2018 Annual Results & Business Update

14 February 2019

ConvaTec

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Unless otherwise stated all stated financial metrics in this presentation are adjusted; for a full definition of the adjustments made please the slide 'Reconciliation: 2018 adjustments' in the Appendix.

Hosts & agenda

Rick Anderson
Chief Executive Officer

Frank Schulkes
Chief Financial Officer

Donal Balfe
EVP Global Operations

1. Introduction – Rick Anderson
2. Financial and operational review of 2018 – Frank Schulkes
3. Execution model – Rick Anderson
4. Operational Excellence – Donal Balfe
5. Summary and close – Rick Anderson
6. Q&A

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1. Introduction

Rick Anderson, Chief Executive Officer

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Business review and initial conclusions

With Executive team completed deep dive diagnostic of:

- Franchise & Group strategic plans
- Business units, geographies
- Leadership capabilities

Detailed review of:

- Manufacturing operations
- Products
- Efficiency and cost-out programmes
- 2019 budget

Strong structural growth markets

Leading market positions, products and brands

Poor Execution

Weakness in certain products & geographies

Underperforming peers commercially and financially

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2. Financial and operational review of 2018

Frank Schulkes, Chief Finance Officer

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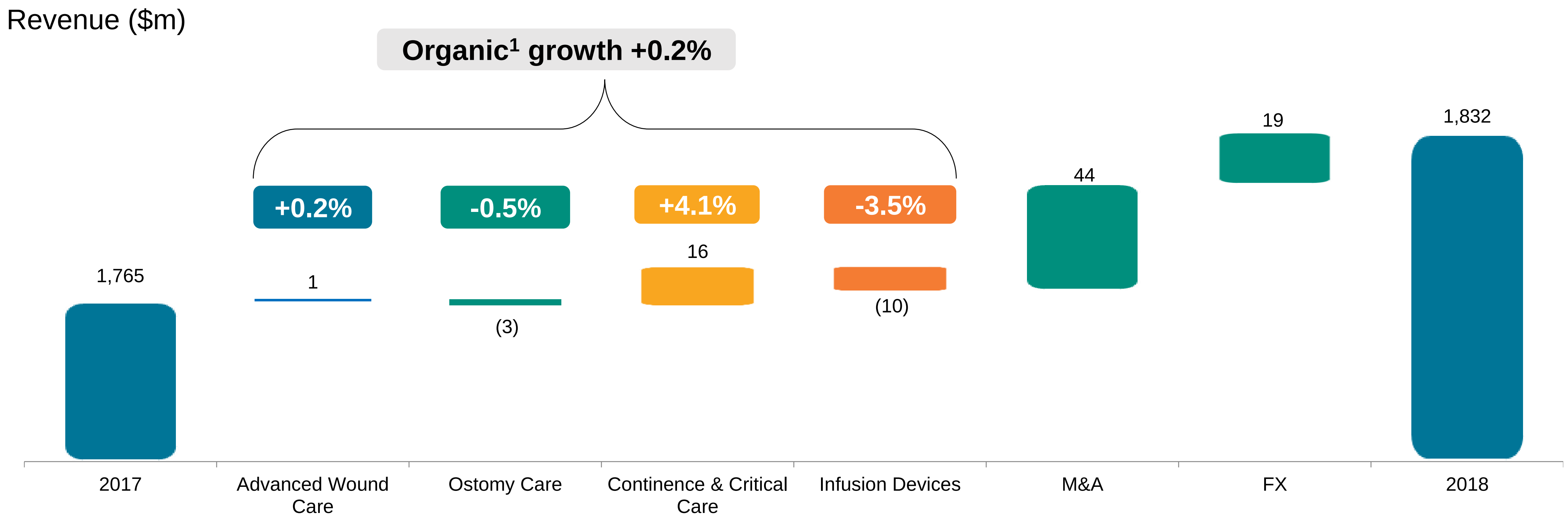
Financial highlights
Performance in line with revised expectations

	2018	2017	Growth	Comments
Revenues	$1,832m	$1,765m	+2.7%[1] +0.2%[2]	• $44m net from recent M&A, $19m FX tailwind
Gross margin[3]	60.2%	61.0%	-80 bps	• 60.0% exc. FX, -100 bps performance
Opex[3] % revenue	36.7%	35.1%	+160 bps	• Investment in commercial initiatives and infrastructure • Partially offset by cost control in other areas
EBIT[3] **EBIT margin[3]**	$429m 23.4%	$457m 25.9%	-6.0% -250 bps	• Investment driven decline
EPS[3]	$0.16	$0.16		• Net earnings -3.6%
Dividend per share (cents)	5.7 cents	5.7 cents		• 37% of adjusted net profit
Cash conversion[3, 5]	81%	77%		• Continued strong cash conversion
Net Debt / EBITDA[3, 4]	2.7x	3.0x		• Leverage down, dividend paid

1 Growth at constant exchange rates (“CER”)
2 Organic growth is growth at constant exchange rates (“CER”), excluding M&A activities
3 Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is provided on slides 40 & 41
4 2018 EBITDA $482 million (2017: $505 million)
5 Cashflow (Adjusted EBITDA – capex – net change in working capital / Adjusted EBITDA). See slide 11

2017 – 2018 revenue bridge



- Reported revenue grew 3.8%, or 2.7% at CER
- $19m currency tailwind, principally Euro and GBP
- Net M&A contribution of $43.5m, acquired Woodbury and J&R; Respiratory disposal[2]

1 Organic growth is growth at constant exchange rates (“CER”), excluding M&A activities
2 Woodbury acquired 1 September 2017, J&R Medical 1 March 2018. Symbius respiratory business contributed $5 million revenue in 2017. This business was sold on 1 March 2018.

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FY 2018: franchise performance

Two franchises underperforming……..

Advanced Wound Care

FY 18 +0.2[1]%
Q4 18 -1.8[1]%

- Pressure on legacy portfolio
- US underperformance – skin care, surgical cover dressing
- Challenging UK market dynamics continue to impact AQUACEL™ Hydrofiber™
- Q4 also reflects negative channel inventory movements
- AQUACEL™ Ag+ Anti-biofilm and AQUACEL™ Foam delivered good growth in 2018
- AQUACEL™ Ag Advantage launched in US October 2018
- Avelle™ disposable NPWT[2] launching in the US

Ostomy Care

FY 18 -0.5[1]%
Q4 18 -1.5[1]%

- Impact of lost patients & US weakness
- Q4 also reflects timing of distributor orders & prior year comparator
- Good performance in Latin America, Asia Pacific and positive trends in some European markets
- Ongoing investment in me+™ is driving patient enrolments
- Good performance from recent product launches Esteem™ + Flex Convex, Natura™ Accordion Flange

1 Organic growth is growth at constant exchange rates (“CER”), excluding M&A activities
2. NPWT = Negative Pressure Wound Therapy

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FY 2018: franchise performance

Two delivering in line with revised expectations………

Continence & Critical Care

FY 18 +4.1[1]%
Q4 18 +3.9[1]%

- Strong performance from US Home Distribution Group
- Impact of packaging recall c.$4 million lower revenue; Q4 impact $1.5 million
- Launch of female next generation catheter in Europe underway
- Good performance from Woodbury Holdings and J&R Medical

Infusion Devices

FY 18 -3.5[1]%
Q4 18 -24.9[1]%

- Impact of change to ordering patterns in Q4: c.$20 million lower revenue
- Good underlying demand in insulin pump market
- Animas patient migration to impact revenues in FY 2019

1 Organic growth is growth at constant exchange rates (“CER”), excluding M&A activities

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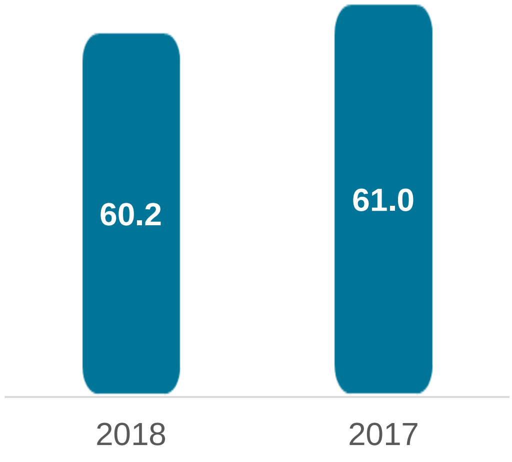
Margin and cost overview

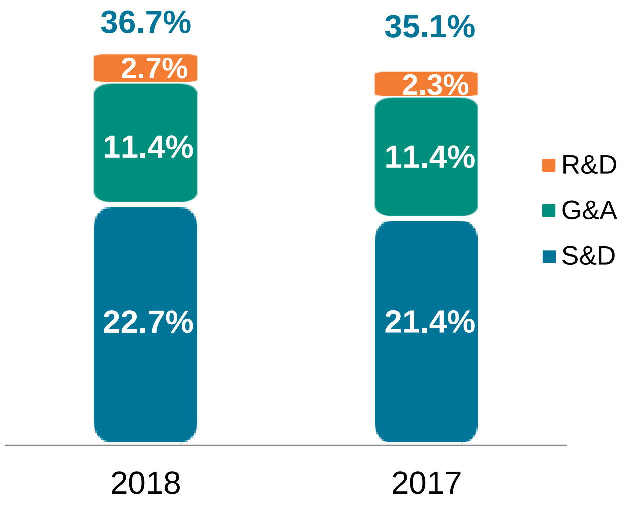
Gross margin[1] rate %



	YoY change
Movement	-80 bps
FX	+20 bps
Operational	-100 bps

- Negative price / mix
- Efficiency programmes delivered $20m benefit in FY 2018
- Headwinds:
  - depreciation, inflation, freight
  - CCC packaging recall, inventory write-off

Opex[1] % of revenue



- Increased commercial investment to support:
  - regional growth
  - commercial capability; AWC US
- R&D investment for OC and CCC
- 9% reported increase, 4% organic increase, 3% increase from recent acquisitions

1 Results are adjusted unless otherwise stated. A reconciliation of reported to adjusted results is provided on slides 40 & 41

Good cash conversion and reduced leverage

Adjusted Cash Flow ($m)

	2018	2017
EBITDA[1]	482	505
Capex	(71)	(83)
Δ NWC[2]	(21)	(32)
Cash flow	390	390

81% adjusted cash conversion (2017: 77%)

Net Debt

	31 Dec 2018 ($m)	31 Dec 2017 ($m)
Long-term borrowings[3]	(1,621)	(1,797)
Cash and cash equivalents	316	289
Net Debt	*(1,305)*	*(1,508)*
Net Debt / EBITDA[1,4] (x)	2.7	3.0

Targeting 2x net debt/adjusted EBITDA

1 Results are adjusted unless otherwise stated. A reconciliation of reported to adjusted results is provided on slides 40 & 41
2 For more detail on net working capital calculation see slide 42
3 Carrying value of total interest bearing liabilities excluding finance lease obligations
4 Adjusted EBITDA $482 million (2017: $505 million)

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3. Execution model
“Pivot to Growth”

Rick Anderson, Chief Executive Officer

ConvaTec in numbers...

$1.8 bn
GLOBAL REVENUE

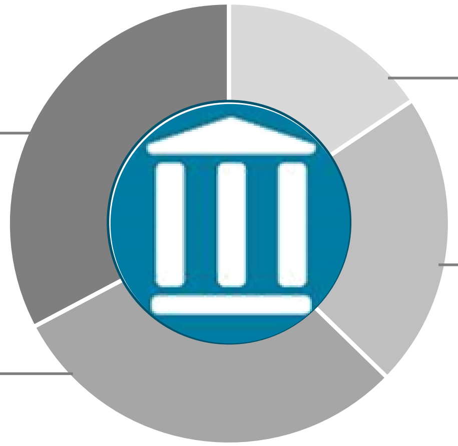
81%
CASH CONVERSION

9,400+
EMPLOYEES

110+
COUNTRIES

$587.5 m
ADVANCED WOUND CARE REVENUE 2018

$268.3 m
INFUSION DEVICES REVENUE 2018

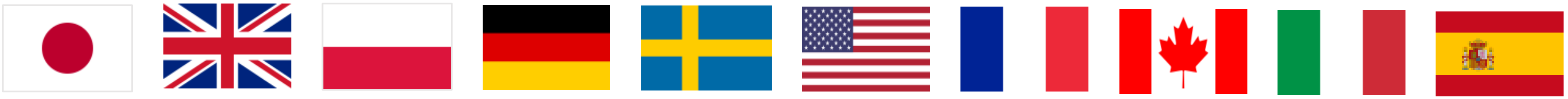


$533.3 m
OSTOMY CARE REVENUE 2018

$443.0 m
CONTINENCE & CRITICAL CARE REVENUE 2018

95% GROUP REVENUE FROM **20%** OF SKUs

65% REVENUE FROM TOP 10 MARKETS



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Our markets offer attractive structural growth

Market fundamentals

- Favourable Global Healthcare Trends
  - Chronic conditions are increasing
  - Expanding access to surgery
- Structurally Growing Markets
  - Populations are getting older
  - People are living longer
- But pricing pressure is a global phenomenon

c.$10bn addressable market

	Market Size[1]	Market Growth[1]
Advanced Wound Care	$5.3[2] bn	4-5%[2]
Ostomy Care	$2.3 bn	c.4%
Continence & Critical Care	$1.9 bn	3-5%
Infusion Devices	$0.5 bn	4-5%

1 From Annual Report and Accounts 2018
2 Includes Biologics. Excluding Biologics, market size is c.$4.6bn and market growth is c. 3-4%

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Leading market positions, products and brands

Advanced Wound Care

AQUACEL Ag Surgical

Avelle™

AQUACEL Ag Advantage

Global Silver Dressings	
Mkt. pos.	Mkt. share.
#1	32%

AQUACEL Ag+ Dressings

AQUACEL Pro Foam

Ostomy Care

me+™

Natura™ +

Global Ostomy	
Mkt. pos.	Mkt. share.
#3	20%

ESTEEM™ + Flex Convex

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Infusion Devices

Global Disposable Infusion Sets for Insulin Pumps	
Mkt. pos.	Mkt. share.
#1	85%

neria™

Continence & Critical Care

180° Medical

#1 Retailer of Intermittent Catheters in US	
Mkt. pos.	Mkt. share.
#1	31%

Flexi-Seal™ PROTECT

Woodbury Health Products

GentleCath™ Glide

Market share data from 2018 Annual Report and Accounts

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Execution has hurt financial and commercial performance

	ISSUE	IMPACT
Revenue	• Too focused on top line growth vs. margin • Too many products deliver low revenues & margin	• Performance of premium products diluted • Revenue growth significantly below market • Negative mix
Price	• Not selling differentiated nature of our products • Broad focus for R&D investment • No standard approach / discipline to pricing	• R&D pipeline down on 2017 • Losing pricing power / growth opportunities • Less protection from price erosion
Process	• Underdeveloped project management capability • Less predictable supply chain / manufacturing	• Costly errors in packaging, manufacture • Margin dilution • Supply constraints & back orders
Commercial	• Poor commercial judgement • Weakness in commercial capabilities	• Poor commercial execution, slow to act • Delayed & poor product launches • Missed expectations
Structure	• Complex management structure • Duplication of back office functions • Opportunity to improve management information	• Lack of performance culture • Inefficient spend / overly bureaucratic • G&A as % of sales too high

With investment in processes, people and products, these issues are all fixable over time

Our execution model needs to “Pivot to Growth”

SIMPLIFY

Simplify our business in a number of areas including product range, packaging and supply chain, as well as corporate structure

INNOVATE

Build on our R&D capabilities to be the leading product and service developer in our chosen markets

SEGMENT

Focus on products and geographies with potential for sustainable profitable growth

INVEST

Drive innovation
Improve execution
Win in our targeted segments

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Simplify

WHAT ARE WE GOING TO DO?

- Transformation Initiative
- Operational Excellence
- Alignment of incentives & culture to performance
- Further SKU rationalisation

FUTURE CONVATEC

- Focused franchises with leading positions
- Simpler management structure
- Efficient Business Services
- “Ops manual” for operational consistency

OUTCOMES

- Simplified range of more profitable products
- Higher revenue growth
- Quicker decision-making, more responsive
- Closer to the customer

Innovate

WHAT ARE WE GOING TO DO?

- Increased R&D investment
- Improved customer insight mechanism
- Selective M&A

FUTURE CONVATEC

- Constant pipeline of innovation
- Consistent demand-pull from end users
- Command price premium

OUTCOMES

- Business better defended from generic products
- Brand values enhanced with end customers
- More effective product launches

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Segment

WHAT ARE WE GOING TO DO?

- Invest in value-based clinical evidence
- More active portfolio management
- Cost optimisation

FUTURE CONVATEC

- Focus on premium markets, segments & geographies
- Better pricing power
- “Pull” not “push” model

OUTCOMES

- Increased profitability
- More predictable revenues
- More fire power on biggest opportunities

Invest

	2018 % of revenue	Medium-term trend[2]	Drivers
Selling & Distribution[1]	22.7%	↑	• Salesforce expansion and training; accelerate US AWC, global catheter launch, APAC expansion • Project management capabilities in supply chain • More rapid expansion of successful products into new markets
Research & Development[1]	2.7%	↑	• Increased investment in value-based clinical trials • Accelerate development of next gen products, new Ostomy products • "Smart" technology
General & Administration[1]	11.4%	↓	• Revenue to grow faster than overheads • Small centre, Efficient Business Services

1 Results are adjusted unless otherwise stated. A reconciliation of reported to adjusted results is provided on slides 40 & 41
2. Medium-term = 3 years

Changes to our leadership team

- George Poole, Americas President
- ConvaTec APAC President since 2015, implemented successful commercial strategy

- Supratim Bose, APAC President
- Joined ConvaTec January 2019 from Boston Scientific

- David Shepherd, Advanced Wound Care President
- Joined ConvaTec November 2018 from Johnson & Johnson

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Transformation Initiative to accelerate and amplify delivery

CEO led transformation office

Commercial Excellence	Operational Excellence	Business Services Transformation	Portfolio Optimisation
David Shepherd & Kjersti Grimsrud	Donal Balfe	Frank Schulkes	Stephan Bonnelycke

SIMPLIFY

INNOVATE

SEGMENT

SEGMENT

INVEST

Transformation initiative timeline

Define "full potential", drive commercial excellence	Execute operating model changes & restructuring, reinvest to drive growth	Continuously fuel growth
6-12 months	12-24 months	24-36 months

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Transformation Initiative – investments and benefits

3 year investment programme	**$150 million**	
	Capex **$45 million**	**Operational investment** **$105 million**
Payback	**2 - 3 years**	
	Additional ongoing costs[1] $50 million p.a. by 2021	
Benefits	**Higher revenue growth** **More profitable revenue** **Lower cost base**	

1 Additional annual costs of $50 million in 2021 will build from expected costs of $15 million in FY 2019

Transformation Initiative – a deep dive

CEO led transformation office

- **Commercial Excellence**
- **OPERATIONAL EXCELLENCE**
- **Business Services Transformation**
- **Portfolio Optimisation**

- Annual benefits of **$80 million** by 2021
- Total costs of **$50 million** over 3 years, c.$30 million capex, c.$20 million programme management and restructuring costs
- Sustainable year on year productivity improvements, building on progress made to date
- Additional annual benefits $40 million by 2023

4. Operational Excellence

Donal Balfe, EVP Global Operations

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Operational excellence framework

Drive manufacturing excellence	• War on waste • Optimise assets and footprint • Health and safety first • Minimum impact on environment
Focus on quality	• Right first time • Process and product excellence • Beyond compliance
Maximise supplier relationships	• Supplier collaboration • Strategic sourcing
Delight our customers	• Superior customer service • Innovation / Design for manufacture • Capacity planning and forecast accuracy excellence

CONTINUOUS IMPROVEMENT CULTURE

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Two case studies

Hydrofiber™ manufacturing – quality improvement

- Focus on ConvaTec's **internal customers** in Deeside
- Line operators identified inconsistent textile quality in Ag+ machines, leading to product rejects
- Defined **'critical to quality'** process characteristics
- Repositioned machine sensors, improved the feeding of materials
- Delivered lower rejects, **saved $250,000** from Ag+ standard cost in FY 2018
- 19 internal specification projects now underway
- **$0.5 million** expected standard cost savings FY 2019

Wound Care accessories value engineering

- Focus on **margin improvement** for skincare
- R&D personnel identified potential advantages
- Use **PMO best practise** model to plan, execute and monitor the project
- Product reformulation and packaging change underway, switch to lower cost manufacturing partner
- **'Playbooks' developed** to serve as templates for future similar projects
- **$0.8 million** cost savings expected in FY 2019

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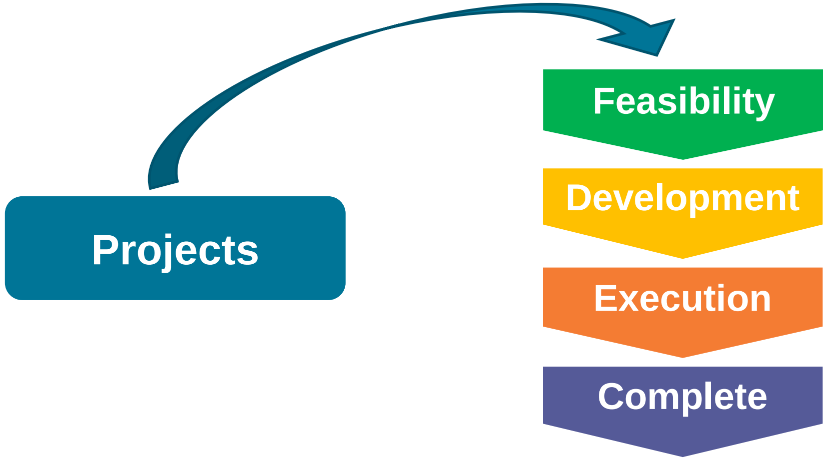
Driving continuous improvement



- Continuous idea generation - strong funnel of opportunities
- Stage gate process to evaluate
- Idea generation & delivery of benefits ongoing beyond 2023

Improved delivery capability
from (1 year ago)

- Need to improve project management muscle – **more project managers and engineers hired**
- Increase number of Kaizen black & green belts – **# green belts more than doubled, added master black belts**
- Business intelligence - **first reports using data warehouse coming online**
- Strengthen processes - **robust project governance in place**

Guidance for 2019

Frank Schulkes, Chief Finance Officer

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2019 Guidance

Organic revenue growth
1.0% to 2.5%

Guidance assumptions

- Improved AWC performance, supported by US launches of Avelle™ and AQUACEL™ Ag Advantage
- Expect year on year improvement in OC revenue performance
- Continuing strong CCC performance driven by HDG in US
- Below market growth in ID driven by Animas exit
- 1% to 1.5% price erosion assumed across Group
- Modest but growing contribution from new products

EBIT[1] margin
18% to 20%

Guidance assumptions

- c.$50 million investment in Transformation Initiative and MDR[2] costs
- Excluding non-recurring transformation costs and MDR, EBIT[1] margin expected to be 21.0% to 22.5%
- Positive contribution from cost-out initiatives
- Negative price and mix in production
- Dilutive margin[1] contribution from new products

1. Adjusted margin %
2. Medical Device Regulations

4. Summary & close

Rick Anderson, Chief Executive Officer

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Our execution model needs to "Pivot to Growth"

SIMPLIFY

- Focused franchises with leading positions
- Simplified range of more profitable products
- Closer to the customer

INNOVATE

- Consistent demand-pull from end users
- Command price premium
- Constant pipeline of innovation

SEGMENT

- Focus on premium markets, segments & geographies
- Better pricing power
- "Pull" not "push" model

INVEST

- Deliver improved operating performance

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Medium to long-term[1] target:

Strong structural growth markets

Stronger market positions, *even better* products

***Significantly improved* execution**

Organic revenue growth ≥ market growth

Adjusted EBIT growth > Revenue growth

1. Medium to long-term is 3 to 5 years

Q&A

Appendix

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Revenues By Geography

	FY 2018 reported ($m)	FY 2017 reported ($m)	Reported growth	Organic growth[1]
EMEA	747.4	733.0	+2.0%	(1.3)%
Americas	945.3	898.1	+5.3%	+1.0%
APAC	139.4	133.5	+4.4%	+3.8%
Group	1,832.1	1,764.6	+3.8%	+0.2%

[1] Organic growth presents year on year growth at constant exchange rates (“CER”), excluding M&A activities

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Quarterly Revenue Performance

Quarterly reported revenues by franchise

$m	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
AWC	147.9	157.8	147.1	142.9	146.8	150.7
Ostomy Care	132.1	142.2	128.0	138.0	131.4	135.9
C&CC	96.2	111.6	108.4	111.7	107.5	115.4
ID	69.3	76.2	74.7	70.5	66.5	56.6
Group	**445.5**	**487.8**	**458.2**	**463.1**	**452.2**	**458.6**

Organic[1] growth rate by franchise (%)

	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
AWC	1.4	2.3	2.2	(0.2)	0.8	(1.8)
Ostomy Care	(1.8)	0.3	(2.5)	0.3	1.5	(1.5)
C&CC	4.5	4.6	5.6	5.9	1.4	3.9
ID	17.3	6.3	16.3	2.7	(3.7)	(24.9)
Group	**3.3**	**2.8**	**3.7**	**1.7**	**0.4**	**(4.0)**

[1] Organic growth presents year on year growth at constant exchange rates ("CER"), excluding M&A activities

Quarterly Revenue Performance

Quarterly reported revenues by region

$m	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
EMEA	185.3	198.5	192.2	186.1	184.6	184.5
Americas	225.6	255.0	234.3	240.8	231.9	238.3
APAC	34.6	34.3	31.7	36.2	35.7	35.8
Group	**445.5**	**487.8**	**458.2**	**463.1**	**452.2**	**458.6**

Organic[1] growth rate by region (%)

	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
EMEA	(2.0)	(0.5)	(0.9)	(2.1)	1.3	(3.5)
Americas	8.0	6.1	8.1	4.8	(1.1)	(6.0)
APAC	2.3	(1.2)	0.3	1.8	5.5	7.3
Group	**3.3**	**2.8**	**3.7**	**1.7**	**0.4**	**(4.0)**

[1] Organic growth presents year on year growth at constant exchange rates ("CER"), excluding M&A activities

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Reconciliation Reported Earnings To Adjusted Earnings

Year ended 31 December 2018

Year ended 31 December 2018	Revenue	Gross margin	Operating costs	Operating profit	Finance costs	Other expenses, net	PBT	Taxation	Net profit
	$m	$m	$m	**$m**	$m	$m	**$m**	$m	**$m**
Reported	1,832.1	973.8	(706.1)	**267.7**	(65.2)	(1.3)	**201.2**	20.4	**221.6**
Amortisation of pre-2018 acquisition intangibles		125.1	17.3	**142.4**			**142.4**	(10.3)	**132.1**
Impairments/write-offs		0.4	0.1	**0.5**			**0.5**		**0.5**
Gain/loss on disposal of fixed assets				**-**		(1.9)	**(1.9)**		**(1.9)**
Restructuring and other related costs		2.9	9.7	**12.6**			**12.6**	(0.9)	**11.7**
Pre IPO share based payment expense and related costs			6.2	**6.2**			**6.2**		**6.2**
Total adjustments and their tax effect	-	128.4	33.3	**161.7**	-	(1.9)	**159.8**	(11.2)	**148.6**
Other discrete tax items				**-**			**-**	(65.7)	**(65.7)**
Adjusted	1,832.1	1,102.2	(672.8)	**429.4**	(65.2)	(3.2)	**361.0**	(56.5)	**304.5**
Software and R&D amortisation				**9.3**					
Post-2018 acquisition amortisation				**0.9**					
Depreciation				**37.4**					
Post-IPO share based-payment compensation				**5.4**					
Adjusted EBITDA				**482.4**					

Restructuring and other related costs were $12.6 million, pre-tax, in 2018 and related to three significant restructuring programmes:

- $2.5 million in relation to the completion of the pre-IPO MIP programme, incurred pre-June 2018, giving total costs incurred in relation to this programme of $25.6 million from 2015 to 2018;
- $4.7 million in relation to the transition of head office support functions from the US to the UK. The programme is expected to complete in 2019 with a total cost of c. $5.8 million; and
- $5.4 million in relation to restructuring geographical sales teams. The programme is expected to complete in 2019 with a total cost of $6.9 million.

The impairment/write-off charge of $0.5 million relates to the final write-off of certain manufacturing fixed assets following the closure of the Greensboro site in 2017.
Other discrete tax items principally represent tax benefits of $30.4 million and $35.0 million respectively arising from the reassessment of deferred tax liabilities in relation to unremitted earnings and recognition of additional deferred tax assets resulting from the December 2017 US tax reform respectively. Refer to Note 4 of the Financial Statements for further information.

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Reconciliation Reported Earnings To Adjusted Earnings

Year ended 31 December 2017

Year ended 31 December 2017	Revenue	Gross margin	Operating costs	Operating profit	Finance costs	Other expenses, net	PBT	Taxation	Net profit
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Reported	1,764.6	926.3	(678.5)	**247.8**	(62.1)	(21.7)	**164.0**	(5.6)	**158.4**
Amortisation of pre-2018 acquisition intangibles		123.7	13.8	**137.5**			**137.5**	(10.5)	**127.0**
Accelerated depreciation		1.3		**1.3**			**1.3**		**1.3**
Impairment/write-offs			0.5	**0.5**			**0.5**		**0.5**
Gain/loss on disposal of fixed assets				**-**		(2.6)	**(2.6)**		**(2.6)**
Restructuring and other related costs			6.8	**6.8**			**6.8**	(0.3)	**6.5**
		125.0	**21.1**	**146.1**		**(2.6)**	**143.5**	**(10.8)**	**132.7**
IPO related costs									
Pre-IPO MIP programme		22.7	0.4	**23.1**			**23.1**	(0.9)	**22.2**
Compliance and control improvement		0.7	7.0	**7.7**			**7.7**	(0.2)	**7.5**
Acquisition accounting adjustment		1.6		**1.6**			**1.6**		**1.6**
Pre-IPO share-based payment expense			29.3	**29.3**			**29.3**		**29.3**
IPO costs			1.2	**1.2**			**1.2**	(0.3)	**0.9**
Total in relation to IPO		**25.0**	**37.9**	**62.9**			**62.9**	**(1.4)**	**61.5**
Total adjustments and their tax effect	**-**	**150.0**	**59.0**	**209.0**	**-**	**(2.6)**	**206.4**	**(12.2)**	**194.2**
Other discrete tax items								(36.6)	**(36.6)**
Adjusted	1,764.6	1,076.3	(619.5)	**456.8**	(62.1)	(24.3)	**370.4**	(54.4)	**316.0**
Software and R&D amortisation				**7.3**					
Post-2017 acquisition amortisation				**-**					
Depreciation				**33.3**					
Post-IPO share-based payment compensation				**7.6**					
Adjusted EBITDA				**505.0**					

Accelerated depreciation of $1.3 million relates to the closure of certain manufacturing facilities.

The gain on disposal of assets of $2.6 million represents the sale of fully depreciated assets in Malaysia.

Restructuring and other related costs were $29.9 million in 2017 of which $23.1 million related to costs incurred in connection with the pre-IPO MIP and $6.8 million relating to restructuring and other related costs. The pre-IPO MIP programme commenced in the fourth quarter of 2015 and completed by June 2018.

Post-IPO compliance and control remediation costs were $7.7 million in 2017.

The nature of these costs is described above.

The acquisition accounting adjustment of $1.6 million relates to acquired inventories that were sold in 2017.

Other discrete tax items principally represent tax benefits of $25.0 million and $9.9 million, respectively, arising from the US Tax Reform and Jobs Act and the recognition of a deferred tax asset in respect of the Woodbury group acquisition.

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Adjusted net working capital

	2018	2017
	$m	$m
Reported Working Capital	**(23.2)**	(48.2)
(Increase)/decrease in severance provision	**(3.6)**	7.8
Decrease in accruals for remediation costs, corporate development and IPO-related costs	**2.3**	3.5
(Increase) in accruals for share based payment associated costs	**(0.4)**	-
Decrease in liability for pre-IPO MIP	**0.3**	3.0
Total adjustments (a)	**(1.4)**	14.3
Adjusted Working Capital	**(24.6)**	(33.9)
Reported Non-cash Items	**14.6**	41.0
Share-based compensation	**(11.2)**	(36.9)
Impairment/write-offs	**(0.5)**	(0.5)
Acquisition accounting adjustment	**-**	(1.6)
Total adjustments (b)	**(11.7)**	(39.0)
Adjusted Non-cash Items	**2.9**	2.0
Adjusted net working capital (a) + (b)	**(21.7)**	**(31.9)**

Technical Guidance

Tax

- Effective tax rate c.16.5%

Foreign exchange impacts

- Movement of US dollar on revenue and EBIT, $US weakens 1%:

Currency	Revenue	Adjusted EBIT
EUR/DKK	*~$5 million*	*~$2 million*
GBP	*~$2 million*	*~($1) million*