752.6
Finance Lease Obligations	25.6	23.0
Total borrowings	1,822.9	1,775.6
Less: Current portion of borrowings	78.2	38.5
Total non-current borrowings	**1,744.7**	**1,737.1**

The terms and conditions of total borrowings outstanding at 31 December 2017 and 2016 are as follows:

			2017		2016	
	Currency	Year of maturity	Face value $m	Carrying amount $m	Face value $m	Carrying amount $m
Revolving Credit Facilities[(a)]		2021	—	—	—	—
US Dollar Term A Loan Facility[(a)]	USD	2021	750.8	743.3	770.0	760.5
Euro Term A Loan Facility[(a)(b)]	EURO	2021	639.1	632.9	574.2	567.5
US Dollar Term B Loan Facility[(a)]	USD	2023	425.7	421.1	430.0	424.6
Finance lease obligations	EURO/USD	—	25.6	25.6	23.0	23.0
Total interest-bearing liabilities			**1,841.2**	**1,822.9**	**1,797.2**	**1,775.6**

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

(b) Total face value of the borrowings outstanding under the Euro Term A Loan Facility denominated in euros was €532.4 million ($639.1 million) and €546.0 million ($574.2 million) at 31 December 2017 and 2016, respectively.

The Group's Credit Facilities contain customary operating and negative covenants, including, among other things, covenants limiting: (i) incurrence of indebtedness; (ii) incurrence of liens; (iii) mergers, consolidations, liquidations, dissolutions and other fundamental changes; (iv) sales of assets; (v) dividends and other payments in respect of capital stock or junior debt subject to an available amount built by consolidated net income; (vi) acquisitions; (vii) transactions with affiliates; (viii) changes in fiscal year; (ix) negative pledge clauses and clauses restricting subsidiary distributions; and (x) holding companies.

The Group's Credit Facilities also contain a financial covenant, various customary affirmative covenants and specified events of default.

At 31 December 2017 and 2016, the Group was in compliance with all financial covenants associated with the Group's outstanding debt.

Credit Facilities

On 25 October 2016, the Group entered into the Credit Agreement (the “Credit Agreement”) with various financial institutions (the “Financing”).The Credit Agreement provides for (i) term A loans denominated in USD of $770.0 million and euros of €546.0 million ($594.7 million at 25 October 2016) (the ‘‘Term A Loan Facilities’’), (ii) term B loans denominated in USD of $430.0 million (issued at an offering price of 99.5%, after adjustment for a discount of $2.2 million) (the ‘‘Term B Loan Facility’’ and together with the Term A Loan Facilities, the ‘‘Term Loan Facilities’’) and (iii) a $200.0 million revolving credit facility (the “Revolving Credit Facility”, and together with the Term Loan Facilities, the “Credit Facilities”). The Term A Loan Facilities are repayable in semi-annual instalments (commencing 30 June 2017) in aggregate annual amounts equal to (i) 2.5% in year one, (ii) 5.0% in year two, (iii) 7.5% in year three, (iv) 10.0% in year four, and (v) 7.5% in year five, in each case of the original principal amount of the Term A Loan Facilities. The Term B Loan Facility is repayable in semi-annual instalments (commencing 30 June 2017) in an aggregate annual amount equal to 1.0% of the original principal amount of the Term B Loan Facility. Interest on outstanding principal under the Credit Facilities is payable quarterly in arrears, providing that no interest payment date shall occur prior to 31 March 2017. In connection with the Financing, the Group entered into a commitment letter dated 30 September 2016 with various financial institutions and incurred $3.5 million in fees, which were expensed to Finance costs in the Consolidated Statement of Profit or Loss.

The net proceeds from the Financing, together with the net proceeds from the issue of share capital, were used to (i) repay all amounts outstanding prior to the Financing under the US dollar and euro term B loans of $785.5 million and €741.3 million ($807.3 million), respectively, and (ii) redeem all of the outstanding PIK Notes and all of the existing Senior Notes further discussed below. As a result, for the year ended 31 December 2016, the Group recognised (i) a loss on extinguishment of debt of $21.9 million, in the aggregate, of which $2.6 million was recognised with respect to the pre-IPO term loan facilities and was comprised of $1.9 million of unamortised deferred financing fees and $0.7 million of unamortised original issue discount ("OID") and (ii) a write off of deferred financing fees of $3.8 million related to the pre-IPO revolving credit facility. The Group incurred fees of approximately $23.9 million, in the aggregate, of which $21.3 million were deferred and capitalised over the term of the Term Loan Facilities and $2.5 million were deferred and capitalised over the term of the Revolving Credit Facility (recorded in Other assets).

The Revolving Credit Facility of $200.0 million is available through its termination date in certain currencies (USD, euro and sterling) at the borrower’s option and is used to provide for ongoing working capital requirements, letters of credit, and general corporate purposes of the Group. The Revolving Credit Facility allows for up to $50.0 million of letter of credit issuances as well as $25.0 million for borrowings on same-day notice, referred to as the swingline loans. There were no borrowings outstanding under the Revolving Credit Facility at 31 December 2017 and 2016. Availability under the Revolving Credit Facility, after deducting letters of credit of $7.1 million and $1.3 million, was $192.9 million and $198.7 million at 31 December 2017 and 2016, respectively.

The Credit Agreement also provides for the ability of the Group to enter into incremental term facilities (the "Incremental Term Facilities") and incremental revolving facilities (the "Incremental Revolving Credit Facilities") and to issue senior secured, senior unsecured, senior subordinated or subordinated notes (the "Incremental Notes" and together with the Incremental Term Facilities and the Incremental Revolving Credit Facilities, the "Incremental Facilities").

The Incremental Term Facilities and Incremental Revolving Credit Facilities are subject to certain conditions and are available in (i) a cash-capped amount equal to the greater of $475 million and consolidated EBITDA as of the end of the most recently ended two half-fiscal year period, provided that the consolidated total net leverage ratio (as defined in the Credit Agreement) does not exceed 4.00 to 1.00, (ii) an unlimited amount so long as the maximum total leverage requirement (as defined in the Credit Agreement) is satisfied, and (iii) an amount equal to all voluntary prepayments or repurchases under the Term Loan Facilities and voluntary prepayments under the Revolving Credit Facility (to the extent accompanied by a corresponding permanent reduction in the revolving commitments) (such sum, the ‘‘Incremental Amount’’), in US dollars and/or euro (and, in the case of the Incremental Revolving Credit Facilities, pounds sterling), provided that the Group satisfies certain other requirements, including: no default or event of default, minimum borrowing amounts of $15.0 million and, in respect of Incremental Term Facilities, a maturity date and weighted average life to maturity of each individual loan within the Incremental Term Facilities that is greater than the weighted average maturity date of the Term Loan Facilities and if shorter, shall not have an amortisation of greater than 5.0% per annum. Additionally, should the yield on any Incremental Term Facility exceed the interest margin on the Term Loan Facilities denominated in the same currency by more than 0.50%, then the yield on the applicable Term Loan Facilities will automatically increase such that the yield on such Term Loan Facilities denominated in the same currency shall be 0.50% below the yield on the applicable Incremental Term Facilities. Any loan advances made under the Incremental Term Facilities will rank pari passu with or junior to the Term Loan Facilities and the Revolving Credit Facility.

The Incremental Notes shall not exceed the Incremental Amount and are available in US dollars and euro, provided that the Group satisfies certain other requirements, including: no default or event of default and the issuance shall be in an amount of no more than $15.0 million (or its equivalent).

Subject to certain conditions, the Group may voluntarily prepay their utilisations under the Credit Facilities in a minimum amount of $1.0 million (or its equivalent) for term loans or revolving facilities. Amounts repaid under the Term Loan Facilities may not be re-borrowed. In addition to voluntary prepayments, the Credit Agreement requires mandatory prepayment in full or in part in certain circumstances including, in relation to the Term Loan Facilities and subject to certain criteria, from the proceeds of asset sales in excess of $20.0 million and the issuance or incurrence of debt and from excess cash flow. In 2017, the Group made scheduled loan amortisation payments of $39.6 million, in the aggregate, related to the Credit Facilities. In 2016, the Group made payments of $21.5 million, in the aggregate, related to the pre-IPO term loan facilities as follows: (i) mandatory prepayment of $17.4 million for excess cash retained in the business and (ii) scheduled March 2016 loan amortisation payment of $4.1 million.

Borrowings under the Credit Facilities bear interest at either EURIBOR rate, Eurodollar rate, or an Alternate Base Rate (''ABR''), in each case, plus an applicable margin. Under the Term Loan Facilities, EURIBOR interest is associated with the borrowings in euros; while LIBOR and ABR interest is associated with borrowings in USD. EURIBOR, Eurodollar or ABR interest rates may apply to any outstanding borrowings under the Revolving Credit Facility. ABR, as defined in the Credit Agreement, is the greater of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50% or (c) the Eurodollar Rate for a one month interest period plus 1.00%, provided that the ABR for the Term Loan Facilities may not be less than 1.00%. The Eurodollar rate is subject to a floor of 0.75% per annum in respect of the Term B Loan Facility and 0.00% per annum in respect of all other loans. The margins applicable to the Term A Loan Facilities denominated in euro range from 2.0% to 2.25% and the margins applicable to the Term A Loan Facilities denominated in USD range from 1.0% to 1.25% if using ABR and 2.0% to 2.25% if using the Eurodollar rate and the margins applicable to the Term B Loan Facility range from 1.25% to 1.50% if using ABR and 2.25% to 2.50% if using the Eurodollar rate, in each case, with the relevant step-down in margin occurring depending on the relevant first lien net leverage ratio.

Senior Notes

The Senior Notes consisted of $745.0 million (the "US Dollar Senior Notes") and €250.0 million senior notes (the "Euro Senior Notes") each due 15 December 2018 (collectively, the "Senior Notes"). The US Dollar Senior Notes and the Euro Senior Notes bore interest at the rate of 10.5% and 10.875% per annum, respectively, which was payable semi-annually on 15 June and 15 December of each year.

As discussed above, the Group redeemed all $745.0 million and €250.0 million ($272.3 million) of the outstanding principal amount of the US Dollar Senior Notes and Euro Senior Notes, respectively, plus accrued and unpaid interest of $39.1 million and €13.6 million ($14.8 million), respectively. In connection with these transactions, the Group recognised a loss on extinguishment of debt related to unamortised deferred financing fees of $9.1 million, in the aggregate, in the year ended 31 December 2016.

PIK Notes

On 12 August 2013, the Group issued $900.0 million principal amount of the PIK Notes. The PIK Notes accrued cash interest at a rate of 8.25% per annum and PIK Notes interest (if cash interest was not elected to be paid) at a rate of 9.00% per annum.

As discussed above, the Group redeemed all $900.0 million of the outstanding principal amount of the PIK Notes, plus accrued and unpaid interest of $22.1 million. In connection with this transaction, the Group recognised a loss on extinguishment of debt of $10.2 million, comprised of $6.8 million of unamortised deferred financing fees and $3.4 million of OID.

Interest Related Information

Accrued interest related to the Group's borrowings was $0.7 million and $8.7 million at 31 December 2017 and 2016, respectively, and is recorded in Accrued expenses and other current liabilities. Interest expense for the years ended 31 December 2017 and 2016 associated with the Group's borrowings was as follows:

	2017 $m	2016 $m
Revolving Credit Facility[a]	1.0	1.4
US Dollar Term A Loan Facility	25.3	3.9
Euro Term A Loan Facility	13.3	2.3
US Dollar Term B Loan Facility	15.2	30.7
Euro Term B Loan Facility[b]	—	29.8
10.5% US Dollar Senior Notes[b]	—	74.7
10.875% Euro Senior Notes[b]	—	28.9
8.25% PIK Notes[b]	—	62.1
Total interest expense on borrowings	**54.8**	**233.8**

(a) Represents the commitment fees in respect of unutilised commitments under the Revolving Credit Facility.
(b) As described above, on 25 October 2016, the Group entered into the Credit Agreement and immediately following the listing redeemed all if the outstanding (i) PIK Notes, (ii) US Dollar Senior Notes, and (iii) Euro Senior Notes and repaid all amounts outstanding under the existing credit facilities at that time.

The weighted average interest rate for borrowings under the Group's outstanding borrowings was 3.1% and 6.9% for the years ended 31 December 2017 and 2016, respectively.

Finance Lease Obligations

The table below presents total obligations under finance leases at 31 December 2017 and 2016:

	Minimum lease payments		Present value of lease payments	
	2017 $m	2016 $m	2017 $m	2016 $m
Amount payable:				
Within 1 year	2.7	2.2	0.8	0.6
1 to 5 years inclusive	11.5	10.0	4.9	3.7
After 5 years	27.1	26.2	19.9	18.7
	41.3	38.4	25.6	23.0
Less future finance charges	15.7	15.4	—	—
Total obligations under finance leases	**25.6**	**23.0**	**25.6**	**23.0**

Reconciliation of Liabilities Arising from Financing Activities

	2016	Debt assumed on acquisition	Cash flows	Foreign exchange	Non-cash movements	2017
	$m	$m	$m	$m	$m	$m
Borrowings - current	37.9	1.3	(40.9)	1.7	77.4	77.4
Borrowings - non-current	1,714.7	30.0	(30.0)	78.3	(73.1)	1,719.9
Finance lease obligations - current	0.6	—	(0.6)	0.1	0.7	0.8
Finance lease obligations- non-current	22.4	—	—	3.1	(0.7)	24.8
Total liabilities from financing activities	**1,775.6**	**31.3**	**(71.5)**	**83.2**	**4.3**	**1,822.9**

10. Legal Proceedings

The nature of the Group business exposes it to a variety of product liability, regulatory and IP claims. The Group makes appropriate provision for liabilities and disclosure of contingent liabilities in accordance with its accounting policies, using informed and unbiased management judgement based on the best available information at the time. However, it is not always possible to predict outcomes and additional facts may come to light. As a result, provision amounts and contingency disclosures are subject to revision over time. In accordance with the accounting guidance related to contingencies, the Group records provisions for liabilities when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. Legal costs related to litigation matters are expensed as incurred.

Corrections and Removals

In January 2016, the Group initiated a recall of a range of nebuliser products in Europe, the US, Canada and China due to an increase in reports related to the products' periodic inability to generate an atomised spray as intended. Following an investigation, the Group determined that the issue was due to variability in a molding process during manufacturing, which was duly corrected. This recall was closed globally in December 2016. The Group completed final destruction of the affected devices that were returned in January 2017.

In May 2017, the Group initiated a global recall of a range of oxygen mask products due to reports related to the products' failure to supply oxygen as intended. Following an investigation, the Group determined that the issue was due to inconsistency in the solvent bonding process during manufacturing. A permanent correction was put in place. The Group completed destruction of the affected devices in November 2017 and the Group will be closing out this recall in the near future.

In 2017, the Group initiated two product recalls in Israel. A recall of endotracheal tubes was initiated in Israel in June 2017 based on reports of mismatched product labels and product size; this recall was closed in September 2017. A voluntary recall for one lot of incorrectly manufactured ostomy irrigation sleeves was initiated in October 2017 and was closed in January 2018.

In October 2017, the Group initiated a recall of a single lot of ostomy skin barriers in the US due to a labeling issue that impacted a small number of products in the affected lot. The Group anticipates closing out this recall in the near future.

In September 2017, Medtronic Misnamed, Inc. ("Medtronic"), issued a recall of certain infusion sets, including the Quick-Set® and Silhouette® infusion sets. The Quick-Set® and Silhouette® infusion sets include P-Cap connectors designed by Medtronic and manufactured for Medtronic by the Group for use with Medtronic insulin infusion pumps in diabetes care. Medtronic modified the design of P-Cap connectors, which we have integrated into the infusion set design.

Medtronic previously issued a recall of Quick-Set® and Silhouette® infusion sets in June 2013. Medtronic issued this recall due to a potential safety issue that can occur if insulin or other fluids meet the inside of the tubing/P-Cap connector. The June 2013 recall has resulted in pending or threatened litigation against various of the Group's entities. These lawsuits allege that the infusion sets are defective and have caused injuries or death to various plaintiffs. All of these cases also include claims against Medtronic, and allegations that their insulin pumps (which the Group does not make or sell) are defective. To the best of the Group's knowledge, as of this report date, approximately twenty-two product liability lawsuits had been filed. The Group's entities have been voluntarily dismissed without prejudice from twelve of these lawsuits and dismissed with prejudice from two lawsuits that have been settled. The Group has sent a demand to Medtronic seeking indemnification for these lawsuits consistent with the terms of the agreements between them. To date, Medtronic has rejected this demand. The Group also carries product liability insurance, subject to a self-insured retention, and has notified the insurance carrier about these lawsuits. The remaining pending lawsuits are all in their early stages. At this point the Group is unable to predict the likelihood of an unfavourable outcome or estimate any potential loss.

11. Financial Instruments

Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographic locations, bank borrowings. The Group's policies have remained unchanged since the beginning of the year.

Detail of the significant policies and methods adopted for each class of financial asset and financial liability are disclosed in Note 3 - Significant Accounting Policies.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 9 - Borrowings, cash and cash equivalents and equity of the Group, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Financial risk management objectives

Based on the operations of the Group throughout the world, the Directors consider that the key financial risks that it faces are liquidity risk, currency risk, interest rate risk, and credit risk. The objectives under each of these risks are as follows:

- Liquidity risk: ensure adequate funding to support working capital and future capital expenditure requirements.
- Currency risk: reduce exposure to foreign exchange movements principally between euro, USD and the British Pound sterling ("GBP").
- Interest rate risk: mitigate risk of significant change in market rates on the cash flow of issued variable rate debt.
- Credit risk: minimise the risk of default and concentration (discussed in Note 3 - Significant Accounting Policies— *Trade and Other Receivables*).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by continuously monitoring actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The tables below analyse the Group's financial liabilities at 31 December 2017 and 2016 by contractual maturity date, including interest payments:

	Contractual cash flows					
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years	Total	Carrying amount
	$m	$m	$m	$m	$m	$m
31 December 2017						
Borrowings	77.4	110.7	1,223.3	404.1	1,815.5	1,797.3
Finance lease obligations	2.7	2.8	8.7	27.1	41.3	25.6
Trade and other payables	122.0	—	—	—	122.0	122.0
Accrued expenses and other current liabilities	41.7	—	—	—	41.7	41.7
31 December 2016						
Borrowings	37.9	71.5	1,256.3	408.5	1,774.2	1,752.6
Finance lease obligations	2.2	2.3	7.7	26.2	38.4	23.0
Trade and other payables	111.6	—	—	—	111.6	111.6
Accrued expenses and other current liabilities	60.1	—	—	—	60.1	60.1

The contractual maturities of borrowings (excluding finance lease obligations), inclusive of interest payments at 31 December 2017 and 2016 were as follows:

	Contractual cash flows				
Borrowings, including interest(a)	Within 1 year or on demand $m	1 to 2 years $m	2 to 5 years $m	More than 5 years $m	Total $m
31 December 2017	135.4	165.8	1,332.9	417.5	**2,051.6**
31 December 2016	96.7	121.2	1,383.2	433.1	**2,034.2**

(a) Assumes repayment of the principal amount of debt obligations at maturity.

Additionally, if the Group was fully drawn against the $200.0 million Revolving Credit Facility, the cash interest payments would have increased by approximately $7.4 million and $6.0 million for the years ended 31 December 2017 and 2016, respectively.

Currency risk

The Group manufactures and sells its products in various countries around the world and as a result of the global nature of the operations, it is exposed to market risk arising from changes in currency exchange rates; however the Group foreign currency risk is diversified. The Group's primary net foreign currency translation exposures are the euro, GBP, and Danish Krone ("DKK"). Where possible, the Group manages foreign currency risk by managing same currency revenues to same currency expenses and strategically denominating its debt in certain functional currencies in order to match with the projected functional currency exposures within its operations and thereby minimising foreign currency risk. As a result, the impact of the fluctuations in the market values of assets and liabilities and the settlement of foreign currency transactions are reduced.

Significant increases in the value of the USD relative to foreign currencies could have a material adverse effect on the results of operations. Assets and liabilities are converted based on the exchange rate on the statement of financial position date, and statement of profit or loss items are converted based on the average exchange rate during the period. Transactions that are to be settled in a currency that is not the functional currency of the transacting entity are recorded to the Consolidated Statement of Profit or Loss at each remeasurement date or settlement date. Additionally, assets and liabilities of subsidiaries whose functional currency is not USD are translated into USD at the exchange rate at each statement of financial position date. Any cumulative translation difference is recorded within equity.

The following exchange rates for the major currencies have been applied at 31 December 2017 and 2016:

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

Sensitivity analysis on currency risk

The most significant exposure to foreign currency risk relates to certain borrowings. A reasonably possible 10% fluctuation of the USD against the EUR applied to borrowings from third parties existing at 31 December 2017 would have affected equity by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to borrowings from third parties existing at that date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any tax impact.

	Equity $m
10% strengthening of USD compared to EUR	63.9
10% weakening of USD compared to EUR	(63.9)

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate cash flow risk.

Currency and Nature of Interest Rate of the Nominal Value of Borrowings

The currency and rate structure of the Group's borrowings at 31 December 2017 and 2016 were as follows:

Currency structure	**2017 $m**	**%**	**2016 $m**	**%**
USD	1,176.8	64	1,200.4	67
EUR	664.4	36	596.8	33
Total	**1,841.2**	**100**	**1,797.2**	**100**
Rate structure				
Fixed	25.6	1	23.0	1
Floating	1,815.6	99	1,774.2	99
Total	**1,841.2**	**100**	**1,797.2**	**100**

Sensitivity analysis on interest rate risk

The loans under the Group's Credit Facilities bear interest at floating rates of interest per annum equal to LIBOR and/or EURIBOR, or ABR, as adjusted periodically, plus a spread. A plus or minus change of 1% in the interest rates in effect on 31 December 2017 and 2016, would have a negative or positive impact on the Consolidated Statement of Profit or Loss and on equity of $18.2 million and $17.7 million, respectively, assuming that all other variables remain constant and ignoring any tax effect. The Group manage the risk centrally, by maintaining the appropriate mix between fixed and floating rate borrowings, using interest rate swaps.

Interest rate swap contracts

As noted above, the Group has variable rate debt instruments and is exposed to market risks resulting from interest rate fluctuations. In order to manage its exposure to variability in expected future cash outflows attributable to the changes in LIBOR rates on the US Dollar Term A and B Loan Facility, in May 2017, the Group entered into interest rate swap agreements. The Group interest rate swaps do not contain credit-risk related contingent features and are not subject to master netting arrangements. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship. As such, changes in the fair value will be recognised in other comprehensive income and accumulated in the other reserve, with the fair value of the interest rate derivatives recorded in the statement of financial position.

The following table presents the Group's outstanding interest rate swaps agreements, notional amounts and related fair values at 31 December 2017. The fair values are based on market values of equivalent instruments at 31 December 2017. These financial instruments are classified as level 2 based upon the degree to which the fair value movements are observable. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (prices from third parties) or indirectly (derived from third party prices).

	Effective Date	Maturity Date	Notional Amount at 31 December 2017 $m	Fair Value[(c)] Assets/(Liabilities) $m
3 Month LIBOR Float to Fixed Interest Rate Swap[(a)]	30 June 2017	30 June 2020	585.0	5.0
3 Month LIBOR Float to Fixed Interest Rate Swap[(b)]	30 June 2017	30 June 2020	297.0	2.4
Amounts recognised in Consolidated Statement of Profit or Loss				—
Amounts recognised in Consolidated Comprehensive Income				7.4

(a) Under the interest rate swap agreement, commencing on 29 September 2017, the Group is entitled to receive quarterly interest payments at a variable rate equal to the 3 month LIBOR, subject to an interest rate floor of 0% and is required to make quarterly interest payments at a fixed rate of 1.709%. In addition, for hedging purposes, the notional amount is split into six equal tranches.

(b) Under the interest rate swap agreement, commencing on 29 September 2017, the Group is entitled to receive quarterly interest payments at a variable rate equal to the 3 month LIBOR, subject to an interest rate floor of 0.75% and is required to make quarterly interest payments at a fixed rate of 1.749%. In addition, for hedging purposes, the notional amount is split into three equal tranches.

(c) The fair values of the interest rate swaps are included in non-current Other assets in the Consolidated Statement of Financial Position. The Consolidated Statement of Profit or Loss includes the negligible ineffective impact of the interest rate swaps.

Fair values of financial assets and financial liabilities

The carrying amounts reflected in the Consolidated Statement of Financial Position at 31 December 2017 and 2016 for cash and cash equivalents, trade and other receivables, restricted cash, trade and other payable, and certain accrued expenses and other current liabilities approximate fair value due to their short-term maturities. There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

Liabilities not Measured at Fair Value

The borrowings are initially carried at fair value less any directly attributable transaction costs and subsequently at amortised cost. At 31 December 2017 and 2016, the estimated fair value of the Group's borrowings, excluding finance leases approximated $1,819.5 million and $1,775.2 million, in the aggregate, respectively. The fair values were estimated using the quoted market prices and current interest rates offered for similar debt issuances. Borrowings are categorised as Level 2 measurement in the fair value hierarchy under IFRS 13 *Fair Value Measurements*. See Note 9 - Borrowings for the face and the carrying values of the Group's borrowings.

12. Related Party Transactions

Prior to listing, the Group maintained an agreement with its equity sponsors (the "Management Agreement"), whereby the equity sponsors provided certain management advisory services. For services rendered by the equity sponsors, an annual fee of $3.0 million was payable in equal quarterly instalments. The Group also paid other specified fees, in accordance with the Management Agreement. For the year ended 31 December 2016, the Group incurred $2.5 million ($1.8 million-Nordic Capital and $0.7 million-Avista Capital Partners) in contractual fees to the equity sponsors for services rendered in accordance with the Management Agreement. Upon completion of the IPO in 2016, the Management Agreement was terminated.

The Group's revenue included $8.6 million and $7.4 million for the years ended 31 December 2017 and 2016, respectively, of revenue to a related party (customers affiliated with Nordic Capital, shareholder and former equity sponsor). The accompanying Consolidated Statement of Financial Position includes a receivable from the Group's related party revenue recorded in Trade and other receivables in the amount of $2.1 million and $1.2 million at 31 December 2017 and 2016, respectively. In addition, during the years ended 31 December 2017 and 2016, the Group purchased inventory product totalling $6.3 million and $0.7 million, respectively, from a related party (vendors affiliated with Nordic Capital, shareholder and former equity sponsor). The accompanying Consolidated Statement of Financial Position includes a payable related to the Group's related party purchases recorded in Trade and other payables in the amount of $0.1 million at 31 December 2017. At 31 December 2016, such related party purchases were fully paid.

Key management personnel compensation

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group. The definition of key management personnel includes Directors (both executive and non-executive) and other executives from the management team with significant authority and responsibility for planning, directing and controlling the entity's activities.

Key management personnel compensation for the years ended 31 December 2017 and 2016 comprised the following:

	2017 $m	2016[a] $m
Short-term employee benefits	9.7	8.7
Share-based expense	26.2	38.2
Post-employment benefits	2.6	0.7
Termination benefits	0.5	—
Total	**39.0**	**47.6**

(a) The 2016 comparative has been restated to be on a consistent basis with the 2017 presentation.

The above table does not include an outstanding loan of $0.2 million and $0.3 million at 31 December 2017 and 2016, respectively, to the Group's CEO. The amounts of share-based compensation to the key management personnel disclosed in the table above are based on the expense recognised under IFRS 2.

13. Subsequent Events

The Group has evaluated subsequent events through 14 February 2018, the date the Financial Statements were approved by the board of Directors.

On 13 February 2018, the Board proposed the final dividend in respect of 2017 subject to shareholder approval at our Annual General Meeting on 10 May 2018, to be distributed on 17 May 2018. Refer to Note 6 - Dividends for further details.