OFFERING MEMORANDUM
CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

180 Medical, Inc.

$500,000,000 3.875% Senior Notes due 2029

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180 Medical, Inc., an Oklahoma corporation (the "Issuer"), is offering (the "Offering") $500,000,000 aggregate principal amount of its 3.875% Senior Notes due 2029 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on each 15 April and 15 October commencing on 15 April 2022. The Notes will mature on 15 October 2029.

The Issuer may redeem the Notes in whole or in part at any time on or after 7 October 2024, in each case, at the redemption prices set out in this offering memorandum (the "Offering Memorandum"). Prior to 7 October 2024, the Issuer will be entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding the redemption date, plus a "make-whole" premium, as described in this Offering Memorandum. Prior to 7 October 2024, the Issuer may, at its option, and on one or more occasions, also redeem up to 40% of the original aggregate principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, with the net proceeds from certain equity offerings. Additionally, the Issuer may redeem the Notes in whole, but not in part, at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to repurchase all or any portion of the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of such repurchase. See "*Description of the Notes—Optional Redemption*."

The Notes are senior unsecured obligations of the Issuer and will be guaranteed (the "Guarantees" and, each, a "Guarantee") on a senior unsecured basis by ConvaTec Group Plc (the "Company"), ConvaTec Inc., Wilmington Medical Supply Inc., ConvaTec Dominican Republic Inc., ConvaTec Finance Holdings Limited, ConvaTec Limited, Amcare Limited, Unomedical A/S, Laboratoires ConvaTec SAS, ConvaTec International Services GmbH, ConvaTec Italia S.r.l and ConvaTec (Germany) GmbH (together with the Company, the "Guarantors" and each, a "Guarantor"). The Notes and Guarantees will rank pari passu in right of payment with any of the Issuer's and the applicable Guarantors' existing and future unsecured debt that is not subordinated in right of payment to the Notes or the Guarantees, as applicable, including debt incurred under the Facilities Agreement (as defined herein), and will rank senior in right of payment to any existing and future debt that is expressly subordinated in right of payment to the Notes or the Guarantees, as applicable. The Notes and Guarantees will be effectively subordinated to any of the Issuer's and the applicable Guarantors' existing and future secured debt that is secured by property or assets that do not secure the Notes or such Guarantee, to the extent of the value of such property and assets securing such debt. The Notes and the Guarantees will be structurally subordinated to all existing and future debt of subsidiaries of the Issuer and the Guarantors that will not guarantee the Notes, including with respect to borrowings under the Facilities Agreement (as defined herein). The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees.*" The Guarantees may be released in certain circumstances, as described in "*Description of the Notes—Guarantees*."

This Offering Memorandum includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, security, covenants and transfer restrictions.

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "Exchange"). The Exchange is not a regulated market for the purposes of Directive 2014/65/EU. There is no assurance that the Notes will be admitted to the Official List of the Exchange. Settlement of the Notes is not conditional on such admission.

Investing in the Notes involves risks that are described under the caption "Risk Factors" beginning on page 25 of this Offering Memorandum.

Price for the Notes: 100.000**% plus accrued interest from the Issue Date.**

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold only to persons reasonably believed to be qualified institutional buyers in accordance with Rule 144A ("Rule 144A") under the Securities Act and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, please see "*Notice to Investors*."

The Issuer expects that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company ("DTC") on or about 7 October 2021. Interests in each Global Note (as defined herein) will be exchangeable for the relevant Certificated Notes (as defined herein) only in certain limited circumstances. See "*Book-Entry; Delivery and Form*."

Joint Physical Bookrunners and Joint Bookrunners

Goldman Sachs Bank Europe SE

J.P. Morgan

Joint Bookrunners

BBVA | Danske Markets | DNB Markets | Fifth Third Securities | HSBC | Mizuho Securities | MUFG | NatWest Markets | SEB | SMBC Nikko

The date of this Offering Memorandum is 30 September 2021.

You should rely only on the information contained in this Offering Memorandum. Neither the Issuer, the Guarantors, nor any of the Initial Purchasers (as defined herein) has authorised anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

Neither the Issuer nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the Offering is not permitted.

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IMPORTANT INFORMATION

The Issuer is a company incorporated in the state of Oklahoma with its principal executive office at 8516 Northwest Expressway, Oklahoma City, OK 73162, United States.

Unless the context otherwise requires, references in this Offering Memorandum to the "Group" refer collectively to the Company and its direct and indirect subsidiaries and subsidiary undertakings. Certain definitions and technical terms used in this Offering Memorandum are defined in the section entitled "*Certain Definitions*."

The Company's internet address is www.convatecgroup.com/ and www.convatec.com. Information posted on the Company's website and those of its affiliates and subsidiaries does not constitute a part of this Offering Memorandum and is not incorporated by reference herein.

The Issuer and the Guarantors are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing Notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under "*Notice to Investors*." in this Offering Memorandum. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

The Issuer and the Guarantors have prepared this Offering Memorandum solely for use in connection with the offer of the Notes to persons reasonably believed to be qualified institutional buyers under Rule 144A and outside the United States to non-U.S. persons under Regulation S. The Issuer and the Guarantors have not authorised its use for any other purpose. This Offering Memorandum may not be copied or reproduced in whole or in part. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. Delivery of this Offering Memorandum to anyone other than such prospective investors is unauthorised, and any reproduction of this Offering Memorandum, in whole or in part, is prohibited. By accepting delivery of this Offering Memorandum, you agree to these restrictions. Please see "*Notice to Investors*."

This Offering Memorandum is based on information provided by the Issuer and the Guarantors and by other sources that the Issuer and the Guarantors believe are reliable. The Issuer and the Guarantors cannot assure you that information included herein is accurate or complete. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any information set forth in this Offering Memorandum, and nothing contained in this Offering Memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future. This Offering Memorandum summarises certain documents and other information and the Issuer and the Guarantors refer you to them for a more complete understanding of the discussions in this Offering Memorandum. The Issuer and the Guarantors will make copies of certain documents available to you upon request. In making an investment decision, you must rely on your own examination of the Group, the terms of the Offering and the Notes, including the merits and risks involved.

The Issuer and the Guarantors are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

You should contact the Initial Purchasers with any questions about the Offering or if you require additional information to verify the information contained in this Offering Memorandum.

The Issuer and the Guarantors reserve the right to withdraw of the Offering at any time and the Issuer and the Guarantors and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes. Please see "*Plan of Distribution*."

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes and the Guarantees under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither the Issuer and the Guarantors nor the Initial Purchasers will have any responsibility therefor.

This Offering Memorandum is not an offer to sell, or a solicitation of an offer to buy, any Notes or the

Guarantees by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Neither the U.S. Securities and Exchange Commission ("SEC"), or any state securities commission nor any other regulatory authority has approved or disapproved the Notes or the Guarantees nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence.

The Issuer and the Guarantors accept responsibility for the information contained in this Offering Memorandum. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of the Issuer's and the Guarantors' knowledge, in accordance with the facts and contains no omission likely to affect the import of this Offering Memorandum.

The Issuer and the Guarantors have accurately reproduced the information from third-party sources under the heading "*Book-Entry; Delivery and Form*" and, as far as the Issuer and the Guarantors are aware and able to ascertain third-party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. While the Issuer and the Guarantors accept such responsibility for accurately summarising such information, the Issuer and the Guarantors accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry; Delivery and Form*," is subject to change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. While the Issuer and the Guarantors accept responsibility for accurately summarising the information concerning DTC, the Issuer and the Guarantors accept no further responsibility in respect of such information.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See "*Notice to Investors*."

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.

Stabilisation

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS BANK EUROPE SE (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

Notice to U.S. Investors

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgments that are described in this Offering Memorandum under "*Notice to Investors*" in this Offering Memorandum.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes will be sold outside the United States to non-U.S. persons in offshore transactions pursuant to Regulation S and within the United States to qualified institutional buyers pursuant to Rule 144A. The Notes are subject to certain restrictions on transfer. Prospective purchasers

are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, please see "*Notice to Investors*."

Notice to Canadian Investors

The Notes may be sold only to purchasers in the Provinces of Alberta, British Columbia, Ontario and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

Notice to United Kingdom Investors

This Offering Memorandum has been prepared on the basis that any offer of the Notes in the UK will be made pursuant to an exemption from the requirement to publish a prospectus for offers of the Notes under the UK Prospectus Regulation. The expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act ("EUWA").

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Professional Investors and ECPs only target market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

This Offering Memorandum is for distribution only to persons who: (i) are outside the UK; (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (iii) are persons falling within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; or (iv) are persons to whom an

invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Notice to Investors in the EEA

This Offering Memorandum has been prepared on the basis that any offer of the Notes in any Member State of the European Economic Area (the "EEA") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded).

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Professional Investors and ECPs only target market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led the manufacturers to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (for the purposes of this provision, a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Norway. This Offering Memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time. Accordingly, this Offering Memorandum may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway.

Switzerland. This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act of 15 June 2018, as amended (the "FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA or has been or will be filed with or approved by a Swiss review body pursuant to article 52 of the FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Germany. The Offering is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the Prospectus Regulation, the PRIIPs Regulation, Securities Prospectus Act of the Federal Republic of

Germany (*Wertpapierprospektgesetz*) (as amended, the "German Securities Prospectus Act") and any other laws applicable in Germany. This offering memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin"). BaFin has not obtained and will not obtain a notification from another competent authority of a Member State, with which a securities prospectus may have been filed, pursuant to Section 25 Para. 1 of the Prospectus Regulation. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this offering memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Article 2 lit. (e) of the Prospectus Regulation. Any resale of the Notes in Germany may only be made in accordance with the Prospectus Regulation, the PRIIPs Regulation, the German Securities Prospectus Act and other applicable laws.

Denmark. This offering memorandum has not been filed with or approved by the Danish Financial Supervisory Authority (Finanstilsynet), the Danish Business Authority (Erhvervsstyrelsen) or any other regulatory authority in Denmark. The notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with the Prospectus Regulations and the Danish Capital Markets Act (Lov om kapitalmarkeder), the Danish Financial Business Act (Lov om finansiel virksomhed) and Executive Orders (bekendtgørelser) issued pursuant thereto as amended from time to time.

Italy. The Offering Memorandum has not been cleared by the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review or clearance by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other offering circular, prospectus, form of application, advertisement or other offering material or document relating to the Notes to be issued, may be distributed or published in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as referred to in Article 2, paragraph (e) of the Prospectus Regulation and any applicable provision of Italian laws and regulations; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuers' Regulation**") and the applicable Italian laws.

Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(i) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r, of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**")), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, CONSOB Regulation No. 20307 of February 15, 2018, as amended, the Issuers' Regulation, Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**") and any other applicable laws and regulations; and

(ii) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, issued on August 25, 2015, as amended on August 10, 2016 and November 2, 2020 and as further as amended from time to time) or any other relevant Italian competent authorities.

Any investor purchasing the Notes, either on the primary or on the secondary market, is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum are not historical facts and are forward-looking. Forward-looking statements appear in various locations, including, without limitation, in the sections entitled "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" and "*Business Description*." This Offering Memorandum also includes forward-looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning the Group's plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, return on capital invested, operating margin, financing needs, plans or intentions relating to acquisitions, the Group's competitive strengths and weaknesses, the Group's business strategy, and the trends the Group anticipates in the industries and the political and legal environments in which the Group operates and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "target," "potential," "expect," "intend," "predict," "project," "could," "should," "may," "will," "plan," "aim," "seek" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

The forward-looking statements contained in this Offering Memorandum are largely based on the Group's expectations, which reflect estimates and assumptions made by the Group's management. These estimates and assumptions reflect the Group's best judgment based on currently known market conditions and other factors, some of which are discussed below. In addition, management's assumptions about future events may prove to be inaccurate. The Group cautions all readers that the forward-looking statements contained in this Offering Memorandum are not guarantees of future performance, and the Group cannot assure any reader that such statements will be realised or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Group's control. These risks, uncertainties and other factors include, among other things, those listed in the section entitled "*Risk Factors*" as well as those included elsewhere in this Offering Memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include risks related to:

- operations in a highly competitive business environment;
- defects, failures or safety or quality issues associated with the Group's products;
- significant product development costs and material delivery delays;
- loss of certain of the Group's key commercial relationships;
- natural or man-made disaster impacts to manufacturing facilities;
- fluctuations in foreign currency exchange;
- global economic trends;
- the COVID-19 pandemic;
- the withdrawal of the United Kingdom from the European Union;
- cost-containment efforts;
- changes in regulatory reimbursement regimes and in regulations, policies, rules and internal cost reduction audit programmes;
- the Group's Strategic Transformation (as defined below);
- international operations, including conducting business outside developed markets;
- compliance with anti-corruption, anti-bribery and anti-money laundering laws;
- development and marketing of new products and technologies in a timely and profitable manner, or expansion into new geographic markets on the timetable planned or at all;
- protecting, maintaining and enforcing its intellectual property;
- environmental, health and safety laws and regulations;
- operational risks for which the Group may not be adequately insured;

- claims of malpractice or adverse regulatory action;
- loss of the Group's key senior management, technical experts or other personnel, or an inability to attract such personnel;
- integration of businesses that the Group may acquire, and the ability to realise the anticipated cost savings, revenue enhancements or other synergies from such acquisitions;
- compliance with privacy and data protection laws and regulations;
- performance of financial reporting and information technology systems and controls;
- potential impairment of goodwill and other intangibles;
- changes in taxation and/or disagreement of tax authorities with the Group's tax positions;
- regulation of medical devices, including with respect to different regulatory regimes, inspections and compliance, regulatory approvals, and participation in the Medicare and Medicaid programmes in the United States; and
- other risk factors associated with the Group's debt profile, structure, the Notes and the Guarantees discussed under "*Risk Factors*."

This list of factors above and the other factors discussed in the section entitled "*Risk Factors*" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect the Group's results of operations, financial condition, liquidity and the development of the industry in which the Group operates. New risks can emerge from time to time, and it is not possible for the Group to predict all such risks, nor can the Group assess the impact of all such risks on the Group's business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this Offering Memorandum. Accordingly, the Group does not intend, and does not undertake any obligation, to update any forward-looking statements set forth in this Offering Memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to the Group or to persons acting on the Group's behalf as being qualified by the cautionary statements in this Offering Memorandum. As a result, you should not place undue reliance on such forward-looking statements.

CERTAIN DEFINITIONS AND GLOSSARY

Unless indicated otherwise in this Offering Memorandum or the context requires otherwise:

"$"or "U.S. dollars"	the lawful currency of the United States
"€" or "euro"	the lawful currency of the member states of the European Union that have adopted the single currency through monetary union in accordance with European Union treaty law, as amended from time to time
"£"or "pound sterling" or "pence"..........................	the lawful currency of the United Kingdom
"APAC"...	Asia Pacific region
"CAGR"	compound annual growth rate
"Company" or "ConvaTec"....................................	ConvaTec Group Plc
"DTC"...	The Depository Trust Company
"EEA"...	the European Economic Area
"EMEA"	Europe, the Middle East and Africa
"EU"	the European Union
"Exchange Act"	United States Securities Exchange Act of 1934, as amended
"Facilities Agreement"	the facilities agreement dated 24 October 2019 (as amended and/or restated from time to time) between, among others, ConvaTec Finance Holding Limited and ConvaTec Inc. as original borrowers and National Westminster Bank plc as facility agent and security agent.
"Facility A"	the $600 million term (equivalent) loan A facility established under the Facilities Agreement
"Facility B"	the $900 million (equivalent) term loan B facility established under the Facilities Agreement
"Group"	the Company and its direct and indirect subsidiaries and subsidiary undertakings
"Guarantees"...	the guarantees of the Notes by the Guarantors
"Guarantors"...	the Company, ConvaTec Inc., Wilmington Medical Supply Inc., ConvaTec Dominican

	Republic Inc., ConvaTec Finance Holdings Limited, ConvaTec Limited, Amcare Limited, Unomedical A/S, Laboratoires ConvaTec SAS, ConvaTec International Services GmbH, ConvaTec Italia S.r.l and ConvaTec (Germany) GmbH
"IFRS"	International Financial Reporting Standards, as adopted by the EU
"Indenture"	the indenture to be dated on or prior to the Issue Date governing the Notes and the Guarantees by and among, *inter alios*, the Issuer, the Guarantors and the Trustee
"Initial Purchasers"	Goldman Sachs Bank Europe SE, J.P. Morgan Securities LLC, BBVA Securities Inc., Danske Markets Inc., DNB Markets, Inc., Fifth Third Securities, Inc., HSBC Bank plc, Mizuho Securities USA LLC, MUFG Securities Americas Inc., NatWest Markets Securities Inc., Skandinaviska Enskilda Banken AB (publ) and SMBC Nikko Securities America, Inc.
"IPO"	the initial public offering of the Shares of the Company, which were admitted to trading on the London Stock Exchange's main market for listed securities on 31 October 2016
"Issuer"	180 Medical, Inc.
"Issue Date"	7 October 2021
"London Stock Exchange"	London Stock Exchange plc
"Notes".	the $500,000,000 aggregate principal amount of the Issuer's 3.875% Senior Notes due 2029 offered hereby
"Offering"	the offering of the Notes and the Guarantees as described in this Offering Memorandum
"Refinancing"	has the meaning ascribed to it in "*Summary—The Refinancing*"
"Regulation S"	Regulation S under the. Securities Act
"Revolving Credit Facility"	the $200 million (equivalent) revolving credit facility established under the Facilities Agreement

"Rule 144A"	Rule 144A under the. Securities Act
"SEC"	U.S. Securities and Exchange Commission
"Securities Act"	United States Securities Act of 1933, as amended
"Shareholders"	the holders of Shares in the capital of the Company
"Shares"	the ordinary shares of the Company, having the rights set out in the Company's articles of association
"Term Loan Facilities"	Facility A and Facility B
"Trustee"	BNY Mellon Corporate Trustee Services Limited
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia

Glossary

The following technical terms (or variations thereof) apply throughout this Offering Memorandum unless the context requires otherwise:

"Abdo-Pressure"	ConvaTec brand of intra-abdominal pressure management devices
"ACA"	the Affordable Care Act (also known as ObamaCare)
"acute fecal incontinence"	also known as encopresis or soiling, and refers to the temporary involuntary passage of stool in adults or children, which occurs in the critical care setting and is most prevalent in ICUs, burn units, hospices and long-term care facilities
"acute wound"	typically a surgical incision or traumatic wound whose causation is acute

"Adhesive Coupling Technology".	ConvaTec brand of proprietary adhesive fastening technology to connect the pouch to the skin barrier in a low-profile design without a raised "snap on" ring; utilised by the ESTEEM synergy Two-Piece Ostomy System
"Advanced Wound Care"	a market category of the Group, which includes dressings, pastes, gels as well as off-loading, compression and negative pressure therapy devices that promote wound healing by a variety of methods (depending on the product) including effectively managing wound exudate, keeping the wound moist in an occlusive or semi-occlusive environment, protecting the wound, managing infection, improving circulation and so forth
"Advanced Wound Care Market"............................	includes advanced dressings (alginates and Hydrofibers, contact layers, hydrogels and super absorbents, silver/ antimicrobials, hydrocolloids and foam), biologics and NPWT
"AQUACEL"..	ConvaTec brand range of advanced wound dressings, utilising Hydrofiber Technology
"AQUACEL Ag"...	ConvaTec brand range of silver-based antimicrobial advanced wound dressings, utilising Hydrofiber Technology
"CCC Market"	includes United States and Europe intermittent catheter and fecal management market
"channel partners"	distribution outlets for the Group, including distributors, wholesalers, hospital buying companies and group purchasing organisations
"chronic wound"...	complex wounds that are caused by repeated insults which do not heal rapidly in the absence of interventional therapies, and which include pressure, venous, arterial, and diabetic foot ulcers
"CMS"	Centers for Medicare and Medicaid Services, an agency of the U.S. Department of Health and Human Services
"colorectal cancer"..	also known as colon/rectal cancer or bowel cancer, the surgery for which may result in the creation of a stoma

"Continence and Critical Care" or "CCC"..............	a market category of the Group
"Continence Care"...	products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes
"Continence Care Market"......................................	the market for intermittent catheters
"ConvaTec Moldable Technology".........................	ConvaTec brand for proprietary technology allowing for the skin barrier opening to be "moulded" by hand (rather than cut with scissors) to customise the shape of the barrier for a patient's unique stoma characteristics
"COVID-19"	the disease caused by a novel strain of coronavirus SARS-CoV-2
"Critical Care"	devices and products used in intensive care units and hospital settings
"Critical Care Market"	the addressable market for the Group's Critical Care business
"DMEPOS"	durable medical equipment, prosthetics, orthotics and supplies
"DOJ"	the U.S. Department of Justice
"drainable pouches"..	ostomy pouches possessing an opening at the bottom of the pouch for more frequent draining of liquid stool or urine; closed with either a clip or a Velcro-like integrated closure called InvisiClose
"DuoDERM"	ConvaTec brand of hydrocolloid dressing that provides a moist wound healing environment and self-adheres to the skin through ConvaTec's patented Durahesive Technology
"Durahesive"	ConvaTec brand for proprietary skin adhesion technology with optimised properties to allow for longer-term adhesion (5–7 days)
"effluent"	effluent generally refers to the faeces or urine coming out of the body through an artificial opening such as a stoma
"ESTEEM"	ConvaTec brand for a One-Piece Ostomy System, closed-end or drainable pouch, with

	upgraded features similar to those found on two-piece systems
"ESTEEM synergy"..	ConvaTec brand for a Two-Piece Ostomy System employing the patented Adhesive Coupling Technology that allows for a low profile and flexibility typical of a One-Piece Ostomy system. This system also offers closed-end, drainable and urostomy pouches
"exudate"	fluid, cells or cellular debris that has filtered from the circulatory system into a lesion or area of inflammation and deposited in tissues or on tissue surfaces and leaking out of the wound
"FDA"...	United States Food and Drug Administration
"Flexi-Seal Fecal Management System"	ConvaTec brand range of fecal containment devices designed to safely and effectively contain and divert liquid fecal matter to protect patients' wounds from fecal contamination and reduce risk of skin breakdown and the spread of infection
"foam"	typically, polyurethane-based dressing with foam-like feel used for wounds with moderate to heavy exudate
"GPO"...	group purchasing organisations
"HITECH"...	the U.S. Health Information Technology and Clinical Health Act
"HIPAA"	the U.S. Health Insurance Portability and Accountability Act of 1996, as amended
"Hospital Care"...	a portfolio within the CCC market category that provides a wide range of high-quality disposable medical devices for use in high-volume procedures in urology, intensive care, operating rooms and other hospital departments
"HSG"...	Home Services Group
"hydrocolloid"	dressing containing a polymeric hydrocolloid material which dissolves, gels, swells (or exhibits some combination of these actions)

	upon interaction with water to provide a moist wound healing environment. Hydrocolloid dressings are typically used for wounds with light to moderate exudates
"Hydrofiber Technology"	ConvaTec brand for proprietary technology based on the unique gelling properties of Hydrofiber materials; serves as the basis of the AQUACEL, AQUACEL Ag, and Versiva XC franchises
"ICU"	intensive care unit
"IDNs"	integrated delivery networks
"Infusion Care"	a market category of the Group that provides disposable infusion sets to manufacturers of insulin pumps for diabetes and other similar pumps, as well as supplying a range of products directly to hospitals and the home healthcare sector
"Infusion Care Market"	refers to the market for durable insulin pumps in the United States and Europe
"InvisiClose"	Velcro-like integrated closure utilised in drainable pouches
"key opinion leader"	a medical industry term that refers to physicians who influence their peers' medical practice
"MDD"	the EU Medical Device Directive
"MDR"	the EU Medical Devices Regulation
"Medicaid"	a social healthcare programme for families and individuals with low income and limited resources in the United States, administered by the U.S. federal government
"Medicare"	a national social insurance programme in the United States, administered by the U.S. federal government
"Natura"	ConvaTec brand for a Two-Piece Ostomy System featuring skin-friendly and clinically-proven adhesives
"NHS"	the United Kingdom's National Health Service

"NPWT"	negative pressure wound therapy
"One-Piece Ostomy System"	a system that combines as a single, integrated unit the skin barrier surrounding the stoma and the pouch collecting the effluent
"ostomy"	a surgical procedure in which an opening for the passage of faeces or urine is created through the abdominal wall in patients with decreased small intestine, colon, rectum or bladder function
"Ostomysecrets"	ConvaTec brand of clothing line to conceal and support ostomy bags
"Ostomy Care"	a market category of the Group
"Ostomy Care Market"	includes accessories (pouches/bags, deodorants and skin barriers) but excludes irrigation products
"patent family" or "patent families"	a collection of patent applications covering the same or similar technical content, with common inventor(s), filed in more than one country. The applications in a family are related to each other through priority claims
"pre-market approval" or "PMA"	regulatory clearance to market a medical device; usually reserved for higher-risk, Class III devices. The FDA will approve a PMA application if the application is found to have reasonable assurance that the device is safe and effective for its intended purpose
"stoma"	the end of a shortened intestine that is surgically brought to and protrudes slightly from the abdominal surface in an ostomy procedure; the stoma lacks both sensation and sphincter control, hence preventing the patient from controlling the intestinal effluent
"Stomahesive"	ConvaTec brand of proprietary skin adhesion technology for shorter-term adhesion properties (i.e. 2–4 days)
"Two-Piece Ostomy System"	ConvaTec proprietary two-piece ostomy system; includes both closed-end, drainable and urostomy pouches

"UnoMeter"	ConvaTec brand of hourly diuresis management system monitoring intra-abdominal pressure
"urostomy"...	a surgically created opening in the abdominal wall to divert urine to the exterior. This can be done by either diverting, using a part of the urinary tract or via a loop of the ileum
"urostomy pouches"..	ostomy pouches collecting urine only, and which possess a special valve or spout which adapts to either a leg bag or night drain tube for overnight urine collection
"Versiva XC"...	ConvaTec brand of proprietary gelling foam wound dressing utilising Hydrofiber Technology

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

THE ISSUER

The Issuer, 180 Medical, Inc., is a corporation incorporated in the state of Oklahoma.

THE COMPANY

The Issuer is a wholly-owned subsidiary of the Company, ConvaTec Group Plc, a listed company incorporated under the laws of England and Wales. The historical financial information included in this Offering Memorandum is that of the Company and its consolidated subsidiaries, which includes the Issuer. Consequently, no financial information with respect to the Issuer is included in this Offering Memorandum. The Indenture governing the Notes will require the Company to prepare and publish annual and semi-annual consolidated financial statements. The Indenture will not require the Issuer, nor does the Issuer intend, to publish consolidated financial information for any prior or future periods.

PRESENTATION OF FINANCIAL INFORMATION

The Company's fiscal year ends on 31 December of each year. This Offering Memorandum includes the following financial information, included elsewhere in this Offering Memorandum:

- the unaudited condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2021 (with unaudited comparative financial information for the six months ended 30 June 2020 and as of 31 December 2020), together with the related notes thereto, prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"), reviewed by Deloitte LLP (the "Interim Condensed Consolidated Financial Statements");
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (with comparative financial information as at and for the year ended 31 December 2019), together with the related notes thereto, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), audited by Deloitte LLP (the "2020 Consolidated Financial Statements"); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (with comparative financial information as at and for the year ended 31 December 2018), together with the related notes thereto, prepared in accordance IFRS, audited by Deloitte LLP (the "2019 Consolidated Financial Statements" and together with the 2020 Consolidated Financial Statements, the "Consolidated Financial Statements").

In the 2020 Consolidated Financial Statements, the comparative information for the year ended 31 December 2019 in the consolidated income statement was restated to reflect a reclassification following a review of cost allocations of general and administrative expenses of $25.9 million and $30.5 million in 2019 and 2020, respectively, principally relating to employee costs and insurance that were reclassified to selling and distribution expenses to better reflect the nature of the costs.

This Offering Memorandum also includes unaudited financial information for the twelve months ended 30 June 2021. The unaudited financial data for the twelve months ended 30 June 2021 has been calculated by subtracting unaudited financial data for the six months ended 30 June 2020 from financial data for the year ended 31 December 2020 and adding unaudited financial data for the six months ended 30 June 2021, all derived from the 2020 Consolidated Financial Statements and the Interim Condensed Consolidated Financial Statements, as applicable, included elsewhere in this Offering Memorandum. The unaudited financial data for the twelve months ended 30 June 2021 is not necessarily indicative of the results that may be expected for the year ending 31 December 2021, or at any future date, and should not be used as the basis for or prediction of an annualised calculation. The financial information for the twelve months ended 30 June 2021 has been prepared solely for the purpose of this Offering Memorandum, was not prepared in the ordinary course of the Group's financial reporting and has not been audited or reviewed.

None of the historical financial information used in this Offering Memorandum has been audited in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") or auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by U.S. GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the historical financial information contained in this Offering Memorandum and the implications of differences between the auditing standards noted herein.

CERTAIN CHANGES IN ACCOUNTING STANDARDS AND ACCOUNTING POLICIES

On 13 January 2016, the International Accounting Standards Board (the "IASB") published IFRS 16 and the European Union adopted IFRS 16 on 9 November 2017. IFRS 16 replaces the requirements of IAS 17 (Leases) and abolishes the classification of leases into operating leases and finance leases for lessees, replacing it with a uniform accounting model for leases, requiring recognition of a right-of-use asset and a corresponding lease liability. The Group adopted IFRS 16 on 1 January 2019. The Group's operating leases impacted by the adoption of IFRS 16 principally relate to real estate and vehicle leases. Finance leases existing at the date of adoption continued to be treated as finance leases and were reclassified from borrowings to lease liabilities. For operating leases existing at the date of the adoption, the Group applied the modified retrospective approach for measuring the right-of-use asset and an amount equal to the lease liability at the date of adoption and, therefore, the Group's audited consolidated financial statements as at and for the year ended 31 December 2018 have not been restated for the adoption of IFRS 16. As a result, the Group's financial information as at and for the year ended 31 December 2018 presented in this Offering Memorandum is not directly comparable with the Group's financial information as at and for the years ended 31 December 2019 and 2020. As a result of the adoption, the Group recognised lease liabilities of $89.5 million and a right-of-use asset of $86.9 million on 1 January 2019 (of which finance lease liabilities represented $23.7 million and $21.1 million of right-of-use assets). The effect on the Group's consolidated income statement for 2019 was an increase of operating profit by $1.5 million and an increase of finance costs by $2.1 million, resulting in a reduction to profit before income taxes of $0.6 million. For more information, see note 1.4 to the 2019 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. For a description of the Group's critical accounting judgments and key sources of estimation and uncertainty, see note 1.3 to the 2020 Consolidated Financial Statements, included elsewhere in this Offering Memorandum. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information, are disclosed in the notes to the Financial Statements included elsewhere in this Offering Memorandum.

NON-IFRS FINANCIAL MEASURES

In this Offering Memorandum, the Group has included references to certain non-IFRS financial measures, including Constant currency revenue growth, Organic revenue growth, Adjusted operating profit ("Adjusted EBIT"), Adjusted EBIT margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted operating expenses, Adjusted income tax expense, Adjusted net profit, Adjusted cash conversion, Adjusted free cash flow and Net debt (the "Non-IFRS Measures").

The Group's Non-IFRS Measures are defined and reconciled herein, see "*—Constant Currency and Organic Revenue Growth*" below and "*Summary Financial and Other Information—Other Financial and Operating Data*".

Management believes that these Non-IFRS Measures reflect the underlying performance of the business and provide a meaningful supplement to the reported IFRS measures to explain how the business is managed and measured on a day-to-day basis. In addition, Non-IFRS Measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of the Non-IFRS Measures and the criteria upon which these measures are based can vary from company to company. These Non-IFRS Measures, by themselves, have limitations as analytical tools and do not provide a sufficient basis to compare the Group's performance with that of other companies. The measures should not be considered in isolation or as a substitute for measures determined in accordance with IFRS, such as (i) profit after tax (ii) operating profit as a measure of the Group's operating performance, (iii) cash flows from operations, investing and financing activities as a measure of the Group's ability to meet its cash needs or (iv) any other measures of performance as defined by IFRS. Each of the EBITDA-based measures presented in this Offering Memorandum is defined and calculated differently from the definition of "EBITDA" presented in the Indenture.

The Group also presents in this Offering Memorandum certain unaudited financial information on an *as adjusted* basis to reflect the impact of the Refinancing as if it had occurred (x) on 30 June 2021 for the purposes of the calculation of the Group's *as adjusted* indebtedness and (y) on 1 July 2020 for the purposes of the calculation of the Group's *as adjusted* finance costs. The unaudited *as adjusted* financial

information has been prepared for illustrative purposes only and does not represent what the Group's actual results would have been had the Refinancing occurred on such dates nor do they purport to project the Group's financial position or finance costs or other *as adjusted* financial ratios at any future date. The financial information on an *as adjusted* basis also assumes that the principal amount of the Notes offered hereby is $500,000,000. To the extent the principal amount of the Notes changes, the *as adjusted* financial information will correspondingly change. The unaudited *as adjusted* financial information has not been prepared in accordance with the requirements of Regulation S-X under the Securities Act, the Prospectus Regulation, the UK Prospectus Regulation, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the *as adjusted* adjustments nor the resulting *as adjusted* financial information have been audited or reviewed in accordance with IFRS or any other generally accepted auditing standards.

CONSTANT CURRENCY AND ORGANIC REVENUE GROWTH

The Group has presented certain financial information from its income statement using constant currency translations of non-U.S. dollar amounts into U.S. dollars as a convenience to investors in comparing the Group's period-to-period performance. Such constant currency financial information has been calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period under review. The key average exchange rates used are as follows:

2018 (applied to 2019 results)	2019 (applied to 2020 results)	Six months to 30 June 2020 (applied to six months to 30 June 2021 results)
€1:$1.18	€1:$1.12	€1:$1.10
£1:$1.34	£1:$1.28	£1:$1.26
DKK1:$0.16	DKK1:$0.15	DKK1:$0.15
JPY1:$0.01	JPY1:$0.01	JPY1:$0.01
AUD1:$0.75	AUD1:$0.69	AUD1:$0.66
CHF1:$1.02	CHF1:$1.01	CHF1:$1.04

The tables below show reported revenue growth and Constant currency revenue growth as calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period under review. Organic revenue growth is calculated as period over period revenue growth at constant currency and excludes the impact of acquisitions and disposals in the period. Constant currency revenue growth and Organic revenue growth are non-IFRS financial measures.

	Six months ended 30 June 2021	Six months ended 30 June 2020	Reported growth/ (decline)	Foreign exchange impact	Constant currency growth / (decline)	Impact of acquisitions and disposals	Organic growth/ (decline)
	($ million)		%	%	%	%	%
Revenue by category							
Advanced Wound Care[(1)]...........	293.8	250.9	17.1	6.4	10.7	(5.6)	16.3
Ostomy Care	273.4	251.8	8.6	4.9	3.7	-	3.7
Continence & Critical Care[(2)]	266.0	244.3	8.9	2.1	6.8	3.8	3.0
Infusion Care............................	174.8	161.0	8.6	2.1	6.5	-	6.5
Total revenue..........................	**1,008.0**	**908.0**	**11.0**	**4.0**	**7.0**	**(0.4)**	**7.4**

(1) Organic revenue growth is adjusted for the disposal of the U.S. Skincare product line on 25 September 2020 which contributed $12.0 million of revenue in the first six months of 2020.

(2) Organic revenue growth is adjusted for the acquisition of Cure Medical on 15 March 2021 which contributed $9.5 million of revenue in the first six months of 2021.

	Year ended 31 December 2020	Year ended 31 December 2019	Reported growth/ (decline)	Foreign exchange impact	Constant currency growth/ (decline)	Impact of acquisitions and disposals	Organic growth/ (decline)
	($ million)		%	%	%	%	%
Revenue by category							
Advanced Wound Care[(1)]...........	546.8	569.9	(4.0)	0.2	(3.8)	(1.1)	(2.7)
Ostomy Care	525.9	525.0	0.2	1.0	1.2	-	1.2
Continence & Critical Care[(2)]	498.6	456.7	9.2	0.1	9.3	0.6	8.7
Infusion Care............................	323.0	275.6	17.2	(0.5)	16.7	-	16.7
Total revenue..........................	**1,894.3**	**1,827.2**	**3.7**	**0.3**	**4.0**	**(0.2)**	**4.2**

(1) Organic revenue growth is adjusted for the disposal of the U.S. Skincare product line on 25 September 2020 which contributed $6.2 million of revenue in the fourth quarter of 2019.

(2) Organic revenue growth is adjusted for the acquisition of Southlake Medical on 1 October 2019 which contributed an additional $2.7 million of revenue in 2020.

	Year ended 31 December 2019	Year ended 31 December 2018	Reported growth/ (decline)	Foreign exchange impact	Constant currency growth/ (decline)	Impact of acquisitions and disposals	Organic growth/ (decline)
	($ million)		%	%	%	%	%
Revenue by category							
Advanced Wound Care	569.9	587.5	(3.0)	(3.5)	0.5	-	0.5
Ostomy Care	525.0	533.3	(1.6)	(3.5)	1.9	-	1.9
Continence & Critical Care[(1)]	456.7	443.0	3.1	(1.3)	4.4	0.3	4.1
Infusion Care............................	275.6	268.3	2.7	(1.4)	4.1	-	4.1
Total revenue	**1,827.2**	**1,832.1**	**(0.3)**	**(2.7)**	**2.4**	**0.1**	**2.3**

(1) Organic revenue growth is adjusted for the net $1.4 million contribution of revenue from the 2018 acquisition of J&R Medical and Symbius divestment, and 2019 acquisition of Southlake Medical.

The measures presented on a constant currency and organic basis should not be considered in isolation or as an alternative to the measures presented on a reported basis in the Group's income statement or the notes thereto, and should not be construed as a representation that the relevant currency could be or was converted into U.S. dollars at that rate or at any other rate.

ROUNDINGS

Certain data in this Offering Memorandum, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Offering Memorandum may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Offering Memorandum to "sterling", "pounds sterling", "£", or "pence" are to the lawful currency of the United Kingdom. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "U.S. dollars", or "$" are to the lawful currency of the United States.

MARKET, ECONOMIC AND INDUSTRY DATA

Unless the source is otherwise stated, the market, economic and industry data in this Offering Memorandum constitute the Company's estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Offering Memorandum from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by BioMedGPS; Future Market Insights ("FMI"); Espicom Business Intelligence ("Espicom"); Global Industry Analysts, Inc. ("GIA"); iData Research; International Diabetes Federation ("IDF"); Daedal Research; Euromonitor; Global Health Exchange ("GHX"); World Cancer Research Fund International; Crohn's and Colitis Foundation of America; Frost & Sullivan; Centers for Medicare and Medicaid ("CMS"); Markets and Markets; BMI Research; HME News; the World Health Organisation ("WHO"); T1D Exchange; Division Resources Group ("DRG"); IMS Health; Groupement pour l'Elaboration et la Réalisation de Statistiques ("GERS"); Bliss, Johnson, Savik, Clabots, Gerding (2000); Junkin, Selekof (2007); Gist, Tio-Matos, Falzgraf, Cameron, Beebe (2009); Finkelstein (2012); The Pittsburgh Epidemiology of Diabetes Complications Study Cohort (2012); Kalorama Information; and the United Nations.

While management believes the third-party information included herein is reliable, the Company has not independently verified such third-party information, and neither the Company nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information as set forth in this Offering Memorandum. The Company confirms that all third-party data contained in this Offering Memorandum has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

SUMMARY

The following overview information should be read as an introduction to the more detailed information appearing elsewhere in this Offering Memorandum, including the consolidated financial information of the Company and the accompanying notes included elsewhere in this Offering Memorandum. Any decision by a prospective investor to invest in the Notes should be based on consideration of the Offering Memorandum as a whole, including the information discussed in "Cautionary Note Regarding Forward-Looking Statements", "Presentation of Financial and Other Information", "Description of the Notes" and "Risk Factors" and not solely on this summarised information.

Overview

ConvaTec is a global medical solutions company focused on the management of chronic conditions, including products and services used for advanced chronic and acute wound care, ostomy care, continence and critical care and infusion care (used in the treatment of diabetes and other conditions). Across its operations as a developer, manufacturer and marketer of innovative medical products, ConvaTec has a leading position in a number of attractive, structurally growing chronic care markets. The Group expects trends such as ageing populations and the increase of chronic conditions to continue driving demand for its solutions globally. The Group operates across four major market categories:

Advanced Wound Care ("AWC"). The Advanced Wound Care category provides advanced wound dressings for the management of chronic wounds resulting from ongoing conditions such as diabetes, immobility and venous disease, and acute conditions resulting from traumatic injury, burns, invasive surgery and other causes. AWC accounted for 28.9% of the Group's revenue in 2020.

Ostomy Care ("OC"). The Ostomy Care category provides devices, accessories, services and digital tools for people with a stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer, obesity and other causes. OC accounted for 27.8% of the Group's revenue in 2020.

Continence & Critical Care ("CCC"). The Continence & Critical Care category provides products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The category also supplies devices and products used in intensive care units and hospital settings. CCC accounted for 26.3% of the Group's revenue in 2020, of which Continence Care accounted for 18.3% and Critical Care accounted for 8.0%.

Infusion Care ("IC"). The Infusion Care category provides disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions such as Parkinson's disease. In addition, the category supplies a range of products to hospitals and the home healthcare sector. Infusion Care accounted for 17.0% of the Group's revenue in 2020.

The following table sets out the Group's revenue on a reported basis, as well as the period-on-period revenue growth by market category on a constant currency basis, which is a non-IFRS measure. For further information on reported revenue growth and constant currency revenue growth, see "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*".

	Year ended 31 December			**Six months ended 30 June**	
	2018	**2019**	**2020**	**2020**	**2021**
	($ million, unless otherwise stated)				
Total reported revenue....	**1,832.1**	**1,827.2**	**1,894.3**	**908.0**	**1,008.0**
Reported revenue growth	**n.a.**	**(0.3)%**	**3.7%**	**n.a.**	**11.0%**
Constant currency revenue growth[(1)]					
Advanced Wound Care.......	n.a.	0.5%	(3.8)%	n.a.	10.7%
Ostomy Care	n.a.	1.9%	1.2%	n.a.	3.7%
Continence & Critical Care.......	n.a.	4.4%	9.3%	n.a.	6.8%
Infusion Care	n.a.	4.1%	16.7%	n.a.	6.5%
Total.................................	**n.a.**	**2.4%**	**4.0%**	**n.a.**	**7.0%**

Notes:

(1) In this table, constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information – Constant currency and Organic revenue growth.*"

In the twelve months ended 30 June 2021, the Group generated revenue of $1,994.3 million, Adjusted EBITDA of $474.5 million and Adjusted EBIT of $372.8 million.

Competitive Strengths

Leading positions in large, structurally growing global markets

ConvaTec operates in large, structurally growing global markets, with growth driven by favourable underlying demand: such as an ageing global population, an increase in the prevalence of chronic conditions and increased life expectancy of patients suffering from those chronic diseases.

Many of the Group's core products across its four categories hold a leading position in their addressable markets.

- *Advanced Wound Care:* management believes the Group is strongly positioned within certain high-growth segments of the global Advanced Wound Care Market, including in 2020 a number one position in silver dressings and hydrocolloid dressings as well as a number two position globally in advanced wound dressings. The global Advanced Wound Care Market is the Group's largest addressable market (approximately $8.0 billion in 2021) and management expects it to grow at a CAGR of approximately 4% per annum between 2021 and 2024, driven by the increase in the number of addressable wounds and a continued shift from traditional to more advanced wound care products, such as foam and antimicrobial therapies.
- *Ostomy Care:* in the Ostomy Care Market, in 2019 the Group held the number two position in the United States and Europe. Management estimates that the global Ostomy Care Market was worth approximately $2.6 billion in 2020 and projects that it will grow at a CAGR of approximately 4% per annum between 2021 and 2026, driven by a number of trends, including increasing patient volumes, as the prevalence of underlying conditions such as colorectal cancer and Crohn's disease continues to increase, supported by expanded access to surgery in more markets globally and enhanced levels of customer service (including increased independence) sought by patients with these conditions.
- *CCC:* in 2020, the Group estimates that it was the number one retailer of intermittent catheters in the United States and number one provider of fecal management systems globally. The CCC Market (comprising the United States and European intermittent catheter and fecal management market) is forecast to grow, driven by increasing levels of incontinence as a result of age and disease, a shift from multi-use to single-use catheter products as well as an increased focus on preventative care for risks of infections acquired in hospital. Management estimates that the Continence Care Market, which comprised 69.5% of the Group's revenues from the CCC category in 2020, is worth over $2 billion in 2021 and expects it to grow at a CAGR of approximately 4% per annum between 2021 and 2026.
- *Infusion Care:* the Group supplies the leading global durable insulin pump manufacturers. Management estimates that the Infusion Care Market is valued at approximately $2.7 billion of which infusion sets represents approximately $1.2 billion. Management expects the Infusion Care Market to grow at a CAGR of approximately 7% per annum between 2021 and 2026, reflecting an on-going increase in the prevalence of diabetes in both developed and developing economies and the growing penetration of insulin pump usage by Type 1 and Type 2 patients.

Diversified chronic care business with strong brands and differentiated products

ConvaTec has a well-balanced business across products, segments, geographies and payers. The Group's revenue is distributed across four key product categories. Geographically, the Group derives revenue from customers primarily in the Americas and EMEA, accounting for 53.6% and 38.6% of the Group's revenue in 2020, respectively, with the remaining revenue coming from APAC. The Group is not reliant on any single product, technology or country.

In 2020, the Group generated more than 85% of its revenue from products used by patients with chronic care conditions, conditions that are experienced over a long duration and generally progress slowly. Many patients who are using ConvaTec's Ostomy Care, Infusion Care or Continence Care products will

ultimately use them for the rest of their lives, with a relatively low degree of switching once a patient finds a product solution that works for them. Since the treatment of many of these conditions is non-discretionary, the Group's revenue from these products is largely non-cyclical. This pattern of consumption leads to recurring revenue streams for the Group. During the COVID-19 pandemic, the diversified nature of the business enabled the Group to continue to grow revenue at 4% on a constant currency basis notwithstanding the fact that the AWC category was negatively impacted by a sharp reduction in elective procedures and restricted access to certain healthcare settings.

The Group's business is further underpinned by its product portfolio, which is characterised by differentiated products and strong brands.

- *Advanced Wound Care:* the AQUACEL brand (launched in 1996) is highly recognised by healthcare professionals for its superior quality and the effectiveness of its Hydrofiber solutions. Management believes that the Group's antimicrobial silver dressings, marketed under the AQUACEL Ag brand, provide highly effective chemistry for the healing of wounds. In addition, the Group developed its AQUACEL Ag+ brand, which combines its Hydrofiber technology with its patented anti-biofilm technology, in order to improve healing outcomes, reduce infection and aid healthcare providers in reducing the cost of care. In 2019, the Group launched ConvaMax in Europe, its first product in the superabsorbent dressings market, which reinforces the Group's differentiated offering.

- *Ostomy Care:* the Group has a competitive ostomy portfolio of ConvaTec branded products which have effective adhesive properties that are reviewed highly by patients. The Group's key products include the Esteem+ 1-piece and Natura+ 2-piece pouch ranges. The Group also continues to invest in its me+ programme for ostomy patients, which provides support for patients living with their ostomies and an ongoing forum for ConvaTec to maintain contact with existing and potential customers. Key differentiating factors of the me+ offering include a dedicated team of nurses and product specialists as well as a range of online resources covering lifestyle tips and advice, educational and guided recovery tools and peer-to-peer support. In 2020, the Group expanded the programme to include more virtual support services and also began to leverage its Home Services Group ("HSG"), the Group's direct-to-consumer business which supports patients in the provision of their products and operates under the 180 Medical trade name in the United States and Amcare Group in the United Kingdom. As of 31 December 2020, the Group had over 360,000 enrolled members in its me+ programme. As part of the Group's Strategic Transformation, the Group is reducing the complexity of its Ostomy Care product portfolio.

- *CCC:* the Group's innovative GentleCath FeelClean™ catheter technology allows for easy insertion of the catheter with low tissue deformation. The Group's HSG business, notably its 180 Medical brand, is a market leader in the distribution of Continence products and is an important driver of performance in the CCC category. The majority of HSG's patients use Continence Care products and HSG distributes products manufactured by third parties as well as products from the Group's other market categories. The Group estimates that it is the established market leader in fecal management solutions with its Flexi-Seal range (as of 2020). The Group also has a strong position in urine monitoring in the markets in which it operates with its UnoMeter products.

- *Infusion Care:* the Group has achieved a strong position as a result of its advanced technology product offering, strong intellectual property protections and high-quality manufacturing process delivering infusion sets of a uniform quality level in high volumes across a range of major insulin pump manufacturers. The Group's key products include the Inset and Neria product families. In this sub-segment of the medical device market, quality is fundamental given the potential adverse consequences of defective products for patients. The Group's category position reflects the trust that infusion pump manufacturers and patients place in the Group's manufacturing processes and products.

Renewed focus on innovation and improving pipeline

The Group traces back its legacy of innovation starting 50 years ago with the research and development of hydrocolloids and its first product, Stomahesive for Ostomy Care when it was a division of ER Squibb (later on Bristol Myers Squibb). Since then, key innovations have included the development of the AQUACEL dressing with Hydrofiber Technology platform (1996) in Advanced Wound Care; Moldable Technology (2002) in Ostomy Care; the Flexi-Seal Fecal Management System (2005); GentleCath intermittent catheters (2013) in CCC and the Inset (2005) in Infusion Care. The Group has continued to

build on these technology platforms. In the area of Advanced Wound Care, product launches include the AQUACEL Foam range in 2012 and the AQUACEL Ag+ silver product range in 2014, which management believes uniquely address the problem of bacterial infection and biofilm on wounds. In 2019, the Group launched ConvaMax in Europe, its first product in the superabsorbent dressings market. In the area of Infusion Care, the Inset product family was extended with a new all-in-one infusion set, Inset Guard, in 2017. Inset Guard exhibits unprecedented user experience with, virtually, one user step, making this product suitable for patient populations with reduced dexterity. The Group also launched a new extended wear infusion set in the first quarter of 2021.This focus on developing ranges of products around core technology platforms that can then be customised for applications across four major therapy areas which will enable the Group to drive further innovation from its research and development expenditure.

An important element of the Group's treatment proposition are the evidence-based claims that support its product portfolios across all four categories. For example, AQUACEL products have been subject to a significant number of studies, and the strength of the technology and efficacy of the Group's AQUACEL offerings have been cited in over 200 scientific and clinical papers. A clinical study demonstrated that, within an average of 4.5 weeks, 34% of previously static wounds were completely healed and 90% reduced in size when treated with AQUACEL Ag+. Similarly, the Group's Moldable Technology for ostomy patients has been investigated extensively and exclusively cited in scientific and clinical papers. Such studies have highlighted the post-surgery benefits of its adhesive qualities; for example, finding that 96% of patients maintained normal skin integrity for two months following treatment with the Group's Moldable Technology skin barrier product.

Management believes that the Group's product offering is underpinned by existing and developing core competencies: infection detection and prevention; advanced materials, process development, user centred design and mechatronics/software as medical devices. These core competencies drive innovation in the single use disposables category of medical technology across the Group's four markets or therapy areas, namely Advanced Wound Care, Ostomy Care, Continence Care and Infusion Care.

The Group's research and development capabilities are primarily based in global technology centres located in the United Kingdom, Denmark, Slovakia and United States (currently being established in Boston). The Group's continuous innovation and proprietary know-how are combined with intellectual property protection across all key technology platforms, with over 300 active patent families and more than 2,600 patents and patent applications (on a provisional and non-provisional basis) globally as set out in the Group's annual report published on 22 March 2021 and available on the Group's website (the "2020 Annual Report").

Consistent with the company's strategy, in 2020, the Group increased its investment in research and development by 53.2% as compared to the prior year and conducted a strategic review of its research and development function, which resulted in the creation of a new "Technology and Innovation" function spanning R&D, medical and regulatory capabilities. This also included the creation of a technology centre focussed on innovation in Boston. See "—*Strategy*." The Group has an innovation pipeline that spans across its business areas, which consists of projects and programmes in different stages of R&D.

Attractive financial profile with strong cash generation

The Group's financial profile demonstrates robust financial performance following the launch of its Strategic Transformation in 2019, which aims to pivot the Group to sustainable and profitable growth by in part increasing investments in research and development and sales and marketing, as well as investing in digital and manufacturing capital expenditure. See "—*Strategy*." On a constant currency basis, revenue grew 4.0% in 2020 and 7.0% in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020. The Group's Constant currency revenue growth reflects the strength of the Group's attractive, diversified portfolio, with the impact of the COVID-19 pandemic being broadly neutral on the Group's performance overall.

The Group generates strong margins from its product portfolio, with an Adjusted Gross Margin (excluding impacts from amortisation of certain intangible assets and certain costs that are excluded by management in assessing the operating performance of the business) of 59.5% and 59.8% in the year ended 31 December 2020 and the twelve months ended 30 June 2021, respectively, and an Adjusted EBIT margin of 18.5% and 18.7% in the same periods, respectively. This level of profitability reflects the Group's current scale, its established brands and strong and protected technology, investment in the Group's Strategic Transformation as well as the benefits of a shared central infrastructure. The Group's new Global Business Services Centre was established in 2020 and the Group expects to leverage further benefits from the centre over time as more functions like HR and IT are migrated. See "—*Strategy*."

The Group operates in the chronic care market and thus the nature of its product offerings has resulted in consistent and robust recurring cash flows with net cash generated from operating activities amounting to $352.0 million, $401.8 million, $399.5 million and $131.0 million in 2018, 2019, 2020 and the six months ended 30 June 2021. The Group generates significant free cash flow with an adjusted cash conversion ratio of 90.3% and 80.5% in the year ended 31 December 2020 and the twelve months ended 30 June 2021, respectively (calculated as cash generated from operations adjusted for the effects of certain cash and non-cash items that management believes are not related to the underlying performance of the Group and net of additions to property, plant and, equipment and intangible assets divided by Adjusted EBITDA). Management believes that the Group's strong cash flow generations enables medium term leverage to remain stable allowing for organic and inorganic growth opportunities.

Experienced management team

The Group has an experienced executive leadership team (the "ConvaTec Executive Leadership Team" or "CELT"), with substantial experience in the healthcare industry. Most members of the CELT have served long tenures at other leading medical companies.

The CELT is led by Chief Executive Officer Karim Bitar, who joined ConvaTec in 2019. Mr. Bitar has previously held international leadership roles with Genus plc (Group CEO) and Eli Lilly & Company (President of Europe, Canada and Australia). The Group's CFO, Frank Schulkes, joined ConvaTec in 2017. Mr. Schulkes was previously CFO of Wittur Group and prior to that spent 27 years with GE in a variety of senior financial leadership roles, including as CFO of GE Healthcare.

The CELT has been reinvigorated and strengthened in recent years and the members are all committed to executing the FISBE Strategy as the Group pivots to sustainable and profitable growth, see "—*Strategy*."

Strategy

Over the past two years, the Group has set in place a clear execution strategy that focuses on pivoting the Group to sustainable and profitable growth. In 2019, the Group established a new purpose ("Pioneering trusted medical solutions to improve the lives we touch") and launched its Strategic Transformation (the "Strategic Transformation"). The Strategic Transformation, also referred to as the FISBE Strategy, is being implemented through five strategic pillars: Focus, Innovate, Simplify, Build and Execute, each as further described below. Since 1 January 2019, the Group has invested over $285 million (including capex) in the Strategic Transformation. Of such investments, $39.4 million in 2019 and $50.6 million in 2020 were non-recurring investments. After 2021, the Group expects non-recurring elements of its Strategic Transformation to be largely complete.

Focus: invest strategically in key markets and categories

The Group is focusing its investment on its four key categories (Advanced Wound Care, Ostomy Care, Continence Care and Infusion Care) and on 12 key geographic markets, notably the United States and China. For example in 2019, the Group expanded its AWC salesforce in the United States. In 2020, the Group increased its investment in China, a key market, embedded a new leadership team in the region and by the end of the year, had doubled its presence in China to more than 300 employees. In Ostomy Care and Continence Care, the Group strengthened its U.S. sales and marketing leadership during 2020.

As well as investing, where appropriate, the Group will divest non-core activities or rationalise its product portfolio. In 2020, the Group disposed of its U.S. skincare product line and exited 26 less profitable markets.

In addition, management intends to maintain and develop the Group's competitive offering by exploring partnerships or bolt-on acquisitions which strengthen the business either by adding scale in key geographies, enhancing the Group's product offering or strengthening capabilities within the Group.

Innovate: provide differentiated patient-centric trusted medical solutions

Management intends to further strengthen the Group's innovation capabilities by rolling out a single uniform new product development and launch process across all categories. The Group has an innovation pipeline that spans across its four key categories, and which consists of projects and programmes in different stages of R&D. In addition, management intends to gradually increase the level of automation in the Group's manufacturing operations including through the use of robotics.

Simplify: simplify operating model to be more customer-centric, agile and accountable

The Group is in the process of migrating from a complex country-led matrix organisation to a new operating model with six integrated global business units: Advanced Wound Care, Ostomy Care, Continence Care, Infusion Care, Emerging Markets and Home Services Group. These six global business units are supported by the new Technology and Innovation function, an enhanced Quality and Operations function, various global support functions and the Transformation Office. Management believes that the new operating model offers improved proximity to patients and caregivers supported by global expertise.

Furthermore in 2020, the Group established a new Global Business Services Centre in Lisbon, Portugal and has since transitioned certain transactional finance activity to the centre. Management intends to continue migrating certain financial and IT activities to the Lisbon centre and streamlining internal processes. The Group continues to evaluate its categories, products and markets and may from time to time pursue additional opportunities to optimise or simplify its business. At the product level, for example, the Group is in the process of rationalising certain Ostomy SKUs to reduce complexity.

Build: build mission-critical core capabilities across the value chain

In 2020, the Group made four key hires to the CELT and strengthened its global leadership team in key areas such as quality control, regulatory, sales, marketing, medical and product development. The Group also created a Salesforce Centre of Excellence and a Marketing Centre of Excellence and both functions are starting to implement initiatives to improve their respective capabilities across the Group. Management intends to continue strengthening the Group's sales and marketing activities with a focus on digital interactions and will more broadly roll out the Group's common Customer Relationship Management platform. Management also intends to establish new centres of excellence in medical education and quality.

Execute: instil executional excellence across the organisation

The Group has and will continue to instil execution discipline by embedding its execution methodology and expanding training via its Transformation Execution Office ("TEO"). With the support of the TEO, all major transformation initiatives now have a detailed business case, CELT sponsorship and clear metrics, milestones and accountability. The TEO then monitors, on a weekly basis, each of the initiatives and leadership meetings are conducted if there is notable slippage in the execution timetable. In 2020, the TEO tracked over 100 initiatives such as optimising materials and scrap, bringing elements of production in-house and identifying and realising procurement cost savings. The Group is continuing to embed its execution excellence methodology across its operations, including by increasing the number of employees who have completed its "Ability2Execute" training module.

Response to COVID-19 and its impact

In response to the COVID-19 pandemic, in March 2020, the Group established a dedicated Rapid Response Team led by the CEO that focused on the following key workstreams:

- *People* – The Group adjusted work practices including implementation of social distancing and hygiene protocols and associated training and certification to support these initiatives. Personal protective equipment is provided at the Group's manufacturing sites and, as soon as practicable, the Group introduced antigen testing for site visitors and employees who need it as part of contact tracing. The Group responded rapidly with all office-based colleagues becoming remote workers and drove access and adoption of IT tools to support the change, ensuring that the Group's controls remained effective. These enhanced IT tools have also facilitated communication with colleagues and increased access to online training. The Group did not furlough any employees nor take advantage of any other governmental COVID-19 support programmes available. Utilising the "MyConvaTec" app, the Group maintained real-time two-way communications with its people and enhanced its employee support network during the COVID-19 pandemic. The Group continues to respond quickly to evolving local government restrictions and requirements with the overriding focus being the wellbeing of colleagues.

- *Supply chain* – To ensure the continued supply of the Group's products, the Group's global quality and operations team worked closely across its sites to maintain production capability. The Group liaised regularly with its supply chain partners, including third-party manufacturers, to ensure the sustainability of supply. Overall delivery to wholesalers, distributors, hospitals and patients has not been interrupted and management believes that the initiatives it deployed have strengthened the resilience of the Group's supply chain.

- *Customers* – The Group continued to serve customers throughout the COVID-19 pandemic and provided timely product deliveries without material interruptions. Finding ways to interact with customers in different and innovative ways was another key priority of the Group. The Group accelerated investment in its digital capabilities and used digital channels and social media to communicate with customers, hospitals and clinicians. These channels are complementing face-to-face interactions as access to healthcare facilities returns. Furthermore, the Group is investing in the advancement of e-commerce platforms to facilitate customer purchasing and delivery of products.
- *Financial liquidity* – The Group monitored its cash position on a daily basis. The Group is a cash generative business with a strong balance sheet. As of 30 June 2021, the Group had $501.1 million of available cash and an undrawn Revolving Credit Facility of $200.0 million. For the twelve months ended 30 June 2021, the Group generated adjusted free cash flow of $313.1 million with an adjusted cash conversion ratio of 80.5% (the calculation of adjusted cash conversion is defined in "*Summary Financial and Other Information—Other data*").
- *Medical* – Led by the Group's Chief Medical Officer, the Group closely monitored the developing scientific understanding of COVID-19, government regulations and the impact of evolving regulations on the Group's people and the care givers that the Group serves. The Group also tracked cases within colleagues versus local population trends. All of this science-based analysis guided the Group's response to the challenges of the COVID-19 pandemic.

In the latter part of 2020, the Group transitioned from the Rapid Response Team to a New Normal Oversight Team that has been focusing on ensuring the Group remains well positioned for long-term, sustainable and profitable growth.

The overall impact of the COVID-19 pandemic has been broadly neutral on the Group's total revenue. As a result of the COVID-19 pandemic, revenue attributable to the Group's Advanced Wound Care category decreased 4% on a reported basis and 3.8% on a constant currency basis from 2019 to 2020, primarily due to a decrease in elective surgeries and restricted access to healthcare settings. However, revenue attributable to the Group's Continence & Critical Care category increased by 9.2% on a reported basis and 9.3% on a constant currency basis from 2019 to 2020, owing to the significant demand for ICU products during the COVID-19 pandemic. In addition, the 17.2% growth in revenue on a reported basis and 16.7% growth in revenue on a constant currency basis attributable to the Group's Infusion Care category from 2019 to 2020 was also partially due to an increase in stocking levels during the COVID-19 pandemic.

In the six months ended 30 June 2021, revenue attributable to the Group's Advanced Wound Care increased by 17.1% on a reported basis and 10.7% on a constant currency basis (16.3% on an organic basis) as compared to the prior year which was depressed due to COVID-19. Revenue attributable to the Group's Continence & Critical Care category increased 8.9% on a reported basis and 6.8% on a constant currency basis (3.0% on an organic basis) in the six months ended 30 June 2021, driven by normalisation of new patient starts in Continence Care, partially offset by Critical Care which had strong comparatives due to COVID-19. Revenue attributable to the Group's Infusion Care and Ostomy Care also increased on a reported basis by 8.6% individually, and on a constant currency basis by 6.5% and 3.7%, respectively, in the six months ended 30 June 2021, driven by continued strong demand.

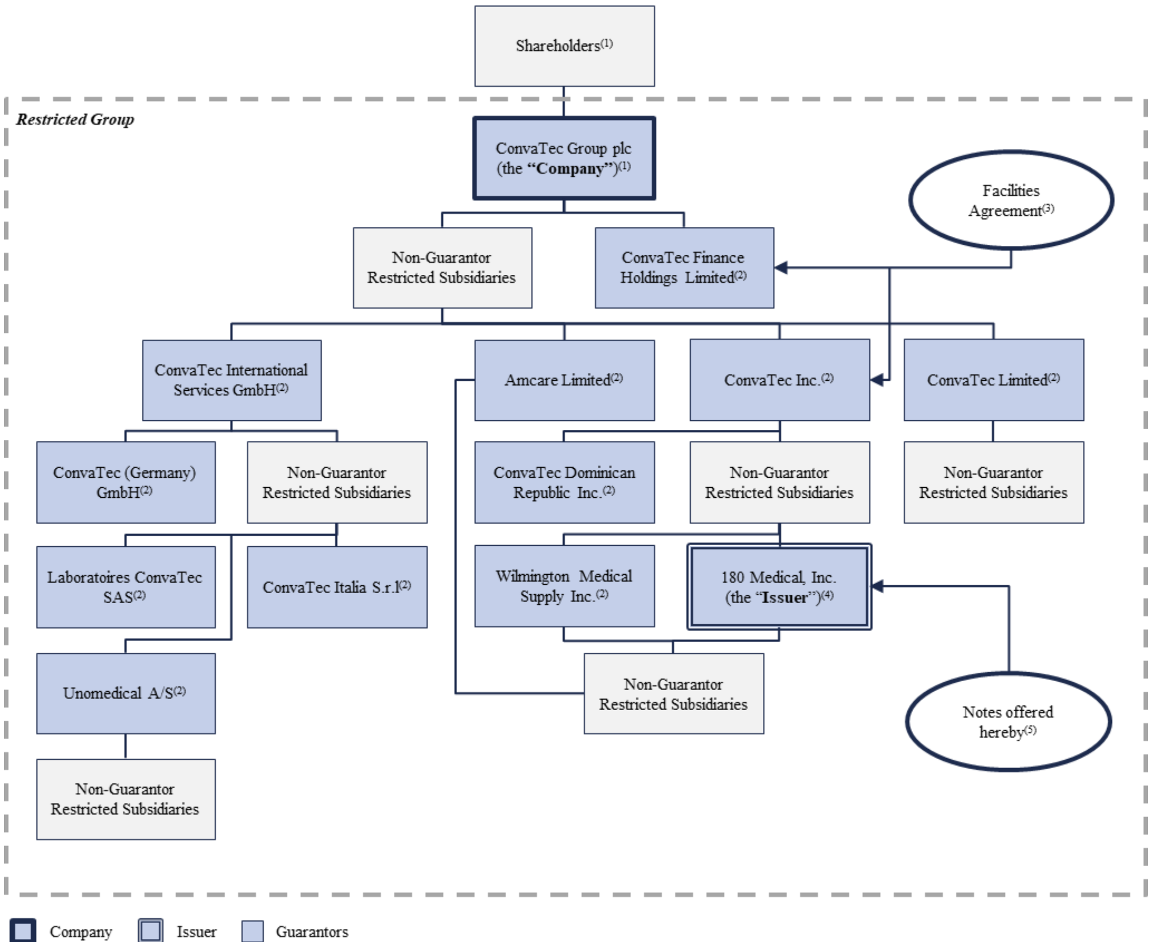
The extent to which the COVID-19 pandemic may impact the Group's future results of operations and overall financial performance remains uncertain. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group is exposed to material impacts from a pandemic*."

The Refinancing

On the Issue Date, the Issuer intends to issue the Notes and to use the gross proceeds of the Offering to repay a portion of the Term Loan Facilities and pay related fees and expenses (together, the "Refinancing"). See "*Use of Proceeds.*"

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarises the Group's corporate structure and shows the Group's principal outstanding financing arrangements after giving effect to the Refinancing:



(1) The Company is a publicly traded company on the Premium Segment of the Official List and the main market of the London Stock Exchange and had a market capitalisation of $6,227.9 million (using a rate of $1.3678 per £1.00) as at 24 September 2021. For further information on the Company's shareholders, please see "*Principal Shareholders*."

(2) The Notes will be guaranteed, on a joint and several basis, fully and unconditionally by the Guarantors. As of and for the year ended 31 December 2020, on an unconsolidated basis, the Issuer and the Guarantors together represented 70.9% of the Group's total revenues and 76.8% of the Group's total assets. The Guarantees (i) will be senior unsecured obligations of the relevant Guarantor; (ii) will rank *pari passu* in right of payment with any existing and future unsecured debt of the relevant Guarantor that is not subordinated in right of payment to the relevant Guarantee, including obligations owed to lenders under the Facilities Agreement; (iii) will rank senior in right of payment to any existing and any future debt of the relevant Guarantor that is expressly subordinated in right of payment to the relevant Guarantee; (iv) will be effectively subordinated to any existing and future secured debt of the relevant Guarantor that is secured by liens on property or assets that do not secure such Guarantee, to the extent of the value of such property or assets so securing such debt, including capitalised leases on vehicles, machinery or other property assets; and (v) will be structurally subordinated to any existing and future debt of subsidiaries of the relevant Guarantor that are not providing Guarantees, including borrowings under the Facilities Agreement. The Guarantees may be subject to guarantee limitations as described in "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*." As at 30 June 2021, the Group's subsidiaries that will not guarantee the Notes had no external

financial indebtedness outstanding. The Guarantees will be subject to release under certain circumstances. See "*Description of the Notes—Guarantees*."

(3) ConvaTec Finance Holdings Limited and ConvaTec Inc. are the original borrowers under the Facilities Agreement. The facilities under the Facilities Agreement are guaranteed by the Issuer, the Guarantors and certain other subsidiaries of the Company that will not guarantee the Notes, including Surecalm Healthcare Limited, ConvaTec Holdings U.K. Limited, Unomedical Limited, PRN Medical Services LLC, WPI Acquisition Corp, ConvaTec (Switzerland) GmbH, Papyro-Tex A/S, ConvaTec (Denmark) A/S, ConvaTec France Holdings SAS, Eurotec GmbH and Boston Medical Device Dominicana S.R.L. The facilities under the Facilities Agreement are secured by a share pledge over the shares of ConvaTec Holdings U.K. Limited and rank pari passu in right of payment as between themselves. Pursuant to the intercreditor agreement dated 24 October 2019 between, *inter alios*, the Company and National Westminster Bank PLC as facility agent and security agent (the "Intercreditor Agreement"), the pledge over shares securing the Facilities Agreement will be released upon the consummation of the Offering. The Issuer intends to use the gross proceeds of the Offering to prepay a portion of the Term Loan Facilities and pay related fees and expenses. See "*Use of Proceeds*", "*Capitalisation*" and "*Description of Other Indebtedness*."

(4) The Issuer is a company incorporated in the state of Oklahoma with its principal executive office at 8516 Northwest Expressway, Oklahoma City, OK 73162, United States.

(5) The Notes (i) will be general unsecured obligations of the Issuer; (ii) will rank pari passu in right of payment with any existing and future unsecured debt of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Issuer's obligations under indebtedness incurred under the Facilities Agreement, as a guarantor thereunder; (iii) will rank senior in right of payment to any existing and any future debt of the Issuer that is expressly subordinated in right of payment to the Notes, if any; (iv) will be effectively subordinated to any existing and future secured debt of the Issuer or its subsidiaries, to the extent of the value of such property or assets so securing such debt, including capitalised leases on such property or assets; (v) will be guaranteed on a senior unsecured basis by the Guarantors, which guarantees may be subject to the guarantee limitations as described in "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*"; and (vi) will be structurally subordinated to any existing and future debt of subsidiaries of the Issuer that are not providing Guarantees including borrowings under the Facilities Agreement.

OVERVIEW OF THE OFFERING

The overview below describes the principal terms of the Notes and the Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The section entitled "Description of the Notes" of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes and the Guarantees, including definitions of certain terms used in this overview.

Issuer	180 Medical, Inc. (the "Issuer").
Guarantors...	the Company, ConvaTec Inc., Wilmington Medical Supply Inc., ConvaTec Dominican Republic Inc., ConvaTec Finance Holdings Limited, ConvaTec Limited, Amcare Limited, Unomedical A/S, Laboratoires ConvaTec SAS, ConvaTec International Services GmbH, ConvaTec Italia S.r.l and ConvaTec (Germany) GmbH (the "Guarantors").
Notes Offered.......................................	$500,000,000 aggregate principal amount of 3.875% Senior Notes due 2029 (the "Notes").
Issue Date	7 October 2021 (the "Issue Date").
Issue Price	100.000% plus accrued interest, if any, from the Issue Date.
Maturity Date	15 October 2029.
Interest Rate..	3.875% per annum.
Interest Payment Dates........................	Interest will be payable semi-annually in arrears on 15 April and 15 October of each year, commencing on 15 April 2022. Interest will accrue from the Issue Date.
Denomination of Notes.........................	The Issuer will issue the Notes in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof
Guarantees	The Notes will be guaranteed, on a joint and several basis, fully and unconditionally by the Guarantors. A Guarantee may be released in the event of certain sales or disposals of the relevant Guarantor and under certain other circumstances. See "*Description of the Notes—Guarantees*." The Guarantees may be subject to guarantee limitations as described in "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*."
Form of Notes	The Notes will be represented on issue by one or more Global Notes which will be deposited with a custodian and registered in the name of Cede & Co., as nominee for DTC, in each case for credit to an account of a direct or indirect participant in DTC. If Certificated Notes are issued in respect of the Notes, they will be issued only in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof. Interests in the Global Notes will be exchangeable for Certificated Notes only in certain limited circumstances. See "*Book-Entry; Delivery and Form*."
Ranking of the Notes and the Guarantees	The Notes: • will be general unsecured obligations of the Issuer; • will rank *pari passu* in right of payment with any existing and future unsecured debt of the Issuer that

is not expressly subordinated in right of payment to the Notes, including the Issuer's obligations under indebtedness incurred under the Facilities Agreement, as a guarantor thereunder;

- will rank senior in right of payment to any existing and any future debt of the Issuer that is expressly subordinated in right of payment to the Notes, if any;
- will be effectively subordinated to any existing and future secured debt of the Issuer or its subsidiaries, that is secured by property or assets that do not secure the Notes, to the extent of the value of such property or assets so securing such debt;
- will be guaranteed on a senior unsecured basis by the Guarantors, which guarantees may be subject to the guarantee limitations as described in "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*" and release as described in " *Description of the Notes —Guarantees*"; and
- will be structurally subordinated to any existing and future debt of subsidiaries of the Issuer that are not providing Guarantees, including borrowings under the Facilities Agreement.

The Notes will be guaranteed by the Guarantors on the Issue Date (the "Guarantees") and may in the future be guaranteed by other Subsidiaries of the Company.

The Guarantees:

- will be senior unsecured obligations of the relevant Guarantor;
- will rank *pari passu* in right of payment with any existing and future unsecured debt of the relevant Guarantor that is not subordinated in right of payment to the relevant Guarantee, including obligations owed to lenders under the Facilities Agreement;
- will rank senior in right of payment to any existing and any future debt of the relevant Guarantor that is expressly subordinated in right of payment to the relevant Guarantee;
- will be effectively subordinated to any existing and future debt of the relevant Guarantor that is secured by liens on property or assets that do not secure such Guarantee, to the extent of the value of such property or assets so securing such debt, including capitalised leases on such property or assets; and
- will be structurally subordinated to any existing and future debt of subsidiaries of the relevant Guarantor that are not providing Guarantees, including borrowings under the Facilities Agreement.

The Guarantees may be subject to guarantee limitations as described in "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*." As at 30 June 2021, the Group's subsidiaries that will not guarantee the Notes had no external financial indebtedness outstanding. The Guarantees will be subject to release under certain

circumstances. See "*Description of the Notes—Guarantees*."

Use of Proceeds .... The Issuer intends to use the gross proceeds of the Offering to prepay a portion of the Term Loan Facilities and pay related fees and expenses. See "*Use of Proceeds*."

Optional Redemption .... At any time prior to 7 October 2024, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes using the net cash proceeds of certain equity offerings, at the redemption price of 103.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date. See "*Description of the Notes—Optional Redemption*."

At any time prior to 7 October 2024, the Issuer may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus, in each case, accrued and unpaid interest and additional amounts, if any, to, but excluding, the applicable redemption date plus the applicable "make whole" premium. See "*Description of the Notes—Optional Redemption.*"

At any time on or after 7 October 2024, the Issuer may redeem some or all of the Notes at the redemption prices set forth in "*Description of the Notes—Optional Redemption*."

Optional Tax Redemption .... If certain changes or amendments in the tax laws of any Relevant Taxing Jurisdiction (as defined in "*Description of the Notes*") become effective on or after the date of the Indenture and, as a result, the Issuer or any Guarantor is or would on the next payment date be required to pay any Additional Amounts (as defined in "*Description of the Notes*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption. See "*Description of the Notes— Redemption for changes in taxes*."

Additional Amounts .... Any payments made by the Issuer or any Guarantor under or with respect to the Notes or any Guarantee will be made without withholding or deduction for taxes imposed or levied by any Relevant Taxing Jurisdiction, unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment on the Notes or the Guarantees, subject to certain exceptions, the Issuer or the relevant Guarantor, as the case may be, will pay such additional amounts as may be necessary so that the net amount received by the holders of the Notes after such withholding or deduction is not less than the amount that they would have received in the absence of such withholding or deduction. See "*Description of the Notes—Additional Amounts*."

Change of Control .... Upon the occurrence of certain events constituting a "Change of Control" (as defined in "*Description of the Notes*"), holders of the Notes will have the right to require the Issuer to repurchase all or part of the Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid

interest and additional amounts, if any, to, but excluding, the repurchase date. See "*Description of the Notes—Repurchase at the Option of Noteholders—Change of Control*."

Certain Covenants................................ The Indenture governing the Notes will contain covenants that will, among other things, limit the Issuer's ability and the ability of the Company's subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- merge or consolidate with or into other entities;
- enter into sale and leaseback transactions;
- enter into guarantees in connection with additional indebtedness without concurrently guaranteeing the Notes; and
- create liens on assets to secure indebtedness.

These covenants are subject to a number of important qualifications and exceptions and certain of them will be suspended if and when, and for so long as, the Notes are rated investment grade. For more details, see "*Description of the Notes—Certain Covenants*."

Transfer Restrictions .... The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Issuer and the Guarantors have not agreed to, or otherwise undertaken to, register the Notes or the Guarantees (including by way of an exchange offer).

No Established Market .... The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have informed the Group that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, the Group cannot assure you that a liquid market for the Notes will develop or be maintained.

Listing.. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "Exchange"). There can be no assurance that the Notes will be listed on the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

The Exchange has not approved or verified the contents of this Offering Memorandum.

Governing Law of the Indenture, the Notes and the Guarantees................... New York.

Trustee..	BNY Mellon Corporate Trustee Services Limited.
Paying Agent...	The Bank of New York Mellon, London Branch.
Transfer Agent and Registrar	The Bank of New York Mellon SA/NV, Dublin Branch.
Risk Factors	Investing in the Notes involves a high degree of risk. See "*Risk Factors*" for a description of certain of the risks you should carefully consider before making a decision whether to invest in the Notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables, which present the Group's summary historical financial information as at and for the years ended 31 December 2018, 2019 and 2020 as at and for and the six months ended 30 June 2020 and 2021, should be read in conjunction with "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalisation", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of the Group and related notes for the indicated periods included elsewhere in this Offering Memorandum.

This section includes certain financial measures that are not required by or presented in accordance with IFRS because management believes they provide investors with useful additional information to measure the Group's performance, liquidity or capital expenditures. For more information on the definition and calculation of these Non-IFRS Measures and, where relevant, a reconciliation to the Group's reported historical financial information presented on an IFRS basis, please see "Presentation of Financial and Other Information—Non-IFRS Financial Measures." These Non-IFRS Measures have important limitations as analytical tools. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies.

The unaudited financial data for the twelve months ended 30 June 2021 has been calculated by subtracting unaudited financial data for the six months ended 30 June 2020 from financial data for the year ended 31 December 2020, and adding unaudited financial data for the six months ended 30 June 2021, all derived from the 2020 Consolidated Financial Statements and the Interim Condensed Consolidated Financial Statements, as applicable, included elsewhere in this Offering Memorandum. The unaudited financial data for the twelve months ended 30 June 2021 is not necessarily indicative of the results that may be expected for the year ending 31 December 2021, or at any future date, and should not be used as the basis for or prediction of an annualised calculation. The financial information for the twelve months ended 30 June 2021 has been prepared solely for the purpose of this Offering Memorandum, was not prepared in the ordinary course of the Group's financial reporting and has not been audited or reviewed.

The following tables also include certain unaudited consolidated financial information that has been adjusted to reflect the impact of the Refinancing as if it had occurred (x) on 30 June 2021 for the purposes of the calculation of the Group's as adjusted indebtedness and (y) on 1 July 2020 for the purposes of the calculation of the Group's as adjusted finance costs. The unaudited as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group's actual results would have been had the Refinancing occurred on such dates nor do they purport to project the Group's financial position or finance costs or other as adjusted financial ratios at any future date.

Summary Consolidated Income Statement

The table below sets out the summary consolidated income statement for the Group for the periods indicted:

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	**2019 (restated)[1]**	**2020**	**2020**	**2021**	**2021**
			($ millions)			
Revenue	1,832.1	1,827.2	1,894.3	908.0	1,008.0	1,994.3
Cost of sales	(858.3)	(871.6)	(875.5)	(416.4)	(452.7)	(911.8)
Gross profit	**973.8**	**955.6**	**1,018.8**	**491.6**	**555.3**	**1,082.5**
Selling and distribution expenses[1]	(418.0)	(458.9)	(463.3)	(218.2)	(252.9)	(498.0)
General and administrative expenses[1]	(238.2)	(240.5)	(262.1)	(124.8)	(126.0)	(263.3)
Research and development expenses	(49.9)	(53.8)	(82.4)	(35.6)	(40.9)	(87.7)
Other operating expenses	-	(105.5)	-	-	-	-
Operating profit	**267.7**	**96.9**	**211.0**	**113.0**	**135.5**	**233.5**
Finance income	4.9	7.8	1.9	1.5	0.5	0.9

Finance expense	(70.1)	(81.4)	(50.3)	(27.8)	(20.3)	(42.8)
Finance costs, net	(65.2)	(73.6)	(48.4)	(26.3)	(19.8)	(41.9)
Non-operating income/(expense), net	(1.3)	(4.4)	12.1	(5.2)	(3.6)	13.7
Profit before income taxes	**201.2**	**18.9**	**174.7**	**81.5**	**112.1**	**205.3**
Income tax (expense)/benefit	20.4	(9.1)	(62.2)	(22.4)	(26.3)	(66.1)
Net profit[(2)]	**221.6**	**9.8**	**112.5**	**59.1**	**85.8**	**139.2**

(1) In the year ended 31 December 2020, following a review of cost allocations, general and administrative expenses of $25.9 million and $30.5 million in the years ended 31 December 2019 and 2020, respectively, principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparative information for the year ended 31 December 2019 in the 2020 Consolidated Financial Statements has been restated to reflect the revised classification.

(2) Net profit is equivalent to profit for the period.

Summary Consolidated Statement of Financial Position

The table below sets out the consolidated statement of financial position for the Group as at the dates indicated.

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	($ millions)			
Assets				
Non-current assets				
Property, plant and equipment	330.7	321.6	352.2	351.6
Right-of-use assets	-	84.5	85.8	80.1
Intangible assets and goodwill	2,377.5	2,166.9	2,089.6	2,118.4
Deferred tax assets	22.9	55.0	41.4	41.2
Derivative financial assets	11.3	1.0	-	-
Restricted cash	2.4	3.6	5.7	7.9
Other non-current receivables	12.4	8.9	13.3	15.0
	2,757.2	**2,641.5**	**2,588.0**	**2,614.2**
Current assets				
Inventories	303.3	281.8	297.1	293.0
Trade and other receivables[(1)]	284.3	299.7	307.9	332.1
Derivative financial assets[(1)]	-	1.0	8.1	2.6
Cash and cash equivalents	315.6	385.8	565.4	501.1
	903.2	**968.3**	**1,178.5**	**1,128.8**
Total assets	**3,660.4**	**3,609.8**	**3,766.5**	**3,743.0**
Equity and liabilities				
Current liabilities				
Trade and other payables[(1)]	221.5	287.1	334.1	274.9
Borrowings	63.0	40.8	86.6	85.8
Lease liabilities	-	18.4	19.8	18.6
Current tax payable	41.9	44.6	55.6	59.5
Derivative financial liabilities[(1)]	-	2.2	7.7	11.4
Provisions	4.5	4.2	9.4	5.3
	330.9	**397.3**	**513.2**	**455.5**
Non-current liabilities				
Borrowings	1,581.5	1,445.3	1,369.8	1,359.5
Lease liabilities	-	70.1	72.3	68.3
Deferred tax liabilities	107.1	107.8	101.4	104.3
Provisions	1.5	1.7	1.5	1.2

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	($ millions)			
Derivative financial liabilities	-	-	7.7	5.7
Other non-current payables	22.2	26.6	29.9	37.2
	1,712.3	**1,651.5**	**1,582.6**	**1,576.2**
Total liabilities	**2,043.2**	**2,048.8**	**2,095.8**	**2,031.7**
Net assets	**1,617.2**	**1,561.0**	**1,670.7**	**1,711.3**

(1) Derivative financial assets of $8.1 million and $1.0 million as at 31 December 2020 and 31 December 2019, respectively, have been reclassified from trade and other receivables when compared to the presentation in the Company's 2020 and 2019 Consolidated Financial Statements. Similarly, derivative financial liabilities of $7.7 million and $2.2 million, respectively, have been reclassified from trade and other payables. This change reflects the requirement in IAS 1 *Presentation of financial statements* to disclose material derivative financial assets and liabilities separately on the face of the Statement of Financial Position.

Summary Consolidated Cash Flow Statement Information

The table below sets out the summarised consolidated cash flow statement data for the Group for the periods indicated:

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Net cash generated from operating activities	352.0	401.8	399.5	155.1	131.0	375.4
Net cash used in investing activities	(80.9)	(72.8)	(56.3)	(36.7)	(128.7)	(148.3)
Net cash used in financing activities	(229.4)	(252.5)	(162.1)	(48.3)	(64.5)	(178.3)
Net change in cash and cash equivalents	41.7	76.5	181.1	70.1	(62.2)	48.8
Cash and cash equivalents at beginning of the period	289.3	315.6	385.8	385.8	565.4	451.3
Effect of exchange rate changes on cash and cash equivalents	(15.4)	(6.3)	(1.5)	(4.6)	(2.1)	1.0
Cash and cash equivalents at end of the period	**315.6**	**385.8**	**565.4**	**451.3**	**501.1**	**501.1**

Other Financial and Operating Data

The Group presents Non-IFRS measures that exclude the impact of certain items that management believes are not related to the underlying performance of the Group. These adjusted results exclude certain items because management believes that, if included, these items could distort the understanding of the Group's performance for the period indicated and the comparability between periods. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*".

Adjusted gross profit

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Gross profit	**973.8**	**955.6**	**1,018.8**	**491.6**	**555.3**	**1,082.5**
Amortisation of acquisition intangibles included in cost of sales[1]	125.1	122.6	106.7	53.3	55.0	108.4
Impairment of assets included in cost of sales[2]	0.4	-	-	-	-	-

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Termination benefits and related costs included in cost of sales[3]	2.9	-	1.3	-	0.2	1.5
Adjusted gross profit	**1,102.2**	**1,078.2**	**1,126.8**	**544.9**	**610.5**	**1,192.4**

(1) Comprises the amortisation of intangible assets acquired in business combinations before 1 January 2018 and after 31 December 2020 that is classified as cost of sales. During the period from 1 January 2018 to 1 January 2021, the Group made two small bolt-on acquisitions, of Southlake Medical Supplies in October 2019 for net cash consideration of $12.3 million and J&R Medical in March 2018 for $14.4 million, for which the amortisation charge on acquisition intangibles was immaterial and was not included as an adjusting item. Given the Group's strategy to be more active and pursue larger acquisitions which strengthen its position in key geographies and/or business categories or which provide access to new technology, the policy was refined from 1 January 2021 such that amortisation of intangible assets in relation to future acquisitions, together with associated acquisition-related expenses will be adjusted. This refinement better reflects the underlying performance of the business and aids year-on-year comparability. The amortisation of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortised.

(2) Relate to impairments, write-offs and gains and losses classified as cost of sales from the disposal of fixed assets when management considers the circumstances surrounding the event as not reflective of the Group's core business or when the transactions relate to intangible assets from acquisitions that meet the definition of adjusted for amortisation purposes (refer to footnote 1, above). For the year ended 31 December 2018, adjustments primarily related to the final element of the write-off of certain manufacturing fixed assets following the closure of the Group's Greensboro plant in 2017.

(3) Relate to material costs of Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business that are classified as cost of sales. In the year ended 31 December 2018, adjustments primarily related to (a) the completion of the pre-IPO Margin Improvement Programme, a margin improvement programme commenced in 2015 to increase efficiencies in the Group's manufacturing and distribution cost base, (b) the transition of head office support functions from the United States to the United Kingdom, which was completed in 2018, and (c) the restructuring of the geographical sales teams, which was completed in 2019. In the year ended 31 December 2020 and the six months ended 30 June 2021, adjustments primarily related to the Strategic Transformation.

Adjusted EBIT

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Net profit[1]	**221.6**	**9.8**	**112.5**	**59.1**	**85.8**	**139.2**
Amortisation of acquisition intangibles[2]	142.4	140.2	125.3	62.4	65.5	128.4
Acquisition related costs[3]	-	-	-	-	1.7	1.7
Impairment of assets[4]	0.5	105.2	1.7	-	-	1.7
Termination benefits and related costs[5]	12.6	5.8	12.2	6.4	1.7	7.5
CEO buy-out costs[6]	-	6.2	-	-	-	-
Pre-IPO share-based payment expense and related costs[7]	6.2	-	-	-	-	-
Divestiture activities[8]	(1.9)	-	(16.5)	-	-	(16.5)
Tax on amortisation of acquisition intangibles[2]	(10.3)	(10.1)	(10.2)	(4.9)	(7.1)	(12.4)
Tax on acquisition related costs[3]	-	-	-	-	-	-
Tax on termination benefits and related costs[5]	(0.9)	(0.9)	(2.1)	(1.2)	(0.4)	(1.3)
Tax on CEO buy-out costs[6]	-	(1.2)	-	-	-	-
Discrete tax items[9]	(65.7)	(23.0)	17.6	-	(2.0)	15.6
Adjusted net profit[1]	**304.5**	**232.0**	**240.5**	**121.8**	**145.2**	**263.9**
Adjusted income tax expense[10]	56.5	44.3	56.9	28.5	35.8	64.2
Finance income	(4.9)	(7.8)	(1.9)	(1.5)	(0.5)	(0.9)
Finance expense	70.1	81.4	50.3	27.8	20.3	42.8

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	**2019**	**2020**	**2020**	**2021**	**2021**
			($ millions)			
Non-operating expense, net excluding divestiture activities[8]................................	3.2	4.4	4.4	5.2	3.6	2.8
Adjusted EBIT[11]....................	**429.4**	**354.3**	**350.2**	**181.8**	**204.4**	**372.8**

(1) Net profit is equivalent to profit for the period.

(2) Comprises the amortisation of intangible assets acquired in business combinations before 1 January 2018 and after 31 December 2020. During the period from 1 January 2018 to 1 January 2021, the Group made two small bolt-on acquisitions, of Southlake Medical Supplies in October 2019 for net cash consideration of $12.3 million and J&R Medical in March 2018 for $14.4 million, for which the amortisation charge on acquisition intangibles was immaterial and was not included as an adjusting item. Given the Group's strategy to be more active and pursue larger acquisitions which strengthen its position in key geographies and/or business categories or which provide access to new technology, the policy was refined from 1 January 2021 such that amortisation of intangible assets in relation to future acquisitions, together with associated acquisition-related expenses will be adjusted. This refinement better reflects the underlying performance of the business and aids year-on-year comparability. The amortisation of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortised.

(3) Acquisition-related costs are deal and integration costs incurred in relation to the acquisition of Cure Medical on 15 March 2021. The costs are primarily related to legal and due diligence expenses which were incurred as a result of the transaction.

(4) Relate to impairments, write-offs and gains and losses from the disposal of fixed assets when management considers the circumstances surrounding the event as not reflective of the Group's core business or when the transactions relate to intangible assets from acquisitions that meet the definition of adjusted for amortisation purposes (refer to footnote 1 above). For the year ended 31 December 2018, adjustments primarily related to the final write-off of certain manufacturing fixed assets following the closure of the Group's Greensboro plant in 2017. For the year ended 31 December 2019, adjustments primarily related to a review of the product portfolio which had been undertaken as part of the Strategic Transformation which resulted in the identification of impairment triggers in 2019 in relation to certain of the Group's intangible assets. For the year ended 31 December 2020, adjustments primarily relate to a strategic review of customer contracts performed as part of the Strategic Transformation, which resulted in an impairment to related acquisition intangible assets.

(5) Relate to material Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. In the year ended 31 December 2018, adjustments primarily related to (a) the completion of the pre-IPO Margin Improvement Programme, (b) the transition of head office support functions from the United States to the United Kingdom, which was completed in 2018, and (c) the restructuring of the geographical sales teams, which was completed in 2019. In the year ended 31 December 2019, adjustments primarily related to (a) programmes commenced in 2018 and completed in 2019 and (b) the Strategic Transformation. In the year ended 31 December 2020 and the six months ended 30 June 2021, adjustments primarily related to the Strategic Transformation.

(6) Relate to costs incurred by the Group following the commencement of employment of Karim Bitar as CEO of the Company on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with the Company, have no future performance requirements and did not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

(7) Relate to final residual pre-IPO share-based costs that were incurred in the year ended 31 December 2018.

(8) Relate to adjustments arising from significant assets which are disposed of or divested as a result of a sale, major business change or restructuring programme, including gains and losses resulting from classification of assets as held for sale. In the year ended 31 December 2018, adjustments primarily related to a gain from the sale of the Group's Greensboro plant in 2017. In the year ended 31 December 2020, adjustments primarily related to the gain on the divestiture of the trade and assets of the U.S. skincare product line, a limited product range within the Advanced Wound Care category.

(9) In the year ended 31 December 2018, adjustments primarily related to tax benefits 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 U.S. tax reform. In the years ended 31 December 2019 and 2020, adjustments primarily related to recognition of a deferred tax asset arising from the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019 and the subsequent reassessment of the deferred tax asset as a result of a change in the basis of the estimate in 2020. The deferred tax associated with the Swiss tax reform is adjusted as it is a significant tax item which does not reflect the underlying performance of the business. In the six months ended 30 June 2021, adjustments relate to the tax benefit of $9.3 million resulting from recognition of deferred tax following the acquisition of Cure Medical, partially offset by a $6.9 million tax expense relating to revaluation of deferred tax liabilities for acquisition intangibles in the UK following the substantive enactment of the Finance Act 2021 on 10 June 2021 and $0.4 million tax expense which arose as a result of adjustment to the Swiss deferred tax asset following formal agreement with the Swiss Tax Authorities in 2021.

(10) Adjusted income tax expense is reconciled to income tax expense/(benefit) below.

(11) Also referred to as "Adjusted operating profit." Adjusted EBIT is a Non-IFRS Measure. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*."

Adjusted EBITDA

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	**2019**	**2020**	**2020**	**2021**	**2021**
			($ millions)			
Net profit[(1)]	**221.6**	**9.8**	**112.5**	**59.1**	**85.8**	**139.2**
Income tax expense/(benefit)	(20.4)	9.1	62.2	22.4	26.3	66.1
Non-operating (income)/expense, net	1.3	4.4	(12.1)	5.2	3.6	(13.7)
Finance income	(4.9)	(7.8)	(1.9)	(1.5)	(0.5)	(0.9)
Finance expense	70.1	81.4	50.3	27.8	20.3	42.8
Depreciation of property, plant and equipment	37.4	35.5	38.5	18.3	19.8	40.0
Depreciation of right-of-use assets	-	22.4	22.4	10.9	11.7	23.2
Amortisation	152.6	151.9	136.8	67.3	73.7	143.2
Impairment / write-off of intangible assets and property, plant and equipment	-	114.3	11.7	0.3	1.7	13.1
EBITDA[(2)]	**457.7**	**421.0**	**420.4**	**209.8**	**242.4**	**453.0**
Termination benefits and related costs[(3)]	12.6	5.8	12.2	6.4	1.7	7.5
Acquisition related costs	-	-	-	-	1.7	1.7
CEO buy-out costs[(4)]	-	6.2	-	-	-	-
Share-based payment expense	11.6	10.1	12.4	7.2	7.1	12.3
Impairment / write-off of intangible assets and property, plant and equipment	0.5	-	-	-	-	-
Adjusted EBITDA[(2)]	**482.4**	**443.1**	**445.0**	**223.4**	**252.9**	**474.5**

(1) Net profit is equivalent to profit for the period.

(2) The Group defines EBITDA as net profit before income tax, non-operating income/expense, finance expense, finance income, depreciation, amortisation and impairment/write-offs of intangible assets and property, plant and equipment. Adjusted EBITDA is defined as EBITDA adjusted for share-based payment expense and certain costs which management believes are not related to the underlying performance of the Group (as listed and reconciled above). EBITDA and Adjusted EBITDA are Non-IFRS Measures. The Group views EBITDA and Adjusted EBITDA as useful measures because they provide a meaningful supplement to the reported IFRS numbers to explain how the business is managed and measured on a day-to-day basis. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*."

(3) Relate to material Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. In the year ended 31 December 2018, adjustments primarily related to (a) the completion of the pre-IPO Margin Improvement Programme, (b) the transition of head office support functions from the United States to the United Kingdom, which was completed in 2018, and (c) the restructuring of the geographical sales teams, which was completed in 2019. In the year ended 31 December 2019, adjustments primarily related to (a) programmes commenced in 2018 and completed in 2019 and (b) the Strategic Transformation. In the year ended 31 December 2020 and the six months ended 30 June 2021, adjustments primarily related to the Strategic Transformation.

(4) Relate to costs incurred by the Group following the commencement of employment of Karim Bitar as CEO of the Company on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with the Company, have no future performance requirements and did not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

Adjusted operating expenses

	Year ended 31 December 2020				Year ended 31 December 2019				
	S&D[(1)]	**G&A[(1)]**	**R&D[(1)]**	**Op. costs[(1)]**	**S&D[(1)]**	**G&A[(1)]**	**R&D[(1)]**	**Other[(1)]**	**Op. costs[(1)]**
					($ millions)				
Reported operating expenses	(463.3)	(262.1)	(82.4)	**(807.8)**	(458.9)	(240.5)	(53.8)	(105.5)	**(858.7)**
Amortisation of acquisition intangibles[(2)]	-	18.6	-	**18.6**	-	17.6	-	-	**17.6**
Impairment of assets[(3)]	-	1.7	-	**1.7**	-	-	-	105.2	**105.2**

	Year ended 31 December 2020				Year ended 31 December 2019				
	S&D[(1)]	G&A[(1)]	R&D[(1)]	Op. costs[(1)]	S&D[(1)]	G&A[(1)]	R&D[(1)]	Other[(1)]	Op. costs[(1)]
Termination benefits and related costs[(4)]	0.7	9.0	1.2	**10.9**	1.7	4.1	-	-	**5.8**
CEO buy-out costs[(5)]......	-	-	-	**-**	-	6.2	-	-	**6.2**
Adjusted operating expenses[(6)]	**(462.6)**	**(232.8)**	**(81.2)**	**(776.6)**	**(457.2)**	**(212.6)**	**(53.8)**	**(0.3)**	**(723.9)**

(1) S&D represents selling and distribution expenses; G&A represents general and administrative expenses; R&D represents research and development expenses; Other represents other operating expenses and Op. costs represents the total of S&D, G&A, R&D and Other in the relevant period.

(2) Comprised of the amortisation of intangible assets acquired in business combinations before 1 January 2018. During the period from 1 January 2018 to 1 January 2021, the Group made two small bolt-on acquisitions, of Southlake Medical Supplies in October 2019 for net cash consideration of $12.3 million and J&R Medical in March 2018 for $14.4 million, for which the amortisation charge on acquisition intangibles was immaterial and was not included as an adjusting item. Given the Group's strategy to be more active and pursue larger acquisitions which strengthen its position in key geographies and/or business categories or which provide access to new technologies, the policy was refined from 1 January 2021 such that amortisation of intangible assets in relation to future acquisitions, together with associated acquisition-related expenses, will be adjusted. This refinement better reflects the underlying performance of the business and aids year-on-year comparability. The amortisation of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortised.

(3) Relate to impairments, write-offs and gains and losses from the disposal of fixed assets when management considers the circumstances surrounding the event as not reflective of the Group's core business or when the transactions relate to intangible assets from acquisitions that meet the definition of adjusted for amortisation purposes (refer to footnote 2 above). For the year ended 31 December 2019, adjustments primarily related to a review of the product portfolio which had been undertaken as part of the Strategic Transformation which resulted in the identification of impairment triggers in 2019 in relation to certain of the Group's intangible assets. For the year ended 31 December 2020, adjustments primarily relate to a strategic review of customer contracts performed as part of the Strategic Transformation, which resulted in an impairment to related acquisition intangible assets.

(4) Relate to material Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. In the year ended 31 December 2019, adjustments primarily related to (a) programmes commenced in 2018 and completed in 2019 and (b) the Strategic Transformation. In the year ended 31 December 2020, adjustments primarily related to the Strategic Transformation.

(5) Relate to costs incurred by the Group following the commencement of employment of Karim Bitar as CEO of the Company on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with the Company, have no future performance requirements and did not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

(6) Adjusted operating expenses is a Non-IFRS Measure. The Group views Adjusted operating expenses as a useful measure because it provides a meaningful supplement to the reported IFRS numbers to explain how the business is managed and measured on a day-to-day basis. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*."

Adjusted income tax expense

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Income tax expense/(benefit) .	**(20.4)**	**9.1**	**62.2**	**22.4**	**26.3**	**66.1**
Tax on amortisation of acquisition intangibles[(1)]	10.3	10.1	10.2	4.9	7.1	12.4
Tax on acquisition related costs[(2)]	-	-	-	-	-	-
Tax on termination benefits and related costs[(3)]	0.9	0.9	2.1	1.2	0.4	1.3
Tax on CEO buy-out costs[(4)].....	-	1.2	-	-	-	-
Discrete tax items[(5)]	65.7	23.0	(17.6)	-	2.0	(15.6)
Adjusted income tax expense .	**56.5**	**44.3**	**56.9**	**28.5**	**35.8**	**64.2**

(1) Comprised of the amortisation of intangible assets acquired in business combinations before 1 January 2018 and after 31 December 2020. During the period from 1 January 2018 to 1 January 2021, the Group made two small bolt-on acquisitions, of Southlake Medical Supplies in October 2019 for net cash consideration of $12.3 million and J&R Medical in March 2018 for $14.4 million, for which the amortisation charge on acquisition intangibles was immaterial and was not included as an adjusting item. Given the Group's strategy to be more active and pursue larger acquisitions which strengthen its position in key geographies and/or business categories or which provide access to new technology, the policy was refined from 1 January 2021 such that amortisation of intangible assets in relation to future acquisitions, together with associated acquisition-related expenses will be adjusted. This refinement better reflects the underlying performance of the business and aids year-on-year comparability. The amortisation of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortised.

(2) Acquisition-related costs are deal and integration costs incurred in relation to the acquisition of Cure Medical on 15 March 2021. The costs are primarily related to legal and due diligence expenses which were incurred as a result of the transaction.

(3) Relate to material Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. In the year ended 31 December 2018, adjustments primarily related to (a) the completion of the pre-IPO Margin Improvement Programme, (b) the transition of head office support functions from the United States to the United Kingdom, which was completed in 2018, and (c) the restructuring of the geographical sales teams, which was completed in 2019. In the year ended 31 December 2019, adjustments primarily related to (a) programmes commenced in 2018 and completed in 2019 and (b) the Strategic Transformation. In the year ended 31 December 2020 and the six months ended 30 June 2021, adjustments primarily related to the Strategic Transformation.

(4) Relate to costs incurred by the Group following the commencement of employment of Karim Bitar as CEO of the Company on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with the Company, have no future performance requirements and did not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

(5) In the year ended 31 December 2018, adjustments primarily related to tax benefits 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 U.S. tax reform. In the years ended 31 December 2019 and 2020, adjustments primarily related to recognition of a deferred tax asset arising from the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019 and the subsequent reassessment of the deferred tax asset as a result of a change in the basis of the estimate in 2020. The deferred tax associated with the Swiss tax reform is adjusted as it is a significant tax item which does not reflect the underlying performance of the business. In the six months ended 30 June 2020, adjustments relate to the tax benefit of $9.3 million resulting from recognition of deferred tax following the acquisition of Cure Medical, partially offset by a $6.9 million tax expense relating to revaluation of deferred tax liabilities for acquisition intangibles in the UK following the substantive enactment of the Finance Act 2021 on 10 June 2021 and $0.4 million tax expense which arose as a result of adjustment to the Swiss deferred tax asset following formal agreement with the Swiss Tax Authorities in 2021.

Other Data

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	**2019**	**2020**	**2020**	**2021**	**2021**
	($ millions, unless otherwise indicated)					
Revenue	1,832.1	1,827.2	1,894.3	908.0	1,008.0	1,994.3
Adjusted gross profit	1,102.2	1,078.2	1,126.8	544.9	610.5	1,192.4
Adjusted gross margin[(1)]	60.2%	59.0%	59.5%	60.0%	60.6%	59.8%
Adjusted EBIT[(2)]	429.4	354.3	350.2	181.8	204.4	372.8
EBITDA	457.7	421.0	420.4	209.8	242.4	453.0
Adjusted EBITDA	482.4	443.1	445.0	223.4	252.9	474.5
Adjusted EBITDA margin[(3)]	26.3%	24.3%	23.5%	24.6%	25.1%	23.8%
Adjusted cash conversion (%)[(4)]	80.6%	97.9%	90.3%	72.9%	56.6%	80.5%
Net debt[(5)]	1,305.2	1,100.3	891.0	1,037.9	944.2	944.2
Constant currency revenue growth (%)[(6)]						
Advanced Wound Care	n.a.	0.5%	(3.8)%	n.a.	10.7%	n.a.
Ostomy Care	n.a.	1.9%	1.2%	n.a.	3.7%	n.a.
Continence & Critical Care	n.a.	4.4%	9.3%	n.a.	6.8%	n.a.
Infusion Care	n.a.	4.1%	16.7%	n.a.	6.5%	n.a.
Organic revenue growth (%)[(7)]						
Advanced Wound Care	n.a.	0.5%	(2.7)%	n.a.	16.3%	n.a.
Ostomy Care	n.a.	1.9%	1.2%	n.a.	3.7%	n.a.
Continence & Critical Care	n.a.	4.1%	8.7%	n.a.	3.0%	n.a.
Infusion Care	n.a.	4.1%	16.7%	n.a.	6.5%	n.a.
Key Performance Indicators[(8)]						
Constant currency revenue growth (%)[(6)]	n.a.	2.4%	4.0%	n.a.	7.0%	n.a.
Adjusted EBIT margin (%)[(9)]	23.4%	19.4%	18.5%	20.0%	20.3%	18.7%
Adjusted free cash flow[(4)]	352.8	396.8	347.4	148.4	114.1	313.1

(1) The Group defines Adjusted gross profit margin as Adjusted gross profit divided by revenue.

(2) Also referred to as "Adjusted operating profit". Adjusted EBIT is a Non-IFRS Measure. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*".

(3) The Group defines Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.

(4) The Group defines Adjusted cash conversion as Adjusted net cash for cash conversion divided by Adjusted EBITDA. Adjusted net cash for cash conversion is defined as cash flows from operating activities before income taxes paid, interest paid and interest received, adjusted for the effects of cash items that management believes are not related to the underlying performance of the Group (as listed and reconciled below) and net of additions to property, plant, equipment and intangible assets. The Group defines Adjusted free cash flow as cash flows from operating activities before interest paid and interest received, adjusted for the effects of cash items that management believes are not related to the underlying performance of the Group (as listed and reconciled below) and net of additions to property, plant, equipment and intangible assets. Adjusted net cash for cash conversion and Adjusted free cash flow are Non-IFRS Measures. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*" The following table presents the reconciliation of cash flows from operating activities to Adjusted net cash for cash conversion for the purposes of calculating Adjusted cash conversion and Adjusted free cash flow.

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Net cash generated from operating activities	**352.0**	**401.8**	**399.5**	**155.1**	**131.0**	**375.4**
Income taxes paid	35.8	37.0	54.5	14.5	29.0	69.0
Interest paid	62.2	49.8	50.4	28.5	19.3	41.2
Interest received	(0.9)	(1.8)	(1.9)	(1.5)	(0.5)	(0.9)
Acquisition of property, plant and equipment and intangible assets	(72.1)	(61.4)	(86.2)	(36.7)	(43.6)	(93.1)
Net cash for cash conversion	**377.0**	**425.4**	**416.3**	**159.9**	**135.2**	**391.6**
Non-operating gain on foreign exchange forward contracts	-	-	(21.7)	-	0.9	(20.8)
CEO buy-out costs[(a)]	-	2.1	-	-	-	-
Cash paid for termination benefits and related costs[(b)]	9.0	6.1	7.3	3.0	5.7	10.0
Cash paid for acquisition related costs[(f)]	-	-	-	-	1.3	1.3
Cash paid for remediation costs, corporate development, and IPO-related costs[(c)]	2.3	-	-	-	-	-
Cash paid for share-based payment associated costs[(d)]	-	0.1	-	-	-	-
Cash paid for pre-IPO MIP[(e)]	0.3	0.1	-	-	-	-
Adjusted net cash for cash conversion	**388.6**	**433.8**	**401.9**	**162.9**	**143.1**	**382.1**

	Year ended 31 December			Six months ended 30 June		Twelve months ended 30 June
	2018	2019	2020	2020	2021	2021
	($ millions)					
Net cash generated from operating activities	**352.0**	**401.8**	**399.5**	**155.1**	**131.0**	**375.4**
Interest paid	62.2	49.8	50.4	28.5	19.3	41.2
Interest received	(0.9)	(1.8)	(1.9)	(1.5)	(0.5)	(0.9)
Acquisition of property, plant and equipment and intangible assets	(72.1)	(61.4)	(86.2)	(36.7)	(43.6)	(93.1)
Non-operating gain on foreign exchange forward contracts	-	-	(21.7)	-	0.9	(20.8)
CEO buy-out costs[(a)]	-	2.1	-	-	-	-
Cash paid for termination benefits and related costs[(b)]	9.0	6.1	7.3	3.0	5.7	10.0
Cash paid for acquisition related costs[(c)]	-	-	-	-	1.3	1.3
Cash paid for remediation costs, corporate development, and IPO-related costs[(d)]	2.3	-	-	-	-	-
Cash paid for share-based payment associated costs[(e)]	-	0.1	-	-	-	-
Cash paid for pre-IPO MIP[(f)]	0.3	0.1	-	-	-	-
Adjusted free cash flow	**352.8**	**396.8**	**347.4**	**148.4**	**114.1**	**313.1**

(a) Relate to cash paid by the Group following the commencement of employment of Karim Bitar as CEO of ConvaTec Group Plc on 30 September 2019 to compensate for the loss of incentive awards from his previous employment.

(b) Relate to material Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. In the year ended 31 December 2018, adjustments primarily related to (a) the completion of the pre-IPO Margin Improvement Programme, (b) the transition of head office support functions from the United States to the United Kingdom, which was completed in 2018, and (c) the restructuring of the geographical sales teams, which was completed in 2019. In the year ended 31 December 2019, adjustments primarily related to (a) programmes commenced in 2018 and completed in 2019 and (b) the Strategic Transformation. In 2020, adjustments primarily related to the Strategic Transformation.

(c) Relate to cash paid for acquisition-related costs incurred in the acquisition of Cure Medical on 15 March 2021. The costs are primarily related to legal and due diligence expenses which were incurred as a result of the transaction.

(d) Relate to cash paid for final remediation costs, corporate development and IPO-related costs which were accrued in 2017 and paid in 2018. The remediation costs include regulatory compliance costs related to FDA activities, as well as IT enhancement costs and professional services fees associated with activities that were undertaken in respect of the Group's compliance function and were essential to enable the IPO to proceed.

(e) Relate to cash paid for share-based payment associated costs in 2019.

(f) Relate to cash paid in relation to the pre-IPO Management Improvement Programme which completed in 2018.

(5) The Group defines net debt as the carrying value of current and non-current borrowings net of cash and cash equivalents.

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
			($ millions)		
Current Borrowings	63.0	40.8	86.6	40.9	85.8
Non-current Borrowings	1,557.8	1,445.3	1,369.8	1,448.3	1,359.5
Cash and cash equivalents	(315.6)	(385.8)	(565.4)	(451.3)	(501.1)
Net debt	**1,305.2**	**1,100.3**	**891.0**	**1,037.9**	**944.2**

(6) Constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information—Constant currency and Organic revenue growth.*"

(7) Organic revenue growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period under review, excluding the impact of acquisitions and disposals. For a description of how the Group calculates organic growth, see "*Presentation of Financial and Other Information—Constant currency and Organic revenue growth*".

(8) The Group monitors several KPIs to track the financial and operating performance of its business. These measures are derived from the Group's internal financial systems. Because some of these measures are not determined in accordance with generally accepted accounting principles, including IFRS, and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*"

(9) The Group defines Adjusted EBIT margin as Adjusted EBIT divided by revenue.

Other Financial Data and As Adjusted Financial Data

	Twelve months ended 30 June 2021
	($ millions)
As adjusted net debt[(1)]	954.2
As adjusted finance costs, net[(2)]	46.1
Ratio of *as adjusted* net debt to Adjusted EBITDA	2.01x
Ratio of Adjusted EBITDA to *as adjusted* finance costs, net	10.3x

(1) *As adjusted* net debt is the carrying value of current and non-current borrowings excluding lease liabilities as adjusted for the Refinancing, as if it had occurred on 30 June 2021, less *as adjusted* cash and cash equivalents. See also "*Use of Proceeds*" and "*Capitalisation*" for more details on the Group's indebtedness and capitalisation.

(2) Finance costs, net *as adjusted* for the Refinancing, as if it had occurred on 1 July 2020.

RISK FACTORS

An investment in the Notes involves a high degree of risk and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the risks described below and other information in this Offering Memorandum and their personal circumstances. The occurrence of any of the following events could have an adverse effect, which could be material, on the Group's business, prospects, results of operations and financial condition and impair the Group's ability to fulfil its obligations in respect of the Notes, potentially causing a loss of all or part of the investment made when purchasing the Notes.

The risk factors described below are not an exhaustive list or explanation of all relevant risks and should be used as guidance only. Additional risks and uncertainties that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

This Offering Memorandum contains "forward-looking" statements that are based on assumptions and estimates, and subject to risks and uncertainties. The Group's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Memorandum. *See "Cautionary Note Regarding Forward-Looking Statements."*

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

The Group is exposed to material impacts from a pandemic.

The COVID-19 pandemic and the various national and international measures to contain it have created significant volatility, uncertainty and economic disruption.

The full impact of the COVID-19 pandemic on the Group's business, results of operations and financial condition is uncertain and will depend on future developments, which cannot be predicted. These future developments include, but are not limited to, the duration, spread, severity and impact of the COVID-19 pandemic, the possibility and/or impact of additional waves or variants of the virus in the countries where the Group operates or from where supplies are obtained (whether from the Group's manufacturing operations or from third parties), the timing and availability of vaccinations and other treatments to combat the COVID-19 virus, the effects of the COVID-19 pandemic on the Group's customers, suppliers, logistics providers and other third party partners, the actions taken by local governments to restrict the spread of the virus and the extent to which normal economic and operating conditions can resume.

The COVID-19 pandemic could have further material adverse impacts on the Group's business, results of operations and financial condition if: the duration, scope and severity of the COVID-19 pandemic results in a sustained deterioration of the economic environment in the regions in which the Group operates; disruptions to the Group's business prevent or delay the implementation of change programmes; any deterioration in the global economic outlook results in changes to competitor pricing behaviour and / or cost containment from governments, health authorities and third-party payers; the Group's employees contract COVID-19 resulting in the temporary closure of the Group's facilities; global governmental responses and lockdowns result in delays to clinical trials in development programmes and future product launches; and the Group suffers cyber-security incidents or data breaches as a result of increased vulnerability while a larger proportion of the Group's employees work remotely.

The Group's business relies on the security of the supply chain.

The Group is reliant on supply chain partners predominantly in North America and Europe but also from across the world. The integrity of the Group's supply chain depends on access to and the reliability of raw material supply and the storage, logistics, processing and manufacturing infrastructure operated by the Group and third parties. Any break in the Group's supply chain, for example as a result of unplanned outages at the Group's facilities or facilities being damaged by natural disasters or severe weather conditions or closed or limited in capacity as a consequence of external measures or factors such as the COVID-19 virus, could jeopardise supply to customers and impact the Group's earnings. In addition, certain agreements with certain of the Group's suppliers include customary force majeure clauses, pursuant to which no party shall be liable for any failure or delay in performing obligations under the agreement due to events beyond its control. If such event continues for an extended period of time, the counterparty might be entitled to terminate the relevant agreement and the Group cannot rule out that the COVID-19 pandemic could be interpreted as a force majeure event under such agreements. The Group currently owns a variety of manufacturing assets in the United Kingdom, Europe and Latin America and any long-

term outages associated with one or more of such assets could materially adversely impact its results of operations and financial condition and product portfolio diversification.

Following the withdrawal of the United Kingdom from the European Union ("**Brexit**"), the EU and the United Kingdom agreed a comprehensive, zero-tariff, zero-quota free trade pursuant to the EU-UK Trade and Cooperation Agreement. However, Brexit has led to increased customs, health and safety checks at the border, which has delayed and disrupted the movement of goods between the EU and the United Kingdom and may undermine bilateral cooperation in key policy areas and significantly disrupt trade between the United Kingdom and the EU. Additionally, the United Kingdom has ceased to be a member of the EU single market, which has ended the free movement of services and workers between the United Kingdom and the EU and may make it more difficult for the Group's United Kingdom operations to do business with customers or suppliers that are based in the EU. Furthermore, the Group holds assets in current EU countries, which may be affected by the UK being outside of the EU.

Volatility in the international political climate increases the possibility of tariff structure changes, sanctions or other trade limiting actions. Further, the climate is also affected by regional geopolitical tensions and nationalism, and the implementation of local market tariffs, regulation, legislation, tax and corporate governance requirements, which may all have effects on the security of the supply chain in the markets where the Group operates. A failure to adapt to these factors could impact the ability to source commodities and services, operate in certain markets and / or retain a presence in current locations.

The Group depends on third-party suppliers and outsourcing contracts, including business-critical information technology services, and thus cannot guarantee the security of the supply chains. Terrorist activity, including acts and threats to shipping channels or sabotage or cyber-attacks on manufacturing plants and distribution networks in a geographical location in which the Group has an interest could also have a commercial impact on the Group. Such events could affect security of the Group's supply chain or cause a break in the supply of products to customers. There can be no guarantee that suppliers will be able to provide the functions and services for which they have been contracted or to adhere to the Group's code of conduct, environmental, social and corporate governance commitments and other policies. Any failure to supply products to customers could have a material adverse impact on the Group's reputation, business, results of operations and overall financial condition.

The Group's financial performance, cash flows and price competitiveness are sensitive to its ability to manage exposure to supply chain prices. Supply chain prices fluctuate based on various factors outside of the Group's control, most notably forecasts for supply and demand in local and global markets as well as operational and technological, political, social and economic factors, and actions by major oil-producing countries. In order to support its core business activities, the Group must purchase significant quantities of commodities, raw materials and third-party services, including logistics. Although the Group seeks to enter into long-term contracts to protect its commercial position, significant price fluctuations and/or the failure to secure key materials and services, and/or maintain adequate supply chains and strategic alliances could have a significant adverse effect on the Group's operations and financial position.

The Group depends upon a number of single source suppliers.

The Group relies on suppliers in multiple jurisdictions and countries for the raw materials and components used in certain of its products. Wherever possible, the Group attempts to source materials from multiple suppliers (often in different jurisdictions globally); however, some key components and raw materials are from single sources, for which no alternate supplier may be available or has been identified. One or more of the Group suppliers may be unable to supply, including as a result of the COVID-19 pandemic, or decide to cease supplying the Group with raw materials and components for reasons beyond the Group's control, or they may increase prices significantly. Alternative suppliers may be difficult to identify, may require internal and regulatory pre-approval and in any event, may take a significant period of time to begin supplying the Group.

In addition, the Group's own core manufacturing capabilities are supported by third-party contract manufacturers that manufacture some of its products and subcomponents of its products. If the Group encounters a cessation, interruption or delay in the supply of products purchased from third-party manufacturers, including as a result of the COVID-19 pandemic, or such products are not of sufficient quality, it may be unable to obtain such products through other sources on acceptable terms, within a reasonable amount of time or at all. In the past, the Group has from time-to-time experienced manufacturing delays at certain of its contract manufacturers. Although these delays have not led to significant shortages or otherwise had a material commercial impact on the Group, there is no assurance that any future delays will not do so. In addition, the Group can undertake quality inspections and audits of the production processes of third-party manufacturers, but these initiatives may be inadequate or incapable of detecting all actual or potential issues. If the Group's agreements with certain manufacturing companies are terminated, it may not be able to find suitable replacements within a reasonable amount of time or

at all and such process may be delayed or significantly limited by the need for necessary regulatory approvals due to stringent medical device manufacturing quality standards.

In addition, the flow of goods between countries may be impacted by the restrictions imposed on cross-border trade, including as a result of the COVID-19 pandemic.

Any cessation, interruption or delay affecting the Group's supply chain, including any delay in or termination of its agreements or relationships with suppliers of the various products and services that the Group relies upon, may impair the Group's ability to manufacture products within its budget, meet scheduled deliveries of its products to its customers and/or cause the Group's customers to cancel orders. Any of these outcomes could materially adversely affect the Group's reputation, business, results of operations and financial condition.

The Group's operations are subject to environmental, health and safety laws and regulations, and numerous permit requirements and licensing regimes.

The principal areas of environmental, health and safety ("EHS") risk associated with the Group's operations include asset integrity, major process safety and other incidents that could result in fatalities or injury to employees, contractors and members of the public, loss of containment, significant environmental damage, compliance breach, personal health and safety lapses, crime and sabotage, internal security related attacks, activism, cyber-attacks and the failure of climate-change adaptation.

The Group's operations are subject to national and local environmental laws, regulations and other requirements in the geographical locations in which the Group operates, including regulations governing the generation, use, manufacture, handling, transport, storage, treatment and disposal of, or exposure to, hazardous materials, discharges to air and water, clean-up of contamination and occupational health and safety matters. Compliance with these regulations is very costly, and changes to compliance requirements and consequential costs could significantly impact the cost of managing the Group's operational assets and may make it uneconomical to continue operations at certain locations. Significant EHS events, precautionary closures, suspension of activities, or breach of applicable EHS regulations could result in injury or loss of life, damage to the environment particularly in environmentally sensitive regions, damage to or the destruction of operational assets and other property. This could result in regulatory action including a loss of licence, exclusion from national healthcare tenders, legal liability, criminal penalties, remedial and compensation costs, damage to the Group's reputation and disruption to business activities. Furthermore, there could be an increase in the Group's costs (including those covering clean-up, recovery and reinstatement), a shutdown of the Group's operations and a loss of its investments in affected areas which could have a materially adverse effect on the Group's business, results of operations and overall financial condition. In certain circumstances, liability could be imposed without regard to the Group's fault in the matter.

The Group also requires authorisations from various national and local government agencies to conduct its business. Obtaining necessary consents, permits, licences, authorisations and certifications can be a complex, time-consuming process, and the Group cannot guarantee that it will be able to obtain all such authorisations required for the operation of its various businesses in a timely manner or at all. Failure to obtain, renew or maintain such required authorisations or any disputes in connection with previously obtained authorisations could result in the suspension or termination of the Group's operations or the imposition of material fines, penalties, liabilities and other costs and expenses that could have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, the Group's counterparties may require that the Group maintains certain quality and safety certifications, or meets certain quality and safety targets, during the term of a contract. Failure on the Group's part to obtain and maintain these certifications or meet these targets may result in the early termination of the respective contract or in the Group's failure to be considered for future contracts, either of which could have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, under some environmental laws and regulations, the Group could also be held responsible for costs relating to any contamination at past or present facilities and at third-party waste disposal sites where the Group has sent waste in the past. These could include costs relating to contamination that did not result from any violation of law; and, in some circumstances, contamination that the Group did not cause. Any such expenses or liability could have a material adverse impact on the Group's financial condition and results of operations.

The use of third parties in the Group's operations may increase risks that could lead to EHS issues and decisions that adversely affect production. Responsibility for the safe operation of third-party facilities remains with the operator; however, this may result in such operators not implementing or applying relevant EHS standards that the Group might expect in its own assets.

The enactment of stricter environmental or health and safety laws or regulations and/or the stricter interpretation of existing laws and regulations may require the Group to incur additional expenditures. The Group may also face

delays in implementing measures or in complying fully which could materially adversely affect the Group's business, results of operations and financial condition.

The Group's manufacturing process is exposed to natural or man-made disaster impacts.

Significant portions of the Group's products are produced in a limited number of manufacturing facilities and the Group's end products are held predominately within a distribution centre network. In the event that any of these facilities are severely damaged or destroyed, including as a result of a natural or man-made disaster *(e.g.* fire), the Group would be forced to shift production and distribution to other facilities and/or rely on third-party manufacturers. For many of the Group's products, the Group does not have redundancy or sufficient excess capacity at its manufacturing sites, either in terms of space or equipment, to seamlessly transition the manufacturing of products to a different manufacturing facility in the event of failure or unavailability of one of the Group's or a third-party's facilities. This transition could take a considerable period of time and expense, which could result in loss of sales, back orders, penalties, damage to the Group's reputation and the permanent loss of customers to the Group's competitors. Such events could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group's business is subject to operational risks for which it may not be adequately insured.

The Group is exposed to a variety of risks that could lead to the interruption of its business operations or otherwise subject the Group to significant losses, including, but not limited to, accidents, natural disasters, product liability, environmental damage and other events. The Group maintains insurance policies, such as for general liability, public, product, property, workers' compensation and employer's liability, procurement, cargo, and crime, which cover risks that may arise through the course of normal business operations. The Group also maintains various other insurance policies to cover a number of other risks related to its business, such as director and officer coverage, employment practices, and fiduciary liability coverage.

There can be no assurance that the Group's insurance policies will be adequate to cover all material risks that the Group faces or that the Group will be able to maintain its current insurance coverage or to do so at similar premiums. Some risks are not possible to cover and, in certain situations, insurance may not be available or may be available at costs that management does not consider to be commercially reasonable. In addition, the Group's insurance premiums for certain risk coverage, including property damage and business interruption, have recently experienced significant increases, and they may rise again in the future as a result of the Group's asset portfolio, claims history or insurance market conditions.

If one or more events occur for which the Group is uncompensated or under-compensated by insurance, the resulting costs could, alone or in combination, have a material adverse effect on the Group's business, financial condition and results of operations.

Failure to develop and market new products or expand into new geographic markets could adversely affect the Group.

New products, extensions of existing product lines and expansion into new markets represent a significant component of the Group's strategy for both the maintenance of the Group's current market position and continued growth. The Group's focus is to launch targeted new products to satisfy customer needs and refresh its existing product lines to shape the future of the product portfolio over the short to mid-term in-line with strategic objectives. The Group may experience delays or significant costs in developing or receiving approvals for new products or entering new markets, and the Group's competitors may gain a competitive advantage if they are able to develop and release new products and enter new markets ahead of the Group.

Technology and innovation are essential to the Group to meet customer demands in a competitive way. If the Group does not develop the right technology, does not have access to it or does not deploy it effectively, the delivery of its strategy may be adversely affected. In addition, any unknown or unforeseeable adverse safety and environmental impacts related to the technology used by the Group could harm the Group's reputation, licence to operate such technology or expose the Group to litigation or sanctions.

Research and development efforts may require a substantial investment of time and resources before determination as to the commercial or technical viability of a new product, material or other innovation, but there can be no assurance that these efforts will be successful or that any new products will become commercially viable.

The process of obtaining regulatory clearances and approvals to market a new medical device, or a significant modification to an existing device, or to launch an existing product in a new market, can be costly and time consuming for the Group and approvals and clearances might not be granted for future products on a timely basis, if at all. The Group may be required to conduct or sponsor clinical trials or third-party assessments by

governmental or other regulatory authorities, or may do so voluntarily in order to qualify for favourable regulatory categorisation. The ongoing effects of the COVID-19 pandemic could lead to government action in the countries where the Group operates, including the imposition of lockdowns, which could in turn result in delays to clinical trials. Failure to comply with relevant regulations and directives in the country where a clinical trial is being conducted, including, but not limited to, failure to obtain adequate informed consent of subjects, failure to adequately disclose financial or other conflicts of interest or failure to report data or adverse events accurately, could result in fines, penalties, suspension of trials and the inability to use the data to support the marketing authorisation process and subsequent reimbursement filings.

In addition, if the Group's competitors' new products reach the market before the Group's products, those competitors may gain a competitive advantage. The ultimate success of the Group's product development and patient outreach efforts will depend on many factors, including, but not limited to, the Group's ability to create innovative designs and materials, provide innovative medical solutions and techniques for the Group's customers, accurately anticipate and meet customers' needs, commercialise new products in a timely manner and manufacture and deliver products in sufficient volumes on time.

Even if the Group is able to develop new products or innovations for existing products, these developments may not produce revenue in excess of the costs of development, or may cannibalise sales of the Group's higher-margin existing products. In addition, new products may be quickly rendered obsolete as a result of changing customer preferences, the introduction by the Group's competitors of products embodying new technologies or features, or advances in preventative or restorative medical solutions.

If the Group fails to manage these risks effectively, its business, results of operations, financial condition and prospects may be materially adversely affected.

The Group is dependent on its intellectual property or may be subject to intellectual property claims

The Group relies on a combination of patents, trade secrets, copyrights, trademarks, licence agreements and contractual provisions to establish and protect the intellectual property rights of its products and the processes for the development, manufacture and marketing of the Group's products. In addition, the Group has patent applications pending with respect to other components and products, and the Group also applies for additional patents in the ordinary course of business. These precautions, however, offer only limited protection, and would not, for example, protect against the Group's proprietary information becoming known to, or being independently developed by, competitors. The Group cannot be sure that existing or future patents, if any, will afford adequate protection or any competitive advantage, that any future or pending patent applications will result in issued patents or that the Group's patents will not be circumvented, invalidated or declared unenforceable. Additionally, the Group's proprietary rights in intellectual property may be challenged and the Group may face claims that it has violated the intellectual property rights of third parties.

The Group also uses non-patented, proprietary know-how, trade secrets, processes and other proprietary information and currently employs various methods to protect this proprietary information, including confidentiality agreements, invention assignment agreements and proprietary information agreements with vendors, employees, independent sales agents, distributors, consultants, and others. These agreements, however, may be breached. Governmental agencies or other national or state regulatory bodies may require the disclosure of such information in order for the Group to have the right to market a product. An agency or regulator may also disclose such information on its own initiative if it should decide that such information is not confidential business or trade secret information. Trade secrets, know-how and other unpatented proprietary technology may also otherwise become known to or independently developed by the Group's competitors.

The Group's key areas of business are litigious with respect to the enforcement of patents and other intellectual property rights. In some cases, intellectual property litigation may be used to gain a competitive advantage. The Group may in the ordinary course of business be a party to lawsuits involving patents or other intellectual property and it may incur significant costs in prosecuting and defending such actions with no assurance that such an action will be resolved in its favour (and whether or not such actions are ultimately resolved or settled in the Group's favour). If disputes are resolved against the Group, it may be subject to significant damages and the testing, manufacture or sale of one or more of the Group's technologies or products may be restricted, or the Group's competitors could introduce products replicating the design and/or features of the Group's own products. A successful claim or claims of patent or other intellectual property infringement against the Group could also result in payment of significant monetary damages and/or royalty payments or negatively impact the Group's ability to sell current or future products in the affected category. Moreover, regardless of outcome, such claims are expensive to defend and divert management and operating personnel from other business issues.

In addition, the laws of some of the countries in which the Group's products are or may be sold may not protect the Group's products and intellectual property to the same extent as other countries such as the United States or

in Europe, if at all. The Group may also be unable to protect its rights in trade secrets, trademarks and unpatented proprietary technology in certain countries. Many of the Group's patents are registered with the European Patent Office. Following the exit by the United Kingdom from the EU, the Group may be required to register patents separately with the United Kingdom Intellectual Property Office, which could require significant additional expense.

In addition, the Group holds patent, trademark and other intellectual property licences from third parties for a limited number of its products and on technologies that are necessary in the design and manufacture of some of its products. The loss of such licences could prevent the Group from manufacturing, marketing and selling these products.

If any of these risks were to materialise, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

The Group operates in a highly competitive business environment.

The Group operates in highly competitive markets for the supply of medical devices to national healthcare systems, business and direct to patients/customers. Customer behaviour and demand can change due to medical advancements, government initiatives, technology, climate change and general economic outlook. To retain or develop a competitive position, market participants price aggressively in order to build segment share and customers may switch suppliers based on price, product and service levels, as well as competitor activity. In addition, new market entrants continue to enter and grow their share of the market, further increasing competition.

The Group may not be able to offer products that are better, or more effective, than those of the Group's competitors or at a price comparable to that of the Group's competitors. Existing or new competitors could introduce innovative new technologies that may be preferred by the Group's customers (primarily comprising hospitals, physicians and other healthcare providers) and patients, which could have a direct impact on the Group's businesses, either through segment share losses or by increasing pricing pressure, which is a permanent feature of the industry. Manufacturers of generic products that have similar functionality to the Group's products could seek to more aggressively target the Group's customers and patients at a lower price point. The Group's existing competition, or new entrants into the markets in which it operates, could also decide to more aggressively compete on price, requiring the Group and others in the industry to reduce prices in an effort to maintain segment share. In addition, if the Group's competitors consolidate, they may be able to take advantage of increased bargaining power and economies of scale, which could increase pricing pressure on the Group. Any of the developments above would impact profitability and potentially the attractiveness of the Group's products and/or market segments.

In addition to the Group's direct competitors who make products similar to the Group's, many of the Group's advanced products compete with more traditional products for the same conditions. If the shift from conventional to advanced products were to slow, the Group may face greater competition from manufacturers which do not directly compete with the Group but which make alternatives to the Group's products.

The Group also operates in the competitive home services market in both the United Kingdom and North America. Competition in these markets is increasing as existing providers seek to strengthen their positions and diversify their product offerings. Failure to sustain competitive revenue and service levels, or to sufficiently differentiate the Group's products and service offering, could affect segment share and challenge the Group's ability to deliver sustainable operating margins and attain its growth aspirations.

The Group also faces competition from certain of its distributors and other channel partners. In some cases, these channel partners have launched their own brands of products that compete directly with those of the Group. If this practice increases, or if the Group is otherwise not able to compete effectively with direct and indirect competitors as described above, the Group's business, results of operations and financial condition may be materially adversely affected.

There can be no certainty that the Group will retain or develop a competitive position within the markets in which it operates, which if not achieved, could have a material adverse effect on its business, results of operations and overall financial condition.

Loss of certain of the Group's key commercial relationships could adversely affect the Group.

Certain of the Group's categories rely on a limited number of key commercial relationships. The Group's ability to renew its existing contracts with customers or other contractual counterparties, or to enter into new contractual relationships, either on commercially attractive terms or at all, depends on a range of commercial and operational factors and events, including existing contractual protections and incentives for renewals, the ability of the parties to reach agreement as to pricing, quality or service levels, and the commercial decisions by such counterparties

(who may choose to source products or components, in whole or in part, from other suppliers), any of which may be beyond the Group's control. Certain of the Group's legacy distributor agreements have exclusivity clauses, which could affect the Group's ability to enter into new contractual relationships. In addition, a number of customers are national, regional or local health authorities subject to rigorous public procurement guidelines. The Group's results may also be materially impacted by the timing of purchasing or de-stocking decisions by its key customers. The Group's inability to maintain its existing contracts and agreements with distributors or payers in concentrated markets, or to enter into new contracts on commercially favourable terms, could lead to business interruption, reduced sales, lower margins or a loss of existing customers and difficulties in attracting customers, which could have a material adverse effect on the Group business, financial condition and results of operations.

Pricing pressures could adversely affect the Group's sales and profitability.

In several of its markets, the Group's products are sold to patients or healthcare providers who pay for the products and receive reimbursements from third-party payers (principally national or local government-sponsored and private health insurance plans) to cover all or a portion of the cost of the Group's products. The Group faces direct and indirect pricing pressure from these arrangements and initiatives to limit the growth of general healthcare expenses and hospital costs are ongoing in the markets in which the Group does business. As a result of the COVID-19 pandemic, third-party payers may enact cost-containment measures as a result of any persistent downturn in the economic environment. Such measures may result in direct and indirect pricing pressure and a decrease in demand for the Group's products or the procedures involving the use of the Group's products.

Particularly in institutional care settings, such as acute care hospitals, third-party reimbursements to healthcare providers are often in the form of a "lump sum" amount based on a patient's diagnosis and/or the medical procedures performed. The cost of medical supplies, such as ostomy supplies and wound dressings, is assumed to be included in the lump sum payment to the relevant healthcare provider, without separate reimbursement for medical supplies. Reductions in lump sum payment amounts by third-party payers have an indirect impact on the Group's sales and profits, as hospital operating margins are compressed and hospitals, in turn, put pressure on medical supply manufacturers' selling prices. In addition, some insurance plans in the United States have adopted, or are considering the adoption of, a system in which healthcare providers contract to provide comprehensive healthcare for a fixed cost per patient. This system could exacerbate the indirect pricing pressure by healthcare providers on the Group. Outside of institutional care settings, in most developed countries the costs of medical supplies are reimbursed by third-party payers separate from any reimbursements payable for the patient's diagnosis and/or medical procedures performed. Reductions in reimbursement amounts to patients for medical supplies in this setting can have a direct adverse impact on the Group's sales and profits depending on the product categories impacted. Management believes that nurses, surgeons, hospitals and other healthcare providers may not use, purchase, recommend or prescribe its products and patients may not purchase its products if these third-party payers do not provide satisfactory coverage of and reimbursement for the costs of the Group's products or the procedures involving the use of the Group's products.

Third-party payers frequently review their coverage policies with respect to existing and new therapies and can, without notice, deny coverage for treatments that may include the use of the Group's products. Some private insurers in managed care systems may also attempt to control costs by authorising fewer elective surgical procedures or by requiring the use of the least expensive products available. In the event that third-party payers, whether private or governmental, deny coverage or reduce their current levels of reimbursement to the Group's institutional and end-user customers, the Group may be unable to sell certain products on a profitable basis.

Many U.S. institutional customers of the Group's products have joined U.S. GPOs in an effort to contain costs. GPOs conduct tender processes and/or negotiate pricing arrangements with medical supply manufacturers and distributors, and these negotiated prices are made available to a GPO's affiliated hospitals and other members. These negotiations could lead to pricing pressure on the Group's products, or the Group may not be selected as a provider for certain GPOs in key markets. If the Group is not one of the providers selected by a GPO, affiliated hospitals and other members may be less likely to purchase the Group's products and if the GPO has negotiated a strict compliance contract for another manufacturer's products, the Group may be precluded from making sales to GPO members for the duration of the contractual arrangement. The Group's relationships with GPOs are also subject to U.S. regulations governing fraud, waste and abuse.

If the Group faces significant increased pricing pressure from their customers and/or third-party payers, it could materially adversely affect the Group's business results of operations, financial condition and prospects.

Changes in reimbursement practices could adversely affect the Group.

For certain of the Group's products, the Group bills governmental social health care services, such as Medicare and Medicaid in the United States and the National Health Service ("NHS") in the United Kingdom, directly. The Group's sales of these products are therefore directly subject to cuts to reimbursement rates, internal cost reduction

audit programmes or the imposition of more stringent regulatory requirements for reimbursement. Additionally, the Group faces risks that its products may cease to be covered, or that new products may not be adopted for coverage, under these regimes.

In the United States, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 established a competitive acquisition programme for items of durable medical equipment, prosthetics, orthotics and supplies ("DMEPOS"). This category of products includes reusable medical supplies dispensed to patients for home use. Although the DMEPOS Competitive Bidding Program has been on hold since 2019, if competitive bidding contracts are reinstituted for the Group's products, the Group would experience substantial pricing pressure in respect of the Group's ostomy and urological supplies sold in the United States. There is also no assurance that the Group's products may be included in such bidding categories in the future.

The regulations that govern Medicare and Medicaid reimbursement, including cost reduction audit programmes, are complex and the Group's compliance with these regulations is costly and may be reviewed by federal agencies, including the Department of Health and Human Services, the Department of Justice ("DOJ") and the FDA. Failure to ensure reimbursement coverage for existing and new products under these or similar government healthcare regimes, or increased compliance costs, could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted and the Group expects that additional healthcare reform measures in the United States and other countries will be adopted in the future. Any such proposals, if adopted, or the adoption of a national healthcare system in the United States in which prices are controlled by the government, or any failure by the Group to comply with the existing requirements, could have a material adverse impact on the Group's business, results of operations and financial condition.

Outside of the United States, the rates of reimbursement as well as the number of products used and the reimbursement rates for those products are under constant review across many markets. Although the Group is not aware of any changes being proposed to regulatory reimbursement regimes outside of the United States, any such changes could impact the Group. Any such changes to regulatory reimbursement regimes could have a material adverse impact on the Group's business, results of operations and financial condition.

Failure to comply with privacy and data protection laws and regulations could adversely affect the Group.

In the course of its business, the Group collects information from customers, patients and employees, which is subject to data protection and privacy regulation in the various jurisdictions in which the Group operates. Such regulation relates to, among other things, the secure storage, use and disposal of personal data and the secure transmission of confidential information to ensure the security of financial and personal data passing over public networks. UK, EU and U.S. data privacy and cybersecurity requirements and proposals to amend such requirements, together with any regulatory changes, could increase the requirements around public notification of incidents and also the ability of the regulator to impose associated fines or penalties for non-compliance. The loss, corruption or improper disclosure of personal or confidential information as a result of an information security breach, whether accidental or due to unauthorised attempts to penetrate the network security of the Group, could subject the Group to claims from customers, patients and employees and lead to significant notification and mitigation expenses, reduce the value of the Group's proprietary information, as well as result in reputational damage and legal or regulatory action.

There can be no guarantee that the Group's security measures will be sufficient to prevent all possible network breaches or improper disclosure of personal or confidential information and it is possible that the Group may (even after implementing remedial measures) experience data theft and security breaches from time to time.

Concerns about the Group's ability to secure data could also damage the Group's reputation and, in particular, endanger the commercial success of the Group's me+ programme, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on the performance and security of its information technology systems.

The Group's operations rely on sensitive and highly complex information technology systems and networks, including systems and networks provided by and interconnected with those of third-party providers.

The Group's businesses could be compromised by an incident arising from the accidental or deliberate exposure of sensitive data, intellectual property, inadvertent or deliberate changes to data, interruptions to WiFi-enabled manufacturing assets, and changes in asset control systems, or a breakdown of critical information infrastructure and networks.

Due to the continual advancement of technology, computing capabilities and other developments including increasing digitisation of information and global reach, the use of social media and the continually evolving external cyber threat landscape, the Group may be subject to malicious and unauthorised attempts to penetrate its network security and misappropriate confidential information or materially compromise the security of its assets. The Group is also vulnerable to the potential viral effect of employees, consumers or "hacktivist" groups using social media channels that could expose the Group to legal liabilities, damage the Group's reputation or the disclosure of confidential information. There can be no guarantee that the Group's security measures will be sufficient to prevent all possible breaches or that any response, recovery or contingency plan will be sufficient and effective in all possible scenarios. In addition, the Group relies on third-party hardware, software and service providers, which are not fully under the Group's control.

Any internal control processes, or further enhancements that are established in the future, may take time to implement and may involve significant costs and management resources. If the Group's internal control processes are ineffective, the Group does not make the correct technology choices or investments or if the Group's choices or investments are insufficiently prompt or cost-effective, it could materially adversely affect the integrity and performance of the information technology systems. The Group may also suffer cyber-security incidents as a result of increased vulnerability while a larger proportion of the Group's employees work remotely due to the COVID-19 pandemic.

Failure to protect critical and sensitive systems and information adequately may result in compromises to intellectual property and trade secrets, unauthorised disclosure of confidential, share-price sensitive and proprietary data, loss of commercial or strategic advantage, damage to the Group's reputation and business, operational disruption, litigation or regulatory sanction and fines and increased regulatory scrutiny, which could all materially and adversely affect the Group's business, results of operations and overall financial condition.

Information security breaches and information technology system failures, including in the Group's manufacturing processes, could also cause system outages or reduced output that could cause significant financial and operational loss, for example by preventing the Group from serving customers, communicating with third parties, maintaining facilities, generating and purchasing raw materials, collecting and tracking revenues, or processing and reporting information. Such an incident could have a material effect on the Group's business, results of operations and overall financial condition.

The Group is subject to many different regulatory regimes with varying rules.

The Group's medical products are subject to oversight from a wide range of governmental regulatory authorities such as the FDA, the EU, the EEA and numerous other national and/or local governmental authorities in the countries in which the Group manufactures, distributes, markets and sells its products. These regulations govern and impose restrictions related to, among other things, the Group's design, manufacture, testing and distribution, packaging requirements, labelling requirements, import/export restrictions, storage, recordkeeping, promotion, third party healthcare provider contractual engagement, patient interactions, distribution, sales, production, tariffs, duties and tax requirements. The Group's products and operations are also subject to industrial standards and the rules of associations of healthcare professionals, which often inform regulatory enforcement standards. The applicable standards in these numerous jurisdictions under these regulations are not globally harmonised and are subject to continuous revision, which may entail increased requirements and as a result, increased compliance costs for the Group. In addition, and more generally, there appears to be a trend toward more stringent regulatory oversight throughout the world. This regulatory environment may have a material impact on existing device marketing authorisations as well as future device registration applications, requirements and timings, which may, in turn, have a material impact on the Group's ability to market its devices. If the Group fails to comply with applicable regulatory requirements, the Group may be subject to a range of sanctions, including substantial fines, warning letters that require corrective action, product seizures, recalls, the suspension of product manufacturing, revocation of approvals, exclusion from future participation in government healthcare programmes, substantial fines and criminal prosecution.

In addition, government health or other regulatory organisations in many countries require products sold in their jurisdictions to be qualified, or for certain members of the Group to be duly licensed, before they can be marketed with the benefit of insurance or government healthcare reimbursement eligibility. Failure or delayed receipt of relevant national or state qualifications could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group expends significant time, effort and expense in bringing new products to market, in the same and new geographies and adhering to post-market requirements. The Group is required to implement and maintain stringent reporting, product labelling and record keeping procedures and must make available its manufacturing facilities and records for periodic inspections by governmental agencies and comparable agencies in other countries to assess compliance with current good manufacturing practice requirements in applicable jurisdictions. Regulatory

agencies are increasingly applying regulatory requirements to the post-market phase and are increasing reporting requirements and post market clinical follow-up. Management believes this trend is likely to continue and could result in the need for more frequent post-market clinical studies or registry studies, increasing the costs involved in maintaining product registrations and keeping the Group's products in the market.

Regulatory bodies have the power to amend licences, conduct investigations into companies' operations, constrain business development opportunities, issue financial penalties and enforcement notices and restrict an entity's ability to remit claims to commercial, federal or state insurers. In certain cases, regulators have the power to impose substantial fines that could have a material adverse impact on the Group's profitability. While fines imposed to date by regulators on the Group and close competitors have not come close to the maximum levels, future fines may be more significant. Any significant changes to the legal, regulatory and political framework of the Group's key markets, intervention or remedies could materially adversely impact the Group's business, operations and overall financial condition.

The Group is required to obtain regulatory approvals prior to marketing and selling certain of its products.

The Group is required to obtain regulatory approvals prior to marketing and selling certain of its products. For instance, in the United States, before a new medical device or a new use of, or claim for, an existing device can be marketed, it must first receive either pre-market clearance under Section 510(k) of the U.S. Federal Food, Drug and Cosmetic Act ("FDCA") or pre-market approval from the FDA, unless an exemption applies. The Group's currently commercialised devices are either Section 510(k) exempt or have received pre-market clearance under Section 510(k) of the FDCA. The FDA may disagree with the Group's determination and require the Group to submit new Section 510(k) notifications or pre-market approvals ("PMAs") for modifications to the Group's previously cleared products for which the Group has concluded that new clearances or approvals are unnecessary, the Group may be required to cease marketing or to recall its modified product until it obtains clearance or approval, and it may be subject to significant regulatory fines or penalties as a result. Any FDA approvals required in the future could subject the Group to delays before commencing marketing and sales, or the FDA could limit or deny an approval sought by the Group.

In the EU, the EU Medical Device Regulation, which was published in 2017 came into effect in May 2021 and replaces the EU Medical Device Directive. The EU Medical Device Regulation imposes increased compliance obligations on the Group and affects all markets in the EU and other regions that align their product registrations to EU requirements. Compliance with the requirements of the EU Medical Device Regulation entitles the Group to affix a CE Mark to the Group's medical devices. In addition, from 1 July 2023 onwards, the Group will need to receive a UK Conformity Assessed ("UKCA") mark, which signifies compliance with applicable regulatory standards, for its products in order to market them in the United Kingdom. The new requirements for the UKCA mark are still developing, including specifications with regard to labelling and registration. As a result, the Group may incur additional costs for registration and maintenance of requisite technical documentation. The additional requirements for labelling and UK specific registration may also increase direct costs as well as place additional strain on the Group's compliance infrastructure.

Other jurisdictions in which the Group markets and sells its products may require similar pre-market clearances or approvals resulting in similar risks. Any delay in obtaining or failure to obtain such clearances or approvals in any jurisdiction may increase the costs and time requirements in order to place such devices on the market in those jurisdictions or prohibit the marketing and sale of such products in those jurisdictions, which could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

Failure to achieve acceptable results in inspections or comply with applicable regulatory requirements could adversely affect the Group.

Various national and local regulatory agencies have become increasingly vigilant in recent years in business practice investigations, including research and development activities, manufacturing, sales/marketing and reimbursement reporting. If the Group fails to achieve acceptable results in an inspection or to comply with applicable regulatory requirements, it may receive a warning letter or could otherwise be required to take corrective action and, in severe cases, the Group could suffer a disruption of its operations and manufacturing delays.

Governmental and regulatory actions against the Group can materially adversely impact its operations, resulting in the recall or seizure of products; operating restrictions or the suspension or revocation of the authority necessary for the production or sale of a product; the suspension of shipments from specific manufacturing facilities; delays in approvals of products by governmental authorities; the imposition of fines and penalties; the delay of the Group's ability to introduce new products; the exclusion of the Group's products from healthcare reimbursement programmes; settlements and related government-imposed monitorships; issuances of alerts blocking the export of its products from or the import of its products into a particular jurisdiction; and other civil or criminal sanctions.

As government authorities and courts interpreting the relevant laws and regulations throughout the world become increasingly stringent, the Group may be subject to more rigorous regulation or more frequent investigations in the future. Although the Group has implemented increased oversight capabilities in its manufacturing, research and distribution activities in recent years, there can be no assurance that regulatory agencies or other governmental authorities would find that the Group has fully complied with all applicable requirements in all instances or agree with the Group's interpretation of applicable regulatory requirements. Any such regulatory or governmental actions, in combination or alone, or a public announcement that the Group is being investigated for possible violations of regulatory laws, could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

The Group may face product quality issues.

Many of the Group's products are characterised by complex manufacturing processes, requiring adherence to demanding product specifications and tolerances. Manufacturers of medical devices, including the Group, from time to time, recall products in situations in which a material deficiency in a device has been identified. In addition, the U.S. Food and Drug Administration (the "FDA") and similar governmental authorities in other jurisdictions where the Group operates and sells products have the authority to require the recall of the Group's products in certain instances. Such recalls, whether initiated on a voluntary basis or otherwise, can result in a range of adverse consequences to the Group, including lost sales, adverse share price movement, the requirement to hold increased inventories of substitute products, damaged relationships with the FDA and similar governmental authorities, loss of segment share to competitors, adverse publicity and reputational harm, in addition to the direct costs of implementing any recall.

In addition, the manufacture and sale of medical devices and related products expose the Group to a significant risk of litigation, particularly product liability claims. This risk is enhanced because many of the Group's end customers are vulnerable patients with life-threatening conditions. The nature of certain of the Group's products is such that defects in or misuse of them have the potential to cause serious injury. The Group may in the future be subject to product liability claims alleging that the use of the Group's products, including certain Group products manufactured or designed by third parties and third-party devices that include products manufactured by the Group, resulted in adverse effects to patients.

Legal proceedings are inherently unpredictable, and any product liability claim brought against the Group, with or without merit, could be costly to defend and could result in excessive verdicts and/or injunctive relief that may affect how the Group operates its business or result in settlement payments and adjustments not covered by or in excess of insurance. The legal expenses associated with defending against product liability claims, provisioning for legal claims in the Group's financial statements, the obligation to pay a product liability claim in excess of available insurance coverage, or the inability to maintain adequate insurance coverage could increase operating expenses and could materially adversely affect the Group's business, reputation, prospects, financial condition or results of operations.

Moreover, negative publicity regarding a quality or safety issue, whether accurate or inaccurate, could harm the Group's reputation, decrease demand for the Group's products, lead to product withdrawals or impair the Group's ability to successfully launch and market its products in the future.

Even if the Group is successful in defending against such claims, they could nevertheless divert the time, energy and efforts of the Group's management, result in substantial costs to the Group, harm the Group's reputation (including any reputational damage resulting from the failure of third-party devices which use the Group's technology), materially adversely affect the sales of the Group's products and its segment share, require the Group to lower its prices or otherwise harm the Group's business. If there is a significant increase in the number or magnitude of product liability claims, the Group's reputation, business, results of operations and financial condition could be materially adversely affected.

The Group's business is subject to political intervention and regulatory oversight.

The Group is subject to oversight from a wide range of regulatory bodies including the FDA in the United States, the UK Medicines and Healthcare products Regulatory Agency, the Competition and Markets Authority ("CMA") and Financial Conduct Authority in the United Kingdom and a number of regulators in the markets, regions and countries where it operates. Regulatory bodies have the power to amend licences, conduct investigations into companies' operations, constrain business development opportunities, and issue financial penalties and enforcement notices. In certain cases, regulators have the power to impose substantial fines that could have a material adverse impact on the Group's profitability. While fines imposed to date by regulators on the Group and close competitors have not come close to the maximum levels, future fines may be more significant. Any significant changes to the legal, regulatory and political framework of the Group's key markets, intervention or remedies could materially adversely impact the Group's business, operations and overall financial condition.

The Group is subject to various political and regulatory interventions and changes to corporate governance requirements from governments and regulatory bodies in the United Kingdom, Europe, North America, Asia Pacific and elsewhere, if there is relevant market jurisdiction. Objectives of these interventions vary, but include healthcare system reform, changing environmental regulations targets and disclosure requirements, governance of industry operations, security of raw material supply, amendment to existing tax and disclosure regimes and fiscal terms, and protection of consumers and business customers.

Across the Group's markets, regulatory approaches vary by jurisdiction and regulator, with the Group's entry into new markets being assessed on a case-by-case basis. Any changes in regulations or legislation could increase the risk of non-compliance.

A worsening of the international political climate increases the possibility of sanctions or other trade limiting actions that could impact the Group's ability to source commodities and raw materials, or maintain a presence in current and future markets and countries.

Political and regulatory developments affecting the markets within which the Group operates are uncertain and may have a material adverse effect on the Group's business, results of operations and financial condition. Future UK political developments related to Brexit and/or any changes in government structure and policies as a direct consequence, could affect the fiscal, monetary and regulatory landscape to which the Group is subject. Any of the possible effects of Brexit, and others that the Group cannot anticipate, could materially adversely affect the Group's business, prospects, financial condition or results of operations. The costs and risks of compliance with any new or revised regulations, or new or changed interpretations or enforcement of existing regulations, may have a material impact on the Group's business and financial position. Government intervention in markets, or changes in government policy, may also affect the Group's ability to invest in the markets concerned. Additionally, any failure or perceived failure by the Group to comply with such developments or related requirements could result in substantial fines, loss or debarment of licence, legal proceedings and have a negative impact on its brands, operations and reputation.

Initiatives to address climate change may affect the Group's operations.

Continued and increased attention to climate change, including activities by non-governmental and political organisations as well as more interest by investors and the broader public, is likely to lead to additional regulations designed to tackle climate change. Policies and initiatives at national and international levels to address climate change, such as worldwide policy and regulatory actions aiming to reduce greenhouse gas, plastics and water abstraction, may affect business conditions and demand for manufacturing and product change in the medium to long term. Manufacturing businesses have also seen regulators impose significant obligations to implement carbon reduction measures. The Group's manufacturing plants and its third-party service providers are energy consumers and the Group's raw material supply chain and finished products contain plastics. Thus, policies that promote the use of "green" manufacturing and supply chains could adversely impact the Group's ability to maintain its existing manufacturing assets and products and the Group may have to expend additional costs (which it may not be able to pass through to customers), delay projects or reduce production in order to adhere to such policies.

In addition, customer response to climate change could also drive demand for low-carbon and low-plastic products, which could in turn affect the Group's sales volumes.

Climate-change induced changes to the environment, such as the increased frequency of extreme weather, may pose operational challenges, while measures to tackle loss of biodiversity and policies intended to protect local habitats may also limit access to raw materials and commodities in areas deemed to be biologically sensitive, which in turn could impair the Group's access to resources.

The realisation of any of the above risks, or any damage to the environment caused by the Group's business activities, could result in legal proceedings or other measures being taken against the Group as well as materially adversely impact the Group's reputation, business or financial condition.

Damage to corporate reputation or brand perception could affect the Group's competitive position.

The Group and its businesses are leading medical device brands, and its brands and reputation are important assets. The Group must actively manage an increasingly transparent corporate brand and reputation, including that of senior management and the executive officers, with a number of different stakeholders including customers, investors, opinion-formers, consumer and community representatives, employees, the media, governments and government agencies, political parties and regulatory and trade union bodies. Any failure to maintain the Group's global code of conduct to reflect latest requirements and expectations as well as follow the Group's global code of conduct, or the public perception that there has been such a failure or other real or perceived failures of governance, or legal or regulatory compliance could further undermine public trust in the Group, one or more of its businesses or its management, lead to increased regulatory intervention, harm the Group's reputation, damage

one or more of its consumer brands and adversely affect its business, results of operations and overall financial condition.

The challenges of day-to-day costs of healthcare, increased political pressures and other economic challenges, including that of the COVID-19 pandemic, have all increased the scrutiny on the Group's business environment. The increased use of social media also allows customers and consumer groups to engage, share views, and take part in direct action and other campaigns more readily than before. Any failure to retain the trust of the Group's customers and/or shareholders could lead to campaigns for corporate change through increased shareholder resolutions, and/or challenges in growing and retaining segment share. In addition, Home Services Group, as the Group's direct to consumer provider, may be subject to heightened scrutiny by the media, in particular regarding compliance with its customer service, regulatory obligations and pricing policies.

In addition, the Group holds various well-known product brands and user service brands, such as Home Services Group in North America and Amcare in the United Kingdom. Any damage to corporate reputation or brand perception could have a material adverse effect on the Group's overall reputation, business, results of operations and overall financial condition.

The Group may fail to comply with anti-corruption, anti-bribery and anti-money laundering laws.

The Group is subject to a wide range of antitrust, anti-competition, anti-fraud and anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar laws in other countries, as well as to obligations to business partners, related to anti-corruption compliance. The Group also must comply with a variety of other laws that impose tracking and reporting related to all transfers of value provided to certain healthcare professionals and others. Actual or alleged violations of applicable laws, regulations, or anti-corruption compliance contractual requirements could create a substantial liability for the Group and also damage the Group's reputation or cause a loss of business opportunity in the markets in which the Group operates. The Group interacts with foreign officials and has business in some countries generally recognised as having business environments where there may be a higher risk of corrupt activity occurring. The Group's activities in these countries create the risk of unauthorised payments or offers of payments by the Group's employees or agents which could result in violation of the various anti-corruption laws to which the Group is subject.

The Group has implemented policies to prohibit, and developed training and compliance programmes to discourage, these practices by its employees and agents, and the Group conducts investigations promptly when allegations of improper conduct are made. However, the Group is subject to a wide variety of requirements in a large number of jurisdictions and these laws and regulations are broad in scope and are subject to evolving interpretation and the Group's existing and any further safeguards may prove to be ineffective. If employees or agents of the Group violate regulatory requirements or the Group's policies or fail to maintain adequate record-keeping and internal accounting practices to accurately record the Group's transactions, the Group may be subject to regulatory sanctions, including monetary fines, criminal penalties, disgorgement of profits and suspension or debarment of the Group's ability to contract with government agencies or public international organisations or to receive export licences, any of which could materially adversely affect the Group's business, results of operations and financial condition.

The Group's international operations may expose it to risks in conducting business outside developed markets.

The international scope of the Group's operations exposes it to economic, regulatory and other risks, particularly outside developed markets. Management intends to continue to pursue growth opportunities for the Group in global emerging markets. The Group's operations outside the United States, Europe and other developed markets are, and will continue to be, subject to a number of risks and potential costs, including: lower levels of protection of intellectual property; greater payables risk due to difficulty in collecting accounts receivable and longer collection periods; trade protection measures and import or export licensing and/or product registration requirements; difficulty in staffing, training and managing local operations; differing legal and labour regulations; labour disputes; increased costs of transportation or shipping; potential adverse tax consequences, including consequences from changes in tax laws and the imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries, which, among other things, may preclude payments or dividends from certain subsidiaries from being used for debt servicing and exposure to adverse tax regimes; heightened prevalence of expectations by suppliers, distributors, customers and/or government officials for facilitation and other potentially improper payments; political and economic instability; risks associated with conducting business in countries subject to sanctions, and any breach by the Group or one of its distributors of any licensing requirements or other regulations; and, security risks associated with criminal activity in certain countries.

The Group is and may become increasingly dependent on regional Group subsidiaries and local third party distributors for compliance and adherence to local laws and regulations. Local distributors may not adhere to the Group's own business practices and policies, which could result in compliance risk and grey market sales in certain markets. The Group has implemented and monitors adherence to policies to prohibit improper payments and has developed training, compliance programmes and contractual protections to discourage such practices by its employees, distributors and other agents. Although a significant number of the Group's distributors have been assessed and screened under the new compliance programmes and migrated to new contracts reflecting the Group's updated policies and procedures (including audit rights), the Group's internal and third-party initiatives are on-going and there can be no assurance that they will be successful, will prevent all misconduct by counterparties or will not require further management time or expense to develop and implement. Failure of these policies, compliance programmes or contractual protections could result in violations of laws and regulations.

Any violation of laws and regulations by the Group or a failure of distributors to comply with the Group's established business practices and policies could result in legal or regulatory sanctions against the Group and potentially damage its business and reputation, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

Provision of information to patients and product users exposes the Group to malpractice or regulatory risk.

The Group operates me+, a programme for ostomy patients that provides (among other benefits) access to specialised nurses and information providing support for patients learning to live with their ostomies. Other areas in the Group's business, in particular the Group's HSG business, also have direct interaction with patients, including providing them with information about the Group's products as well as third-party products. Such representatives are not licensed as healthcare professionals and therefore may not give medical advice. The Group has developed guidelines for its employees and has implemented other procedures to provide quality control of the information that it publishes or provides, but there can be no assurance that such quality control procedures will be sufficient to ensure that there are no errors or omissions in information provided by the Group or these employees. If that information, or information and other content obtained from third parties, contains inaccuracies, it is possible that customers may bring claims against the Group for various causes of action. Even if potential claims do not result in liability to the Group, defending such claims could have material adverse effects.

In addition, a number of jurisdictions in which the Group operates generally require licensing for the practice of activities performed by healthcare professionals, including clinics. Management does not believe it requires such licensing for its own activities in the jurisdictions in which it currently operates. To the extent any such jurisdiction determines that the activities of the Group (including in particular those relating to its me+ programme) violate these requirements, it may seek to require the Group to discontinue those activities or subject the Group to penalties or licensure requirements.

Any claim of malpractice or other liability, or adverse regulatory action as described above, could materially adversely affect the Group's reputation, business, results of operations and financial condition.

Failure to attract or retain the Group's key senior management, technical experts or other key capabilities could adversely affect the Group.

The success of the Group's business is dependent on the capability, capacity and reputation of members of its senior management teams, specifically those in critical roles, and certain customer-facing employees as well as technical experts focused on the development of new products and technologies. Additionally, the Group must continue to attract, develop, retain and implement appropriate succession plans for senior management, technical experts and other qualified personnel in the markets in which the Group operates. This is especially relevant in the highly competitive markets in which the Group currently or plans to operate. Changes to the Group's structure and business model, including entry into new and emerging markets, could make attracting, retaining and motivating employees with the right capabilities in key roles across the business more challenging. The loss of, or a delay in replacing, a number of the Group's senior management, technical experts, qualified personnel or customer-facing employees, or the failure to attract and retain highly skilled and qualified personnel across all levels of the organisation or to continue to successfully expand, train, manage and motivate the Group's employee base, could have a material adverse effect on the Group's business, financial condition and results of operations.

Labour disputes could have an adverse impact on the Group's business

The Group and some of the third parties it relies upon, have areas of unionised workforce within the manufacturing base. Labour disputes or unrest, such as strikes, walkouts, claims or other labour disturbances may cause disruptions for the Group or such third parties. A significant strike or other labour dispute triggered by changes to employment terms and conditions, landmark court decisions, changes to pensions, and as a response to a wider climate of trade union unrest, could impact the Group's ability to provide manufacturing operations and products in one or more of its key markets and could impact customer supply. Any such disruption to the Group's business

could negatively impact its reputation and may result in the loss of revenue. Consequently, the Group's reputation, financial position and operating results may be adversely affected by labour unrest.

The Group may fail to deliver its stated strategic objectives.

Delivery of the Group's strategy is fundamental to the Group's future success. There can be no assurance that the Group will be able to successfully execute some or all of its strategic objectives or achieve its stated financial targets.

To achieve growth in certain areas, most notably in global emerging markets, the Group may need to enter new markets or develop commercial offerings that have not generated significant profits or cash flow in the past. There can be no assurance that the Group will be able to develop any new business areas successfully or operate them consistently, efficiently and profitably across geographies.

To maintain current and future growth, the Group must make continual investments to maintain and improve the condition of, and to address issues that arise in relation to, its assets. Such investment affects the operational life and the output achievable from these assets. The Group reviews the value of its assets periodically to inform valuation and investment decisions and, in some cases, may write down the value of certain assets. Assets may not perform as expected, including as a result of shutdowns or an inability to realise expected production volumes. In addition, the Group may decide not to continue with certain investments, developments or product lines if management believes the anticipated risks are too severe or the anticipated returns are or become insufficient to justify the investment.

The delivery of strategic objectives require a degree of change management activity. As a result of change programmes, any failure to attract / retain capability, maintain corporate knowledge, mobilise quickly, or maintain labour relations could affect the Group's ability to successfully execute any future plans. Delays or challenges with organisational restructurings, capital investment projects, changes to financial systems, the launch of new products and entry into new markets, integration of acquisitions, meeting expected growth targets, and completion of disposals could adversely affect stakeholders' perception of the Group if not successfully delivered. As a result, the Group may take longer than estimated to implement or not realise the anticipated benefits it expects to achieve as a result of its strategic objectives and the attention required may divert management attention and resources away from other areas of the Group.

The Group's targeted growth is based on assumptions and there can be no guarantee that the assumptions or longer-term forecasts used to calculate growth targets will prove to be accurate. Failure to deliver on the Group's strategy and to identify step changes in the market environment and react appropriately, disruption to the Group's business caused by such changes, or any significant variation in one or more of the Group's underlying forecasts, could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group may not successfully execute suitable acquisitions and divestments.

The Group's success may be limited by its ability to execute and finance acquisitions and to divest non-core areas of its business. As part of this process, the Group must identify suitable acquisitions and disposals and negotiate acceptable terms and conditions relating to such transactions. The Group may face significant competition in identifying and acquiring suitable targets from competitors who may have greater resources or greater familiarity with the market. Furthermore, management may choose at any time to rationalise the existing business portfolio and consider strategic transactions, which could result in a change in the size, performance, and strategy of the Group. There can be no assurance that the Group will be able to dispose of non-core areas of its business at a price that management considers to be appropriate, or at all, or that any disposal will take place in the timeline envisaged by the Group, which could result in increased pressure on the Group's cash position. In addition, over-concentration in any particular category or an imbalance of the Group's product portfolio may mean that a disruption in one business or revenue stream may have a disproportionate impact on the Group as a whole.

The process of integrating any acquired businesses involves risks and may divert management attention and resources away from other areas of the Group. There may be difficulties in retaining key corporate knowledge and the new customer base, unanticipated costs and expenses associated with any undisclosed or potential liabilities, as well as in the assimilation of different corporate cultures, practices, systems and sales and distribution methodologies.

There can be no assurance that economic interests acquired by the Group in businesses or assets will prove to be good investments or that any acquired business will successfully integrate into the Group. Failure by the Group to identify, execute, finance or integrate acquisitions could also leave the Group increasingly exposed to short-term movements in customer demand. Furthermore, the Group may be required to refinance indebtedness incurred to fund such acquisitions, in the capital markets or otherwise, and there is no guarantee that the Group will be able to do so on favourable terms or at all. The Group may also be liable for past acts or omissions (pre Group

ownership), and liabilities associated with the acquired business may be unforeseen or greater than anticipated. The Group may also be responsible for unforeseen liabilities of divested businesses.

Failure by the Group to successfully transfer business operations and to otherwise integrate the operations of any acquired businesses may result in lower revenue, earnings and/or reduced operating efficiency than if the Group had not acquired such businesses and lead to a loss of customers from the acquired businesses. The Group may not be able to realise the anticipated benefits from the integration, either in the amount or within the time frame that the Group expects, and the costs of achieving these benefits may be higher than expected.

Any of these factors could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group is impacted by global economic trends.

The Group operates in various jurisdictions and any developments in global economic conditions could lead to healthcare systems reducing spend, setting lower reimbursement rates and/or customers delaying or forgoing the private healthcare purchase of products. The Group's strategic priorities, including capital investment in mergers, acquisitions, disposals, market position, climate change, sustainable development, and new technologies, are also affected by global economic conditions and the Group's ability to grow its business successfully in these respects may be subject to circumstances beyond its control.

The Group continues to pursue a range of investments across markets and in different geographies both to deepen the Group's customer relationships and to secure the Group's future growth. Although the majority of the Group's products are focussed on the treatment of non-elective and chronic conditions that will impact patients throughout their lives, the global economy, as well as the credit and financial markets, may have an indirect impact on demand for Group products. For example, the Group may be impacted by institutional or governmental customers purchasing lower cost and less advanced products. As such, a negative economic climate in countries where the Group sells and/or exports its products including as a result of the COVID-19 pandemic, could contribute to reduced demand for the Group's products. Additionally, macroeconomic conditions can have an impact on various areas within the Group's business, including the availability and reliability of vendors and third-party contract manufacturers, the Group's ability to timely collect its accounts receivable and the availability of financing for acquisitions.

The banking and financial market sector that the Group relies upon could also be affected by political and economic developments such as the exit from the EU or the Euro by a member state. While the Group does not have a direct exposure to sovereign debt, it is possible that its partners and customers may have exposure which could impair their ability to meet their obligations to the Group. Therefore, a sovereign debt downgrade or default could have a material adverse effect on the Group.

The deterioration of economic conditions and lack of available financing could in the future impact the Group's business in a variety of ways, including the loss of employment and health insurance by users of the Group's products as a result of an economic slowdown, which could depress demand for healthcare services and the Group's products; a shortage of available credit for working capital, which could lead customers who buy the Group's products, including patients, hospitals and other parties, to limit their purchases or cause them difficulty in meeting payment obligations and the tightening of credit or disruption in the financial markets, which could disrupt or delay performance by the Group's third-party vendors and contractors and adversely affect the Group's business. In addition, disruptions in the credit or financial markets could limit the availability and size of additional financing and could make it more difficult to amend or renew the Group's existing credit arrangements if required. Pressure from economic deterioration, deflation and deflationary credit, volatile supply chain prices, increased levels of competition, political instability, reduced demand and recessionary impacts can all contribute to challenging market conditions.

If any of these risks were to materialise, the Group's business, results of operations and financial condition may be materially adversely affected.

Exposure to changes in taxation or tax authority decisions in the jurisdictions in which the Group operates could adversely affect the Group.

Companies in the Group account for and pay tax in the jurisdictions where they are resident and, if applicable, in any other jurisdiction in which they have a permanent establishment or other taxable presence. Consequently, the Group is exposed to changes, both in the general corporate tax regime and specific tax regimes in relation to its business segments. Tax laws, tax rates and interpretation of legislation and compliance and disclosure requirements, with associated costs and penalties, change regularly. For example, in June 2021, the UK government enacted legislation that would increase the UK corporation tax rate from 19% to 25% with effect from April 2023. Significant changes to and interpretation of tax laws and regulations, including changes in the

basis or rate of corporation tax, withdrawal of allowances or credits, transfer pricing requirements, imposition of new taxes or changes to withholding taxes could have a material impact upon the Group's tax charges. In October 2015, the Organisation for Economic Co-operation and Development issued a package of reports on its Action Plan on Base Erosion and Profit Shifting ("BEPS"). These recommendations proposed the development of rules directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. The timing and form of any changes to local and/or EU tax legislation in the territories in which the Group operates arising from the BEPS project remain uncertain but could, for example, result in additional reporting and disclosure obligations for the Group and a risk of additional tax being paid by the Group.

The Group currently relies on certain EU withholding tax exemptions for intra-Group dividends. Going forward, as a result of the United Kingdom withdrawing from the EU, the Group may not be able to benefit from these exemptions, including for intra-Group dividends paid to the Company. There are existing UK tax treaties that may require withholding taxes in some cases, and there can be no guarantee that these will be renegotiated by the United Kingdom following the exit by the United Kingdom from the EU.

Certain tax positions taken by the Group are based on external tax advice and/or are based on assumptions that involve a degree of judgment. The tax authorities in any applicable jurisdiction may disagree with the positions the Group has taken or intends to take regarding the tax treatment of any of the Group's transactions. If challenges to the Group's tax positions (through tax audits or otherwise) were to be successful, the Group may be required to pay additional taxes, penalty charges and interest, and it may incur costs in defending litigation or reaching a settlement with the relevant tax authority.

If any of the above were to occur, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to fluctuations in foreign currency exchange.

The Group prepares its financial statements in U.S. dollars, and it derives revenue and/or incurs costs in around 100 countries. Accordingly, movements in exchange rates between any of these currencies and the U.S. dollar could have a negative effect on the Group's results of operations and financial condition to the extent the Group has a mismatch between its earnings in any foreign currency and its costs that are denominated in that currency.

Where possible, the Group manages foreign currency risk by matching same currency revenues to same currency expenses, and by strategically denominating debt in certain functional currencies in order to match with projected functional currency exposures. The Group also maintains cashflow hedges for certain, highly probable future foreign currency cashflows. There is no guarantee that the Group will be successful in adequately protecting against currency exchange risk, and its results of operations may be materially adversely affected.

In addition, the results of operations and financial conditions of the individual members of the Group are reported in the relevant functional currency of that Group member, which may not be the U.S. dollar. These Group member's assets and liabilities are converted based on the exchange rate on the balance sheet date, and income statement items are converted based on the average exchange rate during the relevant financial period. Foreign exchange rates have seen significant fluctuation in recent years, and significant increases in the value of the U.S. dollar relative to foreign currencies could have a material adverse effect on the Group's reported financial results.

Additionally, while the Group presents certain historical financial information on a constant currency basis, and management considers certain constant currency metrics for budgeting and planning purposes in order to analyse results on a period-to-period basis, there can be no assurance that these estimated measures will accurately reflect the Group's underlying operations or results for any particular period or between any periods.

The Group is subject to counterparty risk.

As a consequence of its normal operations, the Group has a risk of a counterparty default, which may, among other things, reduce the Group's cash flows. Controls in place cannot eliminate such exposure or absolutely mitigate such risk, and such a counterparty default may have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group is exposed to interest rate fluctuations.

The Group is exposed to movements in interest rates, which affect the amount of interest paid on borrowings and the return on its cash investments. To the extent that any of the Group's interest rate exposure remains unhedged, or such hedging is ineffective, adverse movements in interest rates could have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group has significant goodwill and other intangible assets.

Goodwill and intangible assets represent a significant portion of the Group's total assets. Finite-lived intangible assets are subject to an impairment analysis whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. If an impairment exists, the Group would be required to take an impairment charge with respect to the impaired asset. Events giving rise to impairment are difficult to predict and are an inherent risk in the medical device industry. As a result of the significance of goodwill and intangible assets, the Group's financial condition and results of operations in a future period could be negatively impacted should such an impairment of goodwill or intangible assets occur.

A downgrade in the Group's credit rating may increase its costs of funding.

The Group benefits from its credit rating (Ba2 stable outlook (Moody's) and BB+ positive outlook (Standard & Poor's)), as the date of this Offering Memorandum. Any deterioration in the Group's credit ratings may increase its costs of funding or otherwise affect access to liquidity and its ability to obtain credit from counterparties. In addition, Standard & Poor's and Moody's Investors Service both view Brexit as credit negative for the United Kingdom, which may affect the Group's overall ability to obtain the financing required to carry on its business activities and/or increase its costs of funding. This could have a material adverse effect on the Group's business, results of operations and overall financial condition.

RISKS RELATING TO THE GROUP'S DEBT PROFILE AND STRUCTURE

Our leverage may make it difficult for us to operate the Group's business and prevent it from fulfilling its obligations with respect to the Notes.

The Group is, and following the issuance of the Notes, will continue to be, leveraged. As at 30 June 2021, after giving effect to the Offering and the application of the proceeds therefrom as described in "*Use of Proceeds*", the Group would have had *as adjusted* net debt of $954.2 million. See "*Summary Financial and Other Information—Other Financial Data and As Adjusted Financial Data.*"

The Group's leverage could have important consequences to holders of the Notes, including, but not limited to:

- making it difficult for the Group to satisfy its obligations with respect to the Notes and its other indebtedness and liabilities;
- increasing the Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of the Group's cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- restricting us from pursuing strategic transactions or exploiting certain business opportunities;
- placing the Group at a competitive disadvantage as compared to its competitors, to the extent that they are not as highly leveraged; and
- limiting the Group's ability to borrow additional funds or raise equity capital in the future and increasing the cost of any such financing.

Any of these or other consequences or events could have a material adverse effect on the Group's ability to satisfy the Group's debt obligations, including the Notes.

Despite the Group's significant level of indebtedness, it may be able to incur material additional amounts of debt, which could further exacerbate the risks associated with its indebtedness.

The Group may be able to incur substantial additional indebtedness in the future. Although the Indenture and the terms of the Group's other indebtedness restrict or will restrict the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial.

Moreover, the debt that the Group's subsidiaries may incur in the future could be structurally senior to the Notes (for instance, if incurred by any of the Group's subsidiaries that are not guaranteeing the Notes) or may be effectively senior to the Notes, by being secured by collateral. Under the Indenture, in addition to specified permitted debt, the Group will be able to incur additional debt so long as the Interest Coverage Ratio of ConvaTec (each term as defined in the Indenture) is greater than 2.00 to 1.00 on a *pro forma* basis. In addition, the Indenture will not prevent the Group from incurring obligations that would not constitute indebtedness under the Indenture. The incurrence of additional indebtedness would increase the leverage-related risks described in this Offering Memorandum.

The Group is subject to restrictive debt covenants that may limit the Group's ability to finance its future operations and capital needs and to pursue business opportunities and activities.

The Indenture will restrict, among other things, the Group's ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- merge or consolidate with or into other entities;
- enter into sale and leaseback transactions;
- enter into guarantees in connection with any additional indebtedness without concurrently guaranteeing the Notes; and
- create liens on assets to secure indebtedness.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*" These restrictions could limit the Group's ability to finance its future operations and capital needs and its ability to pursue business opportunities and activities that may be in the Group's interest.

In addition, the Term Loan Facilities require members of the Group that are party thereto to comply with additional affirmative and negative covenants, including the maintenance of certain financial ratios, while such arrangements remain outstanding. See "*Description of Other Indebtedness.*"

The Group's ability to comply with the covenants under the Indenture, the Term Loan Facilities and any future indebtedness may be affected by events beyond its control, and the Group cannot assure you that it will meet the required financial ratios and other requirements thereunder.

A breach of any of those covenants, ratios, tests or restrictions could, subject to any applicable cure periods, result in an event of default under the respective debt instruments and allow the creditors under the relevant debt instruments to declare all amounts outstanding under such debt instruments, together with accrued interest, immediately due and payable. In addition, any event of default or acceleration under one instrument could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. Upon the occurrence of any event of default under the Indenture, subject to applicable cure periods and other limitations on acceleration or enforcement, the Trustee could elect to declare all amounts outstanding, together with accrued interest, immediately due and payable. If the Group's creditors, including the holders of the Notes, accelerate the payment of those amounts, the Group cannot guarantee that its assets and the assets of its subsidiaries would be sufficient to repay in full those amounts and to satisfy all other liabilities of the Group's subsidiaries which would be due and payable. In addition, if the Group is unable to repay those amounts, the Group's creditors could proceed against any collateral granted to them to secure repayment of those amounts.

Certain of the Group's indebtedness bears interest at a floating rate that could rise significantly, increasing the Group's interest cost and debt and reducing its cash flow.

The Group's debt under the Term Loan Facilities bears interest at a variable rate which is equal to the sum of (i) the LIBOR or EURIBOR rate for interest periods of one week or one, three or six months (or any other period agreed with the agent under the Facilities Agreement (acting on behalf of all the lenders)), or, if LIBOR or EURIBOR is not available, the replacement rate as described in the Facilities Agreement and (ii) the applicable margin. Fluctuations in the LIBOR or EURIBOR rate or the replacement rate (as applicable) or in the applicable margin (which determined by reference to Leverage as defined in the Facilities Agreement) may increase the Group's overall interest burden and could have a material adverse effect on the Group's cash flow and reduce its ability to service its debt obligations.

The Group requires a significant amount of cash to service its debt, refinance its maturing debt and sustain its operations. The Group's ability to generate sufficient cash depends on many factors beyond its control.

The Group's ability to make payments on and to refinance its debt, including the Notes, and to fund working capital and capital expenditure, will depend on the Group's future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of the Group's business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these "*Risk Factors*", many of which are beyond the Group's control. This also depends on the Group's cash flow cycle. If the Group's interest payment dates coincide with periods of significant cash outflow, the Group may have insufficient cash to pay the Group's obligations as they come due. Other events could also have a negative impact on the Group's cash position, which could impact the Group's ability to make payments on and to refinance the Group's debt, and to fund acquisitions, working capital and capital expenditure.

The Group cannot assure you that the Group's business will generate sufficient cash flows from operations, that revenue growth, currently anticipated cost savings and operating improvements will be realised or that future debt and equity financing will be available to the Group in an amount sufficient to enable us to pay the Group's debts when due, including the Notes, or to fund the Group's other liquidity needs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*"

If the Group's future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility, the Private Placement Notes or any other lines of credit) are insufficient to pay the Group's obligations as they mature or to fund its liquidity needs, the Group may be forced to:

- reduce or delay the Group's business activities and capital expenditure;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of the Group's debt, including the Notes, on or before maturity.

The Group cannot assure you that it would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on the Notes on a timely basis could result in a reduction of the Group's credit rating, which could also harm the Group's ability to incur additional indebtedness. In addition, the terms of the Group's indebtedness, including the Notes, will limit, and any future debt may limit, its ability to pursue any of these alternatives. Any refinancing of the Group's debt could be at higher interest rates and could require the Group to comply with more onerous covenants, which could further affect the Group's operating results, financial condition and business. The type, timing and terms of any future financing will depend on the Group's cash needs and the prevailing conditions in the financial markets. If the Group is unable to refinance all or a portion of its indebtedness or obtain such refinancing on terms acceptable to it or at all, the Group may be forced to reduce or delay its business activities or capital expenditures, sell assets or raise additional debt or equity financing in amounts that could be substantial. In addition, the terms of the Group's indebtedness, including the Indenture, may restrict the Group's ability to pursue any of these measures. There can be no assurance that any assets which the Group may be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realised from such sale would be sufficient to meet the Group's debt service obligations when due.

If the Group is unable to refinance its debt, obtain additional financing or sell assets on terms acceptable to it or at all, the Group may not be able to satisfy its debt obligations, including under the Notes. In such event, borrowings under other debt agreements or instruments that contain cross-acceleration or cross-default provisions may become payable on demand, and the Group may not have sufficient funds to repay all its indebtedness, including the Notes.

The interests of the Group's shareholders may be inconsistent with your interests.

The interests of the Group's shareholders could, in certain circumstances, conflict with your interests, particularly if the Group encounters financial difficulties or are unable to pay its debts when due. For example, the shareholders could, directly or indirectly, cause the Issuer to incur additional indebtedness to service its existing debt, including the Notes, or for general corporate purposes. The Group's shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions (including one or more divestitures of all or part of the Issuer's business or sales of its shares) that, in their judgment, could enhance their equity investments, although such transactions might involve risks to investors in the Notes.

RISKS RELATING TO THE NOTES AND THE GUARANTEES

Claims by secured creditors will have priority over the claims of the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

The Notes are senior unsecured obligations of the Issuer. Claims by secured creditors of the Issuer and the Guarantors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes, to the extent of the value of such property or assets so securing such indebtedness. As such, any claims of the holders of the Notes will be effectively subordinated to any secured indebtedness and other secured obligations of the Issuer and the Guarantors. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration, or other bankruptcy or insolvency proceeding of the Issuer or any Guarantor that has any such secured indebtedness, or in the event that any such secured indebtedness becomes due or the creditors thereunder proceed against the assets that secured such indebtedness, the assets remaining after repayment of such secured indebtedness may not be sufficient to repay any amounts owing in respect of the Notes or the relevant Guarantee. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness of the Issuer or the relevant Guarantor.

As of 30 June 2021 after giving effect to the Refinancing, the Group would have had total outstanding liabilities of $86.9 million of secured obligations (represented by outstanding lease liabilities). We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture. While the Indenture will provide for a negative pledge, such restrictions will be subject to various permissive baskets and thresholds and the Indenture will therefore allow the Issuer and the Guarantors, subject to the specified limitations, to incur indebtedness on assets that will be effectively senior to the Notes to the extent of the value of such assets.

The Notes and each of the Guarantees will be structurally subordinated to present and future liabilities of our non-Guarantor subsidiaries.

Not all of our subsidiaries will guarantee the Notes, including certain subsidiaries of the Company that guarantee the facilities under the Facilities Agreement but do not guarantee the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Guarantee will each be structurally subordinated to the creditors (including trade creditors and creditors under the Facilities Agreement) and preference shareholders (if any) of our non-Guarantor subsidiaries. The covenants in the Indenture permit us to incur additional indebtedness at subsidiaries that do not guarantee the Notes and in the future the revenues and EBITDA of such entities could increase, possibly substantially. As of and for the year ended 31 December 2020, on an unconsolidated basis, the Issuer and the Guarantors together represented 70.9% of the Group's total revenues and 76.8% of the Group's total assets.

There are circumstances other than repayment or discharge of the Notes under which the Guarantees will be released without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees will be released automatically, without the consent of the Trustee and/or holders of the Notes including:

- other than with respect to the Company's Guarantee, in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor, by way of merger, consolidation or otherwise, to a person that is not (either before or after giving effect to such transaction) the Company or a subsidiary of the Company;

- other than with respect to the Company's Guarantee, in connection with any sale or other disposition of capital stock of that Guarantor to a person that is not (either before or after giving effect to such transaction) the Company or a subsidiary of the Company, if such Guarantor ceases to be a subsidiary of the Company as a result of the sale or other disposition;

- with respect to any Guarantor (other than the Company) that is a guarantor or other obligor with respect to any indebtedness under any syndicated credit facility or any public debt, if that Guarantor ceases to be a guarantor or other obligor with respect to any such indebtedness;

- upon legal defeasance, covenant defeasance or satisfaction and discharge in accordance with the terms of the Indenture;

- upon full and final repayment of the Notes;

- other than with respect to the Company's Guarantee, on the Fall Away Date (as defined in the "*Description of the Notes"*).

For a full description of the circumstances in which the Guarantees will be released automatically, see "*Description of the Notes—Note Guarantees.*"

We are subject to insolvency laws in England and Wales, Denmark, Italy, Switzerland, Germany, France and Oklahoma, which may not be as favourable as insolvency laws in other jurisdictions.

Certain of the Guarantors, and certain other subsidiaries, are incorporated under the laws of Denmark, Italy, Switzerland, Germany and France. Insolvency proceedings with respect to each of these companies, could be required to proceed under the laws of Denmark, Italy, Switzerland, Germany, France and/or, where Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings (the "EU Insolvency Regulation") applies, under the laws of the jurisdiction in which the relevant company has its "centre of main interests," defined in the EU Insolvency Regulation as the jurisdiction where the registered office is situated and has no "establishment" (as that term is used in Article 2(910) of the EU Insolvency Regulation) in any other jurisdiction. Although there is a rebuttable presumption that the "centre of main interests" will be in the jurisdiction of incorporation, this presumption is not conclusive. The Issuer is incorporated in Oklahoma, which is not part of the European Union and so the regulation referred to above does not apply as part of domestic law in Oklahoma. The Issuer will therefore *prima facie* be subject to United States insolvency procedures. Your rights under the Notes and the Guarantee are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings. Insolvency laws in such jurisdictions may not be as favourable to your interests as creditors as the bankruptcy laws of the United States or other jurisdictions with which investors are familiar, in particular with respect to priority of creditors, ability to obtain post-petition interest and the duration of the insolvency proceedings. In the event that any one or more of the Guarantors (or any other future Guarantors which may be required to grant a Guarantee under the Indenture) or any other of the Issuer's subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. As a consequence, enforcement of rights under the Notes and the Guarantees (and any other future Guarantees which may be required to be granted under the Indenture) in an insolvency situation may be delayed and be complex and costly for creditors and the application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply and adversely affect your ability to enforce your rights under the Notes or the Guarantees in these jurisdictions, limiting any amounts that you may receive.

Certain of the Guarantors are incorporated in England and Wales, and so the EU Insolvency Regulation referred to above does not apply to such Guarantors. Such Guarantors will therefore *prima facie* be subject to the insolvency laws of England and Wales. If insolvency proceedings were to be opened in England and Wales, such proceedings could be in parallel to proceedings opened elsewhere (for example in the place of the Issuer's or Guarantor's incorporation). Recognition of those proceedings in such other jurisdictions is likely to be a relevant consideration for the English courts prior to opening insolvency or restructuring proceedings. Such recognition would be a matter for the private international law of the relevant jurisdictions.

If insolvency proceedings were to be opened in a place other than England and Wales, such foreign proceedings could be in parallel to proceedings opened in England. Such foreign proceedings would not benefit from automatic recognition in England – although the foreign officeholder could apply under the Model Law Regulations (as defined below) which provide that foreign insolvency proceedings may be recognised in England where a company has its centre of main interests (as that concept is used in the Model Law Regulations) or an "establishment" (being a place of operations where it carries out a non-transitory economic activity with human means and assets) in such foreign jurisdiction. The UNCITRAL Model Law on Cross-Border Insolvency was implemented, subject to certain modifications, in Great Britain on 4 April 2006 by The Cross-Border Insolvency Regulations 2006, SI 2006/1030 (the "Model Law Regulations"). Under the Model Law Regulations, if foreign insolvency proceedings are commenced in respect of a company, then, upon application by the foreign

representative (defined to be a person or body, including one appointed on an interim basis, authorised in a foreign proceeding to administer the reorganisation or the liquidation of the company's assets or affairs or to act as a representative of the foreign proceeding), and provided that certain requirements are met, the English courts are required to recognise such proceedings. Any such recognition may in effect impact upon the availability of certain types of creditor action in England and Wales or, provided certain further requirements are met, result in the application of English avoidance (including claw-back) provisions.

Further, if the relevant foreign insolvency proceedings are recognised as "foreign main proceedings", an automatic stay on certain types of creditor action will apply (including the commencement or continuation of certain legal proceedings) and the company's right to transfer, encumber or otherwise dispose of its assets will be suspended in England and Wales. In general, this stay and suspension will not restrict rights relating to the enforcement of security or of a creditor to set-off its claim against a claim of the company (so long as these rights could be exercised if the company had been made the subject of a winding up order under the IA86). However, the foreign representative may also make an application to an English court to exercise its discretion to provide further relief, including the imposition of a wider stay (which may extend to restrictions on the rights referred to above), particularly if the foreign proceedings in question are reorganisation proceedings which, under the foreign insolvency law, give rise to a stay on security enforcement.

In addition, the English courts may have jurisdiction to open insolvency proceedings in respect of entities not incorporated in England and Wales, such as certain of the Guarantors or the Issuer. If insolvency proceedings were to be opened in England and Wales such proceedings could be in parallel to proceedings opened elsewhere (such as the country or place of the Guarantor's or Issuer's incorporation). Recognition of those proceedings in such other jurisdictions is likely to be a relevant consideration for the English courts prior to opening insolvency or restructuring proceedings. Such recognition would be a matter for the private international law of the relevant jurisdictions.

England and Wales

The procedural and substantive provisions of insolvency laws in England and Wales are generally favourable to secured creditors. These provisions afford unsecured creditors only limited protection from the claims of secured creditors that rank in priority to them. If the insolvency law of England and Wales applies in respect of certain of the Guarantors or our other subsidiaries, it will generally not be possible for the Issuer, the Company or its subsidiaries or unsecured creditors of the subsidiaries to prevent secured creditors from enforcing their security to repay the debts due to them.

If a Guarantor incorporated in England or Wales were to enter into administration proceedings in England and Wales, the Guarantees from such Guarantor could not be enforced while the relevant company was in administration without the leave of the court or consent of the administrator, and there can be no assurance that such leave of the court or consent of the administrator would be obtained. Furthermore, under insolvency law in England and Wales, some of our subsidiaries' debts may be subject to preferential claims, including amounts owed in respect of occupational pension schemes in respect of the 12-month period prior to insolvency, unpaid employees remuneration in respect of the four-month period prior to insolvency and administration or liquidation expenses.

See "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees–England and Wales*" for a more detailed summary of English insolvency regulations.

Switzerland

One or more Guarantor(s) is/are incorporated under the laws of Switzerland (each a "Swiss Guarantor"). The granting of a guarantee, indemnity, security or other benefit by a Swiss Guarantor, as well as any other undertaking contained in any agreement having the same or a similar effect, such as, but not limited to, the waiver of set-off or subrogation rights or the subordination of intragroup claims, granted by such Swiss Guarantor for the benefit of such Swiss Guarantor's direct and indirect parent and sister companies (so called "Upstream/Cross-stream Obligations") are subject to certain restrictions and risk being held invalid or partially invalid under Swiss corporate law. Therefore, the Indenture and/or any other relevant document to which a Swiss Guarantor is a party will contain certain limitation language in relation to Upstream/Cross-stream Obligations of a Swiss Guarantor, in order to enable such Swiss Guarantor to grant guarantees or security securing liabilities of the Issuer without the risk of violating such restrictions under Swiss law and to protect management from personal liability. Pursuant to such limitation language, among others, the value of any Upstream/Cross-stream Obligations assumed by a Swiss Guarantor will be limited to its freely distributable equity at the time of enforcement. Depending on the financial situation of the Swiss Guarantor at the time or times of enforcement, these limitations may render the Guarantees worthless. See "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees -*

Switzerland" for a more detailed summary of Swiss insolvency regulations. Please refer to "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*" for more detail.

Italy

The insolvency laws of Italy may not be as favourable to your interests as the laws of the United States or other jurisdictions with which you may be familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In particular, the insolvency and other laws of Italy may be materially different from the laws of the United States or other jurisdictions with which you may be familiar, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights against the Guarantee in Italy and limit any amounts that you may receive. For an overview of certain insolvency laws and enforceability issues as they relate to a Guarantor incorporated under the laws of Italy (an "Italian Guarantor"), see "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees - Italy*".

Germany

The guarantor ConvaTec (Germany) GmbH (the "German Guarantor") is organized under the laws of Germany, has its registered offices in Germany and substantially all of its assets are located in Germany. Consequently, any insolvency proceedings with regard to the German Guarantor are likely to be initiated in Germany and would most likely be governed by the insolvency laws of Germany.

German insolvency law differs substantially from U.S. bankruptcy laws, including with respect to priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may be less favourable to holders of the Notes than comparable provisions of U.S. law. Thus, your ability to recover payments due on the Notes from the German Guarantor may be more limited than would be the case under U.S. bankruptcy laws.

For holders of the Notes, the opening of formal insolvency proceedings against the German Guarantor include the following important consequences:

- unless debtor-in-possession status (*Eigenverwaltung*) is granted by the court upon application by the German Guarantor, the right to administer and to dispose of our assets generally passes to the insolvency administrator (*Insolvenzverwalter*);
- also subject to the granting of debtor-in-possession status (*Eigenverwaltung*), disposals effected by the management of the German Guarantor after the opening of formal insolvency proceedings are generally null and void by operation of law;
- if, during the final month preceding the date of filing for the opening of insolvency proceedings or after that date, a creditor in the insolvency proceedings acquires by way of enforcement a security interest in part of the debtor's assets that would normally form part of the insolvency estate, such security interest becomes null and void by operation of law upon opening of the insolvency proceedings; and
- claims against the German Guarantor may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

For more information, see "Insolvency Law and Limitations on Validity and Enforceability of Guarantee - Germany."

Denmark

One of the Guarantors is a company incorporated under the laws of Denmark. Any insolvency proceedings with respect to a Danish Guarantor would be based on Danish insolvency laws. Please note that the Insolvency Regulation does not apply to Denmark. Danish insolvency laws may not be as favourable to investors' interests as the laws of the United States or other jurisdictions with which the investors are familiar. In the event that a Danish Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. In a Danish bankruptcy, the debtor's assets are liquidated and the proceeds are distributed to the creditors on a priority of claims. Such liquidation may not yield the same value to the creditors

as a reorganization and sale of going concern. In particular, the insolvency and other laws of Denmark may be materially different from the laws of the United States or other jurisdictions with which investors may be familiar, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors and the duration of the proceeding. The application of these laws could call into question whether any agreed particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights against the Guarantor in Denmark and limit any amounts that you may receive. For an overview of certain insolvency laws and enforceability issues as they relate to a Guarantor incorporated under the laws of Denmark, see "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees - Denmark*".

France

The guarantor Laboratoires ConvaTec SAS (the "French Guarantor") is organized in France and, consequently could be subject to French insolvency proceedings affecting creditors, including court-assisted pre-insolvency proceedings (*mandat ad hoc* proceedings or conciliation proceedings (*procédure de conciliation*)), and court-administered pre-insolvency and insolvency proceedings which would qualify as main insolvency proceedings under the EU Insolvency Regulation (to the extent that its COMI or, in cases where the EU Insolvency Regulation does not apply, its main center of interests within the meaning of Article R. 600-1 of the French Commercial Code, is deemed to be in France), i.e., safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) and judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

French insolvency law differs substantially from U.S. bankruptcy laws, including with respect to priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may be less favorable to holders of the Notes than comparable provisions of U.S. law. Thus, your ability to recover payments due on the Notes from the French Guarantor may be more limited than would be the case under U.S. bankruptcy laws.

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit the ability of holders of the Notes to enforce their rights under the Notes. Please refer to "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees – France*" for more detail.

Please refer to "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees*" for more detail.

The Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.

The Notes will be guaranteed by entities which are organized under the laws of England and Wales, Denmark, Italy, Switzerland, Germany and France.

The Indenture will provide that certain Guarantees will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise ineffective under applicable law and enforcement of each Guarantee will be subject to certain generally available defences. These laws and defences include those that relate to corporate benefit, fraudulent transfer or conveyance, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, rights of and defences available to sureties, regulations or defences affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance, bankruptcy or insolvency law and other laws, a court could (i) subordinate, invalidate or void all or a portion of the Guarantees, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantors or to a fund for the benefit of that Guarantors' creditors, or (iii) take other action that is detrimental to you, typically, if the court found that, *inter alia*:

- the relevant Guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Guarantee or, in certain jurisdictions, where the effect of the transaction was to perpetrate a fraud on the relevant Guarantor's creditors;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) under-capitalized or became under-capitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantees were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

If a court were to find that the issue of the Notes or a Guarantee was a fraudulent conveyance or held it unenforceable for any other reason, the court could hold that the payment obligations under the Notes or such Guarantee are ineffective, or require the holders of the Notes to repay any amounts received with respect to the Notes or such Guarantee. In the event of a finding that a fraudulent conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of the other Guarantors under any Guarantees that have not been declared void.

See "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees–England and Wales-Antecedent Transaction Laws*" for a more detailed summary of English insolvency regulations in respect of reviewable transactions.

In case of the German Guarantor, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity or assets necessary for it to meet its own payment obligations) would be applied by courts with respect to the enforcement of the Guarantee granted by such Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero.

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the opening of formal insolvency proceedings during applicable avoidance periods.

Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvent estate (*Insolvenzmasse*). The administrator's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In particular, an act (*Rechtshandlung*) or a legal transaction (which term includes the granting of a guarantee, the provision of security or the payment of debt) detrimental to the creditors of the debtor may in certain cases be avoided according to the German Insolvency Code.

For more information, see "*Insolvency Law and Limitations on Validity and Enforceability of Guarantee—Germany*".

With particular respect to an Italian Guarantor, in order to comply with applicable corporate Italian law requirements on corporate benefit and financial assistance, the maximum amount that any Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture, the Notes and/or any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Guarantee may be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Guarantee. In addition, in order to comply with the provisions of Italian law in relation to the financial assistance (including Article 2358 and Article 2474, as the case may be, of the Italian Civil Code), the obligations of any Italian Guarantor as Guarantor under the Indenture, the Notes, and/or any other transaction documents related thereto shall not include, and shall not extend, directly or indirectly, to any obligation incurred by the Issuer or any Guarantor or grantor of security interest, in full or in part, the purpose or the actual use of which is to finance, directly or indirectly, the acquisition of the relevant Italian Guarantor (or any of its direct or indirect holding companies) and/or the subscription of any shares or quota in the relevant Italian Guarantor (or any of its direct or indirect holding companies) (or to refinance, directly or indirectly, any existing indebtedness incurred for such purposes) and/or the payment of any fees, costs and expenses, stamp, registration or other taxes in connection therewith. In any case, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture, the Notes and/or any other transaction documents related thereto will concur and not cumulate with the corresponding amounts due by that Italian Guarantor to any guaranteed creditor pursuant to the Senior Facility Agreement and/or the Intercreditor Agreement, and vice versa. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees granted by an Italian Guarantor (if any), the obligations of such Italian Guarantor as guarantor under the Notes, the Indenture, the Senior Facility Agreement, the Intercreditor Agreement and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee of that Italian Guarantor shall not exceed on an aggregate basis the limit of that Italian Guarantor's corporate benefit as referred to above.. See "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees—Italy*".

French law requires that, when a French company grants a guarantee on third-party obligations, the guarantee must be in the corporate purposes and in the corporate interests of the guarantor company. Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, the Guarantee granted by the French Guarantor and the amounts recoverable thereunder will be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on lent by the Issuer to, or used to refinance any indebtedness previously on-lent directly or indirectly to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding at the time a demand is made from such French Guarantor under its Guarantee, it being specified that any payment made by any such French Guarantor under its Guarantee shall reduce pro tanto the outstanding amount of the intercompany loans (if any) due by such French Guarantor under the intercompany loan arrangements referred to above. By virtue of this limitation, the Guarantors obligation under the Guarantees could be significantly less than amounts payable with respect to the Notes, or the Guarantors may have effectively no obligation under the Guarantees. By virtue of this limitation and with respect to the French Guarantor, in the absence of any proceeds of the Offering being made available to the French Guarantor and/or its subsidiaries the amount guaranteed by the French Guarantor will be equal to zero. Please refer to "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees – France*" for more detail.

You may not be able to recover in civil proceedings for U.S. securities law violations.

Certain of the Guarantors and certain of their respective subsidiaries are organized outside the United States. The directors and executive officers of certain Guarantors are non-residents of the United States and substantially all of their assets are located outside of the United States. Although the non-U.S. Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as the assets of certain Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the non-U.S. Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

See "*Service of Process and Enforcement of Judgment*."

Payments by certain Guarantors in respect of the Guarantees may be subject to withholding tax.

Amounts paid by the Swiss and Italian Guarantors in respect of the Guarantees may, under the current laws and regulations of Switzerland, be subject to withholding tax, and such taxes may be material. In the event such withholding tax is imposed, such Guarantors will (subject to certain exceptions) be required to pay additional amounts so that the net amounts received after such withholding tax are the same as would have been received had no such withholding tax been imposed. However, it is currently unclear whether the provisions of the Guarantees requiring the Guarantors to pay additional amounts will be enforceable in all or some of the jurisdictions where the Guarantors are located. Such provisions may in particular not be valid and enforceable in Switzerland. If such provisions are deemed unenforceable or in breach of local legislation, there is a risk that increase of amount payable for withholding tax will not take place and that payments made by such Guarantors will be reduced by the applicable withholding tax. Furthermore, we cannot assure you that advance relief or a refund under an applicable double tax treaty will be available, nor can we assure you that an applicable double tax treaty will not be renegotiated between the applicable countries, reinterpreted by the local tax authorities or terminated, thereby reducing or eliminating the benefits of the double tax treaty. See "*Description of the Notes—Additional Amounts*" and, with respect to payments by Swiss Guarantors in particular, "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees – Switzerland*".

Payments in respect of the Notes to German tax resident holders of the Notes and payments by the German Guarantor in respect of the Guarantees may be subject to German withholding tax.

Amounts paid in respect of the Notes (in particular interest on the Notes) to German tax resident holders of the Notes may, under the current laws and regulations of Germany, be subject to German withholding tax and solidarity surcharge at an aggregate rate of 26.375% if a German credit institution, financial service institution or securities institution (in each case including a German branch of a foreign institution but excluding foreign branches of a German institution) safekeeps or administers the Notes and pays or credits the amounts to the German tax resident holder. Furthermore, amounts paid by the German Guarantor in respect of the Guarantees

may be (or may become) subject to German withholding tax and solidarity surcharge at an aggregate rate of 15.825% including in cases where the recipient of the payment is resident in a non-cooperative jurisdiction within the meaning of the Defence against Tax Havens Act (*Steueroasenabwehrgesetz*) as updated from time to time.

Whilst the Issuer or the German Guarantor may generally be required to pay additional amounts so that the net amounts received after such withholding tax are the same as would have been received had no such withholding tax been imposed, the provisions of the Notes and the Guarantees may provide for exceptions from this requirement to pay additional amounts in the cases concerning German withholding tax (and solidarity surcharge) mentioned above. Consequently, there is a risk that no additional amounts have to be paid by the Issuer or the German Guarantor and that payments made by the Issuer or the German Guarantor will be reduced by the applicable German withholding tax (and solidarity surcharge). We cannot assure you that any form of relief (including advance relief, refund or credit) under an applicable double tax treaty or applicable domestic law will be available, nor can we assure you that an applicable double tax treaty will not be renegotiated between the applicable countries, reinterpreted by the local tax authorities or terminated, thereby reducing or eliminating the benefits of the double tax treaty.

We may not have the ability to raise the funds necessary to finance a change of control offer if required by the Indenture.

Upon the occurrence of a change of control, as defined in the Indenture, the Issuer will be required to make an offer to purchase the Notes at a price in cash equal to 101% of their aggregate principal amount, plus any accrued and unpaid interest and certain other amounts, to the date of repurchase. Upon a change of control, we may be required to offer to repurchase or repay our outstanding indebtedness, including the Notes. We cannot assure you that we would have sufficient resources to repurchase the Notes or repay our other indebtedness, if such debt is required to be repurchased or repaid, upon the occurrence of a change of control. In such circumstances, third-party financing would most likely would be required in order to provide the funds necessary for the Issuer to make the change of control offer for the Notes and to refinance any other indebtedness that would become payable upon the occurrence of such events. We may not be able to obtain such additional financing on terms favourable to us or at all. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Facilities Agreement and certain other indebtedness. See "*Description of the Notes—Change of Control*."

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "*Description of the Notes—Change of Control*," the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant laws and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

The definition of "change of control" in the Indenture will include a disposition of all or substantially all of the properties or assets of the Company and its subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law, as it varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Company and its subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

An active trading market may not develop for the Notes, in which case your ability to transfer the Notes will be more limited.

The Notes are new securities for which there is currently no market. We cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. Furthermore, the Notes and the Guarantees will not have the benefit of any exchange or registration rights under the Securities Act. Although application has been, or will be, made for the Notes to be listed on The International Stock Exchange Authority Limited and admitted for trading on the Official List, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Official List, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List may have a material effect on a

holder's ability to resell the Notes in the secondary market. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any market for the Notes will likely be subject to similar disruptions.

The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third-party recommendations. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

The liquidity of, and trading market for, the Notes may also be negatively affected by declines in the market for high yield securities generally. Such a decline may affect any liquidity and trading of the Notes independent of our or the Issuer's financial performance and prospects.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture will contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions under the Securities Act. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. The Issuer has not undertaken to effect any exchange offer for the Notes or file a shelf-registration statement with respect to the Notes. You should read the discussions in "*Notice to Investors"* for further Information about these and other transfer restrictions. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Notice to Investors*" and "*Book-Entry, Delivery and Form*"

Certain covenants will be suspended if we receive investment grade ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes are rated investment grade by at least two of Standard and Poor's Ratings Service, Moody's Investors Service, Inc. or Fitch Ratings Inc., provided that no potential event of default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by either ratings agency, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes— Suspension of Covenants on Achievement of Investment Grade Status*."

There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained. Suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. To the extent the covenants are subsequently reinstated, any such action taken while the covenants were suspended would not result in an event of default under the Indenture.

Negative changes in our credit rating may have a material adverse effect on our financial condition.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of such Notes, which could have a material adverse effect on our business, financial condition and results of operations.

A downgrade in our credit rating may negatively affect our ability to obtain future financing to fund our operations and capital needs, which may affect our liquidity. It may also increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur additional

debt. Our credit rating may be impacted by a number of factors, including the effects of the economic conditions in the countries in which we operate and any future rating downgrades of the sovereign debt of these countries.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address the Group's ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of the Group's financings and could adversely affect the value and trading of the Notes.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights or remedies.

Unless and until the Notes are in definitive registered form, or Definitive Registered Notes are issued in exchange for Book-Entry Interests (each as defined in "*Book-Entry; Delivery and Form*") (which may occur only in very limited circumstances), owners of Book-Entry Interests will not be considered owners or holders of Notes. DTC, or its nominee, will be the sole registered holder of the Global Notes (each as defined in "*Book-Entry; Delivery and Form*"). After payment to DTC, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest in the Notes, you must rely on the procedures of DTC and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of Book-Entry Interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued, if you own a Book-Entry Interest, you will be restricted to acting through DTC. We cannot assure you that the procedures to be implemented through DTC will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry; Delivery and Form.*"

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

The Notes may be redeemed at the Issuer's option, upon giving prior notice and subject to the satisfaction of certain conditions under the Indenture, prior to the maturity date. In the event that the Notes are redeemed early in accordance with the optional redemption provisions contained in the Indenture and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes. See "*Description of the Notes—Optional Redemption*."

You may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in U.S. dollars. If you measure your investment returns by reference to a currency other than U.S. dollar, an investment in the applicable Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the U.S. dollar, against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the Notes. See "*Tax Considerations.*"

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;
- be able to evaluate (either alone or with the help of a financial advisor) possible economic and interest rate scenarios and other factors that may affect its investment and its ability to bear the applicable risks; and
- understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of investors are subject to applicable investment laws and regulations and/or review and regulation by certain authorities and each potential investor should consult its legal advisors or the applicable regulators.

In addition, the market value of the Notes may fluctuate for a number of reasons including due to prevailing market conditions, current interest rates and the Group's perceived creditworthiness. Any perceived threat of the Group's insolvency or other financial difficulties or a less favourable outlook in the industry in which we operate could result in a downgrade of ratings and/or a decline in market value of the Notes.

USE OF PROCEEDS

The gross proceeds from the sale of the Notes is expected to be $500,000,000 (assuming that the notes are issued at par).

The Issuer intends to use the gross proceeds of the Offering to prepay a portion of the Term Loan Facilities and pay related fees and expenses.

The following table presents the estimated sources and uses of funds in connection with the Refinancing. Actual amounts may vary from estimated amounts depending on several factors, including the timing of the Refinancing, differences between estimated and actual fees and expenses, differences in exchange rates and interim debt repayments.

Sources	$ millions	Uses	$ millions
Notes offered hereby[(1)]	500	Prepayment of the Term Loan Facilities[(2)]	500
Cash and cash equivalents	10	Fees and expenses payable in connection with the Refinancing[(3)]	10
Total Sources	**510**	**Total Uses**	**510**

(1) Represents the gross proceeds of the Notes offered hereby (assuming that the Notes are issued at par).

(2) Represents the expected prepayment of a portion of the amount outstanding as of the date of this Offering Memorandum under the Term Loan Facilities including accrued interest and unamortised facility fees, using foreign exchange rates as of 30 June 2021. As of the date of this Offering Memorandum, the Group had (i) $388.5 million and €140.4 million of principal outstanding under the Facility A and (ii) $630.0 million and €227.7 million principal outstanding under Facility B. The actual amount paid may vary from the amount shown above due to several factors, including the timing of the Refinancing, foreign exchange rates and interim debt repayments.

(3) This amount reflects an estimate of the fees and expenses payable in connection with the Refinancing. Actual amounts may vary from the estimated amounts shown.

CAPITALISATION

The following table sets forth the consolidated cash and cash equivalents and capitalisation of the Company as at 30 June 2021 (i) on a historical consolidated basis, and (ii) on an *as adjusted* basis to give effect to the Refinancing as if it had occurred on 30 June 2021. The historical consolidated financial information has been derived from the Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The following table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of the Notes*" and "*Description of Other Indebtedness*," "*Presentation of Financial and Other Information*", as well as the Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	As at 30 June 2021	**As adjusted for the Refinancing** [1]
	($ millions)	
Cash and cash equivalents	**501.1**	**491.1**
Debt (including current portion)		
Term Loan Facilities[2]	1,455.0	955.0
Notes offered hereby[3]	-	500.0
Total debt	**1,455.0**	**1,455.0**
Total equity	**1,711.3**	**1,711.3**
Total capitalisation[4]	**3,166.3**	**3,166.3**

(1) Actual amounts may vary from the estimated amounts shown above as adjustments for the Refinancing depend on several factors, including the timing of the Refinancing, differences between estimated and actual fees and expenses, differences in exchange rates and interim debt repayments.

(2) Represents total interest-bearing borrowings, which is the aggregate principal amount outstanding as at 30 June 2021, excluding unamortised facility fees, using foreign exchange rates as of 30 June 2021.

(3) Represents the aggregate principal amount.

(4) Total capitalisation comprises total debt (including current portion) and total equity.

SELECTED FINANCIAL INFORMATION

The following tables, which present the Group's summary historical financial information as at and for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, should be read in conjunction with "Presentation of Financial and Other Information", "Use of Proceeds", "Capitalisation", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of the Group and related notes for the indicated periods included elsewhere in this Offering Memorandum.

Selected Consolidated Income Statement

The table below sets out the summary consolidated income statement for the Group for the periods indicted:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
			($ millions)		
Revenue	1,832.1	1,827.2	1,894.3	908.0	1,008.0
Cost of sales	(858.3)	(871.6)	(875.5)	(416.4)	(452.7)
Gross profit	**973.8**	**955.6**	**1,018.8**	**491.6**	**555.3**
Selling and distribution expenses[1]	(418.0)	(458.9)	(463.3)	(218.2)	(252.9)
General and administrative expenses[1]	(238.2)	(240.5)	(262.1)	(124.8)	(126.0)
Research and development expenses	(49.9)	(53.8)	(82.4)	(35.6)	(40.9)
Other operating expenses	-	(105.5)	-	-	-
Operating profit	**267.7**	**96.9**	**211.0**	**113.0**	**135.5**
Finance income	4.9	7.8	1.9	1.5	0.5
Finance expense	(70.1)	(81.4)	(50.3)	(27.8)	(20.3)
Finance costs, net	(65.2)	(73.6)	(48.4)	(26.3)	(19.8)
Non-operating income/(expense), net	(1.3)	(4.4)	12.1	(5.2)	(3.6)
Profit before income taxes	**201.2**	**18.9**	**174.7**	**81.5**	**112.1**
Income tax (expense)/benefit	20.4	(9.1)	(62.2)	(22.4)	(26.3)
Net profit[2]	**221.6**	**9.8**	**112.5**	**59.1**	**85.8**

(1) In 2020, following a review of cost allocations, general and administrative expenses of $25.9 million and $30.5 million in 2019 and 2020, respectively, principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparative information for 2019 in the 2020 Consolidated Financial Statements has been restated to reflect the revised classification.

(2) Net profit is equivalent to profit for the period.

Selected Consolidated Statement of Financial Position

The table below sets out the consolidated statement of financial position for the Group as at the dates indicated.

	As at 31 December			As at 30 June
	2018	2019	2020	2021
		($ millions)		
Assets				
Non-current assets				
Property, plant and equipment	330.7	321.6	352.2	351.6
Right-of-use assets	-	84.5	85.8	80.1
Intangible assets and goodwill	2,377.5	2,166.9	2,089.6	2,118.4
Deferred tax assets	22.9	55.0	41.4	41.5
Derivative financial assets	11.3	1.0	-	-
Restricted cash	2.4	3.6	5.7	7.9
Other non-current receivables	12.4	8.9	13.3	15.0
	2,757.2	**2,641.5**	**2,588.0**	**2,614.5**
Current assets				
Inventories	303.3	281.8	297.1	293.0
Trade and other receivables[1]	284.3	299.7	307.9	332.1

	As at 31 December			As at 30 June
	2018	2019	2020	2021
		($ millions)		
Derivative financial assets[(1)]	-	1.0	8.1	2.6
Cash and cash equivalents	315.6	385.8	565.4	501.1
	903.2	**968.3**	**1,178.5**	**1,128.8**
Total assets	**3,660.4**	**3,609.8**	**3,766.5**	**3,743.3**
Equity and liabilities				
Current liabilities				
Trade and other payables[(1)]	221.5	287.1	334.1	274.9
Borrowings	63.0	40.8	86.6	85.8
Lease liabilities	-	18.4	19.8	18.6
Current tax payable	41.9	44.6	55.6	53.9
Derivative financial liabilities[(1)]	-	2.2	7.7	11.4
Provisions	4.5	4.2	9.4	5.3
	330.9	**397.3**	**513.2**	**449.9**
Non-current liabilities				
Borrowings	1,581.5	1,445.3	1,369.8	1,359.5
Lease liabilities	-	70.1	72.3	68.3
Deferred tax liabilities	107.1	107.8	101.4	110.2
Provisions	1.5	1.7	1.5	1.2
Derivative financial liabilities	-	-	7.7	5.7
Other non-current payables	22.2	26.6	29.9	37.2
	1,712.3	**1,651.5**	**1,582.6**	**1,582.1**
Total liabilities	**2,043.2**	**2,048.8**	**2,095.8**	**2,032.0**
Net assets	**1,617.2**	**1,561.0**	**1,670.7**	**1,711.3**

(1) Derivative financial assets of $8.1 million and $1.0 million as at 31 December 2020 and 31 December 2019, respectively, have been reclassified from trade and other receivables when compared to the presentation in the 2020 and 2019 Consolidated Financial Statements. Similarly, derivative financial liabilities of $7.7 million and $2.2 million, respectively, have been reclassified from trade and other payables. This change reflects the requirement in IAS 1 *Presentation of financial statements* to disclose material derivative financial assets and liabilities separately on the face of the Statement of Financial Position.

Selected Consolidated Cash Flow Statement Information

The table below sets out the summarised consolidated cash flow statement data for the Group for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
			($ millions)		
Cash flows from operating activities					
Net profit	221.6	9.8	112.5	59.1	85.8
Adjustments for					
Depreciation of property, plant and equipment	37.4	35.5	38.5	18.3	19.8
Depreciation of right-of-use assets	-	22.4	22.4	10.9	11.7
Amortisation	152.6	151.9	136.8	67.3	73.7
Income tax expense	(20.4)	9.1	62.2	22.4	26.3
Non-operating expenses, net	1.3	4.4	9.8	5.2	2.7
Finance costs, net	65.2	73.6	48.4	26.3	19.8
Share-based payments	11.2	14.2	12.4	7.2	7.1
Impairment/write-off of intangible assets	-	105.5	1.8	-	-
Impairment/write-off of property, plant and equipment	-	8.8	9.9	0.3	1.7
Disposal of assets	3.4	-	-	-	-
Change in assets and liabilities:					

Inventories	(33.1)	20.4	(5.3)	(14.4)	6.9
Trade and other receivables	6.7	(13.9)	6.5	(6.1)	(21.8)
Other non-current receivables	(1.6)	1.8	(4.1)	(3.6)	(1.7)
Restricted cash	-	-	(2.1)	(0.8)	(2.3)
Trade and other payables	2.3	43.8	47.5	0.4	(51.4)
Other non-current payables	2.5	(0.5)	5.3	4.1	0.5
Net cash generated from operations	449.1	486.8	502.5	196.6	178.8
Interest received	-	1.8	1.9	1.5	0.5
Interest paid	(61.3)	(49.8)	(50.4)	(28.5)	(19.3)
Income taxes paid	(35.8)	(37.0)	(54.5)	(14.5)	(29.0)
Net cash generated from operating activities	**352.0**	**401.8**	**399.5**	**155.1**	**131.0**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets	(72.1)	(61.4)	(86.2)	(36.7)	(43.6)
Proceeds from sale of property, plant and equipment and other assets	4.3	0.1	0.1	-	-
Acquisitions, net of cash acquired	(14.4)	(12.3)	-	-	(85.1)
Proceeds from divestiture	-	-	29.8	-	-
Change in restricted cash	1.3	0.8	-	-	-
Net cash used in investing activities	**(80.9)**	**(72.8)**	**(56.3)**	**(36.7)**	**(128.7)**
Cash flows from financing activities					
Repayment of borrowings	(153.7)	(1,618.7)	(73.0)	-	-
Proceeds from borrowings	-	1,481.0	-	-	-
Payment of lease liabilities	(0.8)	(20.9)	(20.6)	(10.3)	(10.9)
Purchase of own shares	-	(14.0)	(5.6)	-	-
Dividend paid	(74.9)	(79.9)	(62.9)	(38.0)	(53.6)
Net cash used in financing activities	**(229.4)**	**(252.5)**	**(162.1)**	**(48.3)**	**(64.5)**
Net change in cash and cash equivalents	**41.7**	**76.5**	**181.1**	**70.1**	**(62.2)**
Cash and cash equivalents at beginning of the period	**289.3**	**315.6**	**385.8**	**385.8**	**565.4**
Effect of exchange rate changes on cash and cash equivalents	**(15.4)**	**(6.3)**	**(1.5)**	**(4.6)**	**(2.1)**
Cash and cash equivalents at end of the period	**315.6**	**385.8**	**565.4**	**451.3**	**501.1**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations is intended to convey management's perspective on the Group's operating performance and financial condition during the periods under review, as measured in accordance with IFRS and other relevant measures. This disclosure is intended to assist readers in understanding and interpreting the Interim Condensed Consolidated Financial Statements and the Consolidated Financial Statements included elsewhere in this Offering Memorandum. The discussion should be read in conjunction with the Interim Condensed Consolidated Financial Statements and the Consolidated Financial Statements included elsewhere in this Offering Memorandum, and "Presentation of Financial and Other Information."

This section includes certain financial measures that are not required by or presented in accordance with IFRS because management believes they provide investors with useful additional information to measure the Group's performance, liquidity or capital expenditures. For more information on the definition and calculation of these Non-IFRS Measures and, where relevant, a reconciliation to the Group's reported historical financial information presented on an IFRS basis, please see "Presentation of Financial and Other Information—Non-IFRS Financial Measures." These Non-IFRS Measures have important limitations as analytical tools. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies.

The following discussion contains forward-looking statements. These forward-looking statements are based on the Group's current projections and expectations which management considers reasonable about future events. The Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth in the Risk Factors section in this Offering Memorandum. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

Certain figures contained in this discussion and analysis of financial condition and results of operations, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, (i) the sum or percentage change of the numbers may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row.

OVERVIEW

ConvaTec is a global medical solutions company focused on the management of chronic conditions, including products and services used for advanced chronic and acute wound care, ostomy care, continence and critical care and infusion care (used in the treatment of diabetes and other conditions). Across its operations as a developer, manufacturer and marketer of innovative medical products, ConvaTec has a leading position in a number of attractive, structurally growing chronic care markets. The Group expects trends such as ageing populations and the increase of chronic conditions to continue driving demand for its solutions globally. The Group operates across four major market categories:

Advanced Wound Care ("AWC"). The Advanced Wound Care category provides advanced wound dressings for the management of chronic wounds resulting from ongoing conditions such as diabetes, immobility and venous disease, and acute conditions resulting from traumatic injury, burns, invasive surgery and other causes. AWC accounted for 28.9% of the Group's revenue in 2020.

Ostomy Care ("OC"). The Ostomy Care category provides devices, accessories, services and digital tools for people with a stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer, obesity and other causes. OC accounted for 27.8% of the Group's revenue in 2020.

Continence & Critical Care ("CCC"). The Continence & Critical Care category provides products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The category also supplies devices and products used in intensive care units and hospital settings. CCC accounted for 26.3% of the Group's revenue in 2020, of which Continence Care accounted for 18.3% and Critical Care accounted for 8.0%.

Infusion Care ("IC"). The Infusion Care category provides disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions such as Parkinson's disease. In addition, the category supplies a range of products to hospitals and the home healthcare sector. Infusion Care accounted for 17.0% of the Group's revenue in 2020.

The following table sets out the Group's revenue on a reported basis, as well as the period-on-period revenue growth by market category on a constant currency basis, which is a non-IFRS measure. For further information on reported revenue growth and constant currency revenue growth, see "—*Key Performance Indicators*" below.

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	($ million, unless otherwise stated)				
Total reported revenue	**1,832.1**	**1,827.2**	**1,894.3**	**908.0**	**1,008.0**
Reported revenue growth	**n.a.**	**(0.3)%**	**3.7%**	**n.a.**	**11.0%**
Constant currency revenue growth[(1)]					
Advanced Wound Care	n.a.	0.5%	(3.8)%	n.a.	10.7%
Ostomy Care	n.a.	1.9%	1.2%	n.a.	3.7%
Continence & Critical Care	n.a.	4.4%	9.3%	n.a.	6.8%
Infusion Care	n.a.	4.1%	16.7%	n.a.	6.5%
Total	**n.a.**	**2.4%**	**4.0%**	**n.a.**	**7.0%**

Notes:

(1) In this table, constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information – Constant currency and Organic revenue growth.*"

In the twelve months ended 30 June 2021, the Group generated revenue of $1,994.3 million, Adjusted EBITDA of $474.5 million and Adjusted EBIT of $372.8 million.

Key performance indicators

The Group monitors several KPIs to track the financial and operating performance of its business. These measures are derived from the Group's internal financial systems. Because some of these measures are not determined in accordance with IFRS or any other generally accepted accounting principles and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies.

The table below presents the Group's revenue on a reported basis, the period-on-period revenue growth on a constant currency basis, Adjusted EBIT margin and adjusted free cash flow. For more information on the definition and calculation of these metrics, including a reconciliation to the Group's reported historical financial information prepared on an IFRS basis, where relevant, please see "*Presentation of Financial and Other Information—Non-IFRS financial measures*", "*Presentation of Financial and Other Information—Constant Currency and Organic Revenue Growth*" and "*Summary Financial and Other Information—Other Financial and Operating Data.*"

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	($ million, unless otherwise indicated)				
Total reported revenue	**1,832.1**	**1,827.2**	**1,894.3**	**908.0**	**1,008.0**
Reported revenue growth	**n.a.**	**(0.3)%**	**3.7%**	**n.a.**	**11.0%**
Constant currency revenue growth[(1)]	**n.a.**	**2.4%**	**4.0%**	**n.a.**	**7.0%**
Adjusted EBIT margin[(2)]	**23.4%**	**19.4%**	**18.5%**	**20.0%**	**20.3%**
Adjusted free cash flow[(3)]	**352.8**	**396.8**	**347.4**	**148.4**	**114.1**

Notes:

(1) In this table, constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information—Constant currency and Organic revenue growth.*"

(2) Adjusted EBIT margin is defined as Adjusted EBIT divided by revenue. Adjusted EBIT (also referred to as adjusted operating profit) is defined as operating profit adjusted for items that management believes are not related to the underlying performance of

the Group. For a reconciliation of Adjusted EBIT to the Group's reported financial information, please see "*Summary Financial and Other Information—Other Financial and Operating Data.*"

(3) Adjusted free cash flow is defined as cash generated from operations adjusted for the effects of certain cash and non-cash items that management believes are not related to the underlying performance of the Group and net of additions to property, plant and equipment and intangible assets and tax paid. For a reconciliation of adjusted net cash to the Group's reported financial information, please see "*Summary Financial and Other Information—Other Financial and Operating Data.*"

Significant factors affecting the Group's results of operations

Structural trends

The Group benefits from operating in markets which are experiencing structural growth, driven by several key global demographic trends, including an ageing population, increasing prevalence of chronic conditions and increased life expectancy of patients suffering from those chronic conditions.

There is a strong correlation between age and the incidence and prevalence of long-term chronic conditions requiring wound, ostomy, continence and infusion care products. Additionally, patients with existing conditions who are reliant on the Group's products are typically living longer, lengthening the time period a given patient is likely to utilise the Group's products. This ageing population also generally desires an active lifestyle, which drives further technological innovation, product development and the use of accessory products.

As a result of these structural and demographic trends, growth in all of the category markets in which the Group operates is expected to continue. Management estimates that between 2021 and 2024, the Advanced Wound Care Market is expected to grow at a CAGR of approximately 4%. Management estimates that between 2021 and 2026, the Ostomy Care Market is expected to grow at a CAGR of approximately 4%, the Infusion Care Market at a CAGR of approximately 7% and the Continence Care Market at a CAGR of approximately 4%. These long-term trends have supported growth in the Group's addressable markets. For more information on the size of these markets and historic and expected future growth rates, see "*Industry Overview*".

In 2020, the Group generated more than 85% of its revenue from products used by patients with chronic care conditions, which are conditions experienced over a long duration and generally progress slowly. As the treatment of these conditions is largely non-discretionary, underlying demand for the Group's products is not directly impacted by economic conditions to a significant extent (although available healthcare reimbursement may be indirectly affected, as discussed in "*—Healthcare services reimbursement and pricing*"). This chronic care model leads to recurring revenue streams, which reduce year-to-year volatility in revenue on a constant currency basis. As there tends to be a relatively low degree of switching between products by patients once they find a solution that works for them, new patient capture is an important driver of long-term performance.

Competitive environment

In the markets in which it operates, the Group competes with both small companies and large, diversified companies with significant segment share. The Group competes with these parties on a range of factors, including product technology, consumer engagement, sales and marketing, and price.

The acquisitions of Southlake Medical Supplies in October 2019 for net cash consideration of $12.3 million and J&R Medical in March 2018 for $14.4 million strengthened the Continence & Critical Care business in the United States, helping to drive a 6.1% CAGR in CCC revenue between 2018 and 2020 on a reported basis. On a reported basis, Advanced Wound Care revenue declined at a CAGR of 3.5% between 2018 and 2020 which was partially driven by a decrease in revenue from surgical wound management products due to the postponing of elective surgeries during the COVID-19 pandemic and price reductions in commoditised products such as hydrocolloids, coupled with the disposal of the US Skincare product line during 2020. In Ostomy Care, the Group's revenue declined at a CAGR of 0.7% between 2018 and 2020 on a reported basis, partially reflecting competitive pressure, particularly in the United States. In Infusion Care, the Group's segment share has grown, which resulted in revenue growing at a CAGR of 9.7% on a reported basis over the same period, reflecting the Group's position in the fast-growing "smart glycaemic control" segment of the diabetes market.

Innovation and product development

The Group's business strategy relies significantly on developing innovative products, within its existing four categories of care, that address unmet customer needs and differentiate the Group and its product offering from its competitors. The Group holds an extensive portfolio of patents and trademarks across its key market categories and geographies, with over 300 active patent families and more than 2,600 patents and patent applications (on a provisional and non-provisional basis) globally as set out in the 2020 Annual Report. In addition to new product development, the Group strives to optimise the life cycles of products in the Group's existing portfolio by enhancing features and leveraging technologies across its market categories. Sustainable innovation in the

Group’s product and development pipeline is fundamental to future growth, as is the ability to respond to disruptive new technologies, changing customer behaviour, requirements, and demand. A failure to invest in and develop safe, effective, profitable long-life products to meet market needs and fill unmet medical needs or maintain sufficient intellectual property protection, could result in lost segment share, underperformance and a lack of confidence in the Group’s operational integrity to deliver in line with expectations.

In the periods under review, the Group delivered a number of product line extensions and new products which supported the Group’s Constant currency revenue growth. The Group is increasing its investment in R&D and expects R&D to result in increased product demand and, as a result, increased sales volume and revenue in the future.

The Group has historically underinvested in research and development as compared to its competitors. In 2020, as part of the Group’s Strategic Transformation, the Group conducted a review of its research and development function, which resulted in the creation of a new “Technology and Innovation” function and the establishment of an innovation centre in Boston. As part of its Strategic Transformation, the Group also significantly increased its R&D expenditure in 2020. R&D expenditure during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021 was $49.9 million, $53.8 million, $82.4 million, $35.6 million and $40.9 million, or 2.7%, 2.9%, 4.3%, 3.9% and 4.1% as a percentage of revenue, respectively. This expenditure includes costs related to compliance with the new EU Medical Device Regulations, which came into effect in May 2021.

The Group currently has an innovation pipeline that spans across all of its categories, which consists of projects and programmes in different stages of R&D. The Group expects to continue to supplement its internal development efforts with targeted acquisitions and investments to further enhance its existing product platforms and identify innovative technologies and products in relevant areas of its business where the Group sees opportunities for maintaining or accelerating commercial growth.

Healthcare services reimbursement and pricing

The Group is subject to government regulations, reimbursement policies and healthcare cost-containment programmes in many of the countries in which it operates. Reform to healthcare services reimbursement, combined with government austerity programmes instituted following the 2007 to 2009 global recession, have generally been accelerated in an effort to control overall healthcare spending, and have affected the manner in which healthcare services and products are dispensed and reimbursed. National healthcare systems have sought ways to limit cost increases, an example being in the United States, where many of the Group’s customers have joined GPOs in an effort to contain costs.

These trends have placed downward pressure on the prices of many of the Group’s products while also requiring expanded products and support offerings that can provide improved patient outcomes and cost-effective benefits to patients. While these developments have resulted in modest ongoing pricing pressure across the Group’s products during the historical period, this has been offset by manufacturing efficiencies, product innovation and volume growth, as reflected in the Group’s gross profit CAGR between 2018 and 2020 of 2.3% on a reported basis.

Regulatory environment

The Group incurs costs as a result of legal and regulatory requirements applicable to the Group’s products and manufacturing processes. The manufacture and sale of medical devices and related products across jurisdictions also exposes the Group to the risk of litigation, in the ordinary course of business, from time to time, particularly product liability claims, which can result in costs which impact the Group’s profitability. A failure to absorb any cost increase, fulfil emerging obligations or produce products and packaging that meet stringent customer and environmental criteria, or operate inadequate manufacturing and quality system procedures could result in the Group’s inability to supply or a requirement to recall a product, with the potential for patient class actions and individual patient liability claims.

Many of the Group’s products necessitate complex manufacturing processes, requiring adherence to demanding specifications. From time to time, the Group is required to recall products in situations in which a material deficiency in a device is found. Such recalls, whether initiated on a voluntary basis or required by government order, can result in a range of adverse consequences to the Group, including lost sales, reduced prices, the requirement to hold increased inventories of substitute products, loss of segment share to competitors and the direct costs of implementing any recall. In the historical period, the Group’s results were not materially impacted by any global recall that the Group initiated.

The Group also incurs costs directly arising from government regulatory action, including in relation to remediation efforts following government and regulatory action taken in respect of the Group. The Group had no remediation costs recorded in R&D expenses in the periods under review. In the EU, the MDR, which was

published in 2017 and which came into effect in May 2021 replaces the EU Medical Device Directive. The MDR imposes increased compliance obligations on the Group and affects all markets in the EU and other regions that align their product registrations to EU requirements. In 2019 and 2020, the regulatory compliance costs for the Group accounted for in R&D expenses, including in respect of implementing the requirements for compliance with the MDR, totalled $5.2 million and $14.0 million, respectively. The Company continues to review and improve its quality system to increase efficiency and ensure regulatory compliance.

International and foreign exchange

The Group markets its products in around 100 countries with nine manufacturing sites in seven countries - the United Kingdom, Denmark, the Dominican Republic, Mexico, Slovakia, the Netherlands and Belarus. Due to the global nature of the Group's business, revenue and expenses are influenced by foreign exchange movements. Increases or decreases in the value of the U.S. dollar compared to other currencies will affect the Group's reported results as the Group translates those currencies into U.S. dollars. As a result, the Group's reported results are strongly impacted by currency exchange movements. The Group also incurs costs related to changes in costs of goods and services as a result of changes in currency value which impact the underlying profitability of the Group.

The following table sets forth the Group's percentages of revenue by major currency for the year ended 31 December 2020 and the six months ended 30 June 2021.

	Year ended 31 December 2020	**Six months ended 30 June 2021**
	% Revenue	
U.S. dollar	50%	49%
Euro	23%	23%
Pound sterling	8%	7%
Danish krone	2%	1%
All others	17%	20%

Operating expenses are split by currency in broadly similar ratios as revenue. Group EBITDA is generated mostly in U.S. dollars and euros with the remainder across several other currencies. The expenses of the Group's United Kingdom-based manufacturing and R&D operations combined with its in-market sales, marketing and R&D organisations plus head office facilities generally result in a modest offset impact of pound sterling on Group EBITDA.

The Group has presented certain financial information from its income statement using a constant currency translation of non-U.S. dollar amounts into U.S. dollars to enable investors to compare the Group's period-to-period performance. Such constant currency financial information has been calculated by applying the applicable prior period average exchange rates to the Group's actual performance for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021. For more detail, see "*Presentation of Financial and Other Information—Constant currency and Organic revenue growth.*" The measures presented on a constant currency basis should not be considered in isolation or as an alternative to the measures presented on a reported basis on the Group's income statement or the notes thereto, and should not be construed as a representation that the relevant currency could be or was converted into U.S. dollars at that rate or at any other rate.

Strategic Transformation

In 2019, the Group established a new purpose ("Pioneering trusted medical solutions to improve the lives we touch") and launched its Strategic Transformation to pivot to sustainable and profitable growth. Execution of the Strategic Transformation has required and will continue to require in the near term the investment of substantial effort and costs. Since 1 January 2019, the Group has invested over $285 million in the Strategic Transformation. Of such investments, in the years ended 31 December 2019 and 2020 and in the six months ended 30 June 2020, $39.4 million, $50.6 million and $22.9 million, respectively, were comprised of non-recurring investments, $13.3 million, $41.9 million and $32.7 million, respectively were recurring operational investments and a further $4.3 million, $12.2 million and $1.7 million, respectively, were costs excluded from Adjusted EBIT. In addition, the Group invested $23 million, $26 million and $17 million in the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, respectively, in strategic capital projects. After 2021, the Group expects the non-recurring elements of its Strategic Transformation to be largely complete.

Examples of investments made in connection with the Strategic Transformation include expanding the Group's presence in key markets, investment in research and development, costs associated with exiting less profitable product lines and markets, costs associated with migrating the Group to a new operating model, initiatives aimed at ensuring that the Group operates in a responsible and sustainable way and moving certain support functions to the new Global Business Services Centre. The Strategic Transformation spans across various Group functions and market categories. For more information about the Strategic Transformation, see "*Business Description—Strategy.*"

Reliability of supply

The Group's patients rely upon its products so the reliability of the Group's supply chain is essential to the functioning of its operations. The Group's approach to managing supply is multi-tiered. The Group conducts regular market and regional planning sessions to ensure alignment on demand and to identify any supply constraints. Throughout this process, the Group constantly manages its global inventory to support sales. During 2020, the Group strengthened the resilience of its supply chain by closely developing and monitoring contingencies to minimise disruption associated with the COVID-19 pandemic and the potential impact of Brexit negotiations on the Group's business.

To ensure the continued supply of its products, the Group's global quality and operations team works closely across the Group's manufacturing sites to maintain production capability. The Group liaises regularly with its supply chain partners, including third-party manufacturers, to ensure the sustainability of supply. The Group has relationships of at least ten years with the majority of its suppliers. Delivery to wholesalers, distributors, hospitals and patients has not been interrupted during the COVID-19 pandemic and management believes that the Group's initiatives have strengthened the resilience of its supply chain.

Adjusted cash conversion and tax efficiency

The Group focuses on the management of chronic conditions, resulting in consistent and robust recurring cash flows as a consequence of the nature of such products. The Group uses adjusted cash conversion (calculated as the ratio of cash generated from operations adjusted for the effects of certain cash and non-cash items that management believes are not related to the underlying performance of the Group and net of additions to property, plant and, equipment and intangible assets divided by Adjusted EBITDA) as a measure to ensure that it derives value from its operations and to support its decision in making potential future investments. Adjusted cash conversion was 80.6%, 97.9% and 90.3% in the years ended 31 December 2018, 2019 and 2020 and 72.9% and 56.6% in the six months ended 30 June 2020 and 2021. The change in adjusted cash conversion from 2018 to 2019 was primarily due to positive working capital developments resulting from inventory reductions. The change in adjusted cash conversion from 2019 to 2020 was primarily due to higher levels of capital expenditure for the Group's manufacturing lines, digital technologies and the purchase of product-related licences. The change in adjusted cash conversion from the six months ended 30 June 2020 to 2021 was primarily due to an increase in working capital and investment in capital programmes. The Group expects to increase capital expenditures in the near term to add further manufacturing capacity, gradually increase the level of automation and continue to invest in digital technologies as well as the launch of new products.

The Group expects its adjusted tax rate to remain around the 18-20 percent level going forward, subject to changes in corporate tax rates in the jurisdictions in which it operates and recognition of attributes (such as brought forward tax losses) as deferred tax assets. In the medium term, the Group expects its cash tax rate to be in the high teen to low twenty percent range. These expectations are measured relative to Adjusted Net Income before tax (i.e. excluding acquisition amortisation and other adjusting items).

Significant factors affecting the Group's results of operations

Changes to accounting standards – IFRS 16 (Leases)

On 13 January 2016, the IASB published IFRS 16 and the European Union adopted IFRS 16 on 9 November 2017. IFRS 16 replaces the requirements of IAS 17 (Leases) and abolishes the classification of leases into operating leases and finance leases for lessees, replacing it with a uniform accounting model for leases, requiring recognition of a right-of-use asset and a corresponding lease liability. The Group adopted IFRS 16 on 1 January 2019. The Group's operating leases impacted by the adoption of IFRS 16 principally relate to real estate and vehicle leases. Finance leases existing at the date of adoption continued to be treated as finance leases and were reclassified from borrowings to lease liabilities. For operating leases existing at the date of the adoption, the Group applied the modified retrospective approach for measuring the right-of-use asset and an amount equal to the lease liability at the date of adoption and, therefore, the Group's audited consolidated financial statements as at and for the year ended 31 December 2018 have not been restated for the adoption of IFRS 16. As a result, the Group's financial information as at and for the year ended 31 December 2018 presented in this Offering Memorandum is not directly comparable with the Group's financial information as at and for the years ended 31 December 2019

and 2020. As a result of the adoption, the Group recognised lease liabilities of $89.5 million and a right-of-use asset of $86.9 million on 1 January 2019 (of which finance lease liabilities represented $23.7 million and $21.1 million of right-of-use assets). The effect on the Group's consolidated income statement for 2019 was an increase of operating profit by $1.5 million and an increase of finance costs by $2.1 million, resulting in a small reduction to profit before income taxes of $0.6 million. For more information, see note 1.4 to the 2019 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Description of key line items

Revenue

Revenue comprises sales of the Group's products net of rebates and discounts.

Cost of sales

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

Selling and distribution expenses

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

General and administrative expenses

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

Research and development expenses

R&D expenses comprise all activities involving investigative, technical and regulatory processes related to obtaining appropriate approvals to market the Group's products. Costs include payroll, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development, costs including costs incurred to comply with legislative and regulatory changes, patent costs, contract services and other external contractors costs, research licence fees, depreciation and amortisation of laboratory facilities, and laboratory supplies.

Other operating expenses

Other operating expenses consist of impairment charges related to intangible assets arising from a product portfolio review undertaken in 2019 as part of the Strategic Transformation, which resulted in the identification of certain impairment triggers.

Finance income

Finance income consists of interest earned on investment of surplus cash.

Finance costs

Finance costs arise from interest on the Group's borrowings from credit facilities and lease liabilities together with the transaction costs for borrowings.

Non-operating income/(expense), net

Non-operating income/(expense), net, consists of foreign exchange gains/losses, gains/losses on foreign exchange forward contracts and cash flow hedges, gains/losses on divestiture and other expense.

Income tax expense

Income tax expense consists of the sum of the total current and deferred tax exposure.

Overall Group and category performance

From 2018 to 2019, the Group's revenue decreased 0.3% on a reported basis and increased 2.4% on a constant currency basis, reflecting solid growth in the Group's Continence and Critical Care category and Infusion Care category. The Group's Advance Wound Care category underperformed the market, largely due to a restructuring in the Advance Wound Care category's U.S. business while in the Group's Ostomy Care category, good performance in Latin America and some EMEA markets was offset by underperformance in the United States. From 2019 to 2020, the Group's revenue increased 3.7% on a reported basis and 4.0% on a constant currency basis. Notwithstanding the significant negative impact of the COVID-19 pandemic on the Group's largest

business, the Advanced Wound Care category, the Group experienced strong growth in its Infusion Care and Continence and Critical Care categories together with limited growth in the Ostomy Care category. In the six months ended 30 June 2021, the Group generated revenue growth of 11.0% compared to the prior comparable period on a reported basis and 7.0% on a constant currency basis. In the six months ended 30 June 2021, the Group experienced growth across its categories including improvement in the Advanced Wound Care category as compared to the six months ended 30 June 2020, which was negatively impacted by the COVID-19 pandemic and growth in the CCC category from the acquisition of Cure Medical LLP. The Group has continued to deliver high levels of profitability and cash flow generation (before financing costs) throughout the period, with a reported operating margin of 11.1% and 13.4% in the year ended 31 December 2020 and the six months ended 30 June 2021, respectively and an Adjusted EBIT margin of 18.5% and 20.3% in the year ended 31 December 2020 and the six months ended 30 June 2021, respectively. Adjusted free cash flow was $347.4 million and $114.1 million in the year ended 31 December 2020 and the six months ended 30 June 2021, respectively

Advanced Wound Care

For the years ended 31 December 2018 to 2020, the Group's Advanced Wound Care category decreased at a revenue CAGR of 3.5% on a reported basis, and increased for the six months ended 30 June 2021 at a rate of 17.1% compared to the prior comparable period on a reported basis. On a constant currency basis, revenue attributable to the Group's Advanced Wound Care category increased by 0.5% from 2018 to 2019, decreased by 3.8% from 2019 to 2020 and increased by 10.7% for the six months ended 30 June 2020 to the six months ended 30 June 2021.

Between 2018 and 2019, organic growth in the Advanced Wound Care category was adversely impacted primarily by the planned restructuring of the salesforce in the Advance Wound Care category's U.S. business. The Group saw organic growth in Latin America, the Asia Pacific and certain European markets and sales of the Group's AQUACEL™ brand remained strong, however the Advance Wound Care category's AQUACEL™ Hydrofiber was negatively impacted by challenging UK market dynamics.

In 2020, the Advanced Wound Care category was adversely affected by the COVID-19 pandemic, which led to reduced elective surgeries as well as declines in non-surgical product volumes given the reduced access to wound clinics and hospitals. The Advance Wound Care category saw growth in Latin America and certain Asia Pacific and European markets, with declines in Europe principally in the UK, France and Germany. Revenue in North America, where the Advanced Wound Care category is most exposed to surgical products, was negatively impacted by the reduction in elective procedures, although this was partially offset by a slightly positive performance from the chronic business in the United States. The Group's AQUACEL™ Ag+ Extra™ brand delivered strong growth and the Group's AQUACEL™ Foam Pro brand delivered good growth, albeit off a small base.

In the six months ended 30 June 2021, the increase in revenue in the Group's Advanced Wound Care category of 10.7% on a constant currency basis (16.3% on an organic basis after adjusting for the disposal of US Skincare products) was driven by good growth due to improving trends in elective surgeries and access, high levels of government spending in Latin America and Asia Pacific and growth in Europe and North America against a COVID-19-depressed prior year comparative.

Ostomy Care

On a reported basis, for the years ended 31 December 2018 to 2020, the Group's Ostomy Care category declined by a revenue CAGR of 0.7% and grew by 8.6% for the six months ended 30 June 2021 compared to the prior comparable period. On a constant currency basis, revenue attributable to the Group's Ostomy Care category increased by 1.9% from 2018 to 2019, increased by 1.2% from 2019 to 2020 and increased by 3.7% from the six months ended 30 June 2020 to the six months ended 30 June 2021.

Between 2018 and 2019, the performance of the Ostomy Care category was subdued due to underperformance in the U.S., however this was partially offset by solid performance and segment share gains in Latin America and markets within Asia Pacific and Europe. The Group took certain measures to address the underperformance in the United States, including implementing changes to the Ostomy Care category's commercial approach to improve salesforce effectiveness, flattening the Ostomy Care category's organisational structure to get closer to the customer, improving segmentation and revising sales incentive programmes. The Ostomy Care category is also increasingly leveraging the Group's HSG service offering. During 2019, product launches including Esteem™ + Flex Convex, Natura™ Convex Accordion Flange and Varimate strips and ongoing investment in the Group's me+ platform led to a continued increase in the number of enrolled patients.

In 2020, the Ostomy Care category continued to experience good growth in both Latin America and key Asia Pacific markets such as China, largely offset by continuing challenges in the United States and in certain European markets. The Group's planned contract rationalisation and reducing the number of stock keeping units, however,

reduced growth by approximately 0.9%. The impact of the COVID-19 pandemic on the Ostomy Care category was relatively limited. In the first wave of the COVID-19 pandemic, the Ostomy Care category saw some stocking-up by distributors and patients although this unwound as the year progressed. In the United States, whilst the Ostomy Care category business has seen an increase in community sales, new patient starts in the acute setting remained challenging. The Group has continued to see growth in the Esteem™ + 1-piece across all geographies and in the Ostomy Care category's 2-piece segment in the global emerging markets. Outside of such global emerging markets, the Ostomy Care category saw growth in Natura™ + sales although 2-piece revenues declined overall.

In the six months ended 30 June 2021, the increase in revenue in the Group's Ostomy Care category on a constant currency basis of 3.7% was driven by strong growth in global emerging markets, supported by elevated government spending, with growth in North America gradually improving during the period. These positive performances were partially offset by declines in certain markets in Europe coupled with the impact of the planned strategic rationalisation programme.

Continence & Critical Care

On a reported basis, for the years ended 31 December 2018 to 2020, the Group's CCC category grew at a revenue CAGR of 6.1% and for the six months ended 30 June 2021 at a rate of 8.9% compared to the prior comparable period. On an organic constant currency basis, revenue attributable to the Group's CCC category increased by 4.1% from 2018 to 2019 (excluding the impact of acquisitions and disposals in 2018 and 2019), increased by 9.3% from 2019 to 2020 and increased by 6.8% in the six months ended 30 June 2021 compared to the prior comparable period.

In 2018 the Group sold the Symbius Medical respiratory business and acquired Southlake Medical Supplies and in 2019, HSG acquired J&R Medical. The net effect of these three transactions was a contribution of $1.3 million to the CCC category's revenue in 2019, and emphasising HSG's continued position as the driver of growth in the CCC category as a whole.

The CCC category key driver in 2020 was significant growth in the Group's Critical Care business, which experienced revenue growth of 17.1% on a constant currency basis to $152 million owing to the significant demand for ICU products during the COVID-19 pandemic.

The Group's Continence Care business continued to achieve good revenue growth of 6.2% on a reported basis in 2020 to $346.6 million. HSG, driven by its high-touch patient care model, continued to be the main driver of growth in the CCC category. Despite the complexity of moving to remote working, HSG continued to deliver an excellent service experience and grew faster than the overall market (in 2020). In addition, the Group's GentleCath™ Glide brand has been growing strongly, albeit off a relatively small base.

In the six months ended 30 June 2021, the increase in revenue in the Group's CCC category on a constant currency basis of 6.8% was driven by the acquisition of Cure Medical LLP on 15 March 2021, which contributed $9.5 million of incremental revenue in the period. On an organic basis the increase in revenue was 3.0%, driven by growth in Continence Care due to normalisation of new patient starts. The Critical Care business moved from strong growth in the first quarter of 2021, to expected declines in the second quarter of 2021 as key geographies, such as North America and Europe, made progress with their vaccine programmes and consequently ICU rates and demand for our Critical Care products began to reduce against very strong comparatives.

Infusion Care

On a reported basis, for the years ended 31 December 2018 to 2020, the Group's Infusion Care category grew at a revenue CAGR of 9.7% and grew by 8.6% for the six months ended 30 June 2021 (compared to the prior comparable period). On a constant currency basis, revenue attributable to the Group's Infusion Care category increased by 4.1% from 2018 to 2019, by 16.7% from 2019 to 2020 and increased by 6.5% for the six months ended 30 June 2021 (compared to prior comparable period).

The Infusion Care category's performance in 2019 was driven by strong customer orders and the continued growth of Medtronic's MiniMed™ Mio Advance product (Medtronic being the Infusion Care category's largest customer). However, organic growth in 2019 was towards the lower end of the Group's historical market growth in the Infusion Care category of approximately 4% per annum due to the exit of Animas, one of the Group's customers, from the durable pump market in late 2018.

Performance in 2020 was driven by the increased use of the Group's innovative infusion sets by diabetes patients, with some of the demand increasing due to the Group's customers and their patients building resilience in the supply chain, although the primary driver has been the Group's leadership position in serving the fast-growing "smart glycaemic control" segment of the diabetes market.

In the six months ended 30 June 2021, the increase in revenue in the Group's Infusion Care category on a constant currency basis of 6.5% was driven by the continued strong demand from diabetes customers for our innovative infusion sets supported by growth in non-diabetes products.

Results of operations

The discussion below presents the Group's results of operations for the periods under review. In the discussion below, certain components are presented on a constant currency basis that translates non-U.S. dollar amounts into U.S. dollars as a convenience to investors. All such constant currency financial information has been calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period under review. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information—Constant currency and Organic revenue growth.*"

Results of operations for the six months ended 30 June 2020 and 2021

	Six months ended 30 June	
	2020	**2021**
	($ million)	
Revenue	908.0	1,008.0
Cost of sales	(416.4)	(452.7)
Gross profit	**491.6**	**555.3**
Selling and distribution expenses	(218.2)	(252.9)
General and administrative expenses	(124.8)	(126.0)
Research and development expenses	(35.6)	(40.9)
Operating profit	**113.0**	**135.5**
Finance costs, net	(26.3)	(19.8)
Non-operating expense, net	(5.2)	(3.6)
Profit before income taxes	**81.5**	**112.1**
Income tax expense	(22.4)	(26.3)
Net profit	**59.1**	**85.8**
Adjusted profit measures:		
Adjusted gross profit	544.9	610.5
Adjusted operating profit	181.8	204.4
Adjusted income tax expense	(28.5)	(35.8)
Adjusted net profit	121.8	145.2

Revenue

The following table sets forth the Group's revenue by market category for the first six months of 2020 and 2021 and the percentage change on both a reported and constant currency basis.

	Six months ended 30 June		**Change on reported basis**	**Change on constant currency basis**[(1)]
	2020	**2021**		
Revenue by product category	**($ million)**		**(%)**	**(%)**
Advanced Wound Care	250.9	293.8	17.1	10.7
Ostomy Care	251.8	273.4	8.6	3.7
Continence & Critical Care	244.3	266.0	8.9	6.8
Infusion Care	161.0	174.8	8.6	6.5
Total revenue	**908.0**	**1,008.0**	11.0	7.0

(1) In this table, constant currency financial information has been calculated by applying the applicable average exchange rates in the six months ended 30 June 2020 to the Group's actual performance in the six months ended 30 June 2021. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information—Constant currency and Organic revenue growth.*"

On a reported basis, revenue increased $100.0 million, or 11.0%, from $908.0 million in the first six months of 2020 to $1,008.0 million in the first six months of 2021. On a constant currency basis, revenue increased 7.0% in the first six months of 2021, for the reasons set out below.

Advanced Wound Care

On a reported basis, revenue from the Advanced Wound Care category increased $42.9 million, or 17.1%, from $250.9 million in the first six months of 2020 to $293.8 million in the first six months of 2021. On a constant currency basis, revenue from the Advanced Wound Care category increased 10.7% in the first six months of 2021, primarily due to strong growth against a COVID-19 depressed prior year comparative coupled with further improvement in commercial execution.

Ostomy Care

On a reported basis, revenue from the Ostomy Care category increased $21.6 million, or 8.6%, from $251.8 million in the first six months of 2020 to $273.4 million in the first six months of 2021. On a constant currency basis, revenue from the Ostomy Care category increased 3.7% in the first six months of 2021, primarily due to strong growth in global emerging markets, supported by elevated government spending, with growth in North America gradually improving during the period, partially offset by planned rationalisation activities.

Continence & Critical Care

On a reported basis, revenue from the CCC category increased $21.7 million, or 8.9%, from $244.3 million in the first six months of 2020 to $266.0 million in the first six months of 2021. On a constant currency basis, revenue from the CCC category increased 6.8% in the first six months of 2021, primarily due to the acquisition of Cure Medical LLP on 15 March 2021, which contributed $9.5 million of incremental revenue in the period. On an organic basis, the increase in revenue was 3.0%, driven by growth in Continence Care due to normalisation of new patient starts.

Infusion Care

On a reported basis, revenue from the Infusion Care category increased $13.8 million, or 8.6%, from $161.0 million in the first six months of 2020 to $174.8 million in the first six months of 2021. On a constant currency basis, revenue from the Infusion Care category increased 6.5% in the first six months of 2021, primarily driven by the continued strong demand from diabetes customers for our innovative infusion sets supported by growth of non-diabetes customers.

Gross profit

On a reported basis, gross margin increased from 54.1% in the first six months of 2020 to 55.1% in the first six months of 2021, despite an increase of $36.3 million, or 8.7%, in cost of goods sold to $452.7 million, primarily driven by pricing/mix benefits.

Adjusted gross profit increased $65.6 million from $544.9 million in the first six months of 2020 to $610.5 million in the first six months of 2021, with adjusted gross margin increasing from 60.0% in the first six months of 2020 to 60.6% in the first six months of 2021, due to pricing/mix benefits.

Operating profit

Operating profit increased by $22.5 million, from $113.0 million in the first six months of 2020 to $135.5 million in the first six months of 2021. This primarily reflects the 11.0% growth in revenue, improvement in gross margin, partially offset by an increase of $34.7 million in selling and distribution expenses due to sales force investment and increased research and development expenses of $5.3 million driven by the Group's continued focus on increasing our technology and innovation capabilities.

Adjusted operating profit increased by $22.6 million, from $181.8 million in the first six months of 2020 to $204.4 million in the first six months of 2021. The 11.0% growth in revenue and improvement in the gross margin were partially offset by increases of $34.7 million and $5.3 million in selling and distribution and research and development expenses, respectively.

Other costs and net expenses (income)

Finance income

Finance income decreased $1.0 million, or 66.7%, from $1.5 million in the first six months of 2020 to $0.5 million in the first six months of 2021. This decrease was primarily due to lower prevailing interest rates.

Finance expense

Finance expense decreased $7.5 million, or 27.0%, from $27.8 million in the first six months of 2020 to $20.3 million in the first six months of 2021, reflecting lower interest rates and a reduction in principal balances on the Group's borrowings following scheduled repayments in 2020.

Non-operating expense, net

Non-operating expense was $3.6 million for the six months ended 30 June 2021, compared with non-operating expense of $5.2 million for the six months ended 30 June 2020, reflecting a change of $1.6 million primarily driven by a decrease in foreign exchange losses.

Income tax expense

In the first six months of 2021, the Group recorded an income tax expense of $26.3 million on a profit before income taxes of $112.1 million, and in the first six months of 2020 the Group recorded an income tax expense of $22.4 million on a profit before income taxes of $81.5 million. The Group's reported effective tax rate of 23.5% for the period was lower than the first six months of 2020, 27.5%, due to recognition of deferred tax following the acquisition of Cure Medical in respect of previously unrecognised tax losses in the US, partially offset by an increase in deferred tax liabilities arising from an increase in the UK corporation tax rate from 19% to 25% from 1 April 2023.

On an adjusted basis, income tax expense increased $7.3 million, from $28.5 million in the first six months of 2020 to $35.8 million in the first six months of 2021. This increase reflects an increase in the adjusted effective tax rate from 19.0% in 2020 to 19.8% in 2021 due to the profit mix between jurisdictions with different tax rates.

Net profit

As a result of the above, net profit increased $26.7 million, or 45.2%, to a net profit of $85.8 million in the first six months of 2021, compared to a net profit of $59.1 million in the first six months of 2020.

On an adjusted basis, net profit increased $23.4 million, or 19.2%, from $121.8 million in the first six months of 2020 to $145.2 million in the first six months of 2021.

Results of operations for 2019 and 2020

	Year ended 31 December	
	2019	**2020**
	(restated)	
	($ million)	
Revenue	1,827.2	1,894.3
Cost of sales	(871.6)	(875.5)
Gross profit	**955.6**	**1,018.8**
Selling and distribution expenses[(1)]	(458.9)	(463.3)
General and administrative expenses[(1)]	(240.5)	(262.1)
Research and development expenses	(53.8)	(82.4)
Other operating expenses	(105.5)	-
Operating profit	**96.9**	**211.0**
Finance income	7.8	1.9
Finance expense	(81.4)	(50.3)
Non-operating income/ (expense), net	(4.4)	12.1
Profits before income taxes	**18.9**	**174.7**
Income tax expense	(9.1)	(62.2)
Net profit	**9.8**	**112.5**
Adjusted profit measures:		
Adjusted gross profit	1,078.2	1,126.8
Adjusted operating profit	354.3	350.2

Adjusted income tax expense	(44.3)	(56.9)
Adjusted net profit	232.0	240.5

(1) In 2020, following a review of cost allocations, general and administrative expenses of $25.9 million and $30.5 million in 2019 and 2020, respectively, principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparative information for 2019 in the 2020 Consolidated Financial Statements has been restated to reflect the revised classification.

Revenue

The following table sets forth the Group's revenue by market category for 2019 and 2020 and the percentage change on both a reported and constant currency basis.

	Year ended 31 December		Change on reported basis	Change on constant currency basis [(1)]
	2019	2020		
	($ million)		(%)	(%)
Revenue by product category				
Advanced Wound Care	569.9	546.8	(4.0)	(3.8)
Ostomy Care	525.0	525.9	0.2	1.2
Continence & Critical Care	456.7	498.6	9.2	9.3
Infusion Care	275.6	323.0	17.2	16.7
Total revenue	**1,827.2**	**1,894.3**	**3.7**	**4.0**

(1) In this table, constant currency financial information has been calculated by applying the applicable average exchange rates in 2019 to the Group's actual performance in 2020 For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information-Constant currency and Organic revenue growth.*"

On a reported basis, revenue increased $67.1 million, or 3.7%, from $1,827.2 million in 2019 to $1,894.3 million in 2020. Notwithstanding the significant negative effects of the COVID-19 pandemic on the Group's largest category, Advanced Wound Care, strong growth in Infusion Care and CCC, due to significant demand for Critical Care ICU products as a result of the COVID-19 pandemic, plus broadly flat Ostomy Care performance enabled the Group to deliver overall good revenue growth. On a constant currency basis, revenue increased 4.0% in 2020, for the reasons set out below.

Advanced Wound Care

On a reported basis, revenue from the Advanced Wound Care category decreased by $23.1 million, or 4.0%, from $569.9 million in 2019 to $546.8 million in 2020. On a constant currency basis, revenue from this category decreased 3.8% in 2020, principally driven by the negative impact of reduced elective surgeries and restricted access to the healthcare setting due to the COVID-19 pandemic.

Ostomy Care

On a reported basis, revenue from the Ostomy Care category increased by $0.9 million, or 0.2%, from $525.0 million in 2019 to $525.9 million in 2020. On a constant currency basis revenue from the Ostomy Care category increased 1.2% in 2020, partially impacted by planned rationalisations within the portfolio.

Continence & Critical Care

On a reported basis, revenue from the CCC category increased $41.9 million, or 9.2%, to $498.6 million in 2020 from $456.7 million in 2019. On a constant currency basis, revenue from the CCC category increased 9.3% in 2020, reflecting significant demand within Critical Care for ICU products during the COVID-19 pandemic and good growth in Continence Care driven by the performance of the HSG business.

Infusion Care

On a reported basis, revenue from the Infusion Care category increased $47.4 million, or 17.2%, to $323.0 million in 2020 from $275.6 million in 2019. On a constant currency basis, revenue from the Infusion Care category

increased 16.7% in 2020, primarily driven by increased use of the Group's innovative infusion sets by diabetes patients.

Gross profit

On a reported basis, gross margin increased from 52.3% in 2019 to 53.8% in 2020, despite an increase of $3.9 million (or 0.4%) in cost of goods sold to $875.5 million, primarily driven by the reduction in amortisation expense resulting from the impairment of product related intangible assets in 2019, as well as the positive impact of net productivity gains, driven by the benefits of the Strategic Transformation, coupled with some price and product mix benefits.

Adjusted gross profit increased $48.6 million, from $1,078.2 million in 2019 to $1,126.8 million in 2020, with adjusted gross margin increasing from 59.0% in 2019 to 59.5% in 2020. This increase represents the positive impact of net productivity gains, driven by the benefits of the Strategic Transformation, coupled with some price and product mix benefits.

Operating profit

Operating profit increased by $114.1 million, from $96.9 million in 2019 to $211.0 million in 2020. This reflects primarily the 3.7% growth in revenue, improvement in gross margin, reduction in impairment charges of $105.5 million and a decrease in amortisation of $15.1 million and the 2019 effect of the CEO buy-out costs of $6.2 million partially offset by the increased investment in transformation of $47.7 million, increase of $8.8 million in Medical Device Regulation ("MDR") compliance costs and a rise in employee incentives.

Other operating expenses in 2019 primarily related to a product portfolio review that was undertaken as part of the Strategic Transformation, which resulted in the identification of impairment triggers in relation to a number of the Group's intangible assets that led to a $105.5 million impairment of such intangible assets.

Adjusted operating profit decreased by $4.1 million, from $354.3 million in 2019 to $350.2 million in 2020. The 3.7% growth in revenue, improvement in the gross margin, prudent cost management and savings on travel and expenses during the COVID-19 pandemic were offset by strategic investments of $92.5 million (2019: $52.7 million) and investments in MDR compliance of $14.0 million (2019: $5.2 million) plus the impact of $7.3 million of adverse foreign exchange movements.

Other costs and net expenses (income)

Finance income

Finance income decreased $5.9 million, or 75.6%, from $7.8 million in 2019 to $1.9 million in 2020. This decrease was primarily due to lower prevailing interest rates.

Finance expense

Finance expense decreased $31.1 million, or 38.2%, from $81.4 million in 2019 to $50.3 million in 2020. The decrease was primarily due to lower interest costs since the Group's refinancing in October 2019 and the 2019 write-off of fees related to the credit agreement in place before the refinancing.

Non-operating income/(expense), net

Non-operating income/(expense), net, increased $16.5 million, from an expense of $4.4 million in 2019 to an income of $12.1 million in 2020. The increase was primarily due to a non-operating credit of $12.1 million reflecting the $16.5 million profit on disposal of the U.S. skincare product line, which was partially offset by non-operating expenses, primarily foreign exchange costs, remaining flat at $4.4 million.

Income tax expense

In 2020, the Group recorded an income tax expense of $62.2 million on a profit before income taxes of $174.7 million, compared to an income tax expense of $9.1 million on a profit before income taxes of $18.9 million in 2019. This was primarily the result of the increase in the Group's reported profit before tax and a change in the basis of the estimate of the deferred tax asset arising from Swiss tax reform. For more information about the deferred tax asset arising from Swiss tax reform, see note 5 to the 2020 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

On an adjusted basis, income tax expense increased $12.6 million, or 28.4%, from $44.3 million in 2019 to $56.9 million in 2020. This increase reflects a 3.1% increase in the adjusted effective tax rate from 16.0% in 2019 to 19.1% in 2020. Adjusted income tax expense in 2020 excludes the deferred tax expense associated with the change in the basis of the estimate of the deferred tax asset arising from Swiss tax reform, a tax benefit related to the tax

effect of amortisation on pre-2018 intangible assets and the cost of termination benefits relating to certain Group-wide transformation initiatives.

Net profit

As a result of the above, reported net profit increased $102.7 million to a net profit of $112.5 million in 2020, compared to a net profit of $9.8 million in 2019.

On an adjusted basis, net profit increased $8.5 million from $232.0 million in 2019 to $240.5 million in 2020.

Results of operations for 2018 and 2019

	Year ended 31 December	
	2018[1]	**2019**
		(restated)
	($ million)	
Revenue	1,832.1	1,827.2
Cost of sales	(858.3)	(871.6)
Gross profit	**973.8**	**955.6**
Selling and distribution expenses	(418.0)	(458.9)
General and administrative expenses	(238.2)	(240.5)
Research and development expenses	(49.9)	(53.8)
Other operating expenses	-	(105.5)
Operating profit	**267.7**	**96.9**
Finance income	4.9	7.8
Finance costs	(70.1)	(81.4)
Non-operating expenses, net	(1.3)	(4.4)
Profit before income taxes	**201.2**	**18.9**
Income tax (expenses)/benefit	20.4	(9.1)
Net profit	**221.6**	**9.8**
Adjusted profit measures:		
Adjusted gross profit	1,102.2	1,078.2
Adjusted operating profit	429.4	354.3
Adjusted income tax expense	(56.5)	(44.3)
Adjusted net profit	304.5	232.0

(1) Does not include the 2020 reclassification of general and administrative expenses of $25.9 million in 2019, principally relating to employee costs and insurance, to selling and distribution expenses to better reflect the nature of the costs following a review of cost allocations.

Revenue

The following table sets forth the Group's revenue by market category for 2018 and 2019 and the percentage change on both a reported and constant currency basis.

	Year ended 31 December		Change on reported basis	Change on constant currency basis [1]
	2018	**2019**		
	($ million)		**(%)**	**(%)**
Revenue by product category				
Advanced Wound Care	587.5	569.9	(3.0)	0.5
Ostomy Care	533.3	525.0	(1.6)	1.9

Continence & Critical Care	443.0	456.7	3.1	4.4
Infusion Care	268.3	275.6	2.7	4.1
Total revenue	**1,832.1**	**1,827.2**	**(0.3)**	**2.4**

Note:

(1) Constant currency financial information has been calculated by applying the applicable average exchange rates in 2019 to the Group's actual performance in 2018. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information-Constant currency and Organic revenue growth.*"

On a reported basis, revenue decreased $4.9 million, or 0.3%, from $1,832.1 million in 2018 to $1,827.2 million in 2019, reflecting unfavourable foreign exchange movements of $48.6 million offset by improved category performance and the contribution from acquisitions. On a constant currency basis, revenue increased 2.4% in 2019, including a net $1.4 million contribution from the acquisition of J&R Medical (2018) and Southlake Medical Supplies (2019) offset by the disposal of the Symbius Medical respiratory business in 2018. Organic revenue growth in 2019 (excluding the effect of acquisitions and disposals and on a constant currency basis) was 2.3%, reflecting year-on-year growth across all categories.

Advanced Wound Care

On a reported basis, revenue from the Advanced Wound Care category decreased $17.6 million, or 3.0%, to $569.9 million in 2019 from $587.5 million in 2018. On a constant currency basis, Advanced Wound Care revenue increased 0.5% in 2019, primarily due to growth in Latin America, APAC and some EMEA markets, partly offset by underperformance in the U.S.

Ostomy Care

On a reported basis, revenue from the Ostomy Care category decreased $8.3 million, or 1.6%, from $533.3 million in 2018 to $525.0 million in 2019, primarily due to the impact of foreign exchange. On a constant currency basis, Ostomy Care revenue increased 1.9% in 2019, primarily due to broad-based growth across the business albeit against a weak prior year in 2018.

Continence & Critical Care

On a reported basis, revenue from the CCC category increased $13.7 million, or approximately 3.1%, to $456.7 million in 2019 from $443.0 million in 2018, including a net contribution of $1.3 million realised from the three small transactions in 2018 and 2019. On an organic basis, CCC revenue increased 4.1% in 2019, primarily due to strong growth in HSG.

Infusion Care

On a reported basis, revenue from the Infusion Care category increased $7.3 million, or approximately 2.7%, to $275.6 million in 2019 from $268.3 million in 2018. On a constant currency basis, Infusion Care revenue increased 4.1% in 2019, largely driven by the continued growth of MiniMed™ Mio™ Advance by Medtronic and materially lower revenue in 2018, following a change in inventory policy by Medtronic in the fourth quarter of 2018.

Gross profit

Gross profit decreased by $18.2 million, from $973.8 million in 2018 to $955.6 million in 2019. Cost of sales increased $13.3 million, or 1.5%, from $858.3 million in 2018 to $871.6 million in 2019. This increase was a result of negative mix and pricing pressures offset by favourable foreign exchange gains.

On an adjusted basis, gross profit decreased by $24.0 million, from $1,102.2 million in 2018 to $1,078.2 million in 2019, driven by negative mix and pricing pressures offset by favourable foreign exchange gains.

Operating profit

Operating profit decreased $170.8 million, from $267.7 million in 2018 to $96.9 million in 2019, primarily driven by the decrease in gross profit of $18.2 million, the increase in selling and distribution expenses of $40.9 million as the Group strengthened commercial resources in the U.S. Advanced Wound Care category and across EMEA, the increase in research and development costs and other operating expenses of $105.5 million (being the impairment charge related to the identification of impairment triggers in relation to a number of the Group's intangible assets).

Adjusted operating profit decreased $75.1 million, from $429.4 million in 2018 to $354.3 million in 2019, primarily driven by the decrease in adjusted gross profit of $24.0 million and the increase in selling and distribution expenses described above.

Other costs and net expenses (income)

Finance income

Finance income increased by $2.9 million from $4.9 million in 2018 to $7.8 million in 2019, due to an increase in income on interest rate derivatives of $2.0 million and interest income on deposits of $0.9 million.

Finance costs

Finance costs increased $11.3 million, or 16.1%, from $70.1 million in 2018 to $81.4 million in 2019. The increase primarily results from $11.2 million of deferred financing fees recognised upon early termination of the Group's previous credit agreement and $1.8 million increase in interest on leases predominantly upon the adoption of IFRS 16, offset by a $1.9 million reduction in interest charges on borrowings.

Non-operating expense, net

Non-operating expense, net, was $4.4 million in 2019 and $1.3 million in 2018, reflecting a change of $3.1 million. The foreign exchange losses in 2019 primarily relate to the translation of Euro denominated borrowings. In 2018, foreign exchange losses relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies.

Income tax expense

In 2019, the Group recorded an income tax expense of $9.1 million on a profit before income taxes of $18.9 million, and in 2018 the Group recorded an income tax benefit of $20.4 million on a profit before income taxes of $201.2 million. The disproportionate tax expense in 2019 (compared to profit before tax) has been influenced by a deferred tax benefit of $23.0 million arising from the Swiss tax reform, $17.7 million relating to tax losses where no deferred tax asset has been recognised and a tax expense of $24.6 million relating to the impairment of certain intangible assets in the Group where no tax relief for the costs has been taken. In 2018, there were two discrete tax credits totalling $65.7 million. These principally related to a deferred tax benefit of $35.0 million in the United States following the enactment of the U.S. Tax Cuts and Jobs Act on 22 December 2017 and realised deferred tax liabilities of $30.4 million in respect of unremitted earnings related to the Dominican Republic.

On an adjusted basis, income tax expense decreased $12.2 million, from $56.5 million in 2018 to $44.3 million in 2019, representing an increase on the effective tax rate from 15.7% in 2018 to 16.0% in 2019. Adjusted income tax expense in 2019 excludes the deferred tax benefit of $23.0 million, a tax benefit related to the tax effect of amortisation on pre-2018 intangible assets, the cost of termination benefits relating to certain Group-wide transformation initiatives and certain components of the CEO buy-out costs.

Net profit

The Group's net profit decreased $211.8 million to $9.8 million in 2019, compared to $221.6 million in 2018, reflecting the factors discussed above.

On an adjusted basis, net profit decreased $72.5 million to $232.0 million in 2019, compared to $304.5 million in 2018. The decrease primarily reflects the effects of foreign exchange, headwinds in gross margin and the planned increase in operating costs arising from the Group's Strategic Transformation.

Liquidity and capital resources

Liquidity describes the ability of a business to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service and investor obligations, contractual obligations and other commitments and acquisitions. Historically, the non-elective nature of the Group's product offerings has resulted in significant recurring cash inflows sufficient to meet the cash requirements of its business operations, including working capital needs. Following the Refinancing, management believes that the Group's existing cash on hand, combined with the Group's operating cash flow and available borrowings will provide sufficient liquidity to fund current obligations, working capital and capital expenditure requirements, as well as future investment opportunities and dividends payable to equity investors.

As at 30 June 2021 after giving effect to the Refinancing, the Group would have had as adjusted total debt of $1,455 million. See "*Capitalisation*".

Consolidated statement of cash flows

The following table sets forth cash flow information of the Group.

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
			($ million)		
Net cash generated from operating activities	352.0	401.8	399.5	155.1	131.0
Net cash used in investing activities	(80.9)	(72.8)	(56.3)	(36.7)	(128.7)
Net cash used in financing activities	(229.4)	(252.5)	(162.1)	(48.3)	(64.5)
Net change in cash and cash equivalents	41.7	76.5	181.1	70.1	(62.2)
Cash and cash equivalents at beginning of the year/period	289.3	315.6	385.8	385.8	565.4
Effect of exchange rate changes on cash and cash equivalents	(15.4)	(6.3)	(1.5)	(4.6)	(2.1)
Cash and cash equivalents at end of the period	**315.6**	**385.8**	**565.4**	**451.3**	**501.1**

Net cash generated from operating activities

The Group generated net cash from operating activities of $131.0 million in the six months ended 30 June 2021, a decrease of $24.1 million compared to $155.1 million in the six months ended 30 June 2020. This decrease reflects the increase in EBITDA of $32.6 million being offset by an increase in working capital in the six months ended 30 June 2021, which includes growth in revenue and the associated increase in the receivables position, payments in relation to year-end capital expenditure and strategic project accruals and payments under the Group's employee incentive plan. Net interest paid decreased by $8.2 million to $18.8 million, reflecting lower interest costs on the Group's borrowings, for reasons described above, which was offset by an increase in tax paid of $14.5 million due to the timing of payments on account and an increase in tax payments in the US.

The Group generated net cash from operating activities of $399.5 million in 2020, a reduction of $2.3 million compared to $401.8 million in 2019. The decrease primarily reflected a $17.5 million increase in tax paid, which was partially offset by a $15.7 million increase in net cash generated from operations.

The Group generated net cash from operating activities of $401.8 million in 2019, an increase of $49.8 million compared to $352.0 million in 2018, which reflected favourable working capital movements and the timing of interest payments. The Group's working capital requirement reduced by $51.6 million in 2019 due to the focus on rationalising inventory across the Group during the year. Cash interest payments decreased $13.3 million, to $48.0 million in 2019 from $61.3 million in 2018 reflecting the timing of interest payments under the Facilities Agreement.

Net cash used in investing activities

Net cash used in investing activities was $128.7 million in the six months ended 30 June 2021, an increase of $92.0 million compared to $36.7 million in the six months ended 30 June 2020, primarily driven by the acquisition of Cure Medical for initial cash of $85.1 million and an increase in capital expenditure of $6.9 million.

Net cash used in investing activities was $56.3 million in 2020, a reduction of $16.5 million compared to $72.8 million in 2019. In 2020, the Group invested $86.2 million of capital expenditure in manufacturing lines, digital technologies and the purchase of product-related licences, which was partially offset by income from the sale of the Group's U.S. skincare product line of $29.8 million. In 2019, cash used in investing activities of $72.8 million included the acquisition of Southlake Medical Supplies for $12.3 million as well as the net investment in plant, property and equipment.

In 2018, cash used in investing activities of $80.9 million included the acquisition of J&R Medical for $14.4 million and net investment in property, plant and equipment of $67.8 million which was partially offset by proceeds received from the sale of the Group's plant in Greensboro, North Carolina in 2018.

Net cash used in financing activities

For the six months ended 30 June 2021, net cash used in financing activities was $64.5 million, an increase of $16.2 million compared to $48.3 million for the six months ended 30 June 2020, primarily due to a year-on-year increase of $15.6 million in the cash dividend payment reflecting the uptake of the scrip alternative as compared to the prior year.

Net cash used in financing activities was $162.1 million in 2020, a decrease of $90.4 million compared to $252.5 million in 2019. In 2020, cash used in financing activities included net repayment on borrowings of $73.0 million and lease payments of $20.6 million, the purchase of $5.6 million of ConvaTec shares to fulfil future vesting of the Group's employee share incentive plans and $62.9 million dividend payment to shareholders. In 2019, cash used in financing activities included net repayments on borrowings of $137.7 million in connection with the Group's successful refinancing in October 2019 and lease payments recognised upon the adoption of IFRS 16 of $20.9 million, $14.0 million purchase of ConvaTec shares in respect of the employee share incentive plans and dividend payments of $79.9 million.

In 2018, net cash used in financing activities was $229.4 million and included payment of a $74.9 million dividend to shareholders and $153.7 million repayment of the Group's external borrowings.

Off-balance sheet arrangements

The Group does not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a material effect on its financial condition, changes in financial condition, income or expenses, results of operations, liquidity or capital resources.

Commitments and contingencies

Contractual obligations

The Group's contractual obligations consist mainly of payments related to loans and borrowings and related interest, operating leases and unconditional purchase obligations. For a description of the material terms of the Group's existing and anticipated material long term financing arrangements, see "*Description of Other Indebtedness*" and "*Description of the Notes*."

Capital expenditure and other commitments

The Group has commitments related to capital expenditure of $34.9 million as at 30 June 2021, primarily related to commitments for the purchase of property, plant and equipment and capitalised software.

Quantitative and qualitative disclosures about market risks

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, currency risk and interest rate risk. The Group has established objectives, formal policies, and guidelines to manage these financial risks. For a description of the Group's financial risks and financial risk management objectives, see note 18 to the 2020 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Critical accounting policies

For a description of the Group's critical accounting judgments and key sources of estimation and uncertainty, see note 1.3 to the 2020 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

In preparing the Interim Results for the six months ended 30 June 2021, a key estimate has been identified in relation to recognition of deferred tax assets in relation to unutilised US tax losses.

IAS 12, *Income taxes* states that when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity. The Group had unutilised US tax losses as at 30 June 2021 which were not recognised as deferred tax assets. Given the history of US tax losses, management assessed that there is not convincing other evidence that there will be probable future taxable profit in the US against which these losses can be utilised. Therefore, the related deferred tax assets have only been recognised at 30 June 2021 to the extent that there are suitable offsetting temporary differences.

Management has identified that there is uncertainty in respect to the probability of the timing and extent of future taxable profits in the US given the continuing transformative changes in the Group. It is reasonably possible that the deferred tax recognition criteria may be met within the next 12 months, which could result in a deferred tax asset of up to approximately $31 million. Therefore, the recognition of deferred tax assets in relation to unutilised US tax losses has been identified as a key source of estimation uncertainty. Management will continue to assess the recoverability of the deferred tax assets as the transformation progresses and the financial impact on the US is further determined.

INDUSTRY OVERVIEW

ConvaTec operates in large, structurally growing global markets, with favourable underlying demand drivers. These drivers include (i) an ageing global population, with the number of people aged 60+ expected to increase from 1.0 billion in 2020 to 2.1 billion in 2050, (ii) an increase in the prevalence of chronic conditions, with 1 in 3 of all adults suffering from multiple chronic conditions and (iii) an increased life expectancy of patients suffering from those chronic diseases. The demand for the Group's products is resilient given its focus on largely non-discretionary solutions for chronic conditions. The Group's customer concentration is low and its customer base is very broad including hospitals, wound care centres, home healthcare settings, general practitioner offices and large medical device companies. The Group provides an overview of industry dynamics through a discussion of four key underlying market segments: Advanced Wound Care ("AWC"), Ostomy Care ("OC"), Continence & Critical Care ("CCC"), and Infusion Care ("IC").

Advanced Wound Care ("AWC")

Market Overview

The Advanced Wound Care category provides advanced wound dressings for the management of acute and chronic wounds resulting from ongoing conditions such as diabetes and acute conditions resulting from traumatic injury and burns. 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.

Size & Growth Prospects

The global Advanced Wound Care Market (approximately $8.0 billion in 2021) is the largest market in which the Group operates and management estimates that it is expected to grow at a CAGR of approximately 4% per annum between 2021 and 2024, driven by the increase in the number of addressable wounds and a continued shift from traditional to more advanced wound care products, such as foam and antimicrobial therapies.

Customers & Competition

Advanced Wound Care customers predominantly consist of large purchasers, primarily wound care clinics, multiple departments within hospitals and long-term care settings. In addition, pharmacy wholesalers also play an important role in advanced wound dressing supply, as a result of prescriptions written by a nurse or a physician.

The Group's Advanced Wound Care category accounted for 28.9% of revenue in 2020. ConvaTec's Advanced Wound Care category competes globally with Mölnlycke, 3M, Smith & Nephew and Coloplast. It also competes with other local medical products companies offering wound care products, such as Medline in the United States, Hartmann in Germany and Urgo in France.

ConvaTec holds the number one position in hydrocolloid dressings and silver dressings, as well as the number two position globally in advanced wound dressings.

Ostomy Care ("OC")

Market Overview

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

Size & Growth Prospects

Management estimates that the global Ostomy Care Market was worth approximately $2.6 billion in 2020 and projects that it will grow at a CAGR of approximately 4% per annum between 2021 and 2026, driven by a number of trends, including increasing patient volumes as the prevalence of underlying conditions such as colorectal cancer and Crohn's disease continues to increase, supported by expanded access to surgery in more markets globally and enhanced levels of customer service (including increased independence) sought by patients with these conditions.

Customers & Competition

Ostomy Care's consumers consist of approximately three million people who in general are receiving ostomy care supplies from medical equipment distributors or directly from public healthcare providers. The Ostomy Care category seeks to attract patients at the onset of their ostomy experience and to maintain that relationship for as long as the ostomy is in place, which management estimates for permanent ostomies is typically 10 to 15 years.

In the hospital, ostomy patients typically receive evaluation starter kits containing products and accessories vital to the routine use of ostomy products as well as an application video. After starting a new patient, the marketing focus shifts from patient support to consumer retention for the duration of the ostomy (in cases of a temporary ostomy) or for the life of the consumer (in cases of a permanent ostomy).

ConvaTec is one of three global market leaders in ostomy care, competing with Hollister Incorporated (including Dansac, part of the Hollister Group) and Coloplast. In addition, the Group competes with smaller regional providers of ostomy and ostomy-related products, including B. Braun in France and Germany, Salts and Welland in the United Kingdom, and Alcare in Japan and China.

As of 2019, ConvaTec held the number two position in Ostomy in the U.S. and Europe.

Continence & Critical Care ("CCC")

Market Overview

The Continence & Critical Care category provides products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The category also supplies devices and products used in intensive care units and hospital settings.

Size & Growth Prospects

The CCC Market (comprising the United States and European intermittent catheter and fecal management markets) is forecast to grow, driven by increasing levels of incontinence as a result of age and disease, a shift from multi-use to single-use catheter products as well as an increased focus on preventative care for risks of infections acquired in hospital. Management estimates that the Continence Care Market is worth over $2 billion in 2021 and expects it to grow at a CAGR of approximately 4% per annum between 2021 and 2026.

Customers & Competition

Continence Care targets patients with a need for intermittent catheter products, which typically include patients with chronic urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other urological disorders. Intermittent catheter users in general receive their supplies from medical equipment distributors or directly from public healthcare providers. Continence Care focuses on building customer relationships and direct-to-consumer sales, seeking to attract users at the onset of being prescribed an intermittent catheter and then works to maintain that relationship for as long as the patient is supported by a catheter. The Group estimates that most intermittent catheter users utilise two to four catheters per day and may continue catheterising for at least several years, if not the remainder of their lives, depending on the type of urological disorder.

The Group estimates that 180 Medical is the largest medical equipment distributor of intermittent catheters in the United States (as of 2020). The Group estimates that it holds market-leading positions globally in fecal management (as of 2020) and strong positions in the markets in which it operates in urine monitoring, in which it operates with its UnoMeter products. Its primary competitors in CCC include Coloplast, Bard and Wellspect.

Infusion Care ("IC")

Market Overview

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

Size & Growth Prospects

Management estimates that the Infusion Care Market is valued at approximately $2.7 billion of which infusion sets represents approximately $1.2 billion. Management expects the Infusion Care Market to grow at a CAGR of approximately 7% per annum between 2021 and 2026, reflecting an on-going increase in the prevalence of diabetes in both developed and developing economies and the growing penetration of insulin pump usage by Type 1 and Type 2 patients.

Customers & Competition

Infusion Care has a concentrated customer base, primarily consisting of insulin pump manufacturers as well as a developing group of partners outside the diabetes segment. Customers of the Infusion Care category include the leading global insulin pump manufacturers, who collectively represented over 70% of the global insulin pump market in 2020. The category has long standing customer relationships with these manufacturers, and contracts with a long duration and in some cases agreed minimum purchase requirements.

As a result of the difficulty in mass producing millions of infusion sets in delicate micro tolerance processes, pump manufacturers are highly incentivised to buy them at a competitive cost from an efficient and reliable supplier, rather than try to develop production capabilities themselves.

ConvaTec Group supplies the leading global durable insulin pump manufacturers. Its primary competitors include original equipment manufacturers manufacturing infusion sets themselves, patch pump manufacturers such as Smiths Medical and Ypsomed, as well as a variety of specialised manufacturers.

BUSINESS DESCRIPTION

INTRODUCTION

ConvaTec is a global medical solutions company focused on the management of chronic conditions, including products and services used for advanced chronic and acute wound care, ostomy care, continence and critical care and infusion care (used in the treatment of diabetes and other conditions). Across its operations as a developer, manufacturer and marketer of innovative medical products, ConvaTec has a leading position in a number of attractive, structurally growing chronic care markets. The Group expects trends such as ageing populations and the increase of chronic conditions to continue driving demand for its solutions globally. The Group operates across four major market categories:

Advanced Wound Care ("AWC"). The Advanced Wound Care category provides advanced wound dressings for the management of chronic wounds resulting from ongoing conditions such as diabetes, immobility and venous disease, and acute conditions resulting from traumatic injury, burns, invasive surgery and other causes. AWC accounted for 28.9% of the Group's revenue in 2020.

Ostomy Care ("OC"). The Ostomy Care category provides devices, accessories, services and digital tools for people with a stoma (a surgically-created opening where bodily waste is discharged), commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer, obesity and other causes. OC accounted for 27.8% of the Group's revenue in 2020.

Continence & Critical Care ("CCC"). The Continence & Critical Care category provides products and services for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other causes. The category also supplies devices and products used in intensive care units and hospital settings. CCC accounted for 26.3% of the Group's revenue in 2020, of which Continence Care accounted for 18.3% and Critical Care accounted for 8.0%.

Infusion Care ("IC"). The Infusion Care category provides disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions such as Parkinson's disease. In addition, the category supplies a range of products to hospitals and the home healthcare sector. Infusion Care accounted for 17.0% of the Group's revenue in 2020.

The following table sets out the Group's revenue on a reported basis, as well as the period-on-period revenue growth by market category on a constant currency basis, which is a non-IFRS measure. For further information on reported revenue growth and constant currency revenue growth, see "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*".

	Year ended 31 December			**Six months ended 30 June**	
	2018	**2019**	**2020**	**2020**	**2021**
	($ million, unless otherwise stated)				
Total reported revenue.........	**1,832.1**	**1,827.2**	**1,894.3**	**908.0**	**1,008.0**
Reported revenue growth....	**n.a.**	**(0.3)%**	**3.7%**	**n.a.**	**11.0%**
Constant currency revenue growth[(1)]					
Advanced Wound Care	n.a.	0.5%	(3.8)%	n.a.	10.7%
Ostomy Care...........	n.a.	1.9%	1.2%	n.a.	3.7%
Continence & Critical Care............	n.a.	4.4%	9.3%	n.a.	6.8%
Infusion Care	n.a.	4.1%	16.7%	n.a.	6.5%
Total......................................	**n.a.**	**2.4%**	**4.0%**	**n.a.**	**7.0%**

Notes:

(1) In this table, constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period. For a description of how the Group calculates constant currency, see "*Presentation of Financial and Other Information – Constant currency and Organic revenue growth.*"

In the twelve months ended 30 June 2021, the Group generated revenue of $1,994.3 million, Adjusted EBITDA of $474.5 million and Adjusted EBIT of $372.8 million.

Competitive Strengths

Leading positions in large, structurally growing global markets

ConvaTec operates in large, structurally growing global markets, with growth driven by favourable underlying demand: such as an ageing global population, an increase in the prevalence of chronic conditions and increased life expectancy of patients suffering from those chronic diseases.

Many of the Group's core products across its four categories hold a leading position in their addressable markets.

- *Advanced Wound Care:* management believes the Group is strongly positioned within certain high-growth segments of the global Advanced Wound Care Market, including in 2020 a number one position in silver dressings and hydrocolloid dressings as well as a number two position globally in advanced wound dressings. The global Advanced Wound Care Market is the Group's largest addressable market (approximately $8.0 billion in 2021) and management expects it to grow at a CAGR of approximately 4% per annum between 2021 and 2024, driven by the increase in the number of addressable wounds and a continued shift from traditional to more advanced wound care products, such as foam and antimicrobial therapies.
- *Ostomy Care:* in the Ostomy Care Market, in 2019 the Group held the number two position in the United States and Europe. Management estimates that the global Ostomy Care Market was worth approximately $2.6 billion in 2020 and projects that it will grow at a CAGR of approximately 4% per annum between 2021 and 2026, driven by a number of trends, including increasing patient volumes, as the prevalence of underlying conditions such as colorectal cancer and Crohn's disease continues to increase, supported by expanded access to surgery in more markets globally and enhanced levels of customer service (including increased independence) sought by patients with these conditions.
- *CCC:* in 2020, the Group estimates that it was the number one retailer of intermittent catheters in the United States and number one provider of fecal management systems globally. The CCC Market (comprising the United States and European intermittent catheter and fecal management market) is forecast to grow, driven by increasing levels of incontinence as a result of age and disease, a shift from multi-use to single-use catheter products as well as an increased focus on preventative care for risks of infections acquired in hospital. Management estimates that the Continence Care Market, which comprised 69.5% of the Group's revenues from the CCC category in 2020, is worth over $2 billion in 2021 and expects it to grow at a CAGR of approximately 4% per annum between 2021 and 2026.
- *Infusion Care:* the Group supplies the leading global durable insulin pump manufacturers. Management estimates that the Infusion Care Market is valued at approximately $2.7 billion of which infusion sets represents approximately $1.2 billion. Management expects the Infusion Care Market to grow at a CAGR of approximately 7% per annum between 2021 and 2026, reflecting an on-going increase in the prevalence of diabetes in both developed and developing economies and the growing penetration of insulin pump usage by Type 1 and Type 2 patients.

Diversified chronic care business with strong brands and differentiated products

ConvaTec has a well-balanced business across products, segments, geographies and payers. The Group's revenue is distributed across four key product categories. Geographically, the Group derives revenue from customers primarily in the Americas and EMEA, accounting for 53.6% and 38.6% of the Group's revenue in 2020, respectively, with the remaining revenue coming from APAC. The Group is not reliant on any single product, technology or country.

In 2020, the Group generated more than 85% of its revenue from products used by patients with chronic care conditions, conditions that are experienced over a long duration and generally progress slowly. Many patients who are using ConvaTec's Ostomy Care, Infusion Care or Continence Care products will ultimately use them for the rest of their lives, with a relatively low degree of switching once a patient finds a product solution that works for them. Since the treatment of many of these conditions is non-discretionary, the Group's revenue from these products is largely non-cyclical. This pattern of consumption leads to recurring revenue streams for the Group. During the COVID-19 pandemic, the diversified nature of the business enabled the Group to continue to grow revenue at 4% on a constant currency basis notwithstanding the fact that the AWC category was negatively impacted by a sharp reduction in elective procedures and restricted access to certain healthcare settings.

The Group's business is further underpinned by its product portfolio, which is characterised by differentiated products and strong brands.

- *Advanced Wound Care:* the AQUACEL brand (launched in 1996) is highly recognised by healthcare professionals for its superior quality and the effectiveness of its Hydrofiber solutions. Management believes that the Group's antimicrobial silver dressings, marketed under the AQUACEL Ag brand,

provide highly effective chemistry for the healing of wounds. In addition, the Group developed its AQUACEL Ag+ brand, which combines its Hydrofiber technology with its patented anti-biofilm technology, in order to improve healing outcomes, reduce infection and aid healthcare providers in reducing the cost of care. In 2019, the Group launched ConvaMax in Europe, its first product in the superabsorbent dressings market, which reinforces the Group's differentiated offering.

- *Ostomy Care:* the Group has a competitive ostomy portfolio of ConvaTec branded products which have effective adhesive properties that are reviewed highly by patients. The Group's key products include the Esteem+ 1-piece and Natura+ 2-piece pouch ranges. The Group also continues to invest in its me+ programme for ostomy patients, which provides support for patients living with their ostomies and an ongoing forum for ConvaTec to maintain contact with existing and potential customers. Key differentiating factors of the me+ offering include a dedicated team of nurses and product specialists as well as a range of online resources covering lifestyle tips and advice, educational and guided recovery tools and peer-to-peer support. In 2020, the Group expanded the programme to include more virtual support services and also began to leverage its Home Services Group ("HSG"), the Group's direct-to-consumer business which supports patients in the provision of their products and operates under the 180 Medical trade name in the United States and Amcare Group in the United Kingdom. As of 31 December 2020, the Group had over 360,000 enrolled members in its me+ programme. As part of the Group's Strategic Transformation, the Group is reducing the complexity of its Ostomy Care product portfolio.
- *CCC:* the Group's innovative GentleCath FeelClean™ catheter technology allows for easy insertion of the catheter with low tissue deformation. The Group's HSG business, notably its 180 Medical brand, is a market leader in the distribution of Continence products and is an important driver of performance in the CCC category. The majority of HSG's patients use Continence Care products and HSG distributes products manufactured by third parties as well as products from the Group's other market categories. The Group estimates that it is the established market leader in fecal management solutions with its Flexi-Seal range (as of 2020). The Group also has a strong position in urine monitoring in the markets in which it operates with its UnoMeter products.
- *Infusion Care:* the Group has achieved a strong position as a result of its advanced technology product offering, strong intellectual property protections and high-quality manufacturing process delivering infusion sets of a uniform quality level in high volumes across a range of major insulin pump manufacturers. The Group's key products include the Inset and Neria product families. In this sub-segment of the medical device market, quality is fundamental given the potential adverse consequences of defective products for patients. The Group's category position reflects the trust that infusion pump manufacturers and patients place in the Group's manufacturing processes and products.

Renewed focus on innovation and improving pipeline

The Group traces back its legacy of innovation starting 50 years ago with the research and development of hydrocolloids and its first product, Stomahesive for Ostomy Care when it was a division of ER Squibb (later on Bristol Myers Squibb). Since then, key innovations have included the development of the AQUACEL dressing with Hydrofiber Technology platform (1996) in Advanced Wound Care; Moldable Technology (2002) in Ostomy Care; the Flexi-Seal Fecal Management System (2005); GentleCath intermittent catheters (2013) in CCC and the Inset (2005) in Infusion Care. The Group has continued to build on these technology platforms. In the area of Advanced Wound Care, product launches include the AQUACEL Foam range in 2012 and the AQUACEL Ag+ silver product range in 2014, which management believes uniquely address the problem of bacterial infection and biofilm on wounds. In 2019, the Group launched ConvaMax in Europe, its first product in the superabsorbent dressings market. In the area of Infusion Care, the Inset product family was extended with a new all-in-one infusion set, Inset Guard, in 2017. Inset Guard exhibits unprecedented user experience with, virtually, one user step, making this product suitable for patient populations with reduced dexterity. The Group also launched a new extended wear infusion set in the first quarter of 2021.This focus on developing ranges of products around core technology platforms that can then be customised for applications across four major therapy areas which will enable the Group to drive further innovation from its research and development expenditure.

An important element of the Group's treatment proposition are the evidence-based claims that support its product portfolios across all four categories. For example, AQUACEL products have been subject to a significant number of studies, and the strength of the technology and efficacy of the Group's AQUACEL offerings have been cited in over 200 scientific and clinical papers. A clinical study demonstrated that, within an average of 4.5 weeks, 34% of previously static wounds were completely healed and 90% reduced in size when treated with AQUACEL Ag+. Similarly, the Group's Moldable Technology for ostomy patients has been investigated extensively and exclusively cited in scientific and clinical papers. Such studies have highlighted the post-surgery benefits of its

adhesive qualities; for example, finding that 96% of patients maintained normal skin integrity for two months following treatment with the Group's Moldable Technology skin barrier product.

Management believes that the Group's product offering is underpinned by existing and developing core competencies: infection detection and prevention; advanced materials, process development, user centred design and mechatronics/software as medical devices. These core competencies drive innovation in the single use disposables category of medical technology across the Group's four markets or therapy areas, namely Advanced Wound Care, Ostomy Care, Continence Care and Infusion Care.

The Group's research and development capabilities are primarily based in global technology centres located in the United Kingdom, Denmark, Slovakia and United States (currently being established in Boston). The Group's continuous innovation and proprietary know-how are combined with intellectual property protection across all key technology platforms, with over 300 active patent families and more than 2,600 patents and patent applications (on a provisional and non-provisional basis) globally as set out in the Group's annual report published on 22 March 2021 and available on the Group's website (the "2020 Annual Report").

Consistent with the company's strategy, in 2020, the Group increased its investment in research and development by 53.2% as compared to the prior year and conducted a strategic review of its research and development function, which resulted in the creation of a new "Technology and Innovation" function spanning R&D, medical and regulatory capabilities. This also included the creation of a technology centre focussed on innovation in Boston. See "—*Strategy.*" The Group has an innovation pipeline that spans across its business areas, which consists of projects and programmes in different stages of R&D.

Attractive financial profile with strong cash generation

The Group's financial profile demonstrates robust financial performance following the launch of its Strategic Transformation in 2019, which aims to pivot the Group to sustainable and profitable growth by in part increasing investments in research and development and sales and marketing, as well as investing in digital and manufacturing capital expenditure. See "—*Strategy.*" On a constant currency basis, revenue grew 4.0% in 2020 and 7.0% in the six months ended 30 June 2021 as compared to the six months ended 30 June 2020. The Group's Constant currency revenue growth reflects the strength of the Group's attractive, diversified portfolio, with the impact of the COVID-19 pandemic being broadly neutral on the Group's performance overall.

The Group generates strong margins from its product portfolio, with an Adjusted Gross Margin (excluding impacts from amortisation of certain intangible assets and certain costs that are excluded by management in assessing the operating performance of the business) of 59.5% and 59.8% in the year ended 31 December 2020 and the twelve months ended 30 June 2021, respectively, and an Adjusted EBIT margin of 18.5% and 18.7% in the same periods, respectively. This level of profitability reflects the Group's current scale, its established brands and strong and protected technology, investment in the Group's Strategic Transformation as well as the benefits of a shared central infrastructure. The Group's new Global Business Services Centre was established in 2020 and the Group expects to leverage further benefits from the centre over time as more functions like HR and IT are migrated. See "—*Strategy.*"

The Group operates in the chronic care market and thus the nature of its product offerings has resulted in consistent and robust recurring cash flows with net cash generated from operating activities amounting to $352.0 million, $401.8 million, $399.5 million and $131.0 million in 2018, 2019, 2020 and the six months ended 30 June 2021. The Group generates significant free cash flow with an adjusted cash conversion ratio of 90.3% and 80.5% in the year ended 31 December 2020 and the twelve months ended 30 June 2021, respectively (calculated as cash generated from operations adjusted for the effects of certain cash and non-cash items that management believes are not related to the underlying performance of the Group and net of additions to property, plant and, equipment and intangible assets divided by Adjusted EBITDA). Management believes that the Group's strong cash flow generations enables medium term leverage to remain stable allowing for organic and inorganic growth opportunities.

Experienced management team

The Group has an experienced executive leadership team (the "ConvaTec Executive Leadership Team" or "CELT"), with substantial experience in the healthcare industry. Most members of the CELT have served long tenures at other leading medical companies.

The CELT is led by Chief Executive Officer Karim Bitar, who joined ConvaTec in 2019. Mr. Bitar has previously held international leadership roles with Genus plc (Group CEO) and Eli Lilly & Company (President of Europe, Canada and Australia). The Group's CFO, Frank Schulkes, joined ConvaTec in 2017. Mr. Schulkes was previously CFO of Wittur Group and prior to that spent 27 years with GE in a variety of senior financial leadership roles, including as CFO of GE Healthcare.

The CELT has been reinvigorated and strengthened in recent years and the members are all committed to executing the FISBE Strategy as the Group pivots to sustainable and profitable growth, see "—*Strategy.*"

Strategy

Over the past two years, the Group has set in place a clear execution strategy that focuses on pivoting the Group to sustainable and profitable growth. In 2019, the Group established a new purpose ("Pioneering trusted medical solutions to improve the lives we touch") and launched its Strategic Transformation (the "Strategic Transformation"). The Strategic Transformation, also referred to as the FISBE Strategy, is being implemented through five strategic pillars: Focus, Innovate, Simplify, Build and Execute, each as further described below. Since 1 January 2019, the Group has invested over $285 million (including capex) in the Strategic Transformation. Of such investments, $39.4 million in 2019 and $50.6 million in 2020 were non-recurring investments. After 2021, the Group expects non-recurring elements of its Strategic Transformation to be largely complete.

Focus: invest strategically in key markets and categories

The Group is focusing its investment on its four key categories (Advanced Wound Care, Ostomy Care, Continence Care and Infusion Care) and on 12 key geographic markets, notably the United States and China. For example in 2019, the Group expanded its AWC salesforce in the United States. In 2020, the Group increased its investment in China, a key market, embedded a new leadership team in the region and by the end of the year, had doubled its presence in China to more than 300 employees. In Ostomy Care and Continence Care, the Group strengthened its U.S. sales and marketing leadership during 2020.

As well as investing, where appropriate, the Group will divest non-core activities or rationalise its product portfolio. In 2020, the Group disposed of its U.S. skincare product line and exited 26 less profitable markets.

In addition, management intends to maintain and develop the Group's competitive offering by exploring partnerships or bolt-on acquisitions which strengthen the business either by adding scale in key geographies, enhancing the Group's product offering or strengthening capabilities within the Group.

Innovate: provide differentiated patient-centric trusted medical solutions

Management intends to further strengthen the Group's innovation capabilities by rolling out a single uniform new product development and launch process across all categories. The Group has an innovation pipeline that spans across its four key categories, and which consists of projects and programmes in different stages of R&D. In addition, management intends to gradually increase the level of automation in the Group's manufacturing operations including through the use of robotics.

Simplify: simplify operating model to be more customer-centric, agile and accountable

The Group is in the process of migrating from a complex country-led matrix organisation to a new operating model with six integrated global business units: Advanced Wound Care, Ostomy Care, Continence Care, Infusion Care, Emerging Markets and Home Services Group. These six global business units are supported by the new Technology and Innovation function, an enhanced Quality and Operations function, various global support functions and the Transformation Office. Management believes that the new operating model offers improved proximity to patients and caregivers supported by global expertise.

Furthermore in 2020, the Group established a new Global Business Services Centre in Lisbon, Portugal and has since transitioned certain transactional finance activity to the centre. Management intends to continue migrating certain financial and IT activities to the Lisbon centre and streamlining internal processes. The Group continues to evaluate its categories, products and markets and may from time to time pursue additional opportunities to optimise or simplify its business. At the product level, for example, the Group is in the process of rationalising certain Ostomy SKUs to reduce complexity.

Build: build mission-critical core capabilities across the value chain

In 2020, the Group made four key hires to the CELT and strengthened its global leadership team in key areas such as quality control, regulatory, sales, marketing, medical and product development. The Group also created a Salesforce Centre of Excellence and a Marketing Centre of Excellence and both functions are starting to implement initiatives to improve their respective capabilities across the Group. Management intends to continue strengthening the Group's sales and marketing activities with a focus on digital interactions and will more broadly roll out the Group's common Customer Relationship Management platform. Management also intends to establish new centres of excellence in medical education and quality.

Execute: instil executional excellence across the organisation

The Group has and will continue to instil execution discipline by embedding its execution methodology and expanding training via its Transformation Execution Office ("TEO"). With the support of the TEO, all major transformation initiatives now have a detailed business case, CELT sponsorship and clear metrics, milestones and accountability. The TEO then monitors, on a weekly basis, each of the initiatives and leadership meetings are conducted if there is notable slippage in the execution timetable. In 2020, the TEO tracked over 100 initiatives such as optimising materials and scrap, bringing elements of production in-house and identifying and realising procurement cost savings. The Group is continuing to embed its execution excellence methodology across its operations, including by increasing the number of employees who have completed its "Ability2Execute" training module.

Market Categories and Products

Advanced Wound Care

Overview and key products

The Group's Advanced Wound Care category accounted for 28.9% of revenue in 2020. The Advanced Wound Care category develops, produces and commercialises innovative and protected solutions to support healthcare professionals in healing wounds in patients with various underlying aetiologies such as diabetes, venous or arterial diseases, impaired vascularisation or immune systems, or even bed-bound patients or suffering from burns or trauma. The burden of wound management is increasing due to the ageing population and the onset of metabolic disease, leading to an ever-growing need for innovative and cost-effective solutions.

Key products include the AQUACEL range of advanced dressings, which features the Group's proprietary Hydrofiber® Technology. Hydrofiber® turns into a gel when in contact with wound fluid, absorbing and retaining excess exudate (fluid emitted at the site of a wound), help capture bacteria and create an optimal healing environment. The gel contours intimately to the wound bed to help minimise dead spaces, which are potential places of recurring infection. The AQUACEL range is particularly renowned and valued for its high exudate management and bacteriostatic property, which has contributed to its unchallenged leadership position for approximately 10 years.

Leveraging the positive impact of Hydrofiber® on wound healing, the Group has expanded its Hydrofiber Technology across a range of wound care products with additional indications. For instance, the AQUACEL Ag+ range offers additional anti-microbial and anti-biofilm capabilities. Biofilms are a key cause of delayed wound healing and are highly resistant to antibiotics, antiseptics and immune responses. Adding its patent protected MORE THAN SILVER™ ingredient, AQUACEL Ag+ breaks the biofilm in place and kills bacteria, to accelerate wound healing. A clinical study demonstrated that, within an average of 4.5 weeks, 34% of previously static wounds were completely healed and 90% reduced in size when treated with AQUACEL Ag+.

The Group also currently offers a range of AQUACEL Foam products for the treatment and prevention of pressure injuries. In 2022, a new upgraded range of foam dressings, ConvaFoam, will be launched to strengthen the Group's position in the fast-growing and large foam segment.

Furthermore, AQUACEL SURGICAL Cover Dressing, combining hydrocolloid and Hydrofiber Technology, offers an effective option to prevent surgical site complications for patients with underlying comorbidities. In line with the Group's aim to always offer the best technology to patients and health care professionals, MORE THAN SILVER™ technology has been added to the Group's surgical dressings and launched under the brand AQUACEL Ag Advantage SURGICAL in the United States.

Additional products offered by the Group's Advanced Wound Care category include the market leading DuoDERM family of hydrocolloid wound dressings and the Avelle System, a disposable Negative Pressure Wound Therapy System ("dNPWT") integrating the Group's Hydrofiber Technology. In 2019, the Group launched ConvaMax in Europe, its first product in the superabsorbent dressings market.

Sales and marketing

Advanced Wound Care customers predominantly consist of large purchasers, primarily wound care clinics, multiple departments within hospitals and long-term care settings. In addition, pharmacy wholesalers also play an important role in advanced wound dressing supply, as a result of prescriptions written by a nurse or a physician.

Historically, in most of the countries where it sells Advanced Wound Care products, the Group's sales and marketing efforts in the category have primarily focused on specialist wound nurses and podiatrists, who make the decisions about which products to use on individual patients, and focused on chronic wounds, which are typically more complex and difficult to manage than acute wounds. More recently, the Group has also targeted

the physician population and acute care facilities, where surgical sites, burns and complex acute wounds present a market opportunity. By focusing its marketing efforts on specialist nurses, podiatrists and physicians, ConvaTec aims to leverage familiarity with and popularity of the Group's products within the primary care community to support demand among the clinics, hospitals, care facilities and large organisations that make purchasing decisions.

In the United States, the Group has established a corporate accounts function to develop and maintain relationships with GPOs and integrated delivery networks ("IDNs"), which are prevalent in the U.S. market as many of the Group's customers undertake collective efforts to contain costs. Cooperation with GPOs and IDNs is built on a win-win approach to provide best-in-class quality products and services, but also solutions to reduce the occurrence of serious infections that are preventable or patients delayed healing, sources of penalty paid by hospital.

Strategy

The Group has a clear strategy for the Advanced Wound Care category, centred on improving commercial execution in key markets including the United States and Europe supported by its newly established Salesforce and Marketing Centres of Excellence, driving the use of digital tools and platforms in customer interfaces and investing in research and development to strengthen the Group's product portfolio, notably in foam.

Competitors

The Group's Advanced Wound Care category competes globally with 3M, Mölnlycke, Smith & Nephew and Coloplast. It also competes with other local medical products companies offering wound care products, such as Medline in the United States, Hartmann in Germany and Urgo in France. For more detail, see "*Industry Overview—Advanced Wound Care—Customers & Competition.*"

Ostomy Care

Overview and key products

The Group's Ostomy Care category, which accounted for 27.8% of revenue in 2020, includes devices, accessories, services and digital tools for individuals with a stoma (a surgically-created opening where bodily waste is discharged) commonly resulting from colorectal cancer, inflammatory bowel disease, bladder cancer, obesity and other causes.

For more than 40 years, ConvaTec has developed products, accessories and services designed to dramatically improve life with an ostomy. The Group markets a comprehensive product portfolio of One-and Two-Piece Ostomy Systems and accessories to address a full range of customer needs and preferences. Key brands include the advanced pouch ranges of Esteem+ (one piece) and Natura+ (two piece), each of which feature leading skin-friendly and clinically-proven adhesive technologies (Stomahesive, Durahesive and ConvaTec Moldable Technology). Management believes that the vast majority of ostomy patients suffer from skin problems around the stoma site, so the adhesive is a critical aspect of the product's efficacy as it protects from irritating leakage and avoids skin damage.

The Group's ostomy care systems are available with a variety of closure and drainage options, deodorising filters and pouch materials. A line of accessory products complements the Group's pouch systems and offers the opportunity to increase per-customer revenue, as well as developing and maintaining brand loyalty. Key accessory products include Stomahesive paste and powder, Esenta sprays and wipes, and the OstomySecrets clothing line.

The Group publishes literature and online resources to provide facts, photographs and details of what to expect before and after surgery, in recovery and at home. It also provides customer call centres made up of wound, ostomy and continence nurses and product specialists to provide support and answers on how to make living with an ostomy easier. In addition, the Group's me+ programme, which operates throughout the United States, Europe, Latin America and certain emerging markets, provides support for patients living with their ostomies and an ongoing outlet for ConvaTec to maintain contact with existing and potential customers. The programme includes access to a dedicated team of nurses and product specialists as well as a range of online resources covering lifestyle tips and advice, educational and guided recovery tools and peer-to-peer support. In 2020, the Group expanded the programme to include more virtual support services including the me+ virtual telehealth service in the United States that provides live visual support from wound, ostomy and continence nurses, an increase in me+ recovery webinars in Europe as well as the worldwide launch of the me+ podcast and blog, which feature unique perspectives of living with an ostomy. As of 31 December 2020, the Group had over 360,000 enrolled members in its me+ programme. Management intends to begin rolling out the me+ programme in the APAC region.

Sales and marketing

Ostomy Care's consumers consist of approximately three million people who in general are receiving ostomy care supplies from medical equipment distributors or directly from public healthcare providers. The Ostomy Care category seeks to attract patients at the onset of their ostomy experience and to maintain that relationship for as long as the ostomy is in place, which management estimates for permanent ostomies is typically 10 to 15 years.

In the hospital, ostomy patients typically receive evaluation starter kits containing products and accessories vital to the routine use of ostomy products as well as an application video. The kits also enable the Group to help form a long-term relationship with the patient. The Group's ostomy salesforce focuses their efforts on the post-surgical period while the patient is still in, or recently released from, the hospital, since it is critical to start new patients at this stage. The Group's management estimates that approximately 40-50% of ostomy patients switch products in the first 12 months following surgery. Once patients gain comfort with their ostomy systems, it becomes increasingly difficult to encourage switching to a new ostomy system. In order to serve new ostomy patients during their initial stay in the hospital, the salesforce focuses on the hospital-based decision makers (generally, the ostomy and continence nurses and enterostomal therapy nurses). As in the Advanced Wound Care category, the Group uses its corporate accounts function to market to GPOs and IDNs in the United States.

After starting a new patient, the marketing focus shifts from patient support to consumer retention for the duration of the ostomy (in cases of a temporary ostomy) or for the life of the consumer (in cases of a permanent ostomy). The Group has implemented various programmes to maintain consumer loyalty through superior support and service, including comprehensive web-based educational resources for consumers on the Group's websites and call centre services, including the me+ programme or the Group's Home Services Group. The Group strives to maintain brand loyalty from consumers through product upgrades, accessory products, customer service and product support, as well as direct mailing campaigns and other communications.

The Group also utilises global medical symposia to communicate new technologies and advancements to caregivers and consumers, and has a significant presence at relevant conferences.

Rationalising the product portfolio

The Group's Ostomy Care product portfolio includes 16 brands and more than 100 different design specifications, some of which have more than 20 different product size, colour and packaging configurations. As a result of the extensive variety of options that must be produced for the different markets where the Group operates, the Group produces more than 3,500 stock keeping units as part of its Ostomy Care product portfolio. As part of the Group's Strategic Transformation, the Group is in the process of reducing the complexity of the Ostomy Care product portfolio and, in 2020, began the process of exiting approximately 300 stock keeping units. The Group's planned contract rationalisation and exiting stock keeping units reduced growth by approximately 0.9% in 2020.

Strategy

The Group has a clear strategy to accelerate the growth of the Ostomy Care category centred on solving patient and customer needs. This is supported by its newly established Salesforce and Marketing Centres of Excellence and by more effectively leveraging its me+ programme and the Home Services Group to directly engage with consumers while continuing to streamline and renew its product portfolio.

Competitors

The Group is one of three global market leaders in ostomy care, competing with Hollister Incorporated (including Dansac, part of the Hollister Group) and Coloplast. In addition, the Group competes with smaller regional providers of ostomy and ostomy-related products, including B. Braun in France and Germany, Salts and Welland in the United Kingdom, and Alcare in Japan and China. For more details, see "*Industry Overview—Ostomy Care—Customers & Competition.*"

Continence & Critical Care

Overview and key products

The CCC category comprises the Group's Continence Care and Critical Care businesses. The Group's CCC category, which accounted for 26.3% of revenue in 2020, includes products for people with urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other urological disorders. The category also includes disposable devices and products used for a range of procedures in intensive care units and hospital settings.

In Continence Care, which contributed $346.6 million of revenue in 2020, the Group offers a portfolio of intermittent urinary catheters, which are predominantly used by people who self-catheterise in order to drain urine from the bladder. Key brands include the GentleCath line of intermittent urinary catheters. The Group is currently

further developing the product range and is looking at opportunities to transfer the GentleCath success to global markets.

In March 2021, the Group acquired Cure Medical LLC ("Cure Medical"), a business that develops, manufactures and distributes intermittent urinary catheters solely focused on the United States market. The combination of Cure Medical and ConvaTec's Continence Care business allows the Group to better serve continence customers in the United States and strengthens its position as a developer and manufacturer of continence care products in the large and growing United States market.

The Continence Care innovation pipeline includes the planned launch of the GC Air Male compact catheter in 2022 and GC Air Female compact catheter in 2023. Management believes that both products will enable a strong offering in the highly competitive European market, where the emphasis is on compact, premium products.

The Group's HSG, a direct-to-consumer business, operates under the 180 Medical trade name in the United States and Amcare Group in the United Kingdom. While the Group includes HSG in its CCC category and the majority of HSG's patients use Continence Care products, HSG also distributes products from the Group's other market categories. As a majority of the Group's product use takes place in the home setting, HSG continues to be a focus for growth across all of the Group's market categories, primarily in Continence Care and Ostomy Care but also in Advanced Wound Care and Infusion Care.

180 Medical is a nationally accredited provider of sterile-use catheters, ostomy and disposable medical supplies and the Group estimates that 180 Medical is the largest medical equipment distributor of intermittent catheters in the United States (as of 2020), measured by Medicare reimbursement data. Its sales force of more than 80 employees cover the entire United States. The Group's HSG acquired Woodbury Holdings in 2017, J&R Medical in 2018, Southlake Medical Supplies in 2019, which in each case further strengthened the Group's Continence Care category. In addition to the Group's GentleCath and the Cure Medical products, 180 Medical also distributes products manufactured by C.R. Bard, LoFric, Rusch, Rochester, Coloplast, MTG, Hi-Slip, and Hollister directly to end-user patients and bills directly over 1,000 insurance plans (including Medicare and Medicaid) covering the products sold. In 2020, 180 Medical contracted with UnitedHealthcare, the largest health insurer in the United States, which further enhances the number of end-user patients with access to the Group's customer service and medical supplies.

The Group's Critical Care portfolio, which contributed $152.0 million of revenue in 2020, includes advanced systems for managing acute fecal incontinence, monitoring urine production output (hourly diuresis) and monitoring intra-abdominal pressure. Key products in this range include Flexi-Seal Fecal Management Systems, UnoMeter hourly diuresis management systems and Abdo-Pressure intra-abdominal pressure measurement devices. Flexi-Seal has been the subject of a number of clinical papers demonstrating its effective prevention of the dissemination of *Clostridium difficile,* thereby reducing fecal management costs in hospitals.

The Group's portfolio also includes a wide range of high-quality disposable medical devices for use in a variety of airway management and urine management care applications, as well as other various therapeutic areas, in high-volume procedures in urology, intensive care, operating rooms and other hospital departments. Products include wound drainage systems; urine collection bags and catheters; airway management and oxygen/aerosol therapy devices; suction handles and tubes; gastroenterology tubes; and securement devices.

Sales and marketing

The Continence Care business targets patients with a need for intermittent catheter products, which typically include patients with chronic urinary continence issues related to spinal cord injuries, multiple sclerosis, spina bifida and other urological disorders. Intermittent catheter users in general receive their supplies from medical equipment distributors or directly from public healthcare providers. The Continence Care business focuses on building customer relationships and direct-to-consumer sales, seeking to attract users at the onset of being prescribed an intermittent catheter and then works to maintain that relationship for as long as the patient is supported by a catheter. The Group estimates that most intermittent catheter users utilise two to four catheters per day and may continue catheterising for at least several years, if not the remainder of their lives, depending on the type of urological disorder.

The Group's 180 Medical platform identifies and attracts catheter users on urological wards and rehabilitation clinics where they are initially prescribed an intermittent catheter. To support the new patient capture process, the Group has a strong commercial focus on physicians and nurses in these facilities and supports caregivers to ensure the patients' continuity of care when leaving the hospital or clinic. Continuity of care is achieved with optimal product selection, fulfilment of patients' immediate supply needs and an optimal service experience on an ongoing basis. The Group strives to offer the best customer service in the market and has implemented various programmes to maintain customer loyalty, including comprehensive web-based educational resources for consumers on the Group's websites, viral marketing blogs and call centre services.

The Critical Care business is targeted at ICUs, with the Group's leading Flexi-Seal Fecal Management Systems providing a key competitive advantage. The Group's primary customers in the acute fecal incontinence sub-group of the Critical Care business are acute care hospitals. Other brands—including UnoMeter —also target the ICU call point and enable the Group to leverage its broader sales and marketing efforts to ICUs.

The Group's broader Hospital Care products enables it to have a strong position with hospital purchasers and material managers. For direct sales, the Group focuses on creating and maintaining strong relationships with customers and key healthcare decision makers. For distributor sales the Group targets independent distributors with similar call point focus for regions without critical sales mass. The Group's primary customers in the Hospital Care sub-group of the CCC market category are acute care hospitals, in particular, operating rooms and intensive care departments.

Strategy

The Group has a clear strategy to continue to accelerate the growth of the CCC category centred on optimising the reach of its HSG, improving sales and marketing of GentleCath and Cure products in the United States, expanding its me+ programme for intermittent catheter users while continuing to invest to enhance its product portfolio.

Competitors

The Group estimates that 180 Medical is the largest medical equipment distributor of intermittent catheters in the United States (as of 2020). The Group estimates that it holds market-leading positions globally in fecal management (as of 2020) and strong positions in the markets in which it operates in urine monitoring. Its primary competitors in CCC include Coloplast, Bard, Wellspect and Hollister. For more detail, see "*Industry Overview—Continence & Critical Care— Customers & Competition.*"

Infusion Care

Overview and key products

The Group's Infusion Care category, which accounted for 17.0% of revenue in 2020, provides disposable infusion sets to manufacturers of insulin pumps for diabetes and similar pumps used in continuous infusion treatments for other conditions. The Group supplies infusion sets to a number of manufacturers, including Medtronic, Tandem Diabetes, Ypsomed, Roche Diabetes and Sooil.

An insulin pump is an external digitally-controlled device enabling diabetes patients to get continuous delivery of insulin to the body. Infusion sets are the disposable parts connected to the pump via tubing and injected into the patient's body via a cannula, allowing the insulin to be delivered subcutaneously (under the skin). Insulin pumps are a well-established and recognised technology for treatment of many Type 1 and severe Type 2 diabetes patients. In addition to insulin pump therapy for diabetes, the Group also works with pharmaceutical companies and other partners on infusion sets for continuous subcutaneous drug delivery for other diseases, including for Parkinson's disease, primary immunodeficiencies, thalassaemia and palliative pain management. Part of the category's strategy is to diversify its customer base and expand its product offering both within the diabetes market and within adjacent infusion therapies.

The Group's Infusion Care category has a track record of regular innovation, including the MiniMed Mio Advance/Neria Guard infusion platform which enables effective single-handed insertion. The Group also launched a new extended wear infusion set in the first quarter of 2021.

The category's portfolio also includes a broad variety of products for hospital and home healthcare that the Group sells directly to large customers. The Group uses its global manufacturing capabilities and supply chain economies of scale to provide its customers with high-volume, high-quality products, including diethylhexyl phthalate- and PVC-free materials and newly developed multi-layer polyolefin materials. This is a relatively small part of the Infusion Care business.

Sales and marketing

The Infusion Care category has a concentrated customer base, primarily consisting of insulin pump manufacturers as well as a developing group of partners outside the diabetes segment. Customers of the Infusion Care category include the leading global insulin pump manufacturers, who collectively represented over 70% of the global insulin pump market in 2020. The category has long standing customer relationships with these manufacturers, and contracts with a long duration and in some cases agreed minimum purchase requirements.

The Group's sales force manages the relationships with these three leading global insulin pump manufacturers and other smaller customers. The Group treats these relationships as strategic alliance partnerships involving joint product development and specialised manufacturing capabilities. As a result of the difficulty in mass producing

millions of infusion sets in delicate micro tolerance processes, pump manufacturers are highly incentivised to buy them at a competitive cost from an efficient and reliable supplier, rather than try to develop production capabilities themselves. As a result of the category's strong relationships with these three key customers, all contracts have recently been extended.

A minority of the category's revenue is derived from business-to-business hospital and home healthcare product sales (for example, 11.4% in the first eight months of 2021). The Group's business-to-business sales are based on a small number of long-term customer relationships with customers such as Wellspect and Coloplast, for which the supply agreements are long-term, as well as by the Group's Papyrotex business.

Strategy

ConvaTec has a clear strategy to continue to accelerate the growth of the Infusion Care category centred on sustaining its strong and long-term partnerships with insulin pump manufacturers, investing in manufacturing facilities to meet the future growth requirements of major customers, continuing to invest in the Group's differentiated diabetes offerings including the launch of a new extended wear infusion set and expanding the use of infusion sets for the delivery of other subcutaneous therapeutics for diseases such as Parkinson's disease.

Competitors

The Group supplies the leading global durable insulin pump manufacturers. Its primary competitors include original equipment manufacturers manufacturing infusion sets themselves, patch pump manufacturers such as Smiths Medical and Ypsomed, as well as a variety of specialised manufacturers. For more detail, see "*Industry Overview—Infusion Care— Customers & Competition.*"

Technology and Innovation

The Group's technology and innovation ("T&I") global function seeks to develop and deliver innovative and advanced technologies that meet the most important needs of patients and to help clinicians and health care providers advance their medical practice in caring for patients. The Group is continually focused on technology leadership for chronic clinical issues by maximising the applications of its existing product portfolio and developing the next-generation of technologies for each of its business areas. Management also considers the manufacturing process whilst developing the Group's products in order to maintain high quality and achieve robust margins.

Management believes that the Group's technology platform is underpinned by core competencies for the present and the future: infection detection and prevention; advanced materials, process development, user centred design and mechatronics/software as medical devices. The Group's market categories share know-how, best practices and technology in order to maximise synergies and leverage these competencies to drive innovation across the Group's four market categories. For example, the Group's adhesive technologies are used in many products across therapy areas, and infection prevention and skin healing are features across a number of the Group's products. In addition, the GentleCath range also leverages multiple competencies such as advanced materials and user centred design, as the catheters are designed to reduce insertion-related microtraumas with advanced materials.

The majority of the Group's innovation is conducted internally at its technology centres in the United Kingdom, Denmark and Slovakia as well as at the Group's new technology centre in Boston (United States) for newer competency areas like advanced materials and user centred design.

Examples of the Group's recent innovations include AQUACEL Ag+ technology to combat microbial biofilms in wounds, the expansion of the GentleCath range of intermittent catheters for self-catheterisation and the Two-Piece Ostomy Pouch with Moldable Technology, the Avelle NPWT system with Hydrofiber Technology and the Inset Guard based one step infusion set inserter sets.

The Group has a development pipeline of proprietary technologies and products spanning across its business areas and comprising projects at each stage of development.

The Group has historically underinvested in research and development as compared to its competitors and, in 2020, significantly increased its spending by $28.6 million or 53.2% as compared to the prior year. The increase in research and development spend was generally distributed evenly among the Group's market categories. Despite the historical underinvestment, the Group has continued to deliver on product launches including the MiniMed Mio Advance/Neria Guard infusion set, the ConvaMax superabsorber and most recently, an extended-wear infusion set. In 2020, the Group conducted a strategic review of its innovation capabilities, which resulted in the creation of a new "Technology and Innovation" function comprising R&D, clinical and regulatory capabilities which also led to the creation of a technology centre in Boston. In 2020, an average of 380 employees were involved in the Group's T&I efforts.

Intellectual Property

The Group holds an extensive portfolio of patents and trademarks across its key market categories and geographies, with over 300 active patent families and more than 2,600 patents and patent applications (on a provisional and non-provisional basis) globally as set out in the 2020 Annual Report. The Group continually works to establish and maintain its rights and to assess and mitigate risks with respect to intellectual property.

Patents and patent applications are filed and maintained in those countries in which the Group has, or desires to have, a strong business presence. The Group regularly monitors its competitors' product development for potential infringement of the Group's patents and seeks to vigorously defend its position when infringing uses are identified. The Group also retains experienced patent counsel in key jurisdictions, including the United States, the EU and Japan. The Group undertakes a range of measures to manage risks related to its intellectual property, including risks of its own products being found to infringe the intellectual property rights of others, such as patent surveys.

The majority of the Group's patents are related to key technologies, compositions, processes or product features. The Group's core Hydrofiber Technology, catheter technology, Moldable Technology for use in its ostomy products, infusion device technologies, and NPWT technologies are all protected by patents (or patent applications). The Group has also historically been successful in bringing new commercially viable patentable features to market in product upgrades, effectively replacing the Group's older product offering (including for example the successful migration from AQUACEL to AQUACEL Extra, AQUACEL Ag and AQUACEL Ag+). The Group's preference is to wholly own its intellectual property, although from time to time it relies on jointly owned intellectual property pursuant to agreements with joint owner(s).

In addition to patent protection, the Group relies on trade secrets and manufacturing know-how (in particular with respect to the Group's products incorporating Hydrofiber, which depends on complex manufacturing and chemical processes to produce) to protect the competitive position of its products. The Group's employees have confidentiality clauses in their employment agreements protecting the Group's confidential information and trade secrets, and certain employees are subject to contractual non-compete requirements.

Group Sales and Marketing

The Group's sales and marketing function is organised on a business unit basis where customer interaction is tailored to the needs of the particular customer, patient and category (e.g., hospitals (and their staff), GPOs, and IDNs for Advanced Wound Care, Ostomy Care and CCC; insulin pump manufacturers for Infusion Care). Emerging Markets and the Home Services Group are separate business units to allow for the unique focus on those markets and customers.

In the Group's larger markets with limited customer overlap between categories (for example, the United Kingdom, U.S., China, France and Germany) the Group operates with dedicated sales teams for each category. Conversely, in the Group's smaller markets with significant overlap of customers (for example, Canada and parts of the APAC region), the Group promotes its products through sales teams that operate across the categories.

The Group's selling efforts are complemented by strategic functional support provided by business unit specific global marketing teams which generate materials, digital initiatives and programmes. They also support and drive education and customer engagement efforts including medical symposia, advisory panels and the development of protocols of care, which help support demand for the Group's products among nurses, surgeons, physicians and patients. Having global brand platforms and campaigns ensures consistent messaging across the Group's geographic markets.

In 2020, the Group created a Salesforce Centre of Excellence, Pricing Centre of Excellence as well as a Marketing Centre of Excellence and these functions are starting to implement global initiatives to improve their respective capabilities across the Group.

Distribution Channels

The Group operates in a diverse range of countries and markets, and it employs a variety of channel strategies to meet the needs of each market where it operates. The Group has identified a number of key routes to market, discussed below, that are present in most of these markets and represent the core of the Group's strategy for each of its categories across these geographies.

Hospital channels

The Group's Ostomy Care, Advanced Wound Care and CCC products are sold or distributed in hospitals, where the choice for most products is often made by a specialist nurse or doctor. As a result, the Group concentrates much of its sales and marketing activities on supporting those specialist nurses and doctors, with field sales teams visiting them directly in the hospital setting, as well as through call centres and clinical resources, as required.

Sales are often made through a distributor. The Group's marketing activities include support across a broad spectrum of activities, from routine to specialist training and patient support, for example addressing when patients transition from the hospital to their home environment.

In the United States, GPOs are a significant route of access to the acute care segment. The Group has contracts with many of the largest GPOs across its entire portfolio. Examples of GPOs with which the Group has contracts are Vizient, Premier and Healthtrust (with the exception of Ostomy Care). These agreements are typically for periods of three years.

Distributors and wholesalers

The Group sells its Ostomy Care, Advanced Wound Care and CCC products to hospitals and other acute and post-acute healthcare service providers (including long-term care facilities, home healthcare providers and wound clinics) through an extensive network of distributors and wholesalers. Across its operations, the Group employs a network of external distributors operating in various markets. In many of these markets, the Group works closely with distribution partners who manage the entire distribution process including ordering, warehousing, billing and delivery. The Group has contractual ties with its distributors and wholesalers through volume agreements, tender awards, service level agreements and/or purchase orders. The Group may limit the number of wholesale distributors in a particular market in order to maximise efficiency, and these distributors are subject to geographic restrictions.

Distributors are evaluated for their compliance with the Group's quality standards and their ability to sell and distribute medical products in their respective territories. The Group's distributors are subject to the Group's compliance policies and Code of Conduct and Ethics through covenants in the distribution agreements, and the Group has the ability to monitor compliance with such policies through audit rights. Distribution agreements are generally one to three years in duration, and all distributors must confirm their compliance with relevant legislation upon renewal. The Group generally does not enter into exclusive distribution agreements, although some legacy agreements exist that have exclusivity clauses.

Specialist medical stores, pharmacies and homecare agencies

In many markets, once patients and consumers leave the hospital, they obtain medical device products directly through homecare agencies, specialist medical stores (in the United States, also known as durable medical equipment billers) or pharmacies. Depending on the market, the Group either sells to homecare agencies, specialist medical stores and pharmacists directly or through distributors. These organisations will typically also offer patients and consumers related services, such as home delivery of medical devices, employing nurses to support and look after patients at their home and in the United States, billing for medical device products on behalf of the consumers' insurance. This support is often not restricted to the supply and use of the product, but also extends to all matters of disease management and lifestyle advice.

Direct-to-consumer

As part of the Group's strategy to support patients and consumers, the Group has invested in and established a number of direct-to-consumer channels in various markets to best meet the needs of patients and consumers in those markets.

In the United States, HSG, through the Group's 180 Medical subsidiary, distributes sterile use catheters and ostomy and disposable medical supplies, including products produced by the Group and other suppliers. In the United Kingdom, home delivery is available for ostomy supplies through AmCare, a Group subsidiary that employs customer service representatives and nurses to support patients in the usage of the products.

In a number of markets in both Central and Eastern Europe, Latin America and part of Asia, the Group has invested in and established direct-to-consumer relationships through its ownership of shops and clinics that sell directly to patients and consumers. In Europe and North America, the Group has also established direct-to-consumer digital sales platforms, such as its ostomysecrets.com online platform, which sells clothing and other accessories to support consumers and address the daily needs of living with their chronic conditions.

The key objective of the Group's direct-to-consumer activities, whether digital or otherwise, is to provide support to the Group's patients and consumers in ways that enhance their quality of life, such as through the me+ programme, which focuses on supporting patients and expanding the Group's customer relationships with patients living with their ostomies.

Quality and Manufacturing Operations

The Group's global network of manufacturing sites provides significant operational flexibility and the ability to drive continuous improvements in productivity and overall profitability. The Group's core manufacturing

capability is benchmarked against global best practices, in compliance with applicable local regulatory requirements and is ISO 13485 accredited. In 2020, certain of the Group's manufacturing sites were audited against the Medical Device Single Audit Program ("MDSAP") standard, which incorporates the regulations of several countries above and beyond ISO 13485 and all such audited sites have been certified to MDSAP standard.

The Group's own manufacturing capacity is supported by third-party contract manufacturers and linked to a reliable supply chain and broad distribution network. Each external third-party manufacturer is subjected to regulatory qualification, where necessary, and initial and recurring site inspections and audits by the Group and others. The overall supply chain configuration enables the Group to meet the production expectations of its customers while maintaining a high level of product quality, preserving operational flexibility and improving productivity and overall profitability. The Group regularly performs "make or buy" evaluations (being whether to manufacture a product or outsource the manufacturing to a third-party) for each of its products with a view to optimising internal manufacturing capacity, capital expenditure requirements, long term running costs and quality assurance.

The Group's manufacturing network currently includes nine sites in seven countries, some of which are in relatively low-cost labour markets. The following table sets forth each of the manufacturing sites currently in operation.

Location	Specialisation
Deeside (the United Kingdom)	Advanced Wound Care
Eurotec (the Netherlands)	Ostomy
Haina (Dominican Republic)	Advanced Wound Care, Ostomy
Herlev (Denmark)	Extruded films
Michalovce (Slovakia)	Ostomy Care, CCC
Minsk (Belarus)	CCC
Osted (Denmark)	Infusion sets
Reynosa ID (Mexico)	Infusion sets
Rhymney (the United Kingdom)	Hydrofiber

The Group's quality and manufacturing operations aim to pivot from a strategy focused mainly on productivity gains to a vision to supply high quality, cost competitive products to the markets in which its customers are located while maintaining resilience and utilising modern, automated manufacturing plants with low labour content, in each case underpinned by a focus on continuous improvement.

Distribution centres

The Group currently distributes its products through over 30 distribution centres, which are operated by third-party logistics providers. The Group focuses on streamlining its global distribution footprint, by closing distribution centres in markets where more than one facility was in operation, as well as consolidating market-specific distribution centres into regional distribution centres and continues to seek opportunities to streamline the network to balance service, speed and costs.

Suppliers

The Group relies on around 112 suppliers for the components and materials required for the production of its products. The Group has relationships of at least ten years with the majority of its suppliers. In 2020, 34 suppliers represented approximately 80% of the Group's total raw material spend. Wherever possible, the Group attempts to source materials from multiple suppliers. However, some key components and raw materials are from a single source, including certain materials used for AQUACEL. For products that are currently sourced from a single supplier, the Group is actively identifying and qualifying alternative sources. Historically, the Group has not been impacted by major supply disruptions. The Group operates a central procurement function and is currently focused on a rationalisation of suppliers in its indirect procurement portfolio.

The Group's U.S. specialist durable medical equipment retailer, 180 Medical, supplies products manufactured by C.R. Bard, LoFric, Rusch, Rochester, Coloplast, MTG, Hi-Slip, and Hollister in addition to the Group's products.

Legal and administrative proceedings

The Group may from time to time be a party to legal, regulatory and administrative proceedings in the ordinary course of business. The Group may from time to time be subject to various product liability lawsuits, product

recalls and requirements to issue field corrections related to its products due to manufacturing deficiencies, labelling errors or other safety or regulatory reasons.

Regulation and compliance

The Group's Quality Management System is designed to support all of the requirements of the various regulatory regimes across the full range of jurisdictions where the Group operates and is accredited to an ISO 13485 standard for medical devices and quality management systems. The Group has established processes and procedures to monitor changes in regulatory regimes and implement quickly any required operational changes within the Group's business. For a brief overview of selected regulations that are applicable to the Group's business, see "*Regulatory Overview.*"

The Group has implemented additional policies to prohibit improper payments and has developed enhanced training, compliance programmes and contractual protections to discourage such practices by its employees, distributors and other agents. The Group's agreements with its distributors contain assurances that they deliver compliance training programmes to staff based on the Group's Global Third Party Compliance Manual. In addition, the Group conducts due diligence on distributors when they are initially engaged and every three years thereafter though an external due diligence provider.

In addition, the Group requires new suppliers to adhere to its Supplier Code of Conduct and assesses its suppliers through a third-party provider with the resulting score incorporated into the compliance section of the Group's supplier relationship management scorecards. In 2020, the Group assessed 50 key suppliers.

For a detailed discussion of the regulatory regimes to which the Group is subject, see "*Regulatory Overview.*"

Environmental Matters

The Group's facilities and operations are subject to national and local environmental laws and regulations and other requirements, including those regulations governing the generation, use, manufacture, handling, transport, storage, treatment and disposal of, or exposure to, hazardous materials, discharges to air and water, the clean-up of contamination and occupational health and safety matters. The Group periodically audits compliance with environmental laws and regulations and maintains policies requiring its facilities to be in compliance with local regulations and requiring reporting to senior management of any identified areas of non-compliance immediately upon discovery. Management believes the Group is in compliance in all material respects with applicable environmental laws and regulations, and it has been recognised for its environmental capabilities in a number of jurisdictions where it operates. The Group is committed to environmental, social and corporate governance ("ESG") and being transparent with its stakeholders about how it runs its business. The Group's overall ESG score from Sustainalytics, a leading independent ESG and corporate governance research and ratings provider, was 73/100 in 2020, ranking highest among its industry peers.

Existing environmental protection legislation and regulations, and compliance therewith, have had no material adverse effect on the Group's capital expenditures, earnings or competitive position. Although the Group continues to make capital expenditures for environmental protection, it does not anticipate any significant expenditures in order to comply with such laws and regulations that would have a material impact on its earnings or competitive position. The Group is not aware of any pending litigation or significant financial obligations arising from current or past environmental practices that are likely to have a material adverse effect on its financial position.

Insurance

The Group maintains a number of insurance policies, including property damage and business interruption, public and products liability, directors and officers, marine cargo, employer's liability, cyber, among others. These policies provide specific cover (in terms of limits and exclusions) against a range of risks including those related to physical damage to, and loss of, equipment and property and injury to employees and third parties which may arise through the course of normal business operations. The Group engages an insurance broker to advise on the types and levels of coverage, with most of its insurance policies renewing on an annual basis.

Employees

The following table details the average number of the Group's employees by function.

	Year ended 31 December		
	2018	**2019**	**2020**
Operations	5,933	5,812	5,655
Sales and marketing	2,392	2,643	2,884
General and administrative	845	778	770
R&D	327	343	380
Total	**9,497**	**9,576**	**9,689**

The following table details the average number of the Group's employees by location.

	Year ended 31 December		
	2018	**2019**	**2020**
EMEA	3,755	3,962	4,023
Americas	5,233	5,072	5,035
APAC	509	542	631
Total	**9,497**	**9,576**	**9,689**

The Group has not experienced any significant labour disputes or work stoppages. All U.S. employees and all employees at the Advanced Wound Care and key Ostomy Care manufacturing sites are non-unionised. Some of the Group's employees in Europe and Mexico are covered by collective bargaining agreements that are customary for the industry or are members of labour unions.

The Group has pension arrangements in most countries in which it operates and has implemented pension plans worldwide. The majority of the Group's pension arrangements are defined contribution schemes, but the Group does have a small number of defined benefit plans with a net pension liability of $20.8 million at 31 December 2020.

Employee health and safety is of high importance to the Group. Across the Group's manufacturing facilities, the Group has a team of dedicated Environment, Health and Safety ("EHS") managers. The Group's global EHS team leads the development of improved working practices and corporate policies, audits performance against such policies and provides advice and support to local teams to ensure that legislative and company requirements are met. In addition, the Group has introduced a Journey to Safety Excellence Programme, which was rolled out across its operations beginning in January 2021. This programme promotes safety as a core value and focuses on embedding a culture of continuous proactive and collaborative improvement across all of the Group's operations.

REGULATORY OVERVIEW

The Group's business is highly regulated, and it is subject to various government regulations, reimbursement policies and healthcare cost-containment programmes in the countries in which it operates.

The main agencies with regulatory authority over the Group's products are the FDA, the HHS Office of Inspector General ("OIG"), Centers for Medicare & Medicaid Services, DOJ, and states attorneys general in the United States, various country-based competent authorities and "notified bodies" in the European Union and various other agencies in the Group's other markets that tend to resemble either the US or EU regulatory models. The EU model includes accredited notified bodies that oversee the industry and provide governance between the industry and the relevant competent authorities. The Group's notified body is BSI for the majority of its products, and G-Med for its Infusion Care business.

FDA

The Group's research, development, manufacturing and marketing operations are subject to extensive regulation in the United States and other countries. Most notably, all of the Group's products sold in the United States are subject to the US Federal Food, Drug and Cosmetic Act ("FDCA") as implemented and enforced by the FDA. The FDA regulates the following activities that the Group performs or that are performed on its behalf to ensure that medical products distributed domestically or exported internationally are safe and effective for their intended uses:

- product design, development and manufacture;
- product safety, non-clinical and clinical testing, labelling, packaging and storage;
- record keeping procedures;
- product marketing, sales, advertising, promotion and distribution;
- post-marketing surveillance or post market studies, complaint handling, medical device reporting, reporting of deaths, serious injuries or device malfunctions and repair or recall of products; and
- import and export.

The Group and its products are subject to numerous FDA regulatory requirements including:

- product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action;
- US Quality System Regulation ("QSR") which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labelling regulations and FDA prohibitions against the promotion of products for un-cleared, unapproved or off-label use or indication;
- clearance or approval of new products or certain product modifications;
- medical device reporting regulations, which require that manufacturers comply with FDA requirements to report if their device may have caused or contributed to a death or serious injury, or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or a similar device were to recur;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply when necessary to protect public health or to provide additional safety and effectiveness data for the device; and
- notices of correction or removal and recall regulations.

Unless an exemption applies, each medical device commercially distributed in the United States requires either FDA clearance of a 510(k) pre-market notification, or approval of a pre-market approval application. Under the FDCA, medical devices are classified into one of three classes—Class I, Class II or Class III—depending on the degree of risk associated with each medical device and the extent of manufacturer and regulatory control needed to ensure its safety and effectiveness. Class I includes devices with the lowest risk to the patient and are those for which safety and effectiveness can be assured by adherence to the FDAs General Controls for medical devices, which include compliance with the applicable portions of the QSR facility registration and product listing, reporting of adverse medical events, and truthful and non-misleading labelling, advertising, and promotional materials. Class II devices are subject to the FDAs General Controls, and special controls as deemed necessary

by the FDA to ensure the safety and effectiveness of the device. These special controls can include performance standards, post-market surveillance, patient registries and FDA guidance documents. While most Class I devices are exempt from the 510(k) pre-market notification requirement, manufacturers of most Class II devices are required to submit to the FDA a pre-market notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. The FDAs permission to commercially distribute a device subject to a 510(k) pre-market notification is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life sustaining, life supporting or some implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring a pre-market approval, or PMA. Some pre-amendment (i.e., pre-1976) devices are unclassified, but are subject to FDAs pre-market notification and clearance process in order to be commercially distributed. The majority of the Group's devices are classified as Class I or II, although the Group manufacturers or sells devices in each of the three classes.

In the 510(k) clearance process, the FDA must determine that a proposed device is "substantially equivalent" to a legally marketed device, known as a "predicate" device, with respect to intended use, technological characteristics and safety and effectiveness, in order to clear the proposed device for marketing. Bench tests, pre-clinical and/or clinical data are sometimes required to support substantial equivalence. The PMA approval pathway requires an applicant to demonstrate the safety and effectiveness of the device based, in part, on data obtained in clinical trials. Both of these processes can be expensive and lengthy and entail significant fees, unless exempt. The FDAs 510(k) marketing clearance process usually takes from three to 12 months, but it can last longer. The process of obtaining PMA approval is much more costly and uncertain than the 510(k) marketing clearance process. It generally takes from one to three years, or even longer, from the time the PMA application is submitted to the FDA, until an approval is obtained. In the United States, the Group's currently commercialised products have received pre-market clearance under Section 510(k) of the FDCA or are exempt. Certain products also require pre-market clinical testing for safety and efficacy.

The FDA has broad regulatory enforcement powers. The Group is subject to unannounced inspections by the FDA to determine its compliance with the QSR and other regulatory requirements, and these inspections may include the manufacturing facilities of some of the Group's subcontractors. Failure by the Group or its subcontractors to comply with applicable regulatory requirements can result in enforcement action by the FDA or other regulatory authorities, which may result in sanctions including, but not limited to:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- unanticipated expenditures to address or defend such actions;
- customer notifications for repair, replacement, and/or refunds;
- recall, detention or seizure of the Group's products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying the Group's requests for 510(k) clearance or PMA approval of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export approval for the Group's products; or
- criminal prosecution.

For further information regarding the potential impact of compliance with FDAs regulations, see "*Risk Factors— Risks Relating to the Group's Business and Industry— The Group may face product quality issues.*"

Other US Healthcare Laws

The Group is also subject to healthcare regulation and enforcement by the federal government and the states and foreign governments in which it conducts its business. These laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, physician sunshine and privacy and security laws and regulations.

The US Anti-Kickback Statute prohibits, among other things, any person from knowingly and wilfully offering, soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programmes such as the Medicare and Medicaid programmes. The US Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the US Anti-Kickback Statute to reach large settlements with healthcare companies based on sham consulting and other financial arrangements with physicians. A person or entity does not need to have actual knowledge of the statute or specific intent to

violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the US Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the US Federal False Claims Act, which as discussed below could give rise to treble damages. The majority of US states also have anti-kickback laws which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payer, including commercial insurers.

Additionally, the civil False Claims Act prohibits knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the US government. A person who acts in reckless disregard or in deliberate ignorance of the truth or falsity of information can further be found liable under the False Claims Act. Actions under the False Claims Act may be brought by the Attorney General or as a *qui tam* action by a private individual in the name of the government. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government is using the False Claims Act, and the accompanying threat of significant liability, in its investigation and prosecution of device and biotechnology companies throughout the country, for example, in connection with the promotion of products for unapproved uses and other sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

To the extent the Group directly bills government healthcare programmes or maintains referral relationships for the provision of its products, its financial relationships with referring physicians may be subject to the Stark Law, which prohibits, among other things, physicians who have a financial relationship, including an investment, ownership or compensation relationship with an entity, from referring Medicare and Medicaid patients to the entity with which it has such financial relationship for designated health services, which include the provision of many DMEPOS, unless an exception applies. Similarly, entities may not bill Medicare, Medicaid or any other party for services furnished pursuant to a prohibited referral. Unlike the US Anti-Kickback Statute, the Stark Law is a strict liability statute, meaning that all of the requirements of a Stark Law exception must be met in order for referrals to an entity by a physician with a financial relationship with the entity to be compliant with the law. Penalties for violating the Stark Law include denial of payment, civil monetary penalties of up to $15,000 per claim submitted, and exclusion from federal healthcare programmes, as well as a penalty of up to $100,000 for attempts to circumvent the law.

The federal Health Insurance Portability and Accountability Act of 1996, as subsequently amended ("HIPAA"), applicable fraud provisions (often referred to as the "HIPAA Fraud Statute") established a national Health Care Fraud and Abuse Control Program under the joint direction of the DOJ and the OIG to coordinate federal, state and local law enforcement activities with respect to health care fraud and abuse. The law (as expanded) also prohibits, among other actions, knowingly and wilfully executing, or attempting to execute, a scheme to defraud any healthcare benefit programme, including private third-party payers, knowingly and wilfully embezzling or stealing from a healthcare benefit programme, wilfully obstructing a criminal investigation of a healthcare offense, and knowingly and wilfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the US Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The ACA, among other things, imposed new reporting requirements on device manufacturers for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year (or up to an aggregate of $1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Device manufacturers were required to begin collecting data on 1 August 2013 and must submit annual reports to CMS by the 90th day of each calendar year. Certain states also mandate implementation of compliance programmes, impose restrictions on device manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians.

The Group may also be subject to data privacy and security regulation by both the federal government and the states in which it conducts its business. HIPAA, as amended by the Health Information Technology and Clinical Health Act of 2009 ("HITECH"), and their respective implementing regulations, including the final omnibus rule published on 25 January 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as a person or entity that performs certain

functions or activities that involve use or disclosure of protected health information on behalf of, or provider services to, a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

European Regulations on Medical Devices

The main regulatory regimes to which the Group's products are subject in the EU are the EU Medical Device Regulation ("MDR") and the ISO 13485 quality system standards for medical devices. These regulatory regimes include requirements for:

- product design, development and manufacture;
- product safety, labelling, packaging and storage;
- record keeping procedures;
- post-marketing surveillance or post-market studies, complaint handling, medical device reporting, reporting of deaths, serious injuries or device malfunctions and repair or recall of products; and
- import and export.

Following a transition period, the MDR has become fully applicable on 26 May 2021. The MDR consolidates pre-existing regulations on medical devices, especially the Medical Device Directive ("MDD"), and on active implantable medical devices, in particular the Active Implantable Medical Devices Directive ("AIMDD"). The In Vitro Diagnostic Medical Devices ("IVDR") is due to become fully applicable on 26 May 2022. While the MDR is directly applicable and does not require transposition into the laws of the member states, each member state of the EU is responsible for applying the MDR. For this purpose, provisions of the MDR are partly reflected in national laws. In Germany, for example, the Medical Products EU Amendment Act (Medizinprodukte-EU-Anpassungsgesetz, "MPEUAnpG") has been adopted for necessary adjustments to national legislation.

Compared to the MDD, the MDR provides more legal certainty and sets higher standards of quality and safety for medical devices. For example, the MDR provides for extensive requirements for post-market surveillance including a post-market surveillance plan as well as reports (e.g. Periodic Safety Update Report (PSUR)). Also, clinical evaluations and clinical trials are regulated and prescribed in more detail.

The MDR requires that all medical devices meet the general safety and performance requirements in order to affix a CE Mark on the device, thus allowing it to be marketed and sold in the EU. Like the MDD, the MDR provides for classification of all medical devices into one of four classifications: Class I (low risk), Class IIa and IIb (medium risk) and Class III (high risk). The classes determine which conformity assessment procedure is required to demonstrate conformity with safety and performance requirements and whether a notified body needs to be involved.

Subject to certain exceptions, Class I devices can be self-certified by the manufacturer, thereby declaring that the device meets all relevant requirements of the MDR. The manufacturer must primarily put in place a quality management system and a system for risk management, perform a clinical evaluation, compile a technical construction file, and a Declaration of Conformity must be signed by a competent person who has been duly trained. Involving a notified body in the conformity assessment procedure or for certifying the quality management system is not required for Class I devices.

Class II devices are further separated into Class IIa and Class IIb devices. Class IIa devices may be self-certified by the legal manufacturer so long as the manufacturer's quality management system has been independently assessed to meet the requirements of that particular type of device. Where applicable, the Group's quality management system meets this requirement. Class IIb devices must be independently reviewed by an accredited notified body in order to affix the CE Mark to the device.

Class III devices require notified body review in all cases and further review of all life-cycle management changes when deemed significant.

The majority of the Group's devices are classified as Class IIa and IIb, although the Group manufactures or sells devices in each of the classes.

Each member state's competent authority and the Group's notified bodies have broad regulatory enforcement powers. The Group is subject to unannounced inspections and general surveillance visits by the notified bodies to

review the quality management systems. Further, the quality management systems are audited every three years to ensure continued compliance with ISO 13485. Class IIa and IIb technical construction files are selected and reviewed annually to ensure changes to the products remain compliant with the MDR. Class III devices undergo a full review every five years to determine compliance with the MDR and to ensure that lifecycle changes are correctly handled. All inspections and audits may also include the relevant manufacturing and R&D facilities of some of the Group's subcontractors where designated "critical" by the relevant competent authority. Competent authorities also have authority over certain of the Group's facilities. Generally, certificates of conformity issued by notified bodies under the MDD do not carry over to the new MDR framework and would have to be reobtained by 25 May 2021. However, medical devices classes II and III which are marketed based on valid certificates of conformity issued by a notified body under the MDD after 25 May 2017 may continue to be placed on the market for an interim period. This interim period ends once the certificate of conformity issued by the notified body expires or on 25 May 2024 at the latest. Medical devices being marketed based on their MDD certificates of conformity may not undergo significant changes as, otherwise, they would lose their grandfathered status (but could then obtain a certificate of conformity under the MDR). This may limit commercialisation of these medical devices. The Group makes use of these transitional provisions and currently places MDD certified medical devices on the EU market.

Compared to the MDD, the MDR stipulates additional requirements, which, in parts, already apply to manufacturers of medical devices that benefit from certain grace periods (as set out above). The MDR in particular provides for the following: The MDR changes the risk classification of certain medical devices, most notably related to substances and software. Certain Class I devices now require review and oversight by a notified body. Under the MDR, the 14 essential requirements for a medical device and set out in the MDD are extended to and replaced by 23 general safety and performance requirements. Manufacturers are also required to appoint a person responsible for regulatory compliance.

For most devices of Class II and above, conformity assessment requires specific clinical data on the device under review – not only general clinical literature – in order to support the efficacy of the conformity assessment. In addition, the MDR stipulates obligations to report to EUDAMED (European database on medical devices). Under the MDR, a unique device identifier (UDI) shall be affixed to the labelling of the product and at all higher levels of packaging. The MDR further expands the content on label and promotional materials, technical documentation has to contain more detailed information and the requirements to provide information in the languages of the member states of the EU targeted for sales have been widened.

Post-market surveillance and clinical follow-up has generally become more stringent and broadened under the MDR. The MDR distinguishes between vigilance as the identification, reporting and trending of serious incidents and the conduct of safety related corrective actions, and post market surveillance as the proactive monitoring of information from various sources used to periodically reconfirm that the benefits of the device continue to outweigh its risks.

Failure by the Group or its subcontractors to comply with applicable regulatory requirements can result in actions such as invalidating the quality management system or withdrawal of CE Mark certificates, refusal to grant CE Marks to new products or forced recalls of products.

On 31 January 2020, the United Kingdom withdrew its membership in the European Union ("Brexit"). The MDR and the IVDR were not EU-derived domestic legislation on the day the United Kingdom exited the European Union and therefore do not apply in the United Kingdom according to the European Union (Withdrawal) Act 2018. However, the UK Medicines and Healthcare Products Regulatory Agency ("MHRA") will continue to accept medical devices which have been placed on the market in accordance with EU regulations until 30 June 2023. From 1 July 2023 onwards, new medical devices placed on the market in the United Kingdom will need to conform with applicable laws of the United Kingdom and will in particular need to bear a UK Conformity Assessed marking, which essentially replaces the previous CE Mark.

European Product Liability Law

The Group is subject to various European legal regimes on product liability. In addition to any existing rights that consumers enjoy under domestic law, Directive 85/374/EEC of the Council on the approximation of the laws, regulations and administrative provisions of the EU Member States concerning liability for defective products (the "Product Liability Directive") provides for a scheme of strict product liability for damage arising from defective products. It sets out the principle that a producer shall be liable for the damage caused by a defect in its product or any of its components, irrespective of fault. The protected legal interests of the consumers include life and physical integrity as well as property (whereas the latter is limited to goods for private use or consumption).

A producer is defined as being the manufacturer of the finished product, its raw materials or components, any person who presents himself as a producer. Where the producer or importer cannot be identified, each supplier

shall be treated as a producer unless he informs the injured person, within a reasonable time, of the identity of the producer/importer or of the person who supplied him with the product. Where two or more persons are liable for the same damage, they shall be liable jointly and severally, without prejudice to the provisions of national law concerning the rights of contribution or recourse.

Under the Product Liability Directive, a product is defective if it fails to provide the safety that a person is entitled to expect, taking into account all circumstances, including:

(i) the presentation of the product;

(ii) the use to which it could reasonably be expected that the product would be put; and

(iii) the time when the product was put into circulation.

The burden of proof with regard to the damage, the defect and the causal relationship between defect and damage lies with the injured person.

Other jurisdictions

Many of the requirements applicable to the Group's devices and products around the world are similar to those of the United States or European Union, although they differ in detail, particularly with regard to pre-market registrations or clearances and risk classifications.

In some regions, the level of government regulation of medical devices is increasing, which can lengthen time to market and increase registration and approval costs. In many countries, the national health or social security organisations require the Company's products to be qualified before they can be marketed and considered eligible for reimbursement.

Laws range from comprehensive device approval requirements for some or all of the Group's products to requests for product data or certifications. Inspection of and controls over manufacturing, as well as monitoring of device-related adverse events, are also components of most of these regulatory systems. The general trend is toward increasingly stringent regulation.

To be sold in Japan, most medical devices must undergo thorough safety examinations and demonstrate medical efficacy before they are granted approval through a pre-market approval application, or *shonin*. The Japanese government regulates medical devices under the Pharmaceutical Affairs Law. Oversight for medical devices is conducted through the Pharmaceutical and Medical Devices Agency, a government organisation responsible for scientific review of market authorisation applications, and inspection and auditing of manufacturers to ensure compliance with clinical, laboratory, and manufacturing practice requirements. Penalties for a company's noncompliance with applicable regulations could be severe, including revocation or suspension of a company's business licence and criminal sanctions. The Group is subject to inspection for compliance by the Japanese Ministry of Health, Labour and Welfare and the Pharmaceutical and Medical Devices Agency.

Coverage and Reimbursement

The Group's product portfolios are subject to hospital payment levels, community reimbursement policies and fees of third-party payers in each country in which its products are sold. Coverage and reimbursement in international markets vary significantly by country and include both government-sponsored healthcare and private insurance. Various factors have driven healthcare reforms in many countries where the Group sells its products, such as increasing per capita healthcare consumption in developed markets as a result of increased life expectancy, increased incidence of chronic illnesses, defensive medicine and other factors. These reforms, combined with government austerity programmes following the global recession, have generally been accelerated in an effort to reduce overall healthcare spending. As a result, national healthcare systems have sought ways to limit cost increases, placing downward pressure on the prices of many of the Group's products while putting increased emphasis on differentiated products and support services that can provide improved patient outcomes and cost-effective benefits to patients.

United States

In the United States, reforms mandated by the ACA have increased provider regulation and risk of payment penalties for poor patient outcomes. Increasingly, manufacturers need to demonstrate with clinical evidence that their products not only perform on individual patients, but also help providers meet ACA-mandated quality and outcomes measures. This requires the Group to provide higher levels of evidence of the benefits of new technologies and creates increased pricing pressures for the Group's older, existing technologies that may not have the requisite evidence. Some of these impacts are spread over several years due to multi-year contracts.

The ACA also expanded the DMEPOS Competitive Bidding Program for medical devices sold in retail settings outside of the hospital. None of the products manufactured by the Group are in categories currently included in the Competitive Bidding Program however, retail supplier consolidation as a result of the programme may place downward pressure on the Group's prices as larger retailers qualify for discounted volume pricing. See also "*Risk Factors—Risks Relating to the Group's Business and Industry—Changes in reimbursement practices could adversely affect the Group.*"

Europe

Healthcare reforms in certain European countries are triggering government payers to implement cost-cutting measures that result in reduced recognition of brand differences for medical technologies in reimbursement schemes and higher clinical and health economic evidence requirements. In the United Kingdom, decentralisation of large portions of the NHS is encouraging new business and contracting models involving economic decision makers. Reforms creating internal and external market forces on healthcare delivery, shifting care "closer to home" to less expensive settings and increasing focus on prevention and management of chronic disease are changing the landscape in which the Group sells. While the increased focus on efficiency provides selling opportunities for the Group's products with strong value messages for care providers and prescribers, this focus has yet to fully filter through to procurement bodies which still largely base decisions solely on price.

Reimbursement in the United Kingdom is governed by the Drug Tariff, which defines what will be paid to pharmacy contractors for NHS services provided either for reimbursement or for remuneration. The Drug Tariff currently in place in England covers both England and Wales while Scotland and Northern Ireland maintain and publish separate Drug Tariffs.

In Germany, there are two reimbursement systems for outpatient care, one for private health insurance and one for statutory health insurance. Statutory health insurance is governed by the Uniform Evaluative Standard (*Einheitlicher Bewertungsmaßstab*), which is a catalogue of medical services that defines and assesses how much a doctor is paid for providing a specific service. Medical devices are either included in the approved tariff or billed separately, depending on the service provided. For ostomy services, insurers and healthcare providers have implemented agreements to define the amount of reimbursement for ostomy devices. Medical devices that are reimbursed under statutory health insurance as so-called "auxiliary devices" (*Hilfsmittel*) can be listed in a specified directory (*Hilfsmittelverzeichnis*), a non-exhaustive list, in which the statutory health insurance lists auxiliary devices covered. Inpatient reimbursements are based on diagnosis-related groups. For private health insurance, the costs of the medical products are reimbursed in accordance with the tariff conditions and the catalogue of aids of the private health insurance in question.

In Italy, Ostomy and CCC device reimbursement is set by the national government, although there are some cases in which regional authorities have updated tariffs. For modem dressings, the reimbursement in community is limited to hydrocolloids for patients with particular handicaps certified by the government. The rest of the Wound Care (and Critical Care) products are purchased by hospitals and included in a patient's cost of care.

In Spain, medical devices are either categorised as (i) products purchased directly by hospitals and included in a patient's cost of care or (ii) products reimbursed with a level of co-payment (0% to 60%) from the patients (depending on the income). Ostomy and Wound Care products can be sold in pharmacies to patients and must be approved by the Spanish Ministry of Health.

In France, medical device prices and reimbursement rates are negotiated between CLPS *(comité économique produits de santé)* and the manufacturer. Most of the Ostomy and Advanced Wound Care products are fully reimbursed. Advanced Wound Care products can either be classified as "generic" or "brand name." All generic products of the same type receive the same reimbursement. Brand name products may use premium pricing. All Ostomy and CCC products are classified as generic, with One-Piece and Two-Piece Ostomy Systems receiving different reimbursements.

APAC

Japan, South Korea, Australia and New Zealand have advanced reimbursement mechanisms with coverage across all aspects of the Group's product portfolio. Recent government budget cuts and the resulting cuts to reimbursements have created risk for the Group, in particular for Advanced Wound Care. There has also been a shift toward consolidation of vendors and government tendering, which has increased competitive pressures. Patients in China, India and other developing countries in southeast Asia tend to pay out-of-pocket. There is opportunity for expansion in these countries as the number of patients who can afford premium healthcare products grows.

MANAGEMENT

Directors of the Issuer

The following table lists the names, positions and ages of the Issuer's directors.

Name	Age	Position
Seth Segel	52	Chief Executive Officer
Jeff Hendrix	48	Chief Financial Officer
Mark Jassey	37	Chief Commercial Officer

Seth Segel (Chief Executive Officer)

Mr. Segel was appointed director of the Issuer on 5 August 2019. For Mr. Segal's biography, see "—*ConvaTec Executive Leadership Team*", below.

Jeff Hendrix (Chief Financial Officer)

Mr. Hendrix was appointed director of the Issuer on 20 April 2015. He joined ConvaTec in 2014. Previously, he was the Controller for International Environmental, a subsidiary of publicly-held LSB Industries, Inc. based on Oklahoma City. Prior to IEC, Mr. Hendrix spent 11 years in a variety of finance roles with AdvancePierreFoods (APF), a subsidiary of publicly-held Tyson Foods culminating in the role of Vice President, Finance of APF's Retail Division. Prior to joining APF, Mr. Hendrix spent five years with KPMG working primarily in the Financial Services assurance group. Mr. Hendrix graduated from Oklahoma State University with a Master's of Accountancy in 1996 and is a Certified Public Accountant.

Mark Jassey (Chief Commercial Officer)

Mr. Jassey was appointed director of the Issuer on 20 April 2015. He joined ConvaTec in 2012 following the acquisition of 180 Medical, Inc., where Mr. Jassey served as the Director of Customer Relations at the time of the acquisition. Prior to that, he served in various customer service, sales, and management roles of increasing responsibility since he joined 180 Medical in 2007. He has service in multiple different roles and product categories in the DME space in the US while at 180 Medical. Mr. Jassey holds a B.B.A in Finance and Management from Oklahoma Baptist University.

Directors of the Company

The following table lists the names, positions and ages of the Directors of ConvaTec Group plc, the parent company of the Group.

Name	Age	Position
Dr. John McAdam	73	Chairman
Karim Bitar	56	Chief Executive Officer
Frank Schulkes	59	Chief Financial Officer
Margaret Ewing	66	Senior Independent Non-Executive Director
Rick Anderson	60	Independent Non-Executive Director
Dr. Regina Benjamin	64	Independent Non-Executive Director
Brian May	57	Independent Non-Executive Director
Heather Mason	60	Independent Non-Executive Director
Constantin Coussios	44	Independent Non-Executive Director
Sten Scheibye	69	Non-Executive Director

Dr. John McAdam (Chairman)

Dr. McAdam was appointed Chairman of the Board in September 2019. He was the Chair of United Utilities Group plc between 2008 and 2019 and served as Senior Independent Director of Cobham plc (from August 2017 to January 2020). Dr. McAdam was previously a Non-Executive Director of Wilmcote Holdings plc and of a number of FTSE 100 and U.S. companies, including Rolls-Royce Group plc, J Sainsbury plc and The Sara Lee Corporation. He spent more than two decades at Unilever before joining ICI, where he became Chief Executive in 2003 until its takeover by Akzo Nobel in 2008. Previously, Dr. McAdam was Chairman of Rentokil Initial plc from 2008; he stepped down from this role earlier in 2019. With 20 years' service as a board director, including as Chairman and Chief Executive Officer in companies undertaking transformation, Dr. McAdam has a wealth of experience on which to draw in his role as Chairman and leader of the Board. Dr. McAdam has a BSc (Hons) Chemical Physics, a Diploma in Advanced Studies in Science and a PhD.

Karim Bitar (Chief Executive Officer)

Mr. Bitar was appointed Chief Executive Officer of the Company in September 2019. Previously, he was Chief Executive Officer of Genus plc, a leading global agricultural biotechnology company. During his eight-year tenure, he led the transformation of Genus into a technology pioneer with leading global franchises in dairy, beef and pork genetics. Prior to this, Mr. Bitar spent over 15 years with Eli Lilly & Company and was President of Lilly Europe, Canada and Australia before joining Genus. Mr. Bitar previously was a consultant with McKinsey & Company, where he worked across Asia and Europe, and also held management roles at Johnson & Johnson and the Dow Chemical Company. He is currently a Non-Executive Director of Spectris Plc, a leading global analytical instrumentation company, and a member of the University of Michigan, Ross School of Business Advisory Board. Mr. Bitar has a Masters (Hons) in Business Administration, University of Michigan, Ross School of Business and a Bachelor of Science in Biochemistry, University of Wisconsin.

Frank Schulkes (Chief Financial Officer)

Mr. Schulkes was appointed as Chief Financial Officer of the Company in November 2017. He was previously CFO of Wittur Group, a privately held industrial company based in Germany, prior to which he spent 27 years with GE in a variety of increasingly senior financial leadership roles. In 2007, Mr. Schulkes was appointed Executive Vice President and CFO of GE Healthcare, a position he held until mid-2015 when he left to join Wittur. GE Healthcare is a Global medical technology, life sciences and services company with $18 billion in revenues. Mr. Schulkes graduated with an Economics degree and a Master's in Business Economics from the University of Tilburg in the Netherlands.

Margaret Ewing (Senior Independent Non-Executive Director)

Mrs. Ewing joined the Board in August 2017 and, in addition to being the Senior Independent Director, is Chair of the Audit and Risk Committee. She is currently a Non-Executive Director and Chair of the Audit and Risk Committee of ITV plc and a Non-Executive Director of International Consolidated Airlines Group, S.A., where she is Chair of the Audit and Compliance Committee and a member of the Nominations Committee. Mrs. Ewing has held Non-Executive Director roles with Standard Chartered plc, Whitbread plc and the Confederation of British Industry and was also the Independent External member of the Audit Committee of the John Lewis Partnership. From 1987 to 1999, she was a corporate finance partner of Deloitte LLP and returned to the firm in 2007 as a Vice Chairman and latterly as Managing Partner, before retiring in 2012. Mrs. Ewing was Chief Financial Officer of Trinity Mirror plc from 2000 to 2002 and Chief Financial Officer of BAA PLC from 2002 to 2006.

Rick Anderson (Non-Executive Director)

Mr. Anderson joined the Board in October 2016. Mr. Anderson has 25 years of senior executive leadership experience in the medical device industry. He is the Chairman and Managing Director of Revival Healthcare Capital, prior to which he served as a Managing Director at PTV Healthcare Capital. He was previously a Group Chairman of Johnson & Johnson and Worldwide Franchise Chairman of Cordis Corporation. Mr. Anderson also served as President of Cordis Corporation and was previously Worldwide Franchise Vice President of Centocor, Inc., which merged with Johnson & Johnson in 1999. Before joining Johnson & Johnson, Mr. Anderson was Vice President of Global Marketing of Racal HealthCare, Inc. and, prior to that, he spent 10 years with Boehringer Mannheim Pharmaceuticals and Allergan Pharmaceuticals in various U.S. and global sales, sales management, and marketing management roles. Mr. Anderson currently sits on the boards of Silk Road Medical, Inc., Cardiologs Technologies Inc and PTV portfolio company Apollo Endosurgery, Inc. He holds a B.B.A. in Marketing from Mississippi State University.

Dr. Regina Benjamin (Non-Executive Director)

Dr. Benjamin joined the Board in August 2017 as a Non-Executive Director. From 2009 to 2013, she was the United States Surgeon General and is currently an Independent Director of Oak Street Heath Inc., Kaiser Foundation Hospitals and Health Plan, Ascension Health Alliance, Doximity Inc., 98point6 Inc., and Nurx Inc. From 1992 to 2004 she served on the board of the Medical Association of Alabama and in 1995 became the first Young Physician to be elected to the American Medical Association Board of Trustees. Dr. Benjamin is CEO and a practising physician at the Bayou La Batre Rural Health Clinic in Alabama which she founded in 1990 and holds an endowed chair in Public Health Sciences at Xavier University of Louisiana. In November 2017, she was appointed as a Director of Computer Programs and Systems, Inc.

Sten Scheibye (Non-Executive Director)

Mr. Scheibye joined the Board in July 2018 as a Non-Executive Director, representing the interests of Novo Holdings, the 20% shareholder of the Company. From 2013 he was Chairman of Novo Holdings A/S and of the Novo Nordisk Foundation, a charitable foundation focused on contributing significantly to research and development that improves the health and welfare of people; he has recently retired from both these positions but currently holds the position of Senior Advisor to Novo Holdings. Mr. Scheibye was appointed as Chairman of Healthcare Denmark in 2015; prior to that he was a member of the Danish Corporate Governance Committee from 2003 to 2011, serving the last two years as Chairman. From 1995 to 2008, he was the President and CEO of Coloplast A/S.

Professor Constantin Coussios (Non-Executive Director)

Professor Coussios joined the Board as a Non-Executive Director in September 2020 and is an internationally recognised key opinion leader in the fields of biomedical engineering, image-guided therapy and drug delivery. He holds BA, MEng, MA and PhD degrees in Engineering from University of Cambridge and was appointed to the first Statutory Chair in Biomedical Engineering at the University of Oxford in 2011. He is currently the Director of the Institute of Biomedical Engineering at the University of Oxford, which is focused on the disciplines of non-invasive therapies, drug delivery, regenerative medicine, medical imaging, AI in healthcare, neurotechnology and biomaterials. Professor Coussios is also Professorial Fellow of Magadalen College and a Trustee of the Oxford Transplant Foundation. Beyond his roles in academia, he also has a proven track record of translating research into technology through entrepreneurship, recognised by the 2017 Silver Medal of the Royal Academy of Engineering. He is the founder and has been Chief Technology Officer / Chief Strategy Officer of three successful spin-outs, OrganOx Limited, OxSonics Limited, and OrthoSon Limited, and now serves on each of their boards as a Non-Executive Director. Between 2014 and 2020, he directed and led the Oxford Centre for Drug Delivery Devices, a cross-disciplinary centre working across pharmaceutical and medical device companies and the NHS. In 2019, he was elected a Fellow of the Royal Academy of Engineering.

Brian May (Non-Executive Director)

Mr. May joined the Board as a Non-Executive Director in March 2020 and is Chair of the Remuneration Committee. He is also a Non-Executive Director of Ferguson plc. Mr. May was formerly a Non-Executive Director of United Utilities Group PLC from September 2012 to July 2021. Mr. May was formerly Chief Financial Officer of Bunzl plc from 2006 to 2019 and, prior to that, he held a number of senior management finance roles with Bunzl, including divisional Finance Director, Group Treasurer and Head of Internal Audit. He qualified as a Chartered Accountant with KPMG in 1988.

Heather Mason (Non-Executive Director)

Ms. Mason joined the Board as a Non-Executive Director in July 2020. She is currently Chair of SCA Pharma, Non-Executive Director of Pendulum Therapeutics, Inc., Immatics U.S. Inc., and Assertio Therapeutics, Inc. where she is also a member of the Audit Committee and Compliance Committee. She is Co-Chair of the University of Michigan’s College of Engineering Innovation Committee and a member of its Leadership Advisory Board. Ms. Mason spent 27 years with Abbott Laboratories where she held a number of global senior operational and strategic leadership roles, including Senior Vice President of Abbott Diabetes Care and most recently, Executive Vice President of Abbot Nutrition. Prior to joining Abbott, she worked for Quaker Oats, FMC Corporation, and Commonwealth Edison. Ms. Mason holds a B.S.E. in Industrial Engineering from the University of Michigan and an M.B.A. from the University of Chicago.

ConvaTec Executive Leadership Team

ConvaTec’s Executive Leadership Team, in addition to the Executive Directors listed above, are as follows:

Name	Age	Position
David Shepherd	51	President and Chief Operating Officer, Global Advanced Wound Care
Mani Gopal	51	President and Chief Operating Officer, Global Ostomy Care
Kjersti Grimsrud	59	President and Chief Operating Officer, Global Continence Care
John Lindskog	63	President and Chief Operating Officer, Global Infusion Care
Bruno Pinheiro	39	President and Chief Operating Officer (interim), Global Emerging Markets

Seth Segel	52	President, Home Services Group
Dr. Divakar Ramakrishnan	52	Executive Vice President, Chief Technology Officer
Natalia Kozmina	50	Executive Vice President, Chief Human Resources Officer
Evelyn Douglas	58	Executive Vice President, Chief of Corporate Strategy and Business Development, General Counsel and Company Secretary
Donal Balfe	58	Executive Vice President, Chief of Quality and Operations

David Shepherd (President and Chief Operating Officer, Global Advanced Wound Care)

Mr. Shepherd joined ConvaTec in November 2018. He was previously at Johnson and Johnson for 26 years, where he held a variety of sales, marketing, strategic and operations roles. Most recently, he held the role of Area Vice President, Southern EMEA, with responsibility for 15 businesses across the region. Prior to that, he was the U.S. President for Cardiovascular and Specialty Services and WW President for Biosense Webster. Mr. Shepherd holds a Diploma in Marketing and a BSc in Management Science from the University of Lancaster.

Mani Gopal (President and Chief Operating Officer, Global Ostomy Care)

Mr. Gopal joined ConvaTec in January 2020. Previously, he was Vice President for Global Key Accounts and Commercial Strategy at Cooper Vision. Mr. Gopal has extensive experience of running and improving the performance of integrated healthcare businesses. Before Cooper Vision, he spent more than a decade working at Abbott Laboratories, including roles as Vice President & General Manager of Consumer Eye Health and General Manager - Government, Hospital and Long-Term Care in the Diabetes Care division. Earlier in his career, he was a management consultant with McKinsey & Co. Mr. Gopal has a PhD in Material Science from The University of California, Berkeley. He also holds a Bachelor of Technology degree in Metallurgical Engineering from the Indian Institute of Technology.

Kjersti Grimsrud (President and Chief Operating Officer, Global Continence Care)

Ms. Grimsrud joined ConvaTec in October 2017. She was previously President Europe and the Middle East and President International, at Alere, Inc where she had responsibility for a business with revenues of $720 million. Ms. Grimsrud was a member of the initial team at Axis-Shield, which in 2011 was acquired by Alere. She has over 25 years of sector experience in a variety of roles ranging from R&D, General Manager including Operations, and several senior positions in Sales and Marketing. Ms. Grimsrud holds a Master of Science in Biotechnology from the Norwegian University of Science and Technology.

John Lindskog (President and Chief Operating Officer, Global Infusion Care)

Mr. Lindskog joined ConvaTec in 2008 when, as General Manager of Unomedical's Infusion Device business unit, he helped lead the integration of Unomedical into ConvaTec. His 25 years of experience in the industry began at Pharma-Plast, which later merged with Maersk Medical and became Unomedical. Mr. Lindskog holds a Bachelor's degree in Business Administration through the internal academy at the East Asiatic Company in Denmark and a Graduate certificate in Business Administration from Copenhagen Business School and was enrolled in the General Management Programme at CEDEP in Fontainebleau, France.

Bruno Pinheiro (President and Chief Operating Officer (Interim), Global Emerging Markets)

Mr. Pinheiro joined ConvaTec in joined ConvaTec in August 2005 and has a diverse range of experience across sales, business development and global emerging markets. He was previously head of ConvaTec's Latin America business before being promoted to this (interim) role in September 2021. Prior to joining ConvaTec, he worked for Bristol Myers Squibb from April 2005 until its sale of ConvaTec later that year. In his former role, Mr. Pinheiro led a diverse team operating across eight countries and drove significant growth and expansion for the sub region. Mr. Pinheiro graduated with a Bachelor's degree in Marketing & Advertising and a Master's degree in Business Administration from Getúlio Vargas Business School, São Paulo, Brazil.

Seth Segel (President, Home Services Group)

Mr. Segel joined ConvaTec in September 2017 following the acquisition of Woodbury Health Products, where he served as CEO for five years. Prior to that, for ten years, he served as Executive Vice President and a member of the Office of the Chairman at Cantel Medical Corp., a New York Stock Exchange listed specialty healthcare company dedicated to Infection Prevention and Control. Mr. Segel has lived and worked in North America, Asia and Europe holding positions in investment banking, management consulting, and as head of operations for a

global media research firm. He holds an MBA from the Harvard Graduate School of Business Administration and a Bachelor of Arts Degree in Mathematics with honors from the University of Pennsylvania.

Dr. Divakar Ramakrishnan (Executive Vice President and Chief Technology Officer)

Dr. Ramakrishnan joined ConvaTec in January 2020. Prior to joining, he was Chief Digital Officer and Vice President for Eli Lilly's Drug Delivery, Device and Digital Health groups, where he led a global R&D team focused on developing innovative and digitally-enabled devices to improve patient care. Dr. Ramakrishnan's career in healthcare spans more than 20 years. During this time, in addition to working in product development, he has built strong expertise in process development. He served as Eli Lilly's Vice President of Manufacturing Science and Technology, a role in which he oversaw all the company's process development across its entire product portfolio. Dr. Ramakrishnan holds a PhD in Chemical Engineering from Pennsylvania State University and a Bachelor of Technology degree in Chemical Engineering from Anna University in India. He also holds an MBA from Harvard Business School.

Natalia Kozmina (Executive Vice President and Chief Human Resources Officer)

Ms. Kozmina joined ConvaTec in June 2020. Prior to joining she was Senior Vice President, Human Resources at Iron Mountain. She brings more than 20 years of life sciences and technology sectors knowledge to her role. Before moving to Iron Mountain, she was Vice President of Human Resources for Smiths Group following several years as Principal of the Global Health Practice at Egon Zehnder. Ms. Kozmina transitioned to HR after spending more than 15 years in the pharmaceutical industry in a variety of roles including general management, product management, sales and R&D. Ms. Kozmina holds an MBA from the University of Chicago Booth School of Business and a post-graduate degree in Chemistry from Ohio State University. She graduated with Honors in Chemistry from Moscow State University.

Evelyn Douglas (Executive Vice President, Chief of Corporate Strategy and Business Development, General Counsel and Company Secretary)

Ms. Douglas joined ConvaTec in November 2020. She was previously Senior Vice President of Corporate Development and Strategy at Becton, Dickinson and Company. Whilst there, she helped the company build its capabilities around corporate development & strategy and assisted the global business units in strengthening their strategic focus and pursuing opportunities for partnerships, acquisitions and divestitures. Ms. Douglas has deep expertise in the MedTech sector, having joined Becton Dickinson in 2000, initially as a member of the legal team. She began her career at White & Case in New York. Ms. Douglas holds a Juris Doctor Degree from Harvard Law School and a Bachelor's with Honors in Political Science from Williams College, Massachusetts, U.S.

Donal Balfe (Executive Vice President, Chief of Quality and Operations)

Mr. Balfe is Executive Vice President of Quality and Operations. He was previously Vice President of Operations for Medtronic PLC, where he was responsible for 13 manufacturing sites comprising the European and Asian manufacturing operations and the Renal Care Solutions business unit of Medtronic's MITG group. In this role, Mr. Balfe supervised continuous change actions to improve service and business performance, reduce costs, enhance quality and increase margins, within a regulated environment. Prior to joining Medtronic, he was Vice President of Manufacturing at Covidien. Mr. Balfe has 29 years of experience in Medical Device manufacturing, having started his career with Bayer Corporation. Mr. Balfe graduated in Electronic Engineering from the Dundalk College of Technology, following which he received a Diploma in Industrial Management from the Bolton Street College of Technology in Dublin and a Bachelor's degree in Marketing and Finance from Dublin City University.

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. Save as set out below, as of the date of this Offering Memorandum, the Board complies with the UK Corporate Governance Code 2018 (the "Governance Code") published by the Financial Reporting Council:

- Provision 36: Formal policy for post-employment shareholding requirements. The Remuneration Committee believes that the current structure of the Group's Deferred Bonus Plan and Long-Term Incentive Plan sufficiently support the requirement for Executive Directors to maintain a meaningful shareholding in the Company for a period of time after they leave the Group. However, the Remuneration Committee has considered feedback from shareholders and evolving investor sentiment on postemployment shareholding requirements and is committed to developing a post-employment shareholding requirement which would form part of any future policy proposals.

- Provision 38: Pension contribution rates for Executive Directors should be aligned to those available to the workforce. The Group's remuneration policy states that from 1 January 2020, the pension contribution (or cash allowance in lieu) for new Executive Director appointments will be aligned to that available to the wider workforce. Again, the Remuneration Committee has considered feedback from shareholders and evolving investor sentiment on pension alignment and is committed to aligning Executive Director pension benefits to the wider UK workforce by 1 January 2023.

As envisaged by the Governance Code, the Board has established an audit and risk committee, a nomination committee and a remuneration committee and has also established a separate market disclosure committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that, in the case of a UK-listed company, at least half the board of directors. excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Audit and risk committee

The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing and monitoring the integrity of the Company's financial statements, including its annual and half yearly reports, Group accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the processes for compliance with laws, regulations and ethical codes of practice, internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The audit and risk committee meets at least five times a year.

The audit and risk committee is chaired by Margaret Ewing and its other members are Brian May and Heather Mason. The Governance Code recommends that all members of the audit and risk committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the Governance Code recommendation regarding the composition of the audit and risk committee.

Nomination committee

The nomination committee assists the Board in reviewing the structure, size and composition of the Board, the appointment of employee champion to promote workforce engagement and diversity, including and Board diversity policy. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior executives. The nomination committee will meet not less than twice a year.

The nomination committee is chaired by John McAdam and its other members are Regina Benjamin, Margaret Ewing, Rick Anderson, Brian May and Heather Mason.

The Governance Code recommends that a majority of the nominations and governance committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Remuneration committee

The remuneration committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The remuneration committee will meet not less than three times a year.

The remuneration committee is chaired by Brian May and its other members are Rick Anderson and Regina Benjamin.

The Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Market disclosure committee

The Board has established a market disclosure committee in order to ensure timely and accurate disclosure of all information that is required to be so disclosed to the market to meet the legal and regulatory obligations and requirements arising from the listing of the Company's securities on the London Stock Exchange, including the Listing Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Regulation.

The market disclosure committee will meet at such times as shall be necessary or appropriate, as determined by the Chair of the market disclosure committee or, in his or her absence, by any other member of the market disclosure committee. The committee is chaired by John McAdam and its other members are Karim Bitar and Frank Schulkes.

Share dealing code

The Company has a code of securities dealings in relation to the securities issued by the Group (including the Shares) which is based on the requirements of the Market Abuse Regulation. The code adopted will apply to the Directors and other relevant employees of the Group.

Relationship Agreements

Novo Relationship Agreement

Novo Holdings A/S ("Novo") became a significant shareholder on 31 March 2017 and the Company entered a relationship agreement with Novo on such date as required by Listing Rule 9.2.2A R(2)(a). Given its significant investment in the Company, Novo is entitled to appoint one Non-Executive Director to the Board for so long as they and their associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. In the financial period to 31 December 2020 (and also from 31 December 2020 to 24 September 2021, being the latest practicable date prior to publication of this Offering Memorandum), the Company has complied with the independence provisions of the relationship agreement, and so far as the Company is aware, Novo and their associates also complied with the independence provisions.

Conflicts of interest

Save as set out in this "*Management*" section, there are no potential conflicts of interest between any duties owed by the Directors or members of the ConvaTec Executive Leadership Team to the Company and their private interests or other duties.

Remuneration of the Directors of the Company and the ConvaTec Executive Leadership Team

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 December 2020, the aggregate remuneration and benefits to the Directors and ConvaTec Executive Leadership Team who served the Group during the year ended 31 December 2020, consisting of 22 individuals, was $25.0 million, comprised of $15.9 million in short-term employee benefits, $6.8 million in share-based payment expenses, $0.5 million in post-employment benefits and $1.8 million in termination benefits. For more information, see note 25 to the 2020 Consolidated Financial Statements included elsewhere in this Offering Memorandum.

There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Offering Memorandum.

PRINCIPAL SHAREHOLDERS

The issued share capital of the Company as at the date of this Offering Memorandum is composed of a single class of 2,013,822,670 ordinary shares of 10 pence each (all of which are fully paid or credited as fully paid). In so far as is known to the Group, the following are the interests (within the meaning of Part 22 of the Companies Act 2006) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of the Company as at 19 August 2021, being the last practicable date prior to publication of this Offering Memorandum:

Shareholders	Number of Shares	Percentage of issued share capital
Novo A/S	419,809,648	20.85%
BlackRock Inc	97,964,056	4.86%
abrdn plc	90,580,160	4.50%
Jupiter Investment Mgt Holdings	82,870,803	4.12%
Black Creek Investment Mgt	78,516,832	3.90%
AXA SA	75,438,698	3.75%
The Vanguard Group, Inc.	70,641,150	3.51%
Marathon Asset Mgt	67,280,872	3.34%
Schroders	62,889,438	3.12%
Wellington Mgt	61,356,473	3.05%

Save as disclosed above, in so far as is known to the Group, there is no other person who is, as at the date of this Offering Memorandum, directly or indirectly interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

RELATED PARTY TRANSACTIONS

The Directors have not identified any related parties to the Group, other than the key management personnel. The Directors consider key management personnel as defined in *IAS 24, Related Party Disclosures* to be the members of the ConvaTec Executive Leadership Team and the Non-Executive Directors, as further described in "*Management.*" Other than as disclosed in "*Management—Remuneration of the Directors of the Company and the ConvaTec Executive Leadership Team*", the Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel had or was to have a direct or indirect material interest.

DESCRIPTION OF OTHER INDEBTEDNESS

The following descriptions are summaries of certain provisions of the documents listed below governing certain of the Group's debt and does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Facilities Agreement

Overview and Structure

On 24 October 2019, ConvaTec Group plc as the company (the "**Company**"), Skandinaviska Enskilda Banken AB (publ), National Westminster Bank plc, Danske Bank A/S, Commerzbank Aktiengesellschaft, London Branch and DNB (UK) Limited as global coordinators and joint bookrunners, Banco Bilbao Vizcaya Argentaria, S.A., Bank of America Merrill Lynch International Designated Activity Company, Fifth Third Bank, Goldman Sachs International, HSBC UK Bank plc, J.P. Morgan Securities plc, and MUFG Bank, Ltd. as mandated lead arrangers and joint bookrunners, Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation Europe Limited as participating arranger banks, National Westminster Bank Plc as agent and security agent and others entered into a facilities agreement (the "**Facilities Agreement**"). ConvaTec Finance Holdings Limited and ConvaTec Inc. are party to the Facilities Agreement as borrowers and guarantors. Certain other members of the Group are party to the Facilities Agreement as guarantors.

The Facilities Agreement provides for bank facilities (the "**Facilities**") comprising: (i) a $600 million amortizing multicurrency term loan facility ("**Term Loan Facility A**"); (ii) a $900 million bullet multicurrency term loan facility ("**Term Loan Facility B**" and together with Term Loan Facility A, the "**Term Facilities**"); and (iii) a $200 million multicurrency revolving credit facility (the "**Revolving Facility**").

The commitments under the Revolving Facility may, at the option of the Company, subject to certain conditions, be increased by up to $100 million. The increased Revolving Facility commitments may be made available by an existing lender or an eligible institution, being a bank, financial institution, trust, fund or other entity selected by the Company provided that such entity is not a member of the Group.

Borrowers, Currencies and utilizations

The Facilities may be utilized by ConvaTec Finance Holdings Limited and ConvaTec Inc. and other members of the Group which accede to the Facilities Agreement as additional borrowers (the "**Borrowers**").

Term Loan Facility A and Term Loan Facility B were used for (i) the general corporate purposes of the Group and (ii) the refinancing of certain existing indebtedness of the. As at 30 June 2021, the carrying value of borrowings outstanding under Term Loan Facility A and Term Loan Facility B was $1,445.3 million. The Revolving Facility, which may be used for the general corporate purposes of the Group, was undrawn as at 30 June 2021.

The Revolving Facility may be utilized from (and including) the date of the Facilities Agreement to (and including) one week before the maturity date of the Revolving Facility. The maturity date for all Facilities is 24 October 2024.

The Term Facilities may be utilized in US dollars and euros. The Revolving Facility may be utilized in US dollars, sterling, Norwegian Krone, Danish Krone, Swedish Krona or euro and certain other currencies approved by the facility agent (subject to obtaining consent from all the relevant lenders under the Revolving Facility) by the drawing of cash advances, the issue of letters of credit and ancillary facilities.

Utilizations of the Facilities are subject to customary conditions precedent.

Interest and Fees

Loans under each Facility will bear interest at rates per annum equal to the applicable floating rate (being, in respect of any loan made in US dollars or sterling, the applicable London Interbank Offered Rate ("**LIBOR**"), or in respect of any loan made in euro, the Euro Interbank Offered Rate ("**EURIBOR**"), or in respect of loans made in Swedish Krona, Danish Krona or Norwegian Krona (a "**Non-LIBOR Currency**"), the applicable benchmark rate specified in the Facilities Agreement (the "**Benchmark Rate**")) plus an applicable margin, which in each

case will be subject to a decreasing margin ratchet based on the ratio of total net debt to EBITDA (as defined in the Facilities Agreement).

If LIBOR or, if applicable, EURIBOR is less than zero, LIBOR or EURIBOR (as applicable) shall be deemed to be zero in respect of loans made under Term Facilities or the Revolving Facility (as applicable). If the relevant Benchmark Rate in respect of a Non-LIBOR Currency is less than zero, the relevant Benchmark Rate shall be deemed to be zero in respect of loans made under the Revolving Facility in that currency.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Facility from the date of the Facilities Agreement until the end of the availability period applicable to the Revolving Facility at a rate of 35% of the applicable margin for the Revolving Facility. Such commitment fee is payable quarterly in arrears, on the last day of the availability period applicable to the Revolving Facility or if cancelled in full, on the cancelled amount of the relevant lenders' commitment at the time the cancellation is effective.

Any letter of credit issued under the Revolving Facility is subject to (i) a fronting fee (calculated at the rate of 0.10% per annum on the outstanding amount which is counter-indemnified by the other lenders of each letter of credit requested by a Borrower) and (ii) a letter of credit fee equal to the margin that would have been applicable to a cash drawing under the Revolving Facility in the applicable currency.

Any ancillary facility shall be subject to such interest, commission, fees and any other remuneration as may be agreed between the relevant Borrower and the relevant ancillary lender.

Default interest will be calculated as an additional 1% per annum on the defaulted amount.

Repayments

The final maturity date in respect of Term Loan Facility A, Term Loan Facility B and the Revolving Facility will be 24 October 2024.

The loans under Term Loan Facility A will be repaid in instalments by repaying an agreed amount on each annual repayment date and on the maturity date applicable to Term Loan Facility A.

The loans made under Term Loan Facility B will be repaid in full on the maturity date applicable to Term Loan Facility B.

A Borrower may not reborrow any part of Term Loan Facility A or Term Loan Facility B which has been repaid.

In respect of the Revolving Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the Revolving Facility will be repaid on the maturity date of the Revolving Facility, being the date falling five years from the date of the Facilities Agreement. Amounts repaid by the Borrowers on loans made under the Revolving Facility may be reborrowed, subject to certain conditions.

Each letter of credit will be repaid on the last day of its term which must fall on or before the maturity date applicable to the Revolving Facility unless a Borrower requests that a letter of credit is renewed in which case it shall its term shall end on the proposed expiry date specified in the relevant renewal request.

Voluntary and Mandatory Prepayment

The Facilities Agreement permits voluntary prepayments to be made (subject to de minimis amounts). A Borrower may not reborrow any part of Term Loan Facility A or Term Loan Facility B which has been prepaid.

The Facilities Agreement requires mandatory prepayment in full or in part in certain circumstances, including:

(a) where the Company or a subsidiary of the Company issues any public bonds, notes or other debt capital markets instrument (a "**Debt Issuance**"). In the event of a Debt Issuance, the Company must ensure that the Borrowers prepay loans under Term Loan Facility A or Term Loan Facility B and/or cancel available commitments in an amount equal to the lesser of (x) the net debt issuance proceeds (being the amount received by or on behalf of the relevant issuer less any reasonable and properly incurred expenses and any tax incurred and required to be paid in connection with the Debt Issuance) and (y) $ 400 million

minus the aggregate amount of any voluntary prepayments or voluntary cancellations of Term Loan Facility A loans and/or Term Loan Facility B loans or mandatory prepayments made in connection with any other Debt Issuance; and

(b) if any person or group of persons acting in concert gains control of the Company (a "**Change of Control**") and a Lender requires (no less than 30 days and no more than 60 days of the Company notifying the agent under the Facilities Agreement of the occurrence of a Change of Control) that its commitments shall be cancelled and its participation in all outstanding utilizations repaid (together with accrued interest and all other amounts accrued under the finance documents). In such case, that lender's commitments shall be cancelled and all such outstanding amounts will become immediately due and payable.

The Revolving Facility shall not be entitled to any mandatory prepayment proceeds (other than a mandatory prepayment as a result of a Change of Control or illegality).

In the event that it becomes unlawful for any lender to perform its obligations under the Facilities Agreement, each Borrower shall repay that lender's participation in the utilizations made to that Borrower on the date specified by the lender in the illegality notice (being no earlier than the last day of any applicable grace period permitted by law). Any available commitments of such lender will be cancelled in the amount of the participations repaid.

Guarantees and Security

The following security was granted as a condition precedent to the availability of the Facilities: (a) ConvaTec Healthcare D S.à r.l. granted security over its shares in ConvaTec Holdings U.K. Limited pursuant to an English law security agreement and (b) ConvaTec Healthcare D S.à r.l. granted security over its quotas in ConvaTec International Services GmbH pursuant to a Swiss law quota pledge agreement.

Subject to the agreed guarantee principles, the Facilities are guaranteed by each Borrower and certain other members of the Group which are party to the Facilities Agreement as original guarantors or accede to the Facilities Agreement as additional guarantors (the "**Guarantors**" and together with the Borrowers, the "**Obligors**").

Subject to the agreed guarantee principles, the Company is required to ensure that, at all times, the aggregate total assets and the aggregate revenue of the Guarantors (in each case calculated on a standalone basis) represents not less than 75 per cent. of consolidated total assets and the consolidated revenue of the Group (in each case excluding the total assets and the aggregate revenue of each entity that is considered to be an excluded entity in accordance with the agreed guarantee principles) (the "**Guarantor Coverage Test**"). Any member of the Group which is a "Material Subsidiary" (being: (i) any member of the Group that is or becomes an Obligor, or (ii) is a subsidiary of the Company which has total assets representing 7.5% or more of the total assets of the Group or has revenue (in each case excluding all intra-group items) representing 7.5% or more of the revenue of the Group (calculated on a standalone basis)) or is otherwise required to accede to the Facilities Agreement as a guarantor in order to comply with the Guarantor Coverage Test, must accede to the Facilities Agreement as an additional guarantor (if not already a Guarantor) within 45 days of the date of delivery to the agent under the Facilities Agreement of the compliance certificate and accompanying financial statements demonstrating that such member of the Group has become a Material Company or is otherwise required to accede to the Facilities Agreement as an additional guarantor.

Representations and Warranties

The Facilities Agreement contains certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including: (i) status, (ii) binding obligations, (iii) non-conflict with other obligations, (iv) power and authority, (v) validity and admissibility in evidence, (vi) governing law and enforcement, (vii) deduction of tax, (viii) no filing or stamp taxes, (ix) no default, (x) no misleading information, (xi) financial statements, (xii) pari passu ranking, (xiii) no proceedings, (xiv) title, (xv) security, (xvi) ranking, (xvii) shares, (xviii) sanctions and anti-corruption, (xix) material companies, (xx) margin regulations, (xxi) investment company act, (xxii) U.S. solvency and (xxiii) non-bank rules.

Certain representations and warranties shall be made on the date of the Facilities Agreement and will be repeated on the date of each utilization request, on the first day of each interest period and at certain other times.

General Undertakings

The Facilities Agreement contains certain covenants, information undertakings and related definitions (with, in each case, certain adjustments), including, but not limited to, (i) limitations on disposals, (ii) a negative pledge, (iii) limitations on the incurrence of indebtedness by members of the Group which are not Obligors, (iv) limitations on mergers, (v) limitations on change of business, (v) limitations on acquisitions and (vi) compliance with non-bank rules.

In addition, the Facilities Agreement also contains the following financial covenants which the Group must comply with:

(c) a net leverage financial covenant (the "**Leverage Covenant**"), being the ratio of the Group's total net debt to EBITDA (as defined in the Facilities Agreement) (the "**Leverage Ratio**"). The Leverage Covenant is tested semi-annually on a last twelve months basis (i) on or about the last day of the Company's financial years by reference to its audited consolidated financial statements for that financial year and (ii) on or about the last day of the first half of each of the Company's financial years by reference to its consolidated financial statements for that financial half year (each such date being a "**Test Date**"). For each 12 month period ending on a Test Date (a "**Relevant Period**") falling on or after 25 October 2021, the Leverage Ratio may not exceed 3.50:1; and

(d) an interest cover ratio, being the ratio of EBITDA to Interest Expense (each as defined in the Facilities Agreement) which in respect of any Relevant Period may not be less than 3.50:1.

In connection with an acquisition or investment permitted by the Facilities Agreement (other than in connection with any acquisition or investment (including a share buy-back) that results in a cash distribution to the shareholders of a member of the Group), the Company may, on no more than two occasions prior to the latest maturity date of the Facilities, amend the Leverage Covenant by increasing the maximum permitted Leverage specified by up to 0.5:1 (a "**Permitted Ratio Change**") provided that the maximum Leverage shall not exceed 4.00:1 following a Permitted Ratio Change. A Permitted Ratio Change may not apply in respect of more than two consecutive Relevant Periods ending after the next following Test Date. Thereafter the maximum permitted Leverage shall immediately revert to its original level (as described in paragraph (a) above).

Events of Default

The Facilities Agreement provides for certain events of default, subject to customary materiality qualifications and grace periods, including, but not limited to (i) non-payment; (ii) breach of the financial covenants; (iii) misrepresentation; (iv) cross default, (v) insolvency, insolvency proceedings and creditors' process (vi) repudiation and rescission of finance documents and (vii) material adverse change.

Governing law and enforcement

The Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by English law.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the word "ConvaTec" refers only to ConvaTec Group Plc and not to any of its Subsidiaries.

180 Medical, Inc. (the "Issuer"), an indirect, wholly-owned subsidiary of ConvaTec, will issue the notes under an indenture, to be dated as of 7 October 2021 (the "indenture"), by and among the Issuer, ConvaTec, the other Guarantors and BNY Mellon Corporate Trustee Services Limited, as trustee, in a private transaction that is not subject to the registration requirements of the Securities Act. ConvaTec and the other Guarantors will irrevocably and unconditionally guarantee the punctual payment by the Issuer of the principal, interest and premium, if any, on the notes and all other amounts due and payable under the indenture.

The following description is a summary of material provisions of the indenture. It does not restate that agreement in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the notes. A copy of the indenture is available as set forth below under "—Additional Information." Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the indenture.

The indenture will not be qualified under, be subject to, or otherwise incorporate by reference or otherwise any provision of, the Trust Indenture Act. Consequently, the holders of notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of Notes of certain relationships between it and the Issuer. The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

The Issuer will make an application to The International Stock Exchange Authority Limited for the listing of, and permission to deal in, the notes on the Official List of The International Stock Exchange (the "Exchange"). The Exchange is not a regulated market for the purposes of Directive 2014/65/EU. There is no assurance that the notes will be admitted to the Official List of the Exchange.

Brief Description of the Notes and the Note Guarantees

The Notes

The notes:

- will be general unsecured obligations of the Issuer;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of the Issuer, including its obligations under any guarantee of, or borrowings under, the 2019 Credit Facility;
- will be senior in right of payment to all future subordinated Indebtedness of the Issuer;
- will be effectively subordinated to all existing and future secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness;
- will be structurally subordinated to all existing and future Indebtedness and other claims and liabilities, including preferred stock, of Subsidiaries of the Issuer that are not Guarantors; and
- will be fully and unconditionally guaranteed by the Guarantors on a senior unsecured basis; *provided, however,* that all of the guarantees (other than the Parent Guarantee) will be automatically released if the notes are rated Investment Grade by two Rating Agencies.

The Note Guarantees

The notes and the indenture will initially be guaranteed on a senior unsecured basis by ConvaTec and each of the other Guarantors.

Each guarantee of the notes:

- will be a general unsecured obligation of the Guarantor;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of that Guarantor, including its obligations under any guarantee of, or borrowings under, the 2019 Credit Facility;
- will be senior in right of payment to any future subordinated Indebtedness of that Guarantor; and
- will be effectively subordinated to all existing and future secured Indebtedness of that Guarantor to the extent of the value of the assets securing such Indebtedness.

Not all of ConvaTec's Subsidiaries will guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and other liabilities (including the 2019 Credit Facility and trade payables) before they will be able to distribute any of their assets to ConvaTec. As at June 30, 2021, ConvaTec's Subsidiaries (excluding the Issuer) that will not guarantee the notes had no external financial indebtedness (not including lease liabilities) outstanding.

Principal, Maturity and Interest

The Issuer will issue $500.0 million in aggregate principal amount of notes in this offering. The Issuer may issue additional notes under the indenture from time to time after this offering. The notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context requires otherwise, references to "notes" for all purposes of the indenture and this "Description of the Notes" include any additional notes that are actually issued; provided that additional notes will not be issued with the same CUSIP, if any, as existing notes unless such additional notes are fungible with existing notes for U.S. federal income tax purposes. The Issuer will issue notes in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess of $200,000. The notes will mature on 15 October 2029.

Interest on the notes will accrue at the rate of 3.875% per annum and will be payable semi-annually in arrears on 15 April and 15 October, commencing on 15 April 2022. The Issuer will make each interest payment to the holders of record as of 5:00 p.m., New York City time, on the immediately preceding 1 April and 1 October.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprising twelve 30-day months. If any interest payment date, the maturity date, any redemption date, or any earlier required repurchase date of a note falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay.

Methods of Receiving Payments on the Notes

As long as the notes are represented by the global notes, the Issuer will pay principal of and interest on those notes to or as directed by The Depository Trust Company ("DTC"), whose nominee, Cede & Co., is the registered holder of the global notes. See "Book-Entry, Delivery and Form." All other payments on the notes will be made at the office or agency of the paying agent unless the Issuer elects to direct the paying agent to make interest payments by check mailed to the noteholders at their address set forth in the register of holders.

Paying Agent, Transfer Agent and Registrar for the Notes

The Issuer will maintain a paying agent (the "Paying Agent") for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch in London, United Kingdom.

The Issuer may change the Paying Agent, Transfer Agent or Registrar without prior notice to the holders of the notes, and ConvaTec or any of its Subsidiaries (including the Issuer) may act as paying agent or registrar. For so long as the notes are listed on the Official List of the Exchange and to the extent the rules and regulations of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent.

In addition, ConvaTec or any of its Subsidiaries may act as paying agent in connection with the notes other than for the purposes of effecting a redemption described under "—Optional Redemption" or an offer to purchase the notes described under "—Change of Control". The Issuer will make payments on the global notes to the Paying Agent for further credit to DTC which will in turn, distribute such payments in accordance with its procedures.

The Issuer will make all payments in same-day funds.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the provisions of the indenture. The indenture will require holders, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of notes to the registrar and trustee. Holders will be required to pay all taxes due on transfer. The Issuer will not be required to transfer or exchange any note selected for redemption. Also, the Issuer will not be required to transfer or exchange any note for a period of 15 days before the provision of a notice of redemption of notes to be redeemed.

Note Guarantees

Except as provided below, the notes and the indenture will be guaranteed on a senior unsecured basis by each of the Guarantors. The Note Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See "*Insolvency Law and Limitations on Validity and Enforceability of Guarantees.*"

The Note Guarantee of a Guarantor will be automatically and unconditionally released and discharged:

(1) other than with respect to ConvaTec, in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor, by way of merger, consolidation or otherwise, to a Person that is not (either before or after giving effect to such transaction) ConvaTec or a Subsidiary of ConvaTec;

(2) other than with respect to ConvaTec, in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) ConvaTec or a Subsidiary of ConvaTec, if such Guarantor ceases to be a Subsidiary of ConvaTec as a result of the sale or other disposition;

(3) with respect to each of (i) the Guarantors on the date of the indenture and (ii) any future Guarantor (other than ConvaTec) which is required to guarantee the notes as a result of guaranteeing any Indebtedness under any syndicated Credit Facility or any Public Debt of the Issuer or any other Guarantor, in each case, if such Guarantor ceases to be a guarantor or other obligor with respect to any syndicated Credit Facility or any Public Debt of the Issuer or any other Guarantor; *provided*, *however*, that if, at any time following such release, that Guarantor subsequently guarantees or otherwise becomes an obligor with respect to any Indebtedness of the Issuer or any other Guarantor under any syndicated Credit Facility or any Public Debt, then that Guarantor will be required to provide a Note Guarantee in accordance with the covenant described below under "—Additional Note Guarantees;"

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge;"

(5) upon full and final repayment of the notes;

(6) in connection with a Permitted Reorganization; or

(7) other than with respect to ConvaTec, on the Fall Away Date.

Any such release and discharge shall occur automatically upon the consummation of any such transaction without any further action required of the Issuer, the applicable Guarantor or the trustee.

If on any date following the date of the indenture:

(1) the notes are rated Investment Grade by two Rating Agencies; and

(2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day (the "Fall Away Date") and continuing at all times thereafter regardless of any subsequent changes in the rating of the notes, the Note Guarantees of each of the Guarantors (other than ConvaTec) will be automatically released and the covenant described below under "Additional Note Guarantees" shall cease to apply to the notes.

There can be no assurance that the notes will ever achieve or maintain an Investment Grade rating. All determinations of the Fall Away Date shall be made by the Issuer and the trustee shall have no obligation to verify that the Fall Away Date has occurred.

Additional Amounts

All payments made under or with respect to the notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated, established or resident for tax purposes, or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the notes) or any political subdivision or governmental authority thereof or therein (each, a "Tax Jurisdiction"), is required to be made from any payments made by or on behalf of the Issuer under or with respect to the notes or by or on behalf of the Guarantors under or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder of the notes after such withholding or deduction (including any withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; provided, however, that no Additional Amounts will be payable for or on the account of:

(1) any Taxes that would not have been imposed or withheld but for the existence of any present or former connection between the holder of the relevant notes (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) or the beneficial owner of the relevant notes and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident or national thereof or being or having been incorporated therein, present or engaged in a trade or business or maintaining a permanent establishment therein), other than any connection arising solely from the acquisition, ownership or holding of any note or arising solely from the enforcement or receipt of payment under or in respect of any note or any Note Guarantee; or

(2) any Taxes imposed or withheld as a result of the failure of a holder or beneficial owner of the relevant notes to (i) comply with any written request, made to that holder or the holder on behalf of that beneficial owner at least 15 days before any such withholding or deduction would be payable, by the Issuer or any of the Guarantors to provide timely or accurate information or evidence concerning the nationality, domicile, establishment, residence or identity of such holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirements, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes, but, in each case, only to the extent that the holder or beneficial owner is legally eligible to provide such declaration, certification or other information, and (ii) provide an Internal Revenue Service Form W-9 or applicable Internal Revenue Service Form W-8 (together with any required attachments and including any successor forms); or

(3) any Taxes imposed by reason of such holder being (1) considered a 10% shareholder (within the meaning of Sections 871(h)(3) or 881(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) of the Issuer or (2) a controlled foreign corporation related (within the meaning of Section 864(d)(4) of the Code) to the Issuer; or

(4) any Taxes imposed on a holder by reason of its past or present status as a bank that acquired the notes in consideration for an extension made pursuant to a loan agreement entered into in the ordinary course of its trade or business; or

(5) any Taxes, to the extent such Taxes are imposed or withheld as a result of the presentation of any note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder or beneficial owner of the notes (except to the extent that such holder or beneficial owner would have been entitled to Additional Amounts on account of such Taxes had the Note been presented on the last day of such 30 day period); or

(6) any estate, inheritance, gift, sale, transfer, excise, personal property or similar Tax; or

(7) any Tax which is payable otherwise than by deduction or withholding from a payment made under or with respect to the notes or any Note Guarantee; or

(8) any Tax imposed or withheld on or with respect to any payment on any note to any person who is a fiduciary, partnership, limited liability company or other person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, limited liability company or the beneficial owner of the payment would not have been entitled to Additional Amounts with respect to such payment had the beneficiary, settlor, member or beneficial owner been the holder of such note; or

(9) any Taxes that are imposed or withheld in connection with the presentation of any note for payment by or on behalf of a holder or beneficial owner of such notes who would have been able to avoid such Taxes by presenting the relevant note to, or accepting payment from, another paying agent; or

(10) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the Code, any regulations promulgated thereunder, any official interpretations thereof, any fiscal or regulatory legislation, rules or official practices adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing sections of the Code or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(11) any combination of items (1) through (10) above.

In addition to the foregoing, the Issuer and the Guarantors will pay any present or future stamp, court or documentary Taxes or any other excise or property Taxes, charges or similar levies (including interest and penalties to the extent resulting from a failure by the Issuer to timely pay amounts due) which arise in any Tax Jurisdiction or any jurisdiction in which a paying agent is located from the execution, delivery or registration of any notes or any other document or instrument referred to therein (other than a transfer of the notes), or the receipt of any payments with respect to the notes. The Issuer and the Guarantors will also pay any such Taxes, charges, or levies arising in any jurisdiction in connection with the enforcement of the notes, or any other such document or instrument, following the occurrence of any Event of Default with respect to the notes.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the trustee and the paying agent on a date at least 15 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 45th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall deliver such officer's certificate the trustee and the paying agent promptly thereafter) an officer's certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officer's certificate must also set forth any other information reasonably necessary to enable the paying agent to pay Additional Amounts on the relevant payment date. The trustee and the paying agent shall be entitled to rely solely on such officer's certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law to be made by them and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will furnish to the trustee, within a reasonable time after the date that the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's reasonable efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity reasonably satisfactory to

the trustee. Such copies or such other evidence of payment shall be made available to the holders of the notes upon reasonable written request.

Whenever the indenture or this “Description of the Notes” mentions the payment of amounts based on the principal amount, interest or any other amount payable under, or with respect to, any of the notes or any Note Guarantee, such mention shall be deemed to include, without duplication, the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the indenture, any transfer by a holder or beneficial owner of its notes, and will apply, mutatis mutandis, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is then incorporated, organized, engaged in business or resident for Tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the notes (or any Note Guarantee) and any political subdivision or governmental authority thereof or therein.

Optional Redemption for Tax Reasons

The Issuer may redeem the notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days’ prior notice to the holders of the notes (which notice will be irrevocable and distributed to holders in the same manner as described in “—Optional Redemption”), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a “Tax Redemption Date”) and all Additional Amounts (if any) then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the notes on the relevant record date to receive interest due on an interest payment date that is prior to the Tax Redemption Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the notes or any Note Guarantee, the Issuer or any Guarantor is or would be required to pay Additional Amounts (but, in the case of the relevant Guarantor, only if such amount payable cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and the Issuer or the relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available to it, including the appointment of a different paying agent (provided that changing the jurisdiction of the Issuer or Guarantor is not a reasonable measure for purposes of this section), as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Tax Jurisdiction affecting taxation which change or amendment is publicly announced or becomes effective on or after the date of this offering memorandum (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the date of this offering memorandum, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation is announced or becomes effective on or after the date of this offering memorandum (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the date of this offering memorandum, the date on which such Tax Jurisdiction became a Tax Jurisdiction under the indenture) (each of the foregoing clauses (1) and (2), a “Change in Tax Law”).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of the notes or Note Guarantees were then due, and unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, sending of any notice of redemption of the notes pursuant to the foregoing, the Issuer will deliver to the trustee an opinion of counsel stating that there has been such Change in Tax Law which would entitle the Issuer to redeem the notes hereunder. In addition, before the Issuer publishes or sends notice of redemption of the notes as described above, it will deliver to the trustee an officer’s certificate to the effect that the obligation to pay Additional Amounts cannot be avoided by the Issuer or the relevant Guarantor taking reasonable measures available to it.

The trustee will accept such officer's certificate and opinion of counsel as sufficient evidence, without further inquiry, of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the notes.

Optional Redemption

At any time prior to 7 October 2024, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of notes issued under the indenture (including any additional notes), upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 103.875% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to, but not including, the date of redemption (subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering; *provided* that:

(1) at least 60% of the aggregate principal amount of notes originally issued under the indenture (excluding notes held by ConvaTec and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

At any time prior to 7 October 2024, the Issuer may on any one or more occasions redeem all or a part of the notes, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, but not including, the date of redemption, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraphs, the notes will not be redeemable at the Issuer's option prior to 7 October 2024.

On or after 7 October 2024, the Issuer may on any one or more occasions redeem all or a part of the notes, upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the notes redeemed, to, but not including, the applicable date of redemption, if redeemed during the twelve-month period beginning on of the years indicated below, subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2024	101.93750%
2025	100.96875%
2026 and thereafter	100.00000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the notes or portions thereof called for redemption on the applicable redemption date.

Selection and Notice

If less than all of the notes are to be redeemed at any time, the notes for redemption will be selected on a *pro rata* pass-through distribution of principal basis and in accordance with the applicable procedures for DTC (or, in the case of notes issued in definitive form, based on a method that most nearly approximates a *pro rata* selection, by lot or such other method as deemed fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements. No notes of $200,000 or less can be redeemed in part. None of the trustee, paying agent or registrar shall be liable for any selections made in accordance with this paragraph.

Notices of redemption will be delivered electronically in portable document format ("pdf") or mailed by first class mail at least 10 but not more than 60 days before the redemption date to the trustee and each holder of notes to be redeemed at its registered address or otherwise in accordance with the procedures of DTC, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Any notice of any redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, availability of borrowings under any Credit Facility, completion of a sale of common stock or other securities offering or corporate transaction.

Notwithstanding the foregoing, in connection with any tender offer for the notes, if Holders of not less than 90% in aggregate principal amount of the outstanding notes validly tender and do not withdraw such notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice to the trustee and each holder of notes, given not more than 30 days following such tender offer expiration date, to redeem all notes that remain outstanding following such purchase at a redemption price equal to the price (excluding any early tender or incentive fee) offered to each other holder in such tender offer (which may be less than par) plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but not including, the date of such redemption.

Notice of any redemption of the notes (including upon an Equity Offering or in connection with another transaction (or series of related transactions)) may, at the Issuer's discretion, be given prior to the completion or the occurrence thereof and any such redemption or notice may, at the Issuer's discretion, be subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (which, for the avoidance of doubt, may be later than 60 days from the date such notice was delivered or mailed), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. The Issuer will provide written notice to the trustee by 5:00 p.m. New York City time one Business Day prior to the redemption date (or such shorter period as may be acceptable to the trustee) if any such redemption has been rescinded or delayed, and promptly following receipt the trustee shall provide such notice to each holder of the notes in the same manner in which the notice of redemption was given.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed, and the beginning and ending pool factor. While the notes are held in certificated form, a new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption, unless such redemption is conditioned on the happening of a future event. On the redemption date, interest ceases to accrue on notes or portions of notes redeemed unless the Issuer defaults in paying the applicable redemption price.

Mandatory Redemption; Open Market Purchases

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the notes. The Issuer may at any time and from time acquire notes by tender offer, open market purchases, negotiated transactions or otherwise.

Change of Control

If a Change of Control occurs, each holder of notes will have the right to require the Issuer to repurchase all or any part (equal to $200,000 or an integral multiple of $1,000 in excess thereof) of that holder's notes pursuant to an offer by the Issuer (a "Change of Control Offer") on the terms set forth in the indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased to, but not including, the date of purchase (the "Change of Control Payment"), subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Within thirty days following the occurrence of any Change of Control, or, at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, the Issuer will deliver electronically in pdf format or mail a notice to each holder with a copy to the trustee or otherwise in accordance with the procedures of DTC describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or otherwise delivered (such date, the "Change of Control Payment Date"), pursuant to the procedures required by the indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Offer provisions of the indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed

to have breached its obligations under the Change of Control Offer provisions of the indenture by virtue of such compliance.

The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Change of Control Payment Date. A Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officer's certificate of ConvaTec stating the aggregate principal amount of notes or portions of notes being repurchased by the Issuer.

The paying agent will promptly send to each holder of notes properly tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry in accordance with the applicable procedures of DTC) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that the Issuer repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if:

(1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Issuer and purchases all notes properly tendered and not withdrawn under the Change of Control Offer; *provided, however,* in the event that such third party terminates, or defaults under, its offer, the Issuer will be required to make a Change of Control Offer treating the date of such termination or default as though it were the date of the Change of Control; or

(2) notice of redemption has been given pursuant to the indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

To the extent the Issuer is required to offer to repurchase the notes upon the occurrence of a Change of Control, the Issuer may not have sufficient funds to repurchase the notes in cash at such time. In addition, the Issuer's ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to the Issuer's indebtedness outstanding at the time. The failure to make such repurchase would result in an Event of Default under the indenture.

At any time, the Issuer or a third party will have the right to redeem the notes of any series at a purchase price equal in cash to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to but excluding the date of purchase, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the date of purchase, following the consummation of a Change of Control if at least 90% of the notes outstanding prior to such consummation are purchased pursuant to a Change of Control Offer with respect to such Change of Control.

The 2019 Credit Facility limits, and future credit agreements or other agreements relating to Indebtedness to which the Issuer becomes a party may prohibit or limit, the Issuer from repurchasing any notes as a result of a Change

of Control. In the event a Change of Control occurs at a time when the Issuer is prohibited from repurchasing the notes, the Issuer could seek the consent of the holders of such Indebtedness to permit the repurchase of the notes or could attempt to refinance such Indebtedness that contains such prohibition. If the Issuer does not obtain such consent or repay such Indebtedness, the Issuer will remain prohibited from repurchasing the notes. In such case, the Issuer's failure to repurchase tendered notes would constitute an Event of Default under the indenture. In addition, the 2019 Credit Facility provides that certain change of control events with respect to ConvaTec constitute a default thereunder. If ConvaTec experiences a change of control (as defined in the 2019 Credit Facility) that triggers a default under the 2019 Credit Facility, ConvaTec could seek a waiver of such default or seek to refinance the 2019 Credit Facility. In the event ConvaTec does not obtain such a waiver or refinance the 2019 Credit Facility, such default could result in amounts outstanding under the 2019 Credit Facility being declared due and payable.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of ConvaTec and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require the Issuer to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of ConvaTec and its Subsidiaries taken as a whole to another Person or group may be uncertain. See "Risk Factors—Risks Relating to the Notes and the Guarantees—The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant laws and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur."

Certain Covenants

Indebtedness

ConvaTec will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume, guarantee or otherwise become liable for payment of (collectively, "incur") any Indebtedness (including, without limitation, Acquired Indebtedness) other than Permitted Indebtedness and other than as provided in the next paragraph.

Notwithstanding the foregoing, ConvaTec, the Issuer or any Guarantor may incur Indebtedness (including, without limitation, Acquired Indebtedness) if, on the date of the incurrence of such Indebtedness and immediately after giving effect to the incurrence of such Indebtedness and the repayment, repurchase, defeasance, redemption or other discharge of any other Indebtedness with the proceeds of the Indebtedness being so incurred or in connection with the transactions pursuant to which such Indebtedness is being incurred, on a pro forma basis (1) the Interest Coverage Ratio for the Relevant Period is greater than 2.0 to 1.0; and (2) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence of incurring such Indebtedness.

The first paragraph of this covenant will not prohibit the incurrence of the following items of Indebtedness ("Permitted Indebtedness"):

(1) Indebtedness incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder) in a maximum aggregate principal amount at any time outstanding not to exceed $1,255 million; provided that any Indebtedness incurred under this clause (1) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and other fees in connection therewith;

(2) (a) Guarantees by ConvaTec or any Subsidiary of ConvaTec of Indebtedness of ConvaTec or any Subsidiary of ConvaTec to the extent such guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in right of payment to, or *pari passu* in right of payment with, the notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or pari passu in right of payment with, the notes or such Note Guarantee, as applicable, substantially to the same extent as such guaranteed Indebtedness and (ii) if such Guarantee is of Indebtedness of ConvaTec, the Issuer or any other Guarantor, such Subsidiary complies with the first paragraph of the covenant described under "—*Additional Note Guarantees*"; or (b) without limiting the covenant described under "—*Liens*", Indebtedness arising by reason of any Lien granted by or applicable to ConvaTec or any Subsidiary of

ConvaTec securing Indebtedness of ConvaTec or any Subsidiary of ConvaTec so long as the incurrence of such Indebtedness is not prohibited by the terms of the indenture;

(3) Indebtedness of ConvaTec owing to and held by any Subsidiary of ConvaTec, or Indebtedness of a Subsidiary of ConvaTec owing to and held by ConvaTec or any other Subsidiary of ConvaTec; *provided however*, that if the Issuer or any other Guarantor is the obligor on such Indebtedness and the payee is not ConvaTec, the Issuer or any other Guarantor (except in respect of intercompany liabilities incurred in the ordinary course of business in connection with the cash pooling or cash management or tax positions of ConvaTec and its Subsidiaries), such Indebtedness must be unsecured and, to the extent legally permitted (ConvaTec and its subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness), expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor *provided* that:

(a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than ConvaTec or any Subsidiary of ConvaTec; and

(b) any sale or other transfer of any such Indebtedness to a Person other than ConvaTec or any Subsidiary of ConvaTec,

shall be deemed, in each case, to constitute an incurrence of such Indebtedness not permitted by this clause (3) by ConvaTec or such Subsidiary of ConvaTec, as the case may be;

(4) (x) any Indebtedness outstanding on the date of the indenture (other than Indebtedness incurred pursuant to sub-clause (y)) and any Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise incurred in respect of any, Indebtedness outstanding on the date of the indenture; and (y) Indebtedness incurred by the Issuer and the Guarantors represented by the notes to be issued on the date of the indenture and by the Notes Guarantees in respect of these notes;

(5) Indebtedness (x) Incurred by the Issuer or any Guarantor and used to finance an acquisition of assets and assumption of related liabilities (if any) or (y) of any Person outstanding on the date on which such Person becomes a Subsidiary of ConvaTec or is merged, consolidated, amalgamated or otherwise combined with ConvaTec or any Subsidiary of ConvaTec; *provided* that the Issuer would have been able to incur $1.00 of additional Indebtedness pursuant to the second paragraph of this covenant;

(6) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);

(7) (x) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or otherwise owed to a bank and other financial institution incurred in the ordinary course of business of ConvaTec or a Subsidiary with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of ConvaTec and its Subsidiaries; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of incurrence; (y) the incurrence by ConvaTec or any Subsidiary of Indebtedness in respect of (i) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT (including interest and penalties with respect thereto) or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by ConvaTec or a Subsidiary or relating to liabilities, obligations or guarantees incurred in the ordinary course of business or in respect of any governmental or regulatory requirement, (ii) the financing of insurance premiums in the ordinary course of business, and (iii) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling, netting or netting off

and other cash management arrangements, in each case, in the ordinary course of business; (z) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(8) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes);

(9) Indebtedness in an aggregate principal amount that, when aggregated with the principal amount of all other Indebtedness then outstanding and incurred (including any Refinancing Indebtedness in respect thereof) pursuant to this clause (9) and then outstanding, will not exceed $175 million; *provided* that any Indebtedness incurred under this clause (9) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and other fees in connection therewith;

(10) Indebtedness incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (*SGB IV*);

(11) Indebtedness incurred by a Securitization Subsidiary under a Qualified Securitization Facility;

(12) any Refinancing Indebtedness incurred in respect of Indebtedness incurred pursuant to the second paragraph of this covenant or clauses 4(x) and (5);

(13) Indebtedness under local lines of credit or working capital facilities in an aggregate principal amount not to exceed $20 million at any time outstanding;

(14) Guarantees by ConvaTec or any of its Subsidiaries of Indebtedness of joint ventures, in each case, which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not in an aggregate amount exceed $25 million at any time outstanding, when taken together with any Refinancing Indebtedness incurred pursuant to this clause (14) in respect thereof; and

(15) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); provided that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is incurred.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the second and third paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in the second paragraph or one of the clauses of the third paragraph of this covenant; *provided* that all Indebtedness outstanding on the date of the indenture under the 2019 Credit Facility, after giving *pro forma* effect to the use of the proceeds from the notes, shall be deemed initially incurred under clause (1) of the third paragraph of this covenant and may not be reclassified;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (5) or (8) of the third paragraph above or the second paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of GAAP; and

(7) For purposes of determining compliance with any restriction on the incurrence of Indebtedness in U.S. dollars where Indebtedness is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of such determination; provided that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement (with respect to U.S. dollars) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be adjusted to take into account the effect of such agreement. The principal amount of any Refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the U.S. Dollar Equivalent of the Indebtedness being refinanced determined on the date such Indebtedness being refinanced was initially incurred. Notwithstanding any other provision of this "Indebtedness" covenant, for purposes of determining compliance with this covenant, increases in Indebtedness solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that ConvaTec or a Subsidiary may incur under this "Indebtedness" covenant. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which the respective Indebtedness is denominated that is in effect on the date of the refinancing.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of preferred stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in GAAP will not be deemed to be an incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including any Indebtedness permitted to be incurred pursuant to the third paragraph of this covenant) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the notes and the applicable Note Guarantee on substantially identical terms (as determined in good faith by the Issuer).

Liens

ConvaTec will not and will not permit any of its Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless (1) in the case of any Lien securing *pari passu* Indebtedness, the notes are secured by a Lien that is senior in priority to or *pari passu* with such Lien and (2) in the case of any Lien securing subordinated Indebtedness, the notes are secured by a Lien that is senior in priority to such Lien.

Any Lien created for the benefit of the holders of the notes pursuant to the preceding paragraph will provide by its terms that any such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien on such other Indebtedness, without any further action required of the Issuer, ConvaTec, any other Subsidiary of ConvaTec or the trustee.

The expansion of Liens by virtue of accrual of interest, the accretion of accreted value, the payment of interest or dividends in the form of additional Indebtedness, amortization of original issue discount and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness will not be deemed to be an incurrence of Liens for purposes of this covenant.

For purposes of determining compliance with this covenant, (x) a Lien need not be incurred solely by reference to one category of Permitted Liens but may be incurred under any combination of such categories (including in

part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with this covenant and the definition of Permitted Liens.

Sale and Lease Back Transactions

ConvaTec will not, and will not permit any of its Subsidiaries to, engage in the sale or transfer by ConvaTec or any Subsidiary of any property to a Person (other than ConvaTec or a Subsidiary of ConvaTec) and the taking back by ConvaTec or such Subsidiary, as the case may be, of a lease of such property (a "Sale and Lease Back Transaction") unless:

(1) ConvaTec or such Subsidiary could incur Indebtedness secured by a Lien on the property to be leased without equally and ratably securing the notes; or

(2) the property leased pursuant to such arrangement is sold for a price at least equal to such property's fair value (as determined by the Issuer in good faith); or

(3) within 365 days of the effective date of any such Sale and Lease Back Transaction, ConvaTec applies the Net Proceeds of the sale of the leased property, less the amount of Net Proceeds used to prepay, redeem or purchase the notes, (i) to the prepayment or retirement of Indebtedness of ConvaTec and its Subsidiaries (which may include the notes) and/or (ii) the acquisition, construction or improvement of any property or assets.

Merger, Consolidation or Sale of Assets

The Issuer

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made (the "Successor Company") is an entity organized or existing under the laws of the United States, any state or territory thereof, the District of Columbia, the United Kingdom, any member country of the European Union, Canada or Switzerland; and, if such entity is not a corporation, a co-obligor of the notes is a corporation organized or existing under any such laws;

(2) the Successor Company (if other than the Issuer) assumes all the obligations of the Issuer under the notes and the indenture pursuant to a supplemental indenture substantially in the form attached to the indenture or pursuant to other documents or instruments reasonably satisfactory to the trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) the Issuer or the Successor Company (if other than the Issuer) will have delivered to the trustee an officer's certificate and opinion of counsel, each stating that such sale, assignment, transfer, lease, conveyance or other disposition, and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant.

The Successor Company will succeed to, and be substituted for, the Issuer under the indenture and the notes and the Issuer will automatically be released and discharged from its obligations under the indenture and the notes.

ConvaTec

ConvaTec will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not ConvaTec is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of ConvaTec and its Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) ConvaTec is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than ConvaTec) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made (the "Successor Parent") is an entity organized or existing under the laws of the United States, any state or territory thereof, the District of Columbia, the United Kingdom, any member country of the European Union, Canada or Switzerland; and, if such entity is not a corporation, a co-obligor of the notes is a corporation organized or existing under any such laws;

(2) the Successor Parent (if other than ConvaTec) assumes all the obligations of ConvaTec under the notes and the indenture pursuant to a supplemental indenture substantially in the form attached to the indenture or pursuant to other documents or instruments reasonably satisfactory to the trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) ConvaTec or the Successor Parent (if other than ConvaTec) will have delivered to the trustee an officer's certificate and opinion of counsel, each stating that such sale, assignment, transfer, lease, conveyance or other disposition, and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant.

The Successor Parent will succeed to, and be substituted for, ConvaTec under the indenture and the notes and ConvaTec will automatically be released and discharged from its obligations under the indenture and the notes, but in the case of a lease of all or substantially all of the properties and assets of ConvaTec and its Subsidiaries taken as a whole, ConvaTec will not be released from its obligations under the indenture and the notes, including its Note Guarantee.

Other Guarantors

Other than ConvaTec, to which the provisions of the section under "—*ConvaTec*" apply, no Guarantor (other than a Guarantor (excluding ConvaTec) whose Note Guarantee is to be released in accordance with the terms of the indenture) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person;

(3) permit any Person to merge with or into it,

unless:

(a) the other Person is ConvaTec or a Subsidiary of ConvaTec that is a Guarantor or becomes a Guarantor as a result of such transaction;

(b) (1) either (x) a Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the indenture; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(c) the transaction constitutes a Permitted Reorganization.

General

Notwithstanding the foregoing provisions of this covenant,

(1) any Subsidiary of ConvaTec may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to ConvaTec (so long as ConvaTec is a Guarantor), a Guarantor or the Issuer,

(2) any Subsidiary of ConvaTec that is not a Guarantor or the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary of ConvaTec or ConvaTec, and

(3) ConvaTec, the Issuer and any other Guarantor may merge with or into an Affiliate solely for the purpose of reincorporating such entity in another jurisdiction, changing the legal domicile of ConvaTec, the Issuer or such other Guarantor or changing the legal form of ConvaTec, the Issuer or other Guarantor.

Additional Note Guarantees

If, after the date of the indenture, any Subsidiary of ConvaTec (other than the Issuer) that is not a Guarantor, or if ConvaTec or any of its Subsidiaries acquires or creates another Subsidiary after the date of the indenture that, in each case, guarantees or otherwise becomes an obligor with respect to any Indebtedness of the Issuer or any Guarantor under any syndicated Credit Facility or any Public Debt, then ConvaTec will procure that such Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel to the trustee within 45 Business Days of the date such Subsidiary guarantees or otherwise becomes an obligor with respect to any Indebtedness of ConvaTec or any of its Subsidiaries under any syndicated Credit Facility or any Public Debt. Each Note Guarantee by a Subsidiary of ConvaTec will provide by its terms that it will be automatically released under the circumstances described above under the caption "—Note Guarantees." Beginning on the Fall Away Date and continuing at all times thereafter regardless of any subsequent changes in the rating of the notes, this covenant will permanently cease to be in effect with respect to the notes.

Notwithstanding the foregoing, ConvaTec will not be obligated to cause any such Subsidiary of ConvaTec to become a Guarantor to the extent that such guarantee by such Subsidiary would or would reasonably be expected to give rise to or result in a breach or violation of applicable law or regulation or any liability for the officers, directors or shareholders of such Subsidiary.

Any Note Guarantee provided by a Guarantor will be limited as necessary to recognize certain defences generally available to guarantors (including those that relate to fraud, voidable preference, transactions at undervalue, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.

The Issuer may elect, in its sole discretion, to cause any Subsidiary of ConvaTec that is not otherwise required to be a Guarantor to become a Guarantor, in which case such Subsidiary shall not be required to comply with the 45 Business Day period described above.

Reports

As long as any notes are outstanding, the Issuer will furnish to the trustee:

(1) within 120 days after the end of ConvaTec's fiscal year, annual reports containing audited consolidated financial statements of ConvaTec for the fiscal year then ended and comparative audited consolidated financial statements of ConvaTec for the prior fiscal year, in each case prepared in accordance with GAAP together with reasonably detailed footnote disclosure, and also containing, with respect to ConvaTec and its Subsidiaries, disclosure regarding ConvaTec's business and management's analysis of the financial results in form and substance substantially similar to that contained in ConvaTec's annual report with respect to the fiscal year ended December 31, 2020;

(2) within 90 days following the end of the first half-year in each of ConvaTec's fiscal years, half-year reports containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such period and unaudited condensed statements of income and cash flow for such period, and the comparable prior year period, each under GAAP, together with condensed footnote disclosure; and (ii) an operating and financial review of the financial statements, including a discussion of the results of operations, financial condition, and material changes in liquidity and capital resources, and a discussion of material commitments and contingencies and changes in critical accounting policies;

(3) promptly after the occurrence of a material acquisition, disposition, restructuring of ConvaTec and its Subsidiaries taken as a whole or change in auditors or any other material event of ConvaTec and its Subsidiaries taken as a whole that ConvaTec publicly announces, a report containing a description of such event.

The Issuer will be deemed to be in compliance with the terms of the paragraph above if ConvaTec is compliant with the admission and disclosure standards of the London Stock Exchange, the New York Stock Exchange, NASDAQ or any other listing venue with substantially similar reporting requirements applicable to an issuer of ordinary shares listed on any such listing venue.

The Issuer will be deemed to have furnished the reports referred to in clauses (1), (2) and (3) of the second paragraph above to the trustee and the holders if the Issuer or ConvaTec has posted such reports on its website. The trustee shall have no responsibility to determine if and when any of the above reports have been filed or posted on any website. Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other parties' compliance with any of its covenants in the indenture (as to which the trustee will be entitled to rely exclusively on officer's certificates that are delivered).

Events of Default and Remedies

Each of the following is an "Event of Default" under the indenture:

(1) default for 30 days in the payment when due of interest on the notes;

(2) default in the payment when due (at maturity, upon redemption (including pursuant to a Change of Control Offer) or otherwise) of the principal of, or premium, if any, on, the notes;

(3) failure by ConvaTec or any of its Subsidiaries to comply with the provisions described under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets" for 30 days after notice to the Issuer by the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding;

(4) failure by ConvaTec or any of its Subsidiaries for 60 days after notice to the Issuer by the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding to comply with any of the other agreements in the indenture;

(5) default with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which may be secured or evidenced, any Indebtedness for money borrowed in excess of $75.0 million in the aggregate by the Issuer, any Guarantor or any Significant Subsidiary of ConvaTec (other than any such Indebtedness owed to the Issuer or any Guarantor), whether such Indebtedness or Guarantee now exists or is created after the date of the indenture, if that default:

    (a) constitutes a failure to pay the principal or interest of any such Indebtedness or Guarantee when due and payable at its stated maturity, upon required repurchase, upon declaration or otherwise, prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness (a "Payment Default"); or

    (b) results in such Indebtedness becoming or being declared due and payable prior to its specified maturity as a result of an event of default (howsoever described);

(6) failure by the Issuer, any Guarantor or any Significant Subsidiary of ConvaTec to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $75.0 million (net of any amounts that are covered by insurance policies issued by reputable and creditworthy insurance companies), which judgments are not paid, discharged or stayed, for a period of 60 days;

(7) the Parent Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or ConvaTec, or any Person acting on behalf of ConvaTec, denies or disaffirms its obligations under the Parent Guarantee;

(8) prior to the Fall Away Date, except as permitted by the indenture, any Note Guarantee (except for the Parent Guarantee) of any Guarantor that is a Significant Subsidiary, or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary, or any group of Guarantors that, taken together, would constitute a Significant

Subsidiary, or any Person acting on behalf of any such Guarantor, denies or disaffirms its obligations under its Note Guarantee, in each case if such Default continues for a period of 10 days; and

(9) certain events of bankruptcy or insolvency described in the indenture with respect to the Issuer or any Guarantor that is a Significant Subsidiary, or any group of Guarantors that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default described under clause (9) above, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes may declare by written notice to the Issuer (and the trustee if such notice is given by the holders) all the notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium on, if any, and interest.

In case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of notes unless such holders have offered to the trustee indemnity and/or security (including by way of pre-funding) satisfactory to the trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder of a note may pursue any remedy with respect to the indenture or the notes unless:

(1) such holder has previously given the trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding notes make a written request to the trustee to pursue the remedy;

(3) such holder or holders offer and, if requested, provide to the trustee indemnity and/or security (including by way of pre-funding) satisfactory to the trustee against any loss, liability or expense;

(4) the trustee does not comply with such request within 60 days after receipt of the request and the offer of indemnity and/or security (including by way of pre-funding); and

(5) during such 60-day period, holders of a majority in aggregate principal amount of the then outstanding notes do not give the trustee a direction inconsistent with such request.

The holders of a majority in aggregate principal amount of the then outstanding notes by written notice to the trustee may, on behalf of the holders of all of the notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest on, the notes.

In the event of any Event of Default specified in clause (5) in the first paragraph under the heading “Events of Default and Remedies” above, such Event of Default and all consequences thereof (excluding any resulting payment default, other than as a result of acceleration of the notes) shall be annulled, waived and rescinded, automatically and without any action by the trustee or the holders, if within 30 days after such Event of Default arose:

(1) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged;

(2) holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or

(3) the default that is the basis for such Event of Default has been cured.

Subject to certain restrictions, the holders of a majority in principal amount of the total outstanding notes are given the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee or of exercising any trust or power conferred on the trustee. The trustee, however, may refuse to

follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder of a note or that could result in personal liability for the trustee.

The Issuer is required to deliver to the trustee annually a statement regarding compliance with the indenture. Within 30 days of becoming aware of any Default or Event of Default that is continuing, the Issuer is required to deliver to the trustee a statement specifying such Default or Event of Default and how the Issuer plans to resolve such Default or Event of Default.

Any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant described under “Reports” above or otherwise to deliver any notice or certificate pursuant to any other provision of the indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the notes, the indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding notes and all obligations of the Guarantors discharged with respect to their Note Guarantees (“Legal Defeasance”) except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, premium on, if any, or interest on, such notes when such payments are due from the trust referred to below;

(2) The Issuer’s obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee under the indenture, and the Issuer’s and the Guarantors’ obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the indenture (“Covenant Defeasance”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event a Legal Defeasance or a Covenant Defeasance occurs, all Events of Default described under “—Events of Default and Remedies” (except those relating to payments on the notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) The Issuer must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium on, if any, and interest on, the outstanding notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the trustee an opinion of counsel confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the indenture, there has been a change in the applicable federal income tax law (or official interpretation thereof), in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the trustee an opinion of counsel confirming that the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Issuer or any of the Guarantors is a party or by which the Issuer or any of the Guarantors is bound (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness) and the granting of Liens to secure such borrowings);

(6) the Issuer must deliver to the trustee an officer's certificate of ConvaTec stating that the deposit was not made by the Issuer with the intent of preferring the holders of notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(7) the Issuer must deliver to the trustee an officer's certificate of ConvaTec and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next three succeeding paragraphs, the indenture or the notes or the Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the then outstanding notes (including, without limitation, additional notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium on, if any, or interest on, the notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the indenture or the notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding notes (including, without limitation, additional notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

Without the consent of each holder of notes affected, an amendment, supplement or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter or waive any of the provisions with respect to the redemption of the notes (for the avoidance of doubt, the provisions with respect to the redemption of the notes referred to in this clause (2) do not include the provisions relating to the covenants described above under the caption "—Change of Control");

(3) reduce the rate of or change the time for payment of interest on any note;

(4) waive a Default or Event of Default in the payment of principal of, premium on, if any, or interest on, the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults;

(7) amend the contractual right expressly set forth in the indenture or notes of holders to receive payments of principal of, premium on, if any, or interest on, the notes on or after the due dates therefor or to institute suit to enforce such payment;

(8) waive a redemption payment with respect to any note (other than a payment required by the covenant described above under the caption "—Change of Control");

(9) release ConvaTec from any of its obligations under the Parent Guarantee or the indenture, except in accordance with the terms of the indenture;

(10) prior to the Fall Away Date, release any Guarantor (other than ConvaTec) from any of its obligations under its Note Guarantee or the indenture, except in accordance with the terms of the indenture; or

(11) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of notes, the Issuer, the Guarantors and the trustee may amend or supplement the indenture, the notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of the Issuer's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer's assets;

(4) to provide for the assumption of ConvaTec's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of ConvaTec's assets;

(5) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the indenture of any holder;

(6) to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(7) to conform the text of the indenture, the notes, the Note Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the indenture, the notes, the Note Guarantees, which intent will be evidenced by an officer's certificate of ConvaTec provided to the trustee to that effect;

(8) to provide for the issuance of additional notes in accordance with the limitations set forth in the indenture as of the date of the indenture;

(9) to release a Guarantor from its Guarantee pursuant to the terms of the indenture when permitted or required pursuant to the terms of the indenture;

(10) to secure the notes and the related Note Guarantees or add covenants for the benefit of the holders of notes or to surrender any right or power conferred upon the Issuer or any Guarantor;

(11) to add additional Note Guarantees;

(12) to evidence and provide for the acceptance and appointment under the indenture of a successor trustee pursuant to the requirements thereof; or

(13) to make any amendment to the provisions of the indenture relating to the transfer or legending of the notes; *provided,* however, that (i) compliance with the indenture as so amended would not result in notes being transferred in violation of the Securities Act of 1933, as amended (the "Securities Act"), or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer notes.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the delivery of a notice of redemption or otherwise or will become due and payable within one year or are to be called for redemption within one year of the proposed discharge date and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the notes not delivered to the trustee for cancellation for principal of, premium on, if any, and interest on, the notes to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(3) the Issuer has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an officer's certificate of ConvaTec and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

BNY Mellon Corporate Trustee Services Limited will act as trustee under the indenture.

If the trustee becomes a creditor of the Issuer or any Guarantor, the indenture limits the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if the indenture has been qualified under the Trust Indenture Act) or resign.

The holders of a majority in aggregate principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that in the case an Event of Default has occurred and is continuing of which a responsible officer of the trustee has received written notice, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of such person's own affairs. The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request

of any holder of notes, unless such holder has offered to the trustee indemnity and/or security (including by way of pre-funding) satisfactory to it against any loss, liability or expense.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the indenture without charge by writing to 8516 Northwest Expressway, Oklahoma City, OK 73162, United States.

Financial Calculations for Limited Condition Acquisitions

When calculating the capacity of ConvaTec or any Subsidiary of ConvaTec to incur Indebtedness under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of any basket or ratio and of any Default or Event of Default shall, at the option of ConvaTec, be the date the definitive agreements for such Limited Condition Acquisition are entered into, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of EBITDA, Interest Coverage Ratio and Senior Secured Leverage Ratio after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the EBITDA of ConvaTec or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition is permitted hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; **provided, that** if ConvaTec elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition; and **provided, further**, that EBITDA (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with such Limited Condition Acquisition, shall not include any EBITDA of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the date of the indenture, the notes have an Investment Grade rating from two of the three Rating Agencies ("Investment Grade Status") and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then the Issuer shall notify the trustee of these events and beginning on that day and continuing until such time, if any, at which the notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the indenture summarized under the following captions will not apply to such notes: "Certain Covenants—Indebtedness", "Certain Covenants—Sale and Lease Back Transactions" and any related default provision of the indenture will cease to be effective and will not be applicable to ConvaTec and ConvaTec's Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the second paragraph of the covenant described under "Certain Covenants—Indebtedness" or one of the clauses set forth in the third paragraph of such covenant (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the second or third paragraphs of the covenant described under "Certain Covenants—Indebtedness", such Indebtedness will be deemed to have been outstanding on the date of the indenture, so that it is classified as permitted under clause 4 of the third paragraph of the covenant described under "Certain Covenants—Indebtedness". The Issuer shall give the trustee written notice of any Suspension Event and in any event no later than five Business Days after such Suspension Event has occurred. The Issuer shall give the trustee written notice of any occurrence of a Reversion

Date no later than five Business Days after such Reversion Date. Absent such written notice, the trustee shall be entitled to assume that no Suspension Event or the occurrence of any Reversion Date has occurred.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"2019 Credit Facility" means that certain facilities agreement, dated as of October 24, 2019, by and among ConvaTec, National Westminster Bank PLC, as Agent and Security Agent and the participating arranger banks party thereto, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"Acceptable Bank" means:

(1) an Original Lender (as defined in the 2019 Credit Facility) or an Affiliate of an Original Lender; or

(2) a bank or financial institution which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of BBB+ or higher by S&P or Fitch or Baa1 or higher by Moody's or a comparable rating from an internationally recognised credit rating agency.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of ConvaTec or at the time it merges or consolidates with or into ConvaTec or any of its Subsidiaries or assumed by ConvaTec or any of its Subsidiaries in connection with the acquisition of assets from such Person and in each case whether or not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of ConvaTec or such merger, consolidation or acquisition. Acquired Indebtedness shall be deemed to have been incurred on the date such Person becomes a Subsidiary of ConvaTec or merges or consolidates with or into ConvaTec or any of its Subsidiaries or the date of the assumption of such Indebtedness by ConvaTec or any of its Subsidiaries, as applicable.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings. No Person (other than ConvaTec or any Subsidiary of ConvaTec) in whom a Securitization Subsidiary makes an Investment in connection with a Qualified Securitization Facility will be deemed to be an Affiliate of ConvaTec or any of its Subsidiaries solely by reason of such Investment.

"Applicable Premium" means, with respect to any note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess, if any, of:

    (a) the present value at such redemption date of (i) the redemption price of the note at 7 October 2024 (such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") plus (ii) all required interest payments due on the note through 7 October 2024, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

    (b) the principal amount of the note.

For the avoidance of doubt, the calculation of the Applicable Premium shall not be the obligation or responsibility of the Trustee or Paying Agent.

"Attributable Indebtedness" means, with respect to any Sale and Lease Back Transaction, at the time of determination, the lesser of (1) the sale price of the property so leased multiplied by a fraction the numerator of which is the remaining portion of the base term of the lease included in such transaction and the denominator of which is the base term of such lease, and (2) the total obligation (discounted to the present value at the implicit interest factor, determined in accordance with GAAP, included in the rental payments) of the lessee for rental payments (other than amounts required to be paid on account of property taxes as well as maintenance, repairs, insurance, water rates and other items which do not constitute payments for property rights) during the remaining portion of the base term of the lease included in such transaction.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"Business Day" means a day other than a Saturday, Sunday or other day on which the banking institutions in London or New York are authorized or required by law to close.

"Capital Lease Obligation" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capital Stock" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities exchangeable or convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash" means, at any time, the cash balances (excluding any encumbered cash) held by ConvaTec or any of ConvaTec's Subsidiaries with:

(1) an Acceptable Bank;

(2) banks or investment funds with ratings below those specified in the definition of "Acceptable Bank" in an amount of up to $5.0 million (or its equivalent in another currency or currencies) in aggregate any time; or

(3) counterparties to receivables financing arrangements that have been provided to such counterparties in the ordinary course of those receivable financing arrangements (or to which ConvaTec or any of ConvaTec's Subsidiaries is beneficially entitled in connection with such arrangements).

"Change of Control" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of ConvaTec and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than to ConvaTec or one of its Subsidiaries; or

(2) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above)) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of ConvaTec, measured by voting power rather than number of shares;

provided, that if on the date of the occurrence of any such event the notes have an Investment Grade rating from two of the three Rating Agencies and no Default or Event of Default has occurred and is continuing, no Change of Control shall have occurred unless such event is accompanied by a Ratings Event.

"continuing" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"Commodity Hedging Agreements" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"Credit Facilities" means, one or more debt facilities (including, without limitation, the 2019 Credit Facility) or other financing arrangements (including, without limitation, commercial paper facilities or indentures), in each case, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case, as amended, supplemented, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities) in whole or in part from time to time, including any such replacement, refunding or refinancing facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof *(provided* that such increase in borrowings is permitted, to the extent applicable, under "Certain Covenants—Indebtedness" and "Certain Covenants— Liens") or adds Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"EBITDA" means, in relation to any Relevant Period, ConvaTec's total consolidated net profit for that Relevant Period:

(1) before taking into account:

(a) Interest Expense;

(b) Tax;

(c) any share of the profit or loss of any associated company or undertaking or Joint Venture, except for dividends received in cash by ConvaTec or any of its Subsidiaries;

(d) any charge to ConvaTec's consolidated income statement represented by the expensing of stock options or awards, including related payroll Taxes;

(e) any unrealized revaluation gains or losses on any derivative or financial instrument (other than any derivative or financial instrument which is accounted for on a hedge accounting basis);

(f) any gains or losses arising from the foreign currency translation of any asset or liability; and

(g) any exceptional, one off, non-recurring or extraordinary items; and

(2) after adding back all amounts provided for depreciation and amortization for that Relevant Period,

as determined from the consolidated financial statements of ConvaTec;

In relation to a Relevant Period, EBITDA for that Relevant Period shall be adjusted:

(i) in respect of any person or business acquired during such Relevant Period (each such person or business acquired being an "Acquired Entity or Business"), by including the earnings before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA, *mutatis mutandis*) of such Acquired Entity or Business for that part of the Relevant Period prior to its becoming a member of the Group or (as the case may be) prior to the acquisition of the business, provided that if the amount of such earnings before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA, mutatis mutandis) attributable to such Acquired Entity or Business for such part of that Relevant Period is less than zero, then such negative amount shall be deducted from EBITDA for that Relevant Period; and

(ii) in respect of any person or business disposed of during such Relevant Period (each such person or business disposed of being a "Disposed Entity or Business"), by excluding the earnings before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA, mutatis mutandis) attributable to such Disposed Entity or Business disposed of during the Relevant Period for that part of the Relevant Period prior to its disposal, provided that if the amount of such earnings before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA, mutatis mutandis) attributable to such Disposed Entity or Business for such part of that Relevant Period is less than zero, then such negative amount shall not be taken into account for the purposes of calculating EBITDA for that Relevant Period.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means a public or private sale either:

(1) of Equity Interests of ConvaTec by ConvaTec (other than to a Subsidiary of ConvaTec), or

(2) of Equity Interests of a direct or indirect parent entity of ConvaTec (other than to ConvaTec or a Subsidiary of ConvaTec) to the extent that the net proceeds therefrom are contributed to the common equity capital of ConvaTec.

"Escrowed Proceeds" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"Fair Market Value" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the chief financial officer or chief executive officer of ConvaTec (unless otherwise provided in the indenture).

"Fitch" means Fitch Ratings Inc. and any successor to its rating agency business.

"GAAP" means generally accepted accounting principles in the United Kingdom, including IFRS; provided that, if ConvaTec elects to eliminate the effect of any change in such accounting principles adopted after the date of the indenture or in the application thereof on the operation of any provision of the indenture, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective.

"Guarantee" of or by any Person means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof;

(2) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof;

(3) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation; or

(4) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation;

provided, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. In any computation of the Indebtedness or other liabilities of the obligor under any Guarantee, the Indebtedness or other obligations that are the subject of such Guarantee will be assumed to be direct obligations of such obligor.

"Guarantors" means ConvaTec and any Subsidiary of ConvaTec that executes a Note Guarantee in accordance with the provisions of the indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the indenture.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"IFRS" means adopted accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"Indebtedness" means (without double counting) any indebtedness for or in respect of:

(1) money borrowed;

(2) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;

(3) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(4) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(5) any amount raised under any other transaction (including any forward sale or purchase agreement) required by GAAP to be shown as a borrowing in the consolidated balance sheet of ConvaTec;

(6) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);

(7) any preferred stock and any shares that are expressed to be redeemable;

(8) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, in each case in respect of indebtedness of a type referred to in paragraphs (1) to (7) above (and which is not a contingent obligation); and

(9) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (1) to (8) above;

provided that the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability shall not be considered "Indebtedness"; *provided, further* that for so long as such liability is not considered Indebtedness, any impacts of "right of use" or any similar adjustments as a result of application of IFRS 16 shall be not be included in calculation of EBITDA.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (a) the Fair Market Value of such assets at the date of determination; and

    (b) the amount of the Indebtedness of the other Person.

"Interest Coverage Ratio" means the ratio of EBITDA to Interest Expense.

In addition, for purposes of calculating the Interest Coverage Ratio:

(1) Subject to the paragraph below, investments, acquisitions, dispositions and mergers or consolidations that have been made by the specified Person or any of its Subsidiaries, or any Person or any of its Subsidiaries acquired by the specified Person or any of its Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries, during the Relevant Period or subsequent to such Relevant Period and on or prior to the date on which the event for which the calculation of the Interest Coverage Ratio is made (the "Interest Coverage Ratio Calculation Date"), or that are to be made on the Interest Coverage Ratio Calculation Date, will be given pro forma effect (as determined in good faith by a responsible financial or accounting officer of the Issuer) as if they had occurred on the first day of the Relevant Period;

(2) the EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Interest Coverage Ratio Calculation Date, will be excluded;

(3) the Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Interest Coverage Ratio Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Interest Expense will not be obligations of the specified Person or any of its Subsidiaries following the Interest Coverage Ratio Calculation Date; and

(4) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Interest Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any hedging obligation applicable to such Indebtedness if such hedging obligation has a remaining term as of the Interest Coverage Ratio Calculation Date in excess of 12 months).

For purposes of this definition, whenever pro forma effect is to be given to an investment, acquisition, disposition and merger or consolidation, the pro forma calculations shall include factually supportable and identifiable pro forma cost savings related to operational efficiencies, expense reductions, strategic initiatives or improvements or other synergies, in each case, projected by the Issuer in good faith to be realized based upon actions taken, committed to be taken or reasonably expected to be taken within 24 months of the Interest Coverage Ratio Calculation Date (without duplication of the amount of actual benefit realized during such period from such actions), which cost savings, improvements and synergies can be reasonably computed, as certified in writing by a responsible financial or accounting officer of the Issuer. For purposes of making the computation referred to above, interest on any Indebtedness under revolving credit facilities computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period; or, if lower, the maximum commitments under such revolving credit facilities as of the applicable Interest Coverage Ratio Calculation Date. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

"Interest Expense" means, for any Relevant Period, the aggregate amount of interest, commission, dividends, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Indebtedness, including the effect of any interest rate hedging arrangements but excluding any payments on any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability, expensed in ConvaTec's consolidated income statement in respect of that Relevant Period adjusted (but without double counting) by:

(1) adding back any unrealized revaluation gains or losses on any derivative or financial instrument (other than any derivative or financial instrument which is accounted for on a hedge accounting basis);

(2) adding back any gains or losses arising from the foreign currency translation of any asset or liability;

(3) to the extent not already included in the calculation of EBITDA, adding back any exceptional, one off, non-recurring or extraordinary items;

(4) adding back any interest actually paid by ConvaTec or any Subsidiary of ConvaTec on Indebtedness of another Person that is guaranteed by ConvaTec or any Subsidiary of ConvaTec or secured by a Lien on assets of ConvaTec or any Subsidiary of ConvaTec; and

(5) deducting interest income of ConvaTec and its Subsidiaries in respect of that Relevant Period.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment Grade" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P or Fitch, or, if any such entity ceases to rate the notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) under the Exchange Act selected by the Issuer as a replacement agency.

"Joint Venture" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and, except in connection with any Qualified Securitization Facility, any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided,* that in no event shall any rights of a lessor under a lease which may be considered an operating lease be deemed to constitute a Lien.

"Limited Condition Acquisition" means any acquisition, including by way of merger, amalgamation or consolidation, investment, disposition, sale, joint venture or other similar transaction by ConvaTec or one or more

of its Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing.

"London Stock Exchange" means London Stock Exchange plc.

"Moody's" means Moody's Investors Service, Inc., and any successor to its rating agency business.

"Net Proceeds" from a Sale and Lease Back Transaction means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, all purchase price adjustments, earn-outs and contingency payment obligations to which a seller may become entitled after the closing of such Sale and Lease Back Transaction and all holdbacks, in each case, only as and when received in cash, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other non-cash form), in each case net of (without duplication): (1) all legal, accounting, title and transfer or recording tax expenses, broker's fees or commissions and other fees and expenses (including, without duplication, any repatriation costs associated with receipt by the applicable taxpayer of such proceeds) incurred, and all federal, state, provincial, foreign and local taxes (whether on account of income, gains or otherwise) required to be accrued as a liability under GAAP, as a consequence of such Sale and Lease Back Transaction; (2) all payments made on any Indebtedness which is secured by any assets subject to such Sale and Lease Back Transaction, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Sale and Lease Back Transaction, or by applicable law, be repaid out of the proceeds from such Sale and Lease Back Transaction; (3) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed in such Sale and Lease Back Transaction and retained by ConvaTec or any of its Subsidiaries after such Sale and Lease Back Transaction; (4) any portion of the purchase price from a Sale and Lease Back Transaction placed in escrow in connection with that Sale and Lease Back Transaction; *provided*, that upon the termination of that escrow, Net Proceeds will be increased by any portion of funds in the escrow that are released to ConvaTec or any of its Subsidiaries; and (5) the amount of any purchase price adjustment, contingent or deferred payment obligation that ConvaTec and/or any of its Subsidiaries is obligated to pay to another Person in connection with a Sale and Lease Back Transaction.

"Note Guarantee" means the Parent Guarantee and the Guarantee by each other Guarantor of the Issuer's obligations under the indenture and the notes, in accordance with the provisions of the indenture.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Parent Guarantee" means the Guarantee by ConvaTec of the Issuer's obligations under the indenture and the notes, in accordance with the provisions of the indenture.

"Permitted Liens" means:

(1) Liens in favor of the Issuer or the Guarantors;

(2) Any netting or set-off arrangement entered into by ConvaTec or any subsidiary of ConvaTec in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(3) Any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by ConvaTec or any subsidiary of ConvaTec for the purpose of:

(A) hedging any risk to which ConvaTec or any subsidiary of ConvaTec is exposed in its ordinary course of trading; or

(B) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only,

excluding, in each case, any Lien under a credit support arrangement in relation to a hedging transaction;

(4) Liens arising by operation of law or in the ordinary course of trading, including but not limited to:

(A) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance;

(B) Liens Incurred in connection with any cash management program established in the ordinary course of business for ConvaTec's or any of its Subsidiaries' benefit and liens arising by reason of netting or set-off entered into in the ordinary course of banking and trading activities;

(C) Liens made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of ConvaTec or any Subsidiary of ConvaTec, including rights of offset and set off;

(D) Liens Incurred or deposits made in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, insurance, trade contracts, leases (including, without limitation, statutory and common law landlord's liens), licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds or obligations) (including any Liens to secure letters of credit issued to assure payments of such obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of a like nature, in each case Incurred in the ordinary course of business;

(E) zoning restrictions, ground leases, survey exceptions, (including reciprocal easements) easements, licenses, reservations, title defects, rights of others for rights of way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of ConvaTec and its Subsidiaries on the properties subject thereto, taken as a whole;

(F) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which ConvaTec or any Subsidiary of ConvaTec has easement rights or on any real property leased by ConvaTec or any Subsidiary of ConvaTec and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(G) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(H) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(I) Liens arising out of conditional sale, title retention, consignment, deferred payment, supply agreements or similar arrangements for the sale or purchase of goods entered into by ConvaTec or any Subsidiary of ConvaTec in the ordinary course of business;

(J) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the business of ConvaTec or any Subsidiary of ConvaTec and with respect to amounts not yet delinquent for more than 60 days or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(K) Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution; and

(L) Liens for Taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings and for which a reserve or other

appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(5) Liens over or affecting (i) any asset acquired by ConvaTec or any subsidiary of ConvaTec after the date of the indenture or (ii) any asset of any company which becomes a subsidiary of ConvaTec where such Lien was created prior to the date on which that company became a subsidiary of ConvaTec, if:

(A) such Lien was not created in contemplation of the acquisition of that asset or company, as applicable, by ConvaTec or any subsidiary of ConvaTec;

(B) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset or company, as applicable, by ConvaTec or any subsidiary of ConvaTec; and

(C) such Lien is removed or discharged within six months of the date of acquisition of such asset or of such company becoming a subsidiary of ConvaTec, as applicable;

(6) Liens arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to ConvaTec or any subsidiary of ConvaTec in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by ConvaTec or any subsidiary of ConvaTec;

(7) Liens existing on the date of the indenture; *provided* that ConvaTec shall use commercially reasonable best efforts to cause any Liens securing the 2019 Credit Facility to be released within five Business Days of the date of the indenture;

(8) (x) Liens arising under any lease or hire purchase contract, which would, in accordance with GAAP, be treated as a finance or capital lease and (y) any interest or title of a lessor under any lease or any other obligation of ConvaTec or any Subsidiary under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a lease obligation under GAAP;

(9) Liens over bank accounts granted pursuant to the relevant account bank's standard terms and conditions;

(10) Liens arising in connection with any acquisition or disposal permitted by the terms of the indenture (including Liens over any cash paid into an escrow account) provided that such Lien is only outstanding for a period of six months or less following the acquisition or disposal;

(11) Liens created for the benefit of (or to secure) the notes (or the Note Guarantees);

(12) Liens granted pursuant to any Permitted Reorganization;

(13) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(14) Liens created or subsisting in order to secure any obligations incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (SGB IV);

(15) Liens on assets transferred to a Securitization Subsidiary or on assets of a Securitization Subsidiary, in either case, incurred in connection with a Qualified Securitization Facility;

(16) Liens to secure Indebtedness permitted to be incurred under the covenant described under "*—Certain Covenants—Indebtedness*" or "*—Certain Covenants—Sale and Lease Back Transactions*" so long as on the date of incurrence of such Indebtedness pursuant to the covenant described under "*—Certain Covenants—Indebtedness*" or "*—Certain Covenants—Sale and Lease Back Transactions*" and after giving thereto on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as

if such Indebtedness had been incurred at the beginning of the relevant period, the Senior Secured Leverage Ratio is less than 3.0 to 1.0;

(17) Liens securing Indebtedness the principal amount of which (when aggregated with the principal amount of any other Indebtedness which has the benefit of a Lien given by ConvaTec or any Subsidiary pursuant to this clause (17)) that do not exceed, as of any date of incurrence, $200.0 million; and

(18) any extension, renewal or replacement, in whole or in part, of any Lien (excluding any Liens pursuant to paragraph (17) of this definition); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

For purposes of determining compliance with this definition, (x) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition, but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Reorganization" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving ConvaTec or any of ConvaTec's Subsidiaries (a "Reorganization") that is made on a solvent basis; *provided* that any payments or assets of ConvaTec or any of ConvaTec's Subsidiaries distributed in connection with such Reorganization remain within ConvaTec and ConvaTec's Subsidiaries; and if any of the Note Guarantees are released pursuant to "—Note Guarantees", substantially equivalent Note Guarantees must be granted by a surviving entity, if any.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"Qualified Securitization Facility" means any Securitization Facility (a) constituting a securitization financing facility that meets the following conditions: (1) the Board of Directors of ConvaTec shall have determined in good faith that such Securitization Facility (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to ConvaTec and the applicable Securitization Subsidiary, (2) all sales and/or contributions of Securitization Assets and related assets to the applicable Securitization Subsidiary are made at Fair Market Value (as determined in good faith by ConvaTec) and (3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by ConvaTec) or (b) constituting a receivables financing facility.

"Rating Agencies" means Moody's, S&P and Fitch or if Moody's, S&P, Fitch or any of them shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for Moody's, S&P, Fitch or any of them, as the case may be.

"Ratings Decline Period" means the period that (i) begins on the earlier of (a) a Change of Control or (b) the first public notice of the intention by ConvaTec to effect a Change of Control and (ii) ends 30 days following the consummation of such Change of Control; *provided*, that such period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies.

"Ratings Event" means a downgrade by one or more gradations (including gradations within ratings categories, as well as between rating categories) or withdrawal of the rating of the notes within the Ratings Decline Period by at least two of the Rating Agencies.

"Refinancing Indebtedness" means Indebtedness of ConvaTec or any Subsidiary of ConvaTec to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge

mechanism) any Indebtedness existing on the date of the indenture or incurred in compliance with the indenture including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the notes;

(2) such Refinancing Indebtedness is incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness incurred to pay interest or premiums required by the instruments governing such existing Indebtedness, tender premiums, and costs, expenses and fees incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the notes or such Note Guarantee, as applicable, on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being refinanced; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is incurred either by the Issuer or by a Guarantor,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer owing to and held by ConvaTec or any Subsidiary of ConvaTec or Indebtedness of a Subsidiary of ConvaTec owing to and held by ConvaTec or any Subsidiary of ConvaTec.

“Relevant Period” means:

(1) each period of 12 months ending on or about the last day of each of ConvaTec’s financial years; and

(2) each period of 12 months ending on or about the last day of the first half of each of ConvaTec’s financial years.

“S&P” means S&P Global Ratings, a division of S&P Global Inc., and any successor to its rating agency business.

“Securitization Assets” means the accounts receivable, royalty or other revenue streams and other rights to payment under a Qualified Securitization Facility that is a securitization financing facility (and not a receivables financing facility) and the proceeds thereof.

“Securitization Facility” means any of one or more receivables or securitization financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, the Obligations of which are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to ConvaTec or any of its Subsidiaries (other than a Securitization Subsidiary) pursuant to which ConvaTec or any of its Subsidiaries sells or grants a security interest in its accounts receivable or Securitization Assets or assets related thereto to either (a) a Person that is not a Subsidiary or (b) a Securitization Subsidiary that in turn sells its accounts receivable to a Person that is not a Subsidiary.

“Securitization Subsidiary” means any Subsidiary formed for the purpose of engaging in, and that solely engages in, one or more Qualified Securitization Facilities and other activities reasonably related thereto.

“Senior Secured Leverage Ratio” means, as of any date of determination, the ratio of (1) the pro forma Indebtedness (including Attributable Indebtedness) of ConvaTec on such date and that is secured by a Lien on the assets of ConvaTec or any of its Subsidiaries as of such date to (2) EBITDA for the Relevant Period, in each case with such pro forma adjustments as are consistent with the pro forma adjustment provisions set forth in this definition, and calculated on a pro forma basis after giving effect to the creation, incurrence or assumption of such Lien described above and/or such Attributable Indebtedness in respect of Sale and Lease Back Transactions that is subject to the restriction on Sale and Lease Back Transactions described above.

In addition, for purposes of calculating the Senior Secured Leverage Ratio:

(1) Subject to the paragraph below, investments, acquisitions, dispositions and mergers or consolidations that have been made by the specified Person or any of its Subsidiaries, or any Person or any of its Subsidiaries acquired by the specified Person or any of its Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries, during the Relevant Period or subsequent to such Relevant Period and on or prior to the date on which the event for which the calculation of the Senior Secured Leverage Ratio is made (the "Senior Secured Leverage Ratio Calculation Date"), or that are to be made on the Senior Secured Leverage Ratio Calculation Date, will be given pro forma effect (as determined in good faith by a responsible financial or accounting officer of the Issuer) as if they had occurred on the first day of the Relevant Period;

(2) the EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Senior Secured Leverage Ratio Calculation Date, will be excluded;

(3) the Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Senior Secured Leverage Ratio Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Interest Expense will not be obligations of the specified Person or any of its Subsidiaries following the Senior Secured Leverage Ratio Calculation Date;

(4) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Senior Secured Leverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any hedging obligation applicable to such Indebtedness if such hedging obligation has a remaining term as of the Senior Secured Leverage Ratio Calculation Date in excess of 12 months).

For purposes of this definition, whenever *pro forma* effect is to be given to an investment, acquisition, disposition and merger or consolidation, the pro forma calculations shall include factually supportable and identifiable pro forma cost savings related to operational efficiencies, expense reductions, strategic initiatives or improvements or other synergies, in each case, projected by the Issuer in good faith to be realized based upon actions taken, committed to be taken or reasonably expected to be taken within 24 months of the Senior Secured Leverage Ratio Calculation Date (without duplication of the amount of actual benefit realized during such period from such actions), which cost savings, improvements and synergies can be reasonably computed, as certified in writing by a responsible financial or accounting officer of the Issuer. For purposes of making the computation referred to above, interest on any Indebtedness under revolving credit facilities computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period; or, if lower, the maximum commitments under such revolving credit facilities as of the applicable Senior Secured Leverage Ratio Calculation Date. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

In the event any Lien is created, incurred or assumed or any Sale and Lease Back Transaction is consummated, in each case, in reliance upon compliance with the Senior Secured Leverage Ratio described above, concurrently with creation, incurrence or assumption of any Permitted Lien other than clause (16) of the definition of Permitted Liens, then solely for purposes of calculating the Senior Secured Leverage Ratio at such time (but, for the avoidance of doubt, not in any subsequent calculation of the Senior Secured Leverage Ratio at a subsequent time), the Senior Secured Leverage Ratio will be calculated without regard to the creation, incurrence or assumption of any such Permitted Lien.

"Significant Subsidiary" shall have the meaning ascribed to such term in Rule 1-02(w) of Regulation S-X, promulgated under the Securities Act.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Indebtedness" means, in the case of the Issuer, any Indebtedness (whether outstanding on the date of the indenture or thereafter incurred) which is expressly subordinated or junior in right of payment to the notes

pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the date of the indenture or thereafter incurred) which is expressly subordinated or junior in right of payment pursuant to a written agreement to the Note Guarantee of such Guarantor.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Treasury Rate" means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such notes are defeased or satisfied and discharged of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to 7 October 2024; *provided, however,* that if the period from the redemption date to 7 October 2024, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"U.S. Dollar Equivalent" means, with respect to any monetary amount in a currency other than the U.S. dollar, at any time for the determination thereof, the amount of U.S. dollar obtained by converting such foreign currency involved in such computation into U.S. dollar at the spot rate for the purchase of U.S. dollar with the applicable foreign currency as published under "Currency Rates" in the section of The Financial Times entitled "Currencies, Bonds & Interest Rates" on the date two Business Days prior to such determination.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes will initially be issued in the form of several Global Notes in registered form without interest coupons attached. The Notes offered and sold in the United States to persons reasonably believed to be qualified institutional buyers in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent Global Notes in fully registered form without interest coupons attached (the "Rule 144A Global Notes"). The Notes offered and sold outside the United States in offshore transactions pursuant to Regulation S will be represented by beneficial interests in one or more permanent Global Notes in fully registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes").

The Rule 144A Global Note and Regulation S Global Note will be deposited with a custodian for DTC, and registered in the name of Cede & Co. as nominee of DTC. The Notes will be issued in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Ownership of interests in the Global Notes will be limited to persons that have an account with DTC or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarised below and described more fully under "*Notice to Investors*." Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, as applicable, and its respective participants.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominees. Book-Entry Interests in the Global Notes may not be exchanged for definitive notes in registered certificated form ("Certificated Notes") except in the limited circumstances described below. Please see "*—Exchange of Global Notes for Certificated Notes*." The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests.

In addition, while the Notes are in global form, "holders" of Book-Entry Interests will not be considered the owners or "Holders" of Notes for any purpose. So long as the Notes are held in global form, DTC (or its nominee) will be considered the Holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which it owns Book-Entry Interests in order to exercise any rights of Holders under the Indenture. Neither the Issuer, the Guarantors nor the Trustee nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, interest and premium, if any) will be made by the Issuer in U.S. dollars to the Paying Agent. The Paying Agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer, the Paying Agent, Registrar, the Transfer Agent and the Trustee will treat the registered holder of the Global Notes (i.e., DTC or its nominees) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Paying Agents, Registrar, the Transfer Agent and Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC, or any participant or indirect participants, or for maintaining supervising or reviewing the records of DTC or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- any other matter relating to the actions and practices of DTC or any participant or indirect participant. Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street

name.”

Action by Owners of Book-Entry Interests

DTC has advised the Issuer that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, DTC reserves the right to exchange the Global Notes for Certificated Notes in certificated form, and to distribute such Certificated Notes to their respective participants.

Exchanges between the Global Notes

The Global Notes will bear a legend to the effect set forth in “*Notice to Investors*.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “*Notice to Investors*.” Book-Entry Interests in any Rule 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act (if available). Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note of such series to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Certificated Notes are issued, they will be issued only in minimum denominations of $200,000 principal amount and integral multiples of $1,000, respectively, in excess thereof, as the case may be, upon receipt by the registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC, as applicable, from the participant who owns the relevant Book-Entry Interests. Certificated Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarised below and described more fully under “*Notice to Investors*.” In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) in the case of a Rule 144A Global Note, if DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for such Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Issuer fails to appoint a successor depository;

(2) in the case of a Regulation S Global Note, if DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Global Notes, and the Issuer has failed to appoint a qualified successor; or

(3) there has occurred and is continuing a default or event of default with respect to the Notes. In addition, Book-Entry Interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated

Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the restrictive legend referred to in "*Notice to Investors*", unless that legend is not required by applicable law.

Information Concerning DTC

All Book-Entry Interests will be subject to the operations and procedures of DTC, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures. The Issuer and the Guarantors understand as follows with respect to DTC:

DTC is:

- a limited purpose trust company organised under New York Banking Law;
- a "banking organisation" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC's owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Global Clearance and Settlement under the Book-Entry System

The notes represented by the Global Notes are to be listed on the Official List of the Exchange and admitted to trading on the Official List of the Exchange. The Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the Notes will, therefore, be required by DTC to be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross-market transfers between participants in DTC will be done through DTC in accordance with its rules.

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC currently follows the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registar, the Transfer Agent or the Paying Agent or any of their respective agents will have any responsibility for the performance by DTC or its respective participants or indirect participants, of its respective obligations under the rules and procedures governing their operations.

TAX CONSIDERATIONS

The following is a summary of certain tax consequences of the Offering and is intended as general information only. It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This description is based on the laws of the United States of America currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES, UNDER THE TAX LAWS OF THE COUNTRY IN WHICH THEY ARE RESIDENT FOR TAX PURPOSES AND UNDER THE TAX LAWS OF THE NETHERLANDS, THE UNITED STATES OF AMERICA AND THE UNITED KINGDOM OF ACQUIRING, HOLDING AND DISPOSING OF NOTES AND RECEIVING PAYMENTS OF PRINCIPAL, INTEREST AND OTHER AMOUNTS UNDER THE NOTES. THE INFORMATION CONTAINED WITHIN THIS SECTION IS LIMITED TO TAXATION ISSUES, AND PROSPECTIVE INVESTORS SHOULD NOT APPLY ANY IN-FORMATION SET OUT BELOW TO OTHER AREAS; INCLUDING (BUT NOT LIMITED TO) THE LEGALITY OF TRANSACTIONS INVOLVING THE NOTES.

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of Notes. This discussion addresses only U.S. Holders (as defined below) and Non-U.S. Holders (as defined below) who purchase Notes in the Offering at the original "issue price" (as defined below) and hold Notes as capital assets. This discussion addresses only U.S. Holders that use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. federal tax considerations relating to the purchase, ownership and disposition of Notes and is not a substitute for tax advice. It does not address all of the tax consequences that may be relevant in light of a holder's particular circumstances, including tax consequences that may be applicable to prospective investors subject to special rules, such as banks and certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, investors required to take certain amounts into income no later than the time such amounts are reflected on their audited financial statements, certain U.S. expatriates, tax-exempt entities, pass-through entities, including partnerships and S-corporations, or persons holding Notes as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal taxes other than the income tax (such as the Medicare surtax on net investment income or estate or gift taxes) or U.S. state or local tax or non-U.S. tax considerations.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Note that is, for purposes of U.S. federal income taxation, (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source. A "Non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder or a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that acquires, holds and disposes of Notes generally will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of Notes.

U.S. Holders

Characterization of the Notes

The Notes provide for contingent payments in certain circumstances (see "*Description of the Notes—Change of Control").* The rules applicable to debt instruments with payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount is not incidental or the contingency is not remote, the debt instrument could be subject to special rules that apply to contingent payment debt instruments ("CPDIs"). The Issuer is obligated to offer to repurchase the Notes at a price above par upon the occurrence of a Change of Control.The Issuer intends to take the position, to the extent it may be required to do so, that the likelihood of the occurrence of such events is remote and that, therefore, the Notes are not CPDIs. The Issuer's determination is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position on a statement attached to its tax return in the manner required by applicable U.S. Treasury regulations. The Issuer's determination is not, however, binding on the U.S. Internal Revenue Service ("IRS"), and if the IRS were

successfully to assert, and a court were to sustain, a contrary position, the Notes would be treated as issued with original issue discount ("OID") so that a U.S. Holder may be required to accrue OID on the Notes prior to receipt of or in excess of their yield to maturity and gain realized on a sale or other taxable disposition of the Notes would be treated as ordinary income rather than as capital gain.

Notwithstanding the discussion in the preceding paragraph, if the Issuer has an unconditional option to redeem a note, the option will be presumed to be exercised if, utilizing an early redemption or repurchase date and the amount payable on such date, the yield on the Note would be lower than its yield to stated maturity. A determination of the payment schedule most likely to occur is binding upon all U.S. Holders of the Note except for a U.S. Holder that explicitly discloses on its U.S. federal income tax return for the taxable year in which it acquired the Note that it has determined the yield and maturity of the Note on a different basis. If the option is not exercised when presumed to be exercised, for purposes of computing future accruals of OID, the Note would be treated as if it were repurchased or redeemed and a new Note were issued on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

The remainder of this discussion assumes that the Notes will not be treated as CPDIs. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as CPDIs.

Interest

Interest on the Notes (including any tax withheld therefrom and additional amounts paid in respect of such withholding) generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting for U.S. federal income tax purposes and generally will be U.S. source ordinary income.

Sale, Exchange, Redemption, Retirement or other Taxable Disposition

A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the amount paid to acquire the Note, and less the amount of any payments previously received by the holder (other than payments of interest).

Gain or loss on disposition of a Note generally will be from U.S. sources and will be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Non-U.S. Holders

The following discussion is a summary of U.S. federal income tax consequences relevant to a Non-U.S. Holder (as defined above).

Withholding Tax

Subject to the discussion below under "*—FATCA Withholding*", interest paid to a Non-U.S. Holder on a Note generally will be exempt from U.S. withholding tax if (i) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of voting stock of the Issuer, (ii) the Non-U.S. Holder is not a controlled foreign corporation related to the Issuer, (iii) the Non-U.S. Holder is not treated as a bank holding the Note as an extension of credit in the ordinary course of its banking business for U.S. federal income tax purposes, (iv) payments on the Note are not contingent interest ineligible for the portfolio interest exemption from U.S. withholding tax (generally interest determined by reference to income, profits, cash flow, sales, dividends or other similar attributes of the Issuer or any related person) and (v) the Non-U.S. Holder has furnished to the applicable withholding agent a complete IRS withholding form (generally, an applicable IRS Form W-8) upon which the Non-U.S. Holder certifies, under penalties of perjury, that it is not a United States person. If a Non-U.S. Holder does not satisfy the requirements described above, then, subject to the discussion below under *"—Net Income Tax*", interest paid to a Non-U.S. Holder on a Note generally will be subject to U.S. withholding tax at a rate of 30% or such lower rate as may be specified by an applicable income treaty, provided the Non-U.S. Holder satisfies applicable certification requirements establishing its eligibility for such lower rate, generally by providing the applicable withholding agent with a properly executed IRS Form W-8BEN or IRS

Form W-8BEN-E (or other applicable form) claiming an exemption from or reduction in withholding under an applicable income tax treaty.

Sale, Exchange, Redemption, Retirement or other Taxable Disposition

Subject to the discussion below under "—*Information Reporting and Backup Withholding*," gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will not be subject to U.S. withholding tax or income tax (other than with respect to payments attributable to accrued interest, which will be taxed as described under "—*Non-U.S. Holders—Withholding Tax*" above) unless (i) the gain is effectively connected with such holder's conduct of a trade or business within the United States (as discussed below under "—*Net Income Tax*") or (ii) the holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met, in which case, unless an applicable income tax treaty provides otherwise, such gain (which may be offset by certain U.S. source losses) generally will be subject to a 30% U.S. federal income tax.

Net Income Tax

The preceding discussion of the U.S. federal income and withholding tax considerations of the ownership or disposition of Notes by a Non-U.S. Holder assumes that the Non-U.S. Holder is not engaged in a U.S. trade or business. If a Non-U.S. Holder is engaged in a trade or business within the United States, interest paid to the holder on a Note or gain realized by the holder on the disposition of a Note generally will be subject to U.S. federal income tax on a net income basis, in the same manner as if the holder were a U.S. Holder, if such interest or gain is effectively connected with such holder's conduct of that U.S. trade or business (and, if required by an applicable income tax treaty applies, is attributable to such holder's U.S. permanent establishment). Any such effectively connected interest on a Note generally will be exempt from U.S. withholding tax if the Non-U.S. Holder satisfies applicable certification requirements (generally, by providing a properly completed and executed IRS Form W-8ECI, or any successor form as the IRS designates, as applicable, prior to payment). In addition, a Non-U.S. Holder that is a corporation may be subject to a branch profits tax equal to 30% (or a lower applicable income tax treaty rate) of its effectively connected earnings and profits, subject to adjustments.

FATCA Withholding

Payments to a Non-U.S. Holder of interest (including OID, if any) on a Note generally will be subject to a 30% gross basis withholding tax in the case of interest paid to a "foreign financial institution" or a "foreign non-financial entity" within the meaning of Sections 1471 through to 1474 of the U.S. Internal Revenue Code and regulations and other guidance promulgated thereunder (collectively "FATCA"), unless certain procedural requirements are satisfied and certain information is provided to the U.S. Internal Revenue Service or such Non-U.S. Holder complies with certain requirements under laws, regulations or other guidance implementing an intergovernmental agreement between the United States and such Non-U.S. Holder's home jurisdiction, and certain information is provided to the tax authorities in the Non-U.S. Holder's home jurisdiction. Under proposed U.S. Treasury Regulations published on December 18, 2018, upon which a Non-U.S. Holder may rely until final U.S. Treasury Regulations are issued, payments of gross proceeds from the sale, retirement or other disposition of a Note will not be subject to FATCA withholding.

Information Reporting and Backup Withholding

U.S. Holders

Payments of interest and proceeds from the sale, retirement, redemption or other taxable disposition of a Note will be reported to the IRS unless the U.S. Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if a U.S. Holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding and a refund of any excess, provided that such U.S. Holder timely furnishes the required information to the IRS.

Non-U.S. Holders

Payments of interest and proceeds from the sale, retirement, redemption or other taxable disposition of a Note may be reported to the IRS unless the Non-U.S. Holder is a corporation or otherwise establishes a basis for

exemption (generally by providing an applicable IRS Form W-8). Backup withholding may apply to payments subject to information reporting other than payments made and received outside of the United States of the proceeds of a sale of a Note effected by a broker at an office outside the United States unless such broker has certain relationships with the United States or the proceeds are paid into an account maintained by the Non-U.S. Holder in the United States or mailed to at an address in the United States. Backup withholding is not an additional tax. A Non-U.S. Holder can claim a credit against its U.S. federal income tax liability, if any, for the amount of any backup withholding and a refund of any excess, provided that such Non-U.S. Holder timely furnishes the required information to the IRS.

Certain Other Non-US Tax Considerations

Payment by a Guarantor

If a guarantor of the Notes makes any payments in respect of interest on a Note it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for exemption from withholding tax.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

INSOLVENCY LAW AND LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF GUARANTEES

The following is a summary of certain insolvency and other legal considerations in the jurisdictions in which the Issuer and the Guarantors are incorporated, and a summary of certain limitations on the validity and enforceability of the Guarantees. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity or enforceability of the Notes or the Guarantees. In addition, the laws of more than one jurisdiction could potentially apply in respect of certain matters and laws in multiple jurisdictions could result in disputes over which jurisdiction's law should apply, which could adversely affect your rights and your ability to enforce your rights and collect payment in full under the Notes or the Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to all such limitations and considerations.

European Union

Pursuant to Council Regulation (EC) No. 848/2015 on insolvency proceedings (as amended, the "Recast EU Insolvency Regulation"), replacing Council Regulation (EC) No. 1346/2000, the court which shall have jurisdiction to open main insolvency proceedings in relation to a company is the court of the member state of the European Union (other than Denmark) where the company concerned has its "centre of main interests" at the time the relevant insolvency proceedings are opened. The determination of where such company has its "centre of main interests" is generally a question of fact on which the courts of different EU Member States may have differing and even conflicting views. Under Article 4 of the Recast EU Insolvency Regulation, a court that is requested to open insolvency proceedings shall examine, of its own motion, whether it has jurisdiction pursuant to Article 3.

The term "centre of main interests" is not a static, but rather a fact and circumstances-based concept and may hence change from time to time. In accordance with Article 3(1) of the Recast EU Insolvency.

Regulation the centre of main interests shall be the place where such company conducts the administration of its interests on a regular basis and which is ascertainable by third parties and there is a rebuttable presumption, in the absence of proof to the contrary, that the place of its registered office is its centre of main interests. Factors such as the location where board meetings are held and the location where the company conducts the majority of its business, with a special focus on the perception of the company's creditors of the local centre of the company's business operations, may all be relevant in determining whether such proof to the contrary can be established.

If the "centre of main interests" of a company at the time an insolvency application is made, is located in a Member State (other than Denmark), the main insolvency proceedings in respect of the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the Recast EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State in the event that such debtor has an "establishment" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor located in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such issuer or guarantor under the Recast EU Insolvency Regulation. Irrespective of whether the insolvency proceedings are main or territorial proceedings, such proceedings will always, subject to certain exemptions, be governed by the lex fori concursus, i.e., the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

In the event that the Issuer or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the collateral provided by the Issuer or any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

The concept of "group proceedings" has been introduced in the Recast EU Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies. Under Article 61 of the Recast EU Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan, however, is voluntary.

Germany

Insolvency

ConvaTec (Germany) GmbH is organized under the laws of Germany, has its registered office in Germany and substantially all of its assets are located in Germany. Consequently, under Article 3(1) of the Recast EU Insolvency Regulation, absent any change in circumstances, ConvaTec (Germany) GmbH's centre of main interests at the time of an application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is likely to be in Germany, and insolvency proceedings are likely to be initiated in Germany, in which case German insolvency law would govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favourable to your interests as creditors as the insolvency laws of other jurisdictions, including, inter alia, in respect of priority of creditors' claims, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany:

Under German insolvency law, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and also no pooling of claims among the respective entities of a group. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies as well as the concentration of proceedings at the same court. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court ex officio but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely for a prognosis period covering the next twelve months (*positive Fortführungsprognose*). The management of a limited liability company (Gesellschaft mit beschränkter Haftung—GmbH), a European law stock corporation based in Germany (Societas Europaea—SE) or a German stock corporation (*Aktiengesellschaft*) or any other company not having an individual as personally liable shareholder and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest (i) within 3 weeks after the mandatory insolvency reason of, illiquidity occurred and (ii) within 6 weeks after the mandatory insolvency reason of over-indebtedness occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In particular, once illiquidity or over-indebtedness has occurred, any payments, including any payments under the Notes, may be voidable. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably (predominantly likelihood) not be able to continue to do so at some point in time within a certain prognosis period (such period generally being 24 months). However, in the case of imminent illiquidity only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the COVID 19 Pandemic, which was adopted on 27 March 2020 (as amended from time to time, the "COVInsAG"), provided, inter alia, for a suspension of the obligation to file for insolvency until April 30, 2021. The suspension—as in force from January 1, 2021 until April 30, 2021—applied to debtors who,

in the period from November 1, 2020 to February 28, 2021, have applied for financial assistance under state assistance programs to mitigate the consequences of the COVID-19 pandemic or have been prevented, as eligible debtors, from filing such application for legal or factual reasons, unless the insolvency is not caused by consequences of the COVID-19 pandemic and there is obviously no prospect of obtaining the state financial assistance or the assistance that can be obtained is insufficient to eliminate the over-indebtedness or illiquidity. The COVInsAG also provides for a certain relief from claw back provisions, if the debtor fulfilled the requirements for the suspension of filing duties, for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*). Furthermore, for an interim period until December 31, 2021, the COVInsAG reduces the forecast period (*Fortführungsprognose*) relevant for determining whether a continuation of the debtor's business is predominantly likely (überwiegend wahrscheinlich) for the purposes of the assessment of the insolvency ground of over-indebtedness from twelve months to four months provided that the debtor's over-indebtedness is caused by the COVID-19 Pandemic, which is assumed if (i) the debtor was not illiquid (*zahlungsunfähig*) as of December 31, 2019, (ii) the debtor's result from its ordinary business activity was positive in the last financial year prior to January 1, 2020, and (iii) the revenue from the debtors' ordinary business activity in calendar year 2020 was more than 30% lower than the revenue in calendar year 2019.

Further, following heavy rainfall and floodings in parts of Germany in July 2021, on September 7, 2021 the German Bundestag passed an Act, which was approved by the German Bundesrat on September 10, 2021, to establish a special fund "Aufbauhilfe 2021" of up to EUR 30 billion to finance aids for private households, companies and other facilities affected by the heavy rainfall and floodings (Aufbauhilfegesetz 2021 – AufbhG 2021). To further supplement those financial measures, the above-mentioned Act also contains a temporary suspension of the obligation to file for insolvency until January 31, 2022 if a debtor's illiquidity or over-indebtedness directly results from the impact of the heavy rainfall and floodings in July 2021 and the relevant debtor conducts serious financing or restructuring negotiations and therefore has reasonable prospects for a successful reconstruction.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—provided that, inter alia, the debtor has enclosed a detailed and coherent self-administration plan (*Eigenverwaltungsplanung*) to the petition for the debtor-in-possession status and no circumstances are known which indicate that key aspects of the self-administration planning are based on inaccurate facts. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on the profile of the officeholder to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; i.e., incompetent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor in possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency

administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favour of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e., sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

Under German insolvency law, termination rights, automatic termination events or "ipso facto clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless they reflect termination rights applicable under statutory law. This will likely also relate to agreements that are not governed by German law.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9%. of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims— Insolvenzforderungen), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvent estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full. Hence, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy unsecured creditors under a guarantee granted by any German guarantor in full after the secured creditors have been satisfied. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

While in ordinary insolvency proceedings, the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aiming at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court. If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., these can be transferred to third-parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (i.e., imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile, the court may grant a period of up to three months to utilize up an insolvency plan for the debtor business (*Schutzschirm*). In addition, for an interim period until December 31, 2021, debtors have access to the protective shield proceedings (*Schutzschirmverfahren*) even in the state of illiquidity (*Zahlungsunfähigkeit*) if such illiquidity occurred due to COVID-19. During the

respective period granted by the court to prepare the insolvency plan, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (i.e., is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable avoidance periods. Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings.

In the event of insolvency proceedings based on and governed by the insolvency laws of Germany, providing credit support for the benefit of the Notes and the payment of any amounts to the holders of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code. If payments have already been made under the Notes or the guarantee, the insolvency administrator may require that the recipients return the payment to the insolvency estate and you would instead then only have a general unsecured claim under the Notes or the guarantee without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- any act granting a creditor security (*Sicherung*) or satisfaction for a debt (*Befriedigung*) can be avoided if the act was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was cash flow insolvent (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge thereof or of the debtor being cash flow insolvent (or knowledge of circumstances which imperatively suggested such cash flow insolvency or filing);

- any act granting a creditor security (*Sicherung*) or satisfaction for a debt (*Befriedigung*) to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be avoided if the act was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was cash flow insolvent, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor;

- any legal transaction (*Rechtsgeschäft*) effected by the debtor which is directly detrimental to the creditors of the debtor can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the legal transaction the debtor was insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the legal transaction had knowledge thereof or of the debtor being insolvent;

- if an act whereby a debtor grants security for a third party debt is regarded as having been granted gratuitously (*unentgeltlich*), such gratuitous transaction can be avoided unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;

- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact

that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;

- any non-gratuitous contract concluded between the debtor and an affiliated party (*nahestehende Person*) which directly operates to the detriment of the creditors can be avoided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'affiliated party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security (*Sicherung*) or satisfaction for a claim (*Befriedigung*) of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event it provided security (*Sicherung*), if the transaction was effected within the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it provided satisfaction (*Befriedigung*), if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

For purposes of the above, the knowledge of circumstances from which a compelling conclusion regarding the debtor's insolvency or regarding the filing of a petition for the opening of insolvency proceedings can be drawn, will be considered tantamount to the actual knowledge of the debtor's insolvency or of the filing of the petition for the opening of insolvency proceedings.

The COVInsAG, however, provides for privileged treatment of new financing and shareholder loans under German insolvency law claw-back provisions during a certain time during the COVID-19 pandemic. On that basis, the repayment (including reasonable interest payments) of third- party financing and shareholder loans by before September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and April 30, 2021 and the debtor fulfilled the requirements for the suspension of the filing duties at the time. This privilege also covers the provision of collateral in favour of third-party financing providers, but does not apply in case of the provision of collateral to secure the repayment of shareholder loans or receivables resulting from legal transactions which are economically equivalent to such a loan.

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for restitution of a shareholder loan or claims resulting from legal transactions corresponding in economic terms to such a loan unless a state aid bank or any of its subsidiaries which is a shareholder of the relevant company have granted the relevant loan or legal transaction corresponding in economic terms to such a loan. The COVInsAG, however, suspends the statutory subordination of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans that were granted between March 1, 2020 and September 30, 2020 or were granted between September 1, 2020 and December 31, 2020 if the debtor had been overindebted but not illiquid or were granted between Januar 1, 2021 and February

28, 2021 if the debtor had been granted state aids or between January 1 and April 30 2021 if the debtor has submitted an application for state aid unter the German aid scheme on reasonable grounds and the state aid had been sufficient to prevent for the insolvency and in each case where the debtor fulfilled the requirements for the suspension of the filing duties at the time.

Restructuring Proceedings

On June 20, 2019, the European Parliament and the Council have adopted a new directive, which aims to ensure that minimum restructuring measures are available in the Member States to enable debtors in financial distress to solve their problems at an early stage and to avoid formal insolvency proceedings (Directive of the European Parliament and the Council (EU) 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending directive (EU) 2017/1132 (the "Preventive Restructuring Directive")).

In Germany, the Preventive Restructuring Directive was implemented by the law on the Further Development of the German Restructuring and Insolvency Laws, which became effective on January 1, 2021. An essential part of the law is the introduction of a new Act on a Stabilisation and Restructuring Framework for Enterprises ("Company Stabilisation and Restructuring Act"), which establishes a comprehensive legal framework for out-of-court restructurings in Germany.

Proceedings under the Company Stabilisation and Restructuring Act ("Restructuring Proceedings") are initiated through a notification by the respective debtor to affected creditors and/or the competent restructuring court (*Anzeige des Restrukturierungsvorhabens*). A debtor can access the new restructuring tools of the Company Stabilisation and Restructuring Act upon the occurrence of imminent illiquidity (*drohende Zahlungsunfähigkeit*) which is triggered when it is predominantly likely that the debtor will not be able to meet its future payment obligations that fall due over the next 24 months. The debtor's management is not obliged to make use of the tools of the Company Stabilisation and Restructuring Act. Therefore, the debtor may alternatively file for regular insolvency proceedings if the respective requirements are met (see above under "—Insolvency.")

Unlike insolvency proceedings, the tools under the Company Stabilisation and Restructuring Act do not necessarily cover all of a debtor's liabilities, as the debtor has a certain amount of flexibility under the Company Stabilisation and Restructuring Act to adapt the scope of the available tools to cover either all of the debtor's liabilities, only certain types (e.g., financial liabilities, including under the Notes), or only selected liabilities. In addition and depending on the extent to which a debtor requires to make use of certain legal tools available under the Company Stabilisation and Restructuring Act, the involvement of the competent restructuring court can be kept to a minimum and the tools can—under certain circumstances—even be used without the need for any public notices despite being binding on affected creditors. The tools available under the Company Stabilisation and Restructuring Act may in the case of a group of companies only be used for each entity separately (an important exception is the ability to extend the effect of certain tools to cover security provided to secure debts owed by the debtor and granted by entities that are connected entities (verbundene Unternehmen) of the debtor). However, the Company Stabilisation and Restructuring Act provides for a respective application of the provisions of the German Insolvency Code which implemented the law to facilitate the mastering of group insolvencies (see above under "—Insolvency.").

The core component of the Company Stabilisation and Restructuring Act is an out-of-court restructuring of a debtor's liabilities via a restructuring plan, including, e.g., by way of changes to the principal amounts, interest rates and/or maturities of liabilities. Such restructuring plan may also negatively impact (including, e.g., a release of) collateral granted for the benefit of the Notes by the debtor as well as its subsidiaries, parent and sister companies. A restructuring plan can generally be adopted and become binding for creditors upon being approved by the required majority or majorities of a debtors' creditors. The restructuring plan will be voted on in classes. The adoption of the restructuring plan requires, in principle, that in each class a majority of three-quarters of the voting rights approve the plan (whereas voting rights are determined by the amount of the claim, the value of the security and, in the case of share or membership rights, the share of the subscribed capital of the debtor). However, if more than one class is formed, the restructuring plan can even be adopted and become binding on creditors if creditor class(es) have not approved the plan, provided certain requirements are met and the restructuring court confirms the restructuring plan (cross-class cramdown).

The Company Stabilisation and Restructuring Act provides for additional tools that may be used by the debtor so as to facilitate the preparation, negotiations and implementation of a restructuring plan. These tools include a stabilisation order by the restructuring court (which is granted upon the application by the debtor). Such stabilisation order can restrict enforcement measures by certain or all creditors. The stabilisation order can initially be granted for a maximum period of up to three months, with subsequent orders to extend the stabilisation order up to a maximum of eight months subject to certain conditions being satisfied.

For the holders of the Notes, among the relevant consequences of the use of any tools available under the Company Stabilisation and Restructuring Act by a German guarantor or any other guarantor having its centre of main interest in Germany would be the following:

- The negotiation and drafting of a restructuring plan by the debtor is potentially subject to no or only limited review and/or supervision by a court;
- restrictions on individual enforcement or foreclosure actions for all or certain creditors for a period of up to eight months due to a stabilisation order;
- any claims and rights of the holder of the Notes can be subject to and potentially be compromised by the restructuring plan (e.g. in relation to claims in the form of a reduction in principal and/or interest or a deferral and in relation to security rights in the form of a release and an adjustment of the ranking of the security right);
- any collateral granted by the debtor as well as intra-group collateral may be subject to Restructuring Proceedings potentially leading to a negative impact on the respective collateral;
- a restructuring plan can be adopted and the measures therein can become binding on any holder of the Notes without the consent of each holder of the Notes and, if the prerequisites for a cross-class cram-down are fulfilled, even without the consent of any of the holders of the Notes.

Restructuring plans which are public and confirmed by a German restructuring court will be recognized in any EU member state pursuant to the EU Insolvency Proceedings Regulation (Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings) upon such proceeding being included as a recognized proceeding in Exhibit A of that Regulation (which has, as of the date of this offering memorandum, not yet been initiated). In any other case, the recognition of the restructuring plan is subject to certain rules and regulations under applicable international private law.

Limitations on Validity and Enforceability of the Guarantee

The granting of guarantees by German subsidiary guarantors is subject to certain limitations under German law.

Any guarantee granted by a German guarantor being a direct or indirect subsidiary of the Company incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*—"GmbH") is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*—"GmbHG").

As a general rule, sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) is or would fall below, or increases or would increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees granted by a GmbH in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees securing liabilities of a direct or indirect parent or a sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH. Pursuant to such limitation language, the enforcement of any subsidiary guarantee given by the German subsidiary incorporated as a GmbH will be limited if and to the extent payments under any such subsidiary guarantee would cause the German subsidiary Guarantor's net assets to fall below, or increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*) (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any guarantee provided by a (direct or indirect) subsidiary of the Issuer in the legal form of a GmbH incorporated or established in Germany will contain such limitation language in the manner described.

These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the subsidiary guarantee pursuant to the Indenture. In addition, subsidiary guarantees in other jurisdictions may be subject to similar limitations.

German capital maintenance rules referred to above are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German subsidiary guarantors, which can negatively affect the ability of the Issuer to make payment on the Notes, and the ability of the German subsidiary guarantors to make payments on the subsidiary guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding section 64 sentence 3 of the German Limited Liability Company Act (*GmbHG*) now contained in section 15b para 5 of the German Insolvency Code (*Insolvenzordnung*) (i.e. a situation where a managing director makes a payment to the GmbH's shareholder which inevitably leads to the illiquidity of the GmbH) or a so-called — "destructive interference" (*existenzvernichtender Eingriff*) (i.e. a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its payment obligations towards its creditors) may be applied by courts with respect to the enforcement of a subsidiary guarantee granted by the German subsidiary guarantors. In such case, the amount of proceeds permitted or capable to be realized in an enforcement process may be (further) reduced (up to zero). According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), inter alia, a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of subsidiary guarantees by the German subsidiary guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the subsidiary guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (Sittenwidrigkeit). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*) or had reason to enquire further with respect thereto.

Italy

Introduction

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor does it provide a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Recently a comprehensive reform of the Italian insolvency law and the regulation of over-indebtedness crises has been introduced (the "**2019 Reform**"). In particular, the Italian Law No. 155 dated October 19, 2017 has authorized the government to carry out a substantial reform of the Royal Decree No. 267 of March 16, 1942, as subsequently amended and supplemented and currently in force (the "**Italian Bankruptcy Law**"), on the basis of several guidelines. The purpose of the 2019 Reform was mostly to (i) ensure the rationality of the provisions on insolvency, affected over the years by various amendments (especially in the civil sector) which caused a great degree of legal uncertainty, (ii) allow early awareness of the financial distress of a business and (iii) safeguard the business' entrepreneurial potential during a crisis. Italian Legislative Decree No. 14 of January 12, 2019 (the "**Insolvency Code**"), which implemented the Italian Law No. 155 dated October 19, 2017 and substantially reformed the Italian Bankruptcy Law was published in the *Gazzetta Ufficiale* No. 38 of February 14, 2019. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) the definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favour going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the 2019 Reform. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein. All types of debtors, with the exception of the State and public entities, will be subject to the procedures set out therein. Indeed, the Insolvency Code shall apply both to individuals (consumers, professionals and entrepreneurs) and to legal persons (including non-profit companies, organizations and groups of companies).

Except for minor changes in some provisions of the Italian Civil Code (and certain express repeals in the criminal sector) which already entered into force on March 16, 2019, according to Article 389 of the Insolvency Code, it was supposed to enter into force 18 months following its publication in the *Gazzetta Ufficiale* (i.e., on 15 August 2020). Nevertheless, in response to the Covid-19 pandemic, such entry into force has been currently postponed to May 16, 2022 and, only with respect to Title II (*Titolo II*), to December 31, 2023, pursuant to Article 1 of the Law Decree

No. 118 of 24 August 2021 (which introduced a negotiated composition proceeding (*composizione negoziata*) and a simplified court-supervised pre-bankruptcy composition with creditors for the sale of the debtor's assets (*concordato semplificato per la liquidazione del patrimonio*), effective as of November 15, 2021, and certain amendments to the Italian Bankruptcy Law, effective as of August 25, 2021). Until the entry into force of the Insolvency Code, insolvency proceedings will continue to be governed by the Italian Bankruptcy Law and other insolvency laws, as currently in force.

Therefore, the practical consequences of the implementation of the 2019 Reform and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

Certain Italian Insolvency Law Considerations

Certain Italian Insolvency Laws Applicable Prior to Implementation of the Insolvency Code

The following is a brief description of certain aspects of insolvency law in Italy. Apart from the 2019 Reform, the Italian Bankruptcy Law was repeatedly amended in the past years.. In particular, material innovations regarding composition with creditors and debt restructuring agreements under Article 182 *bis* of the Italian Bankruptcy Law and out-of-court restructuring plans pursuant to Article 67, paragraph 3(d), of the Italian Bankruptcy Law were introduced by Law Decree No. 83 of June 22, 2012, as converted by Law No. 134 of August 3, 2012 (the "**Development Decree**"). The purpose of this reform was to boost the restructuring and reorganization of distressed enterprises in order to cope better with the current financial crisis. To achieve this purpose, the Development Decree has focused mainly on three factors: flexibility of the process, reliability of the restructuring plan and tax appeal.

Amendments to the Italian Bankruptcy Law were also introduced with regard to the composition with creditors by Law Decree No. 69 of June 21, 2013 (as converted by Law No. 98 of August 9, 2013) which sets out urgent measures aimed at boosting the country's economy (the "**Decreto del Fare**") and includes some important changes to the rules regarding the application introduced by the Development Decree.

The most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation are: (i) the reform approved on June 23, 2015, through a Law Decree containing urgent reforms applicable, among others, to Italian Bankruptcy Law (the "**Decree 83/2015**"). The Decree 83/2015 entered into force in June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Italian Law No. 132 of August 6, 2015, entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*) and (ii) the amendments implemented by means of the adoption of (a) the Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation focusing on the continuity and survival of financially distressed businesses and enhancing prebankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they become due. There must be a permanent, and not a temporary, state of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall or, more generally, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are subject to review of the court in the event of a subsequent insolvency, and could possibly be challenged as voidable transactions.

In addition, pursuant to Italian Bankruptcy Law, the following proceedings may be entered into by companies facing (i) a state of crisis, or (ii) insolvency as defined under Italian Bankruptcy Law.

Restructuring outside of a judicial process (*concordati stragiudiziali*)

A financially distressed company may, with the aim of rescuing its business, enter with its creditors into out-of-court arrangements (*concordati stragiudiziali*), which take place without court supervision, nor are judicial commissioners appointed. However, such informal arrangements are subject to two main risks in case of subsequent declaration of bankruptcy, which consist of (i) claw-back actions and (ii) application of criminal sanctions.

<u>Out-of-court reorganization plans (*piani di risanamento attestati*) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law</u>

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed by the debtor verifies the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring agreements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by creditors representing a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable, provided that they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law do not offer the debtor any protection against creditors' enforcement actions. The Italian Bankruptcy Law provides that, should these plans fail and the debtor subsequently declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, under certain conditions: (i) are not subject to claw-back action; and (ii) are exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the companies' register are required and, therefore, the risk of negative reputation or disvalue judgments are lower than in case of a court-supervised pre-bankruptcy composition with creditors or a debt restructuring agreement. The publication in the companies' register is possible upon debtor's request and would allow for certain tax benefits.

In order to grant protection against claw-back actions and potential criminal responsibilities, out-of-court reorganization plans pursuant to Article 67, Paragraph 3(d), of the Italian Bankruptcy Law must be supported by adequate documentation representing the financial and commercial situation of the company. Moreover, they must be suitable for the purpose of assuring the restructuring of the indebtedness of the debtor and the rebalancing of its financial position and, in case of failure and subsequent challenge of the plan before an Italian court, it must not be deemed as unreasonable.

<u>Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) pursuant to Article 182*bis* of the Italian Bankruptcy Law</u>

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts can be sanctioned by the court. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, most importantly, that it is capable of ensuring that nonparticipating creditors are satisfied in full within a 120 day term from:

(i) the date of sanctioning (*omologazione*) of the agreement by the court, in the case of debts which are already due and payable to the non-participating creditors as of such date; or

(ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. It is

worth noting that the debtor is entitled to request a *moratorium* while negotiations with creditors are pending. Such request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the *moratorium* to the creditors. In such hearing, the court assesses whether the conditions for granting the *moratorium* are in place and consequently (i) sanctions the stay period and (ii) sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the *moratorium.*

The Italian Bankruptcy Law does not expressly provide for any indications concerning the content of the debt restructuring agreements. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or for the sale of the business to a third party, and may contain refinancing agreements, *moratoria*, write-offs and/or postponements of claims. Pursuant to Article 182-ter of Italian Bankruptcy Law, debt restructuring agreements may also contain a proposed tax settlement for the partial or deferred payment of certain overdue taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), sanction the agreement by way of a decree, which may be appealed within 15 days of its publication.

Pursuant to the new Article 182*bis*, Paragraph 8 of the Italian Bankruptcy Law, as amended by Italian Law No. 69 of May 21, 2021, entered into force on May 22, 2021 (the date after its publication in the *Gazzetta Ufficiale*), if, after the sanctioning (*omologazione*) of the debt restructuring agreement by the court, substantial amendments of the plan become necessary, the debtor may amend the plan in order to ensure the performance of the obligations provided under the debt restructuring agreement, and request the independent expert to carry out a new assessment. In this case, the new plan and the new assessment of the independent expert are published in the companies' register and notice of such publication is given to the creditors by means of certified mail or certified email. Creditors may oppose the new plan within 30 days from the notice of the publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to Article 182*septies* of the Italian Bankruptcy Law, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down, with the possibility to challenge such extension. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors upon an independent expert opinion. The purpose is to prevent financial creditors with modest claims from blocking restructuring operations involving more exposed financial creditors, resulting in the failure of the overall restructuring. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

The debtor may also enter into a standstill agreement with its creditors which are banks and financial intermediaries by which also the non-consenting banks and financial intermediaries are bound, provided that: (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith; and (ii) an expert meeting the requirements provided under Article 67, paragraph 3, letter (d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial Intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the standstill agreement. The banks and financial intermediaries which have not agreed to the standstill agreement may file an objection (*opposizione*) to it within 30 days after having been notified of the same.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.,* trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

It is worth mentioning that the debt restructuring agreement provided under Article 182*septies* of the Italian Bankruptcy Law or the standstill agreement shall not impose new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities on third-party creditors.

Pursuant to Article 182*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised pre-bankruptcy composition with creditors) has priority status in cases of subsequent bankruptcy (such status also applies to shareholder financing, but only up to 80% of such financing). Financing granted "in view of" (*i.e.*, before) the presentation of a petition for a debt restructuring agreement or a court-supervised pre-bankruptcy composition with creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority status is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Pursuant to Article 182*quinquies*, Paragraphs 1 and 4, of the Italian Bankruptcy Law, after the filing of an agreement pursuant to Article 182*bis*, or of a petition pursuant to Article 161, Paragraph 1 or 6, of the Italian Bankruptcy Law (i.e., a petition for a court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*) described below), the court may authorize the debtor to: (i) incur new super-senior (so called *prededucibile*) indebtedness, subject to an expert certifying that such financing is functional to the overall restructuring process, (ii) secure such indebtedness via *in rem* security (*garanzie reali*) or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), issued a report in which they declare that the new financial indebtedness aims to achieve a better satisfaction of the creditors.

The provision of Article 182*quinquies* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to Article 182*quinquies*, Paragraph 3 of the Italian Bankruptcy Law, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the *moratorium* application pursuant to Article 182*bis*, Paragraph 6 of the Italian Bankruptcy Law or after the filing of a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*) described below), also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur new super-senior (so-called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The debtor, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds; and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the debtor.

Court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*)

A financially distressed company may enter into a composition with its creditors, under court supervision, in order to restructure its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the company can file a petition with the competent court for a *concordato preventivo* proceeding (together with, *inter alia*, a restructuring plan and an independent expert report assessing the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published in the company's register by the registry of the court. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement actions are automatically stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such preexisting creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims in any manner (*provided that*, in any case, it shall ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186*bis* of the Italian Bankruptcy Law), including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition

proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes.

The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so-called *concordato in bianco*, pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, as amended by the so-called Decreto del Fare). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of its creditors and the amount of their receivables, reserving the right to submit the underlying plan, the proposal and all the other relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, upon request of the debtor, when there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the preliminary petition for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so-called *concordato in bianco*).

The debtor may not file such preliminary petition where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published the following day in the company's register.

Non-compliance with these requirements results in the preliminary petition for the composition with creditors being declared inadmissible, and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the proposal and the restructuring plan, the court may, *ex officio*, after hearing the debtor and, if appointed, the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company and new super-senior indebtedness authorized by the court aimed at supporting urgent financial needs related to the company's business, pending the *concordato in bianco*, as well as the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182*bis*, Paragraph 1 of the Italian Bankruptcy Law, or after the filing of the *moratorium* application pursuant to Article 182*bis*, Paragraph 6 of the Italian Bankruptcy Law, also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, are treated as super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law.

The composition proposal may propose that: (i) the company's business continues to be run by the company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented.

Furthermore, the going concern-based arrangements with creditors can provide for, *inter alia*, the winding-up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial commissioners (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial commissioners and judge. The debtor is allowed to carry out urgent extraordinary transactions only upon the prior judge's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so-called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favourable vote of (a) the creditors representing the majority of the receivables admitted to vote, and also, in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favour of the proposal. Creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who did not exercise their voting right will be deemed not to have approved the *concordato preventivo* proposal. In relation to voting by the holder of the notes in the *concordato preventivo* proceeding, the interaction between (i) the provisions set forth under the indenture with respect to meetings of holders of the notes, the applicable majorities and the rights of each holder of the notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is untested in the Italian courts. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* proposal provides that they will not receive full satisfaction of their claim (provided that they receive, at least, an amount equal to the fair market value of their secured assets, as assessed by an independent expert), in which case they can vote only in respect of the part of their claim affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the receivables giving the right to vote or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a prebankruptcy composition with creditors proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor does not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, a pre-bankruptcy composition with creditors proposal with liquidation purpose (*concordato liquidatorio*) (*i.e.*, a pre-bankruptcy composition with creditors proposal aimed at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy composition with creditors proposals based on the continuation of the business (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and sanctioned (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including taking all corporate actions required.

In addition, Article 163*bis* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in prebankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's

assets or of a going concern of the debtor to an identified third party, the court shall open a competitive bidding process.

After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Pursuant to article 169*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (*e.g.*, employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*) if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid according to the *concordato preventivo* proposal.

Bankruptcy (*fallimento*)

A request to declare a debtor company bankrupt and to commence bankruptcy proceedings (*fallimento*) and the judicial liquidation of the debtor's assets can be filed by the debtor itself, any of its creditors and, in certain cases, by the public prosecutor. Insolvency, as defined under the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the debtor (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings:

(a) subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;

(b) the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver (*curatore fallimentare*);

(c) any act of the debtor company done after a declaration of bankruptcy (including payments made) is ineffective against the creditors;

(d) continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and

(e) the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration is suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a designated judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of

the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. In this respect, Law 132/ 2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. The Italian Bankruptcy Law provides for a priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Such priority of payment is provided under mandatory provisions of Italian law (and, consequently, it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

Bankruptcy composition with creditors (*concordato fallimentare*)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, after the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are allowed to file such proposal only after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security, or the *concordato fallimentare* provides that they will not receive full satisfaction, in which case they can vote only in respect of the part of their claim affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Statutory priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order:

(i) for payments of "claims with super-priority" (*crediti prededucibili*). In general, claims are considered to have super-priority when they are so qualified by a specific provision of law or when they arise as part of the bankruptcy (*i.e.*, claims originated in the insolvency proceedings, such as costs related to the procedure). These claims are paid for the entire amount and before other claims (secured, preferred, unsecured and subordinated). Examples of these claims are bankruptcy receiver's fees and costs; the costs of the sale of the assets; the rent for the debtor's offices after adjudication; employees' salaries and social security payments relating to the period after adjudication; attorney's and other advisors' fees. Such claims are satisfied in full (including costs and interests) with the proceeds of the liquidation of movable and immovable debtor's assets, according to their rank (preferred, secured, unsecured), with the exclusion of the proceeds of the sale of assets subject to other creditors' security interests (mortgages and pledges), which are directed to payment of secured creditors;

(ii) for payment of claims that benefit from preferential treatment (c*rediti privilegiati in senso ampio or crediti prelatizi*), which include creditors who hold a security interest (*creditori ipotecari o pignoratizi*) and creditors who have a preference under law (*creditori privilegiati in senso stretto*), such as the claims of the Italian tax authorities and social security administrators and claims for employee wages. As a general

principle, creditors holding a security interest are satisfied with the proceeds deriving from the sale of the relevant assets to the exclusion of all other creditors, including secured creditors having a lower rank (e.g., first mortgage over second mortgage). However, the Italian Civil Code contains very detailed rules (Article 2745) regulating priority conflicts between secured and preferred creditors. A mortgagee and a pledgee are entitled to satisfy their claims from the proceeds of the sale of the encumbered assets. Any excess is available for distribution to other creditors (*i.e.*, second mortgages, preferred creditors and unsecured creditors). Where the relevant asset is insufficient to satisfy its claim against the debtor, a creditor will rank as an unsecured creditor for the remainder;

(iii) for the payment of unsecured creditors' claims (*crediti chirografari*). Unsecured creditors have no preference or security and will therefore be paid only if and to the extent any proceeds of the estate remain after all other claims with a higher rank have been satisfied. Unsecured creditors rank *pari passu* among themselves in the estate, in proportion to the size of their claims;

(iv) for the payment of subordinated creditors' claims (*creditori postergati e subordinati*).

Avoidance powers in insolvency

Under Italian law, there are claw-back or avoidance provisions that may affect, *inter alia*, the payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defrauding creditors. Claw-back rules under Italian law are normally considered to be favourable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a claw-back period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the claw-back period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions that are ineffective by operation of law and acts or transactions that are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

(a) Acts ineffective by operation of law

(1) Under Article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the bankruptcy declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without needing to wait until the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the judge as a violation of law; and

(2) under Article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the declaration of bankruptcy or thereafter are deemed ineffective *vis-à-vis* creditors if made by the debtor in the two-year period prior to the bankruptcy declaration.

(b) Acts that could be declared ineffective at the request of the bankruptcy receiver/court commissioner

(1) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by Article 67 of the Italian Bankruptcy Law and be declared ineffective unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

(i) the onerous transactions entered into in the year preceding the bankruptcy declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25% the value of the consideration received by and/or promised to the debtor;

(ii) payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the bankruptcy declaration;

(iii) pledges and mortgages granted by the bankrupt entity in the year preceding the bankruptcy declaration in order to secure pre-existing debts which have not yet fallen due; and

(iv) pledges and mortgages granted by the bankrupt entity in the six months preceding the bankruptcy declaration, in order to secure debts which had fallen due.

(2) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

(i) the payments of debts that are immediately due and payable and any onerous transactions entered into or made in the six months preceding the bankruptcy declaration; and

(ii) the granting of security interests securing debts (even those of third parties) and made in the six months preceding the bankruptcy declaration.

(3) The following transactions are exempt from claw-back actions:

(i) a payment for goods or services made in the ordinary course of business and in accordance with market practice;

(ii) a remittance on a bank account, provided that it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;

(iii) a sale, including an agreement for sale registered pursuant to Article 2645*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as of the date of the bankruptcy declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;

(iv) transactions entered into, payments made and security interests granted with respect to the bankrupt entity's assets, provided that they concern the implementation of a *piano di risanamento attestato* (see "*—Out-of-court reorganization plans* (*piani di risanamento attestati*) *pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);

(v) a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see "*—Court-supervised prebankruptcy composition with creditors* (concordato preventivo)" above) or an *accordo di ristrutturazione dei debiti* under Article 182*bis* of the Italian Bankruptcy Law (see "*—Debt restructuring agreements with creditors* (accordi di ristrutturazione dei debiti) *pursuant to Article 182bis of the Italian Bankruptcy Law*" above) and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo* (see above);

(vi) remuneration payments to the bankrupt entity's employees and consultants; and

(vii) a payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary clawback period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, *provided that* the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Article 2929*bis* of the Italian Civil Code provides for a "simplified" enforcement action for the creditors with respect to certain types of transactions put in place by the debtor with the aim to subtract registered assets from creditors' action. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out on a free basis (*e.g.,* gratuitous transfers, or creation of shield instruments such as trusts or the so-called *fondo patrimoniale*— "family trust"). In case of gratuitous transfers, the enforcement action can be carried out by the creditor also against the third-party purchaser.

<u>Extraordinary administration for large insolvent companies (*amministrazione straordinaria delle grandi imprese in stato di insolvenza*)</u>

An extraordinary administration proceeding applies under Italian law to large industrial and commercial enterprises (the *Prodi-bis* procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration proceeding. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

The extraordinary administration proceeding is divided into two main phases: a "judicial phase" and an "administrative phase."

Judicial phase

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissiario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within 10 days from such filing, the Ministry of the Economic Development (the "**Ministry**") may release an opinion on the admission of the company to the extraordinary administration proceeding. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

Administrative phase

Assuming that the company is admitted to the extraordinary administration proceeding, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). The plan may also include an arrangement with creditors (*e.g.*, a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

If the Disposal Plan is approved, the extraordinary commissioner(s) can initiate claw-back actions according to the avoidance provisions set forth with respect to bankruptcy proceedings. If acts such as those that could be declared ineffective at the request of the bankruptcy receiver (see above) are put in place among companies belonging to the same group, the claw-back period is extended to up to three or five years.

<u>Industrial restructuring of large insolvent companies (*ristrutturazione industriale di grandi imprese in stato di insolvenza*)</u>

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the *Marzano* procedure. It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The *Marzano* procedure is intended to be faster than the *Prodi-bis* procedure. For example, although a

company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor.

The *Marzano* procedure only applies to large insolvent companies that, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision of whether to open a *Marzano* procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Unlike in the *Prodi-bis* procedure, in the *Marzano* procedure the extraordinary commissioner(s) can initiate claw-back actions also if a Recovery Plan is approved, provided that this results in a material benefit for the creditors.

Compulsory administrative windingup (*liquidazione coatta amministrativa*)

A compulsory administrative windingup (*liquidazione coatta amministrativa*) is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is a special sort of insolvency proceeding in which the entity is liquidated not by the bankruptcy court, but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also on other grounds expressly provided for by the relevant legal provisions (*e.g*., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions). The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a pre-bankruptcy composition with creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with super-senior status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, *inter alia*, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a pre-bankruptcy composition with creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing was functional to the overall restructuring process; or (ii) such financing was provided for by the plan or the agreement, provided in each case that the court approved such priority status. Under Article 99 of the Insolvency Code, the petition must: (i) specify the use of the financing; (ii) state that the debtor is not able to find financing otherwise; and (iii) indicate the reasons why the absence of the financing would lead to a serious prejudice to the debtor's activities or the continuation of the procedure. The petition must be accompanied by a report from an independent professional certifying that all the requirements set forth in Article 99 are met, as well as that the financing should result in the better satisfaction of the creditors' claims. The report is not necessary when

the court finds that there is an urgent need to take steps to avoid serious and irreparable damage to the debtor's business.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during the suspect period. The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a notes guarantee or the granting of security interests under the security documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant security documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

Impacts of the Covid-19 emergency on Insolvency Proceedings

In response to the Covid-19 pandemic, the Italian Government adopted new urgent measures, *inter alia*, on insolvency matters in order to (i) preserve the continuity of companies throughout the Covid-19 pandemic and after its end, with particular regard to those that were trading on a going concern basis before the Covid-19 pandemic, and (ii) ensure the successful outcome of certain insolvency proceedings already pending during the Covid-19 pandemic or already approved by the beginning of the Covid-19 pandemic. Among such legislative measures, on April 8, 2020, the Italian Government enacted the Law Decree No. 23 of 8 April 2020 (the so-called "**Decreto Liquidità**"), which provides businesses affected by the Covid-19 pandemic with a package of financial assistance designed to help Italian businesses survive the dramatic short term effects of the Covid-19 pandemic, and which has been converted into law on June 4, 2020.

The Decreto Liquidità (as amended, supplemented and replaced, as the case may be, from time to time) contains measures to relieve enterprises from certain obligations or procedures that could trigger adverse effects due to the Covid-19 pandemic and the associated restrictions. Most of such measures were in place in the course of 2020 and do not apply anymore in 2021. However, some other measures are still currently in place and shall therefore be considered.

An introduction to the Insolvency Code

The Insolvency Code substantially reforms the Italian Bankruptcy Law by setting out a unified and systematic set of rules for the implementation of an organic reform of the principles and rules applicable to the effects of corporate crises and insolvency.

Certain provisions came into force on March 16, 2019 (*e.g.*, provisions on Directors' liability), certain others should have entered into force from August 14, 2020. Due to the epidemiological emergency relating to the Covid-19 pandemic, the entry into force of the Insolvency Code has been currently postponed to May 16, 2022 and, only with respect to the II Title (*Titolo II*), to December 31, 2023, pursuant to Article 1 of the Law Decree No. 118 of 24 August 2021. The Insolvency Code will likely be further amended before its final entry into force.

The main changes introduced by the Insolvency Code are (i) warning instruments and assisted crisis resolution process; (ii) the introduction of the notion of insolvency of corporate groups; (iii) amendments to the rules governing out-of-court reorganization plans (*piani di risanamento*), court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*), debt restructuring agreement (*accordo di ristrutturazione*) and the bankruptcy proceeding (now called *liquidazione giudiziale*) and (iv) renaming of the bankruptcy proceeding into judicial liquidation.

<u>Warning instruments (*strumenti di allerta*) and assisted crisis resolution process (*procedimento di composizione assistita della crisi*)</u>

Warning instruments are a critical innovation set forth by the Insolvency Code, given that they do not affect companies only in time of crisis, but also during their whole life cycle. Such warning instruments (*strumenti di allerta*), together with the organizational obligations imposed on the debtor by the Civil Code (Article 2086 as amended by the Insolvency Code), aim at promptly detecting signs of crisis in the debtor and at immediately adopting the measures best suited to its composition. Specifically the corporate control bodies, the auditor and the auditing firm, each within the scope of its functions, are obliged to: (i) verify that the administrative body constantly evaluates, taking the appropriate initiatives, whether the organizational structure of the debtor is adequate; (ii) check whether there is economic and financial equilibrium and what is the foreseeable trend of the management; and (iii) immediately report to the Board of Directors the presence of well-founded indications of the existence of a crisis.

The report will be in writing and sent by certified electronic mail or, in any case, by means that ensure proof of receipt, and will, additionally, contain the setting of a reasonable period, not exceeding 30 days, within which the administrative body is to report on the solutions identified and the initiatives undertaken. In case of omissions or inadequate responses, or failure to adopt, in the subsequent 60 days, the measures deemed necessary to overcome the crisis, the aforementioned bodies will inform without delay the *Organismo di Composizione della Crisi di Impresa* ("*OCRI*"), providing every element useful for its determinations. Further obligations in monitoring companies and reporting to the OCRI rest upon the Revenue Agency (*Agenzia delle Entrate*), the National Social Security Institute and the Collection Agent (*Agente per la Riscossione*).

The OCRI is established at each Chamber of Commerce, Industry, Arts and Agriculture (CCIAA), with the task of receiving the reports referred to in Articles 14 and 15 of the Insolvency Code, managing the alert procedure and assisting the debtor, at his request, in the procedure of assisted composition of the crisis. The OCRI will work through the "contact person", who will be the Secretary General of the Chamber of Commerce, Industry, Crafts and Agriculture, or his delegate, as well as through the contact person's office, which may also be formed in an associated form by several chambers of commerce and the expert council appointed from time to time.

Within 15 working days from the receipt of the report or from the debtor's instance, the OCRI will summon for a confidential hearing, before a council appointed specifically for the procedure, the debtor and, in the case of a debtor with a supervisory body, the members of the supervisory body.

Pursuant to Article 18 of the Insolvency Code when the OCRI detects the existence of a crisis, it identifies with the debtor the possible measures to remedy it and sets the deadline within which the debtor must report on their implementation.

In accordance with Article 19 of the Insolvency Code, at the request of the debtor, the council will set a time limit for reaching an agreement with respect to the solution of the crisis. Such time limit is set at 90 days, which may be extended for additional 90 days if negotiations are leading to a solution to the crisis.

When the debtor applies for the approval of agreements to restructure debts or to open an arrangement with creditors, the council proceeds, at the request of the debtor, to certify the truthfulness of the debtor's financial and economic data, including the list of the creditors. The arrangement produces the same effects as the agreement that implements the out-of-court reorganization plan and, at the request of the debtor and with the consent of the creditors concerned, is filed in the commercial register.

If, on expiry of the aforementioned period, no agreement has been reached with the creditors concerned and a situation of crisis persists, the previously mentioned council will invite the debtor to apply for access to one of the procedures described in the following paragraphs (i.e., *accordi di ristrutturazione dei debiti*, *concordato preventivo* and *liquidazione giudiziale*) within 30 days.

If the debtor fails to comply with the steps provided in the *procedimento di composizione assistita della crisi*, the council, if it considers that the elements acquired make it clear that the debtor is in a state of insolvency, will report this in a reasoned report to the contact person who will inform the public prosecutor at the competent court thereof, who will, in turn, file for a judicial liquidation.

<u>Out-of-court reorganization plans (*piani di risanamento*) pursuant to Article 56 of the Insolvency Code</u>

Out-of-court debt restructuring agreements are still based on restructuring plans (*piani attestati di risanamento*) prepared by a company to restructure its indebtedness and to ensure the recovery of its financial condition. According to Article 56, an independent expert appointed by the debtor has to certify the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the debtor.

The recovery plan must: (i) have a certified date; (ii) be in written form; (iii) have an analytical content with the specification, aimed at avoiding opportunistic or collusive conduct, that even unilateral acts or executive contracts must be proven in writing and must have a certified date. At the debtor's request the plan can be published in the companies' register (this would allow for certain tax benefits).

The content of the plan will also indicate, pursuant to Article 56, Paragraph 2, of the Insolvency Code: (i) the economic and financial situation of the debtor and indication of such debtor's asset; (ii) the main causes of the crisis; (iii) intervention strategies and the time needed to ensure the rebalancing of the financial situation; (iv) the creditors and the amount of claims for which a renegotiation is proposed and the status of each negotiation as well as the list of the creditors excluded from the plan and the resources to be utilized by the debtor to repay such external creditors; (v) new financial contributions; (vi) the timing of the actions to be carried out, which make it possible to verify their implementation, as well as the instruments to be adopted in case of any deviation between the objectives and the current situation; and (vii) a business plan and evidence of its effects on the financial aspect of the debtor.

The terms and conditions of these plans are still freely negotiable, provided that they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike court-supervised pre-judicial liquidation composition with creditors and debt restructuring agreements, out-of-court reorganization plans, pursuant to Article 56 of the Insolvency Code, do not offer the debtor any protection from enforcement proceedings or precautionary actions of third-party creditors. Should these plans fail and the debtor subsequently be subject to judicial insolvency, Italian insolvency laws provide that, subject to certain conditions, the payments or acts carried out to implement the reorganization plan are not subject to clawback action (Article 166, Paragraph 3(d), of the Insolvency Code) and are exempt from certain potentially applicable criminal sanctions.

<u>Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) pursuant to Article 57 of the Insolvency Code</u>

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the debtor's outstanding debts have not particularly changed with the introduction of the Insolvency Code. They still have to be sanctioned by the court and an independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the debtor. Moreover, such expert must also declare that the agreement is feasible and ensure that the debts of non-participating creditors can be fully satisfied within 120 days from: (i) the date when the court sanctions the agreement, in the case of debts which are already due and payable to non-participating creditors as of that date; and (ii) the date on which the relevant debts is due, in case of receivables which are not yet due and payable to non-participating creditors as of the date the court sanctions the debt restructuring agreement (*omologazione*). Only a debtor who is in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) or insolvent can initiate this process and request the court to sanction the debt restructuring agreement entered into with its creditors (*omologazione*).

If the debtor has so requested in the application referred to in Article 40 of the Insolvency Code, from the date of its publication in the relevant companies' register, creditors by reason of previous preceding title or cause cannot, under penalty of voidance, begin or continue executive and precautionary actions on the debtor's assets. From the same date, the statute of limitations remains suspended and the forfeitures (*decadenze*) do not occur. These protective

measures may be required by the debtor also during the negotiations and before the filing of the application for the sanction of the debt restructuring agreements, by including the documentation referred to in Article 39 and the proposal for an agreement accompanied by a statement from the independent expert certifying that the proposal is in progress with creditors representing at least 60% of the total and that it, if accepted, is eligible for ensuring the full payment of creditors with whom they are not in negotiations or have otherwise denied their own willingness to negotiate.

The percentage referred to in Article 57 (60% of the debtor's outstanding debt) will be reduced by half when the debtor: (i) does not propose a *moratorium* on creditors who are not parties to the agreements; and (ii) has not requested, and refrains from requesting, protective measures.

Aside from an indication of the elements of the business plan which enable it to be implemented, the Insolvency Code does not include express provisions concerning the contents of a debt restructuring agreement. The plan can therefore provide, *inter alia*, either that the debtor or a third party continue the business or that the business be sold to a third party, and may contain refinancing agreements, *moratoria*, write-offs or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for partial or deferred payment of certain taxes, pursuant to Article 63 of the Insolvency Code. Creditors and other interested parties may oppose the agreement within 30 days from its publication in the companies' register. The court will, after having settled any oppositions, sanction the agreement by issuing a decree, which may be appealed (*soggetta a reclamo*), in accordance with Article 51 of the Insolvency Code, within 30 days of its publication.

Pursuant to the Article 61 of the Insolvency Code, debtors are entitled to enter into debt restructuring agreements by obtaining approval of creditors representing at least 75% of the credits belonging to the same category (with respect to the homogeneity of their legal status and economic interests), and can request the court to declare that agreement binding on dissenting creditors of the same category (a so-called "cramdown"), provided that certain conditions are met, including that dissenting creditors are not treated worse than under any other available alternative. The law also mandates that (i) the agreement will be of a non-liquidating nature, (ii) the agreement will provide for the continuation of the business activity directly or indirectly pursuant to Article 84, Paragraph 2, of the Insolvency Code, and (iii) that creditors are satisfied to a significant extent or mainly from the proceeds of the continuation of the going concern. If these conditions are met, the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed-down creditors can challenge the agreement and refuse to be forced into it.

A special provision is set forth for debtors whose financial indebtedness is at least 50% of their total indebtedness: in this situation the debt restructuring agreement may identify one or more categories of such creditors who have a homogeneous legal position and economic interests and extend its effect to non-participating creditors who are part of the same category. In such instance, the agreement is valid even if the creditors' satisfaction does not come from the proceeds of the going concern.

Similarly, pursuant to Article 62 of the Insolvency Code, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and creditors representing 75% of the same class would also bind non-participating creditors, provided that an independent expert certifies the homogeneity of the classes and that certain further conditions are met (*e.g.*, there has to be a real prospect that creditors in the same category who are not part of the agreement, but to whom the effects of the agreement are extended, will be satisfied at the end of the agreement to no lesser extent than in the case of judicial liquidation).

In no case the debt restructuring agreement provided under Articles 61 and 62 of the Insolvency Code may impose new obligations, the granting of new overdraft facilities, and the maintenance of the possibility to utilize existing facilities or the utilization of new facilities on third party creditors.

Pursuant to Article 101 of the Insolvency Code, financing granted to the debtor pursuant to an approved debt restructuring agreement (or a court-supervised pre-judicial liquidation composition with creditors) enjoy priority status in a subsequent judicial liquidation (such status also applies to shareholder financing, but only up to 80% of such financing). In the event of the debtor's subsequent admission to judicial liquidation, such financing does not benefit of the priority status where the composition with creditors proceeding or the debt restructuring agreement is, on the basis of an assessment to be made at the time of filing, based on false data or omission of relevant information or the debtor has carried out acts in fraud of creditors and the receiver (*curatore*) proves that those who granted the financing, at the date of disbursement, knew such circumstances.

Pursuant to Articles 99 and 100 of the Insolvency Code, the court, after the petition for a court-supervised pre-judicial liquidation composition with creditors (*concordato preventivo*) or for a debt restructuring agreement, may authorize

the debtor to: (i) incur into new super-senior (so-called *prededucibile*) indebtedness subject to authorization by the court and certification by an independent expert that such financing is functional to the overall restructuring process; (ii) secure such indebtedness via *in rem* securities (*garanzie reali*), provided that the independent expert appointed by the debtor, having verified the overall financial needs of the debtor until the sanctioning (*omologazione*), declares that the new financial indebtedness aims to achieve better satisfaction of the creditors; and (iii) pay debts deriving from the supply of services or goods already payable and due at the date of the petition, provided that the independent expert declares that such payment is essential to maintain the debtor's activities and to ensure the best satisfaction for all creditors.

Furthermore, pursuant to Article 99, Paragraph 3 of the Insolvency Code, the court may also authorize the debtor to incur in new super-senior (so-called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the debtor's business. In this case, the certification of the independent expert is not necessary. Pursuant to Article 99, Paragraph 2, of the Insolvency Code, the debtor, while filing such request of authorization, is required to specify: (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds; and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the debtor.

Court-supervised pre-judicial liquidation composition with creditors (*concordato preventivo*)

A company which is insolvent or in a situation of crisis (i.e., financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, to compose its overall indebtedness or reorganize its business, thereby avoiding a declaration of insolvency. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding financial years, (ii) has had revenues (in whatever way they are found to be) in an aggregate amount exceeding €0.2 million for each of the three preceding financial years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor can initially file a petition with the court for a *concordato preventivo* (together with, *inter alia*, a restructuring plan and an independent expert report assessing the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the debtor). The petition for *concordato preventivo* is then published by the debtor in the companies' register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the publication of the *concordato preventivo* petition in the companies' register) are stayed, if the debtor has made such a request with the petition. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the companies' register are ineffective against such preexisting creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims (including through non-recurring transactions, such as the granting of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities to creditors and to their subsidiaries or affiliated companies); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (the so-called *concordato in bianco*), because the debtor, pursuant to Article 44, Paragraph 1(a) of the Insolvency Code, may ask the court to set a period between 30 and 60 days, which may be extended upon request of the debtor in the presence of justified reasons and in the absence of requests for the opening of judicial liquidation, by no more than 60 days, within which the debtor submits the proposal for a composition with creditors with the plan, the attestation of truthfulness of the data and feasibility of the plan and the documentation referred to in Article 39, Paragraphs 1 and 2 of the Insolvency Code, or a debt restructuring agreement.

If the court accepts such petition, it may appoint a judicial commissioner (*commissario giudiziale*) to overview the debtor, who will report to the court any act of fraud committed against creditors (as described in Article 106 of the Insolvency Code), or any circumstance or conduct of the debtor which could jeopardize the effective solution of the crisis, which, upon further verification, may reject the petition for a *concordato preventivo*. The decree setting the term for the presentation of the necessary documentation also contains the periodical information requirements (relating to (i) the financial management of the debtor, (ii) the activities carried out for the purposes of filing the composition proposal and the restructuring plan) that the debtor has to fulfil, under the supervision of the judicial commissioner, at least on a monthly basis, until the lapse of the term established by the court. The debtor will also

file, on a monthly basis, a document relating to the debtor's financial position, which is published, within the following day, in the companies' register.

Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, a judicial liquidation proceeding will be opened.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the debtor may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to non-recurring activities to the extent they are urgent. Claims arising from acts lawfully carried out by the debtor during the insolvency procedures and new super-senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement and court-supervised pre-judicial liquidation composition with creditors, are treated as super-senior (so-called *prededucibili*) and the related acts, payments and security interests granted are exempt from clawback pursuant to Article 166 of the Insolvency Code.

The composition proposal may, in accordance with Article 87 of the Insolvency Code, provide for: (i) the debtor's business to continue to be run by the debtor as a going concern; or (ii) the business to be transferred to one or more companies and any assets which are no longer necessary to run the business be liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of continuation of the business as a going concern, as well as the financial resources and support which will be necessary.

The independent experts must also certify that continuing the business is conducive to satisfying creditors' claims to a greater extent than if such composition proposal was not implemented.

The composition agreement may also contain a proposed tax settlement for partial or deferred payment of certain taxes pursuant to Article 88 of the Insolvency Code.

If the court determines that the composition proposal is admissible, it appoints a judge to supervise the procedure (*giudice delegato*) and one or more judicial officers (*commissari giudiziali*), and calls a creditors' vote. While the proposal is implemented, the debtor generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who must authorize all transactions that are not in the ordinary course of business).

The *concordato preventivo* may be voted telematically and must be approved with the favourable vote of (a) the creditors representing the majority of the receivables admitted to vote, and, (b) in the event that the plan provides for more classes of creditors, the majority of such classes. Secured creditors are not entitled to vote on the proposal of the *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* proposal provides that they will not receive full satisfaction of their claim (provided that they receive, at least, an amount equal to the fair market value of their secured assets, as assessed by an independent expert), in which case they can vote only in respect of the part of their claim affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding one or more classes' objection to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of dissenting creditors are adequately safeguarded compared to other solutions. If 20% of the creditors entitled to vote or, in case there are different classes of creditors, a creditor belonging to a dissenting class, file an objection (*opposizione*) to the sanctioning of the *concordato preventivo*, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

Pursuant to Article 90 of the Insolvency Code, it is possible for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan in prejudicial liquidation composition with creditors (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the debtor's proposal does not ensure recovery of at least (i) 30% of the unsecured claims (*crediti chirografari*) or (ii) 20% of the unsecured claims (*crediti chirografari*) where the debtor has requested the opening of the alert procedure or has usefully initiated an assisted crisis resolution, in accordance with Article 24 of the Insolvency Code.

In addition, to strengthen the position of unsecured creditors, the Insolvency Code provides that a *concordato liquidatorio* (i.e., a pre-judicial liquidation composition with creditors aiming to transfer all assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid with respect to at least 20% of their claims and increase their satisfaction by at least 10% in comparison with the alternative of the judicial liquidation. This provision does not apply to prejudicial liquidation composition with creditors based on the continuation of business (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by creditors and sanctioned (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, for instance by taking all corporate actions required.

In addition, Article 91 of the Insolvency Code provides that if a plan in pre-judicial liquidation composition with creditors (*concordato preventivo*) includes an offer to sell the debtor's assets or a going concern of the debtor to an identified third party, the judicial commissioner may request the court to open a competitive bidding process to the extent it is in the best interest of the creditors. After approval by the creditors, the court, having settled any objections raised by dissenting creditors, sanctions the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors do not approve the *concordato preventivo*, the delegated judge will immediately report to the court, which will subsequently, upon request of those who an entitled entity and if all the requirements are met, open the judicial liquidation pursuant to Article 49 of the Insolvency Code.

Pursuant to Article 97 of the Insolvency Code, the debtor may request the competent court to be authorized to terminate outstanding agreements, except for certain agreements which are excluded from the scope of the above provision (*e.g.*, employment agreements, residential real estate preliminary sale agreements and real estate lease agreements), if they are not coherent with the plan's prosecution or not functional to its execution. Upon the debtor's request, pending agreements can also be suspended for a period of time not exceeding 60 days, renewable only once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the nonfulfillment of the agreement. Such indemnification would be paid according to the *concordato preventivo* proposal.

Judicial liquidation

Under the Insolvency Code, the term "bankruptcy" has been replaced with the term "judicial liquidation"; however, its scope and objectives have not changed. A request to commence this proceeding to liquidate the debtor's assets may be filed, in accordance with Article 37 of the Insolvency Code, by (i) the debtor itself, (ii) any of its creditors, (iii) the public prosecutor (in accordance with Article 38 of the Insolvency Code), or (iv) the administrative bodies and authorities responsible for the control and supervision of the debtor.

Insolvency, as defined under Article 2 of the Insolvency Code, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Judicial liquidation is declared by the competent court within each tribunal. Italian insolvency law is applicable only to commercial enterprises (*imprenditori commerciali*) if one of the following thresholds is met: the debtor (i) had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million during each of the three preceding financial years; (ii) had gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding financial years; or (iii) has total indebtedness in excess of €0.5 million.

On the commencement of judicial liquidation proceedings:

(a) subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interests and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the debtor's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the receiver and the creditors' committee, the designated judge decides whether to authorize the sale and sets forth the timing in its decision;

(b) a receiver (*curatore*) is appointed to administer the debtor and manage its assets;

(c) any act of the debtor done after a declaration of judicial liquidation (including payments made) is ineffective against the creditors;

(d) continuation of business may be authorized by the court if an interruption would cause greater damage to the debtor, but only if continuation of the debtor's business does not cause damage to creditors; and

(e) the execution of certain contracts or transactions pending as of the date of declaration of judicial liquidation is suspended until the receiver decides whether to take them over. Although the general rule is that the receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules under the Insolvency Code.

Judicial liquidation proceedings are carried out and supervised by a court-appointed receiver, a designated judge (*giudice delegato*) and a creditors' committee. The receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. Liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. The applicable law provides for a priority of payment to certain preferential creditors, including administrative costs associated with the proceeding and costs related to the receiver's running of the debtor, Italian tax and national social security contributions and employee arrears of wages or salary. Such priority of payment is granted under mandatory provisions of Italian law (and, consequently, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor agreements would be recognized by an Italian judicial liquidation's estate, to the extent they are inconsistent with the priorities provided by applicable law).

Composition with creditors during the judicial liquidation (*concordato nella liquidazione giudiziale*)

A judicial liquidation proceeding can terminate prior to the decree giving effect to the liabilities account (*stato passivo*) through a composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, after the declaration of judicial liquidation. By contrast, the debtor or its subsidiaries are only allowed to file such proposal after one year from such declaration, but within two years following the decree giving effect to the liabilities account (*stato passivo*). Additionally, the debtor's proposal is only admissible if it provides for the contribution of resources that increase the value of the assets by at least 10%.

Secured creditors are not entitled to vote on the proposal of *concordato nella liquidazione giudiziale*, unless and to the extent they waive their entire or part of their security, or the *concordato nella liquidazione giudiziale* proposal provides that they will not receive full satisfaction of their claim (provided that they receive, at least, an amount equal to the fair market value of their secured assets, as assessed by an independent expert), in which case they can vote only in respect of the part of their claim affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and satisfaction of creditors' claims in any manner. An abstention is considered as a favourable vote. The *concordato nella liquidazione giudiziale* proposal must be approved by the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court sanctioning is also required.

Certain Considerations in Relation to Guarantees and Security Interests

Corporate Benefit and Financial Assistance Issues under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing, restructuring or recapitalisation, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation and it is assessed and determined by a factual analysis on a case by case basis and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a standalone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (*i.e.*, security or guarantee granted to secure or guarantee (as applicable) financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of upstream or cross stream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general approach is that the risk assumed by an Italian grantor of security or

guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of an upstream and/or cross stream guarantee or security for the financial obligations of group companies, examples of benefit received by an Italian guarantor or security provider may include financial consideration or the making available to the Italian company of financial resources in the form of access to cash flows through intercompany loans from other members of the group (without duplication), while transactions featuring debt financings of distributions to shareholders lacking any indirect direct or financing to the Italian company may be more problematic and potentially subject to challenge for lack of corporate benefit and conflict of interest.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting security or giving guarantees) by an Italian company an "ultra vires" transaction and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be subject of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or entities ultimately exercising control over an Italian grantor for having exercised such control in breach of principles of the correct corporate and entrepreneurial management (*corretta gestione societaria e imprenditoriale*) of, or otherwise creating unlawful prejudice to the Italian grantor, or on those entities having otherwise knowingly received an advantage or profit from such improper exercise of control over the Italian grantor (including as a result of creation of guarantee or security lacking adequate corporate benefit). Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to upstream, cross-stream and downstream guarantees and security interests granted by Italian companies.

Financial Assistance

In addition, the granting of a security or a guarantee by an Italian company cannot provide credit support for any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, granting security, giving guarantees guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas. Such Prohibition is generally believed to apply also in resepct of acquisition of shares in, or subscription of capital in, any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company and in breach of the relevant provisions of law.

Maximum Guaranteed Amount

Under Article 1938 of the Italian Civil Code, if a personal guarantee is issued by an Italian Guarantor to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures or as a percentage of a fixed amount (either in the deed of guarantee or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian Guarantor must be supported by adequate corporate benefit. The maximum guaranteed amount must be indicated in the guarantee deed and should be proportionate to the financial capabilities of the relevant Italian Guarantors. It is uncertain, however, whether and to what extent courts are entitled to debate and to rule over such determinations.

In order to comply with Article 1938 of the Italian Civil Code and corporate law requirements on, *inter alia*, corporate benefit and financial assistance prohibition, each as described above, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as guarantor under Indenture and the Notes will be subject to limitations.

If and to the extent any Italian Subsidiary is legally permitted to (including under its by-laws) and does guarantee the the Indenture, the Notes and any related documents, the relevant deed of guarantee or the Indenture shall contain limitations on the relevant Italian Guarantor's liability and guaranteed obligations to the extent reasonably necessary

to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance (and, in particular, the guarantee provided by Italian Guarantor shall exclude any portion of the debt that relates to the refinancing of debt that was used to finance the (direct or indirect) acquisition of, or subscription in, the corporate capital of such Italian Guarantors), corporate purpose, corporate benefit requriements, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable Italian law.

As far as corporate benefit requirements are concerned, the obligations of the Italian Guarantor in resepct of the Guarantee granted by it shall at all times be limited to the aggregate of the outstanding principal amount of any intercompany loans (or other financial support in any form) advanced (or granted) from time to time to that Italian Guarantor or any of its Subsidiaries, directly or indirectly, by any "*Debtor*" (as defined in the Intercreditor Agreement, to the extent guaranteeing those amount does not constitute a breach of Article 2358 or 2474, as applicable, of the Italian Civil Code, *less* the aggregate of any amounts that have been paid by that Italian Guarantor pursuant to the relevant Guarantee granted by it under the Indenture and, as further clarified in the following paragraph, the guarantee issued under the Intercreditor Agreement and/or the Facilities Agreement.

The maximum amount that an Italian Guarantor may be required to pay, in aggregate, in respect of its obligations under the guarantee granted pursuant to the Indenture, the Interceditor Agreement and/or the Facilities Agreement will be subject to the limitation described above, which will apply without double counting, so that the maximum debt exposure under all relevant guarantees of the Italian Guarantor may not exceed, on an cumulative basis, such limit. In accordance with Clause 26 of the Intercreditor Agreement, upon satisfaction of the Release Condition, as defined in the Intercreditor Agreement, the creditors' claims in case of enforcement of the guarantee issued by the Italian Guarantor in resepct of the Indenture, the Notes, the Intercreditor Agreement and/or the Facilities Agreement will remain subject to the above limitations and will cease to rank *pari passu* on a contractual basis. See above in respect of statutory order of priority for distribution of preceeds in case of liquidation.Without prejudice to the above, and pursuant to Article 1938 of the Italian Civil Code, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as a Guarantor under the Guarantee granted by it under or in resepct of the Indenture, the Notes shall not exceeed 150% of the maximum nomimal amount of the Notes, provided that the maximum amount of the guarantee liabilities of an Italian Guarantor in respect of the Indenture, the Notes, the Intercreditor Agreement and the Facilities Agreement, on an aggregate basis, shall not exceed 150% of the aggregate amount of the "*Total Commitments*" (as defined in the Senior Secured Facilities Agreement) and the maximum nominal amount of the Notes.

Notwithstanding anything to the contrary provided in the Indenture and/or any other documents entered into in connection with the Notes, each Italian Guarantor shall be fully entitled to exercise any rights of setoff between: (A) its recourse rights (*diritti di regresso*) it may have, by reason of any payment made by it with respect to the Notes, and (B) the payment obligations owed by it to any other "Debtor" (as defined in the Intercreditor Agreement) under the relevant agreement for the granting of an intercompany loan (or other financial support in any form) (if any).

Creating guarantees of restricted financial activity

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Italian Banking Act, whose exercise is exclusively allowed to banks and authorized financial intermediaries. Noncompliance with the provisions of the Italian Banking Act may, *inter alia*, entail the relevant guarantees being considered null and void. In this respect, Decree No. 53 of April 2, 2015 issued by the Italian Ministry for Economic Affairs and Finance (*Ministero dell'Economia e delle Finanze*), implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling, controlled and associated companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the abovedescribed rules, subject to the guarantors and the guaranteed entity being part of the same groups, the provision of the guarantees would not qualify as a restricted financial activity.

Certain considerations in relation to security interests

Italian corporate law (Articles 2497-quinquies and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination

powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a limited liability company (*società a responsabilità limitata*) will be subject to the so-called "equitable subordination" and therefore will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any collateral created over such intercompany loans or notes or any guarantees and/or security interests granted by such Italian subsidiaries may be impaired or restricted.

Certain limitations on enforcement

The enforcement of guarantees and security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. As a matter of general practice the two primary goals of court-led Italian liquidation procedures often are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "suspect period").

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the holders of Notes could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed below relating to or affecting the rights of creditors;

- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (compensazione), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets of the same kind and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione necessaria*) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto or frode alla legge*);
- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied as described above;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis as described above;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/ attachment, at the date of the notification of the payment demand (*precetto*) and extend, moreover, to interest

accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;

- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;
- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;
- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;
- penalties and liquidated damages (*penali*) may be equitably reduced by a court;
- any obligation of an Italian company and/or any obligation secured or guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, among others, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (i.e., the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date and Article 120 of the Italian Legislative Decree no. 385/1993 (i.e., the Italian Banking Act)) may not be enforceable;
- if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement;
- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/ shares.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

England and Wales

Certain of the Guarantors are companies incorporated under the laws of England and Wales (the "UK Guarantors" and each a "UK Guarantor"). Those Guarantors' registered office is also located in England and Wales. Therefore any insolvency proceedings in respect of such Guarantors would likely be commenced in England and conducted in accordance with the requirements of English insolvency laws in force at the time of commencement of the relevant proceedings. The scope of the English courts' jurisdiction varies for the different insolvency (and restructuring) proceedings available in England and Wales, further detail is set out below. To the extent that any of the UK Guarantors has any assets and/or creditors in any overseas jurisdictions and enters into insolvency proceedings in England, recognition of those proceedings in such other jurisdictions is likely to be a relevant consideration. Such recognition would be a matter for the private international law of the relevant jurisdictions.

However, insolvency proceedings in relation to the UK Guarantors could also be opened in a country other than England and Wales in circumstances dictated by the domestic local rules of the jurisdiction in which those insolvency proceedings were to be commenced. By way of example, where a debtor has its EIR COMI in a member state of the EU, then (and subject to certain exceptions), insolvency proceedings in relation to that debtor could be opened in the relevant EU member state and be subject to the laws of that EU member state.

If insolvency proceedings were to be opened in a place other than England and Wales such proceedings could be in parallel to proceedings opened in England. Such foreign proceedings would not benefit from automatic recognition in England, although the foreign officeholder could apply under the Model Law Regulations (see below), which provide that foreign insolvency proceedings may be recognised in England where a company has its centre of main interest (as that concept is used in the Model Law Regulations) or an "establishment" (being a place of operations where it carries out a non-transitory economic activity with human means and assets) in such foreign jurisdiction (see – "*Cross Border Insolvency Regulations 2006*" below. It is therefore not possible to say with certainty where insolvency proceedings will be brought.

Cross-Border Insolvency Regulations 2006

The Cross-Border Insolvency Regulations 2006 (the "Model Law Regulations") provide that the UNCITRAL Model Law on Cross Border Insolvency (the "Model Law") has the force of law in Great Britain, subject to certain modifications. For current purposes, the relevance of the Model Law Regulations is in allowing assistance to be sought in Great Britain by a foreign court or a foreign representative in connection with foreign insolvency proceedings. This may be relevant to the extent that the UK Guarantors have non-UK assets and/or foreign creditors which may be subject to foreign proceedings or to the extent that any of the non-UK Guarantors which may be subject to foreign proceedings have a UK presence.

The Model Law Regulations provide for the recognition of two types of foreign insolvency proceedings (defined to be collective judicial or administrative proceedings in a foreign state, including an interim proceeding pursuant to a law relating to insolvency in which proceeding the assets and affairs of the company are subject to control or supervision by a foreign court, for the purpose of reorganisation or liquidation): (i) "*foreign main proceedings*", which can be opened in the state in which the company has its "centre of main interests" (which is subject to a rebuttable presumption that the company's registered office is the centre of the company's main interests and it should be noted that the "centre of main interests" for the purposes of the Model Law Regulations may be different from the "centre of main interests" of an entity for the purposes of the EU Insolvency Regulation); and (ii) "*foreign non-main proceedings*", which can be opened in the state in which the company possesses an "establishment" (defined as any place of operations where the company carries out a non-transitory economic activity with human means and assets or services).

A foreign representative (defined to be a person or body, including one appointed on an interim basis, authorised in a foreign proceeding to administer the reorganisation or the liquidation of the company's assets or affairs or to act as a representative of the foreign proceeding) appointed in a foreign main proceeding or foreign non-main proceeding is entitled to apply to commence a proceeding under British insolvency law (as defined in the Model Law Regulations) if the conditions for commencing such a proceeding are otherwise met.

A foreign representative may apply to the court for recognition of the foreign proceeding in which the foreign representative has been appointed. From the time of filing of such an application until the time the application is decided upon, the court may, at the request of the foreign representative and where relief is urgently needed to protect the assets of the company or the interests of the creditors, grant relief of a provisional nature. Such relief may include staying execution against the company's assets, entrusting the administration or realisation of all or part of the company's assets located in Great Britain to the foreign representative or another person designated by the court, suspending the right to transfer, encumber or otherwise dispose of any assets of the company, providing for the examination of witnesses, the taking of evidence or the delivery of information concerning the company's assets, affairs, rights, obligations or liabilities and the granting of any additional relief that may be available to a British insolvency officeholder (as defined in the Model Law Regulations) under the law of Great Britain, including any relief provided under paragraph 43 of Schedule B1 to the Insolvency Act 1986 (the "IA86").

Upon recognition of a foreign main proceeding, commencement or continuation of individual actions or individual proceedings concerning the company's assets, rights, obligations or liabilities and execution against the company's assets are stayed and the right to transfer, encumber or otherwise dispose of any assets of the company is suspended. Any such stay and suspension does not affect any right to take any steps to enforce security over the company's property or of a creditor to set off its claim against a claim of the company, provided that such right would have been exercisable if the company had been made the subject of a winding-up order under the IA86.

Upon recognition of a foreign proceeding, whether main or non-main, where necessary to protect the assets of the company or the interests of the creditors the court may, at the request of the foreign representative, grant any appropriate relief. This may include, without limitation, staying the commencement or continuation of individual actions or individual proceedings concerning the company's assets, rights, obligations or liabilities, staying execution against the company's assets, suspending the right to transfer, encumber or otherwise dispose of any assets of the company, providing for the examination of witnesses, the taking of evidence or the delivery of information concerning the company's assets, affairs, rights, obligations or liabilities entrusting the administration or realisation of all or part of the company's assets located in Great Britain to the foreign representative or another person designated by the court, extending relief of a provisional nature previously granted and the granting of any additional relief that may be available to a British insolvency officeholder under the law of Great Britain, including any relief provided under paragraph 43 of Schedule B1 to the IA86.

In addition, upon recognition of a foreign proceeding, the foreign representative has standing to make an application to the court for an order under or in connection with sections 238, 239, 244, 245 and 423 of the IA86 (see below at "*Antecedent Transaction Laws*"). For such purpose, certain time periods and notice periods specified in such sections shall be determined by reference to the date of the opening of the foreign proceeding or the date on which a person has notice of the opening of the relevant foreign proceedings as provided in the Model Law Regulations. Where such an application is made, then those sections (together with ancillary sections of the IA86 relating thereto) shall apply whether or not the company is being wound-up or is in administration under British insolvency law.

The Insolvency Test

The IA86 has no test for or definition of insolvency per se but instead relies on the concept of a company's 'inability to pay its debts' as the keystone for many of its provisions. Pursuant to section 123 of the IA86, the circumstances in which a company is deemed unable to pay its debts include, among others, the following: (i) if a creditor to whom the company is indebted in a sum exceeding £750 then due has served a statutory demand on the company requiring the company to pay the sum so due and the company has failed for three weeks to pay, secure or compound the sum to the reasonable satisfaction of the creditor; (ii) if it is proved to the satisfaction of the court that the company is unable to pay its debts as they fall due ("cash flow" basis); or (iii) if it is proved to the satisfaction of the court that the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities ("balance sheet" basis).

Pursuant to the Corporate Insolvency and Governance Act 2020, which received Royal Assent on 25 June 2020 and came into effect on 26 June 2020 (the "CIGA", as may be amended from time to time), no petition for the winding up of a registered company may be presented under section 124 of the IA86 on or after 27 April 2020 to 30 September 2021 (the "Relevant Period") on the basis of a statutory demand served between 1 March 2020 and 30 September 2021. We note, however, that these provisions will be replaced by new provisions, the detail of which is set out below, which are coming into effect on 29 September 2021.

A creditor may not present a petition under section 124 during the Relevant Period for the winding up of a registered company on a ground specified in section 123(1)(a) to (d) of the IA86 unless the creditor has reasonable grounds for believing that (i) coronavirus has not had a financial effect on the company, or (ii) the facts by reference to which the relevant ground applies would have arisen even if coronavirus had not had a financial effect on the company. A creditor may also not present a petition under section 124 during the Relevant Period for the winding up of a registered company on a ground specified in section 123(1)(e) or (2) of the IA86 unless the creditor has reasonable grounds for believing that (i) coronavirus has not had a financial effect on the company; or (ii) the relevant ground would apply even if coronavirus had not had a financial effect on the company.

From 1 October 2021 to 31 March 2022 (the "New Relevant Period") a creditor may not present a petition under section 124 for the winding up of a registered company on the ground specified in section 122(1)(f), namely that the company is unable to pay its debts, unless certain conditions are met. These are the following:

- Condition A: the creditor is owed a debt by the company whose amount is liquidated, which has fallen due for payment, and which is not an excluded debt. "Excluded debt" is defined as a debt in respect of

rent, or any sum or other payment that a tenant is liable to pay, under a relevant business tenancy and which is unpaid by reason of a financial effect of coronavirus;

- Condition B: the creditor has delivered written notice to the company containing certain prescribed information including a statement that the creditor is seeking the company's proposals for the payment of the debt and a statement that if no proposal to the creditor's satisfaction is made within the period of 21 days beginning with the date on which the notice is delivered, the creditor intends to present a petition to the court for the winding-up of the company;
- Condition C: at end of the period of 21 days beginning with the day on which condition B was met the company has not made a proposal for the payment of the debt that is to the creditor's satisfaction; and
- Condition D: where the petition is presented by one creditor, the sum of the debts (or the debt, if there is only one) owed by the company to that creditor in respect of which conditions A to C are met is £10,000 or more, and where the petition is presented by more than one creditor, the sum of the debts owed by the company to the creditors in respect of which conditions A to C are met is £10,000 or more.

A creditor may apply to court for an order to disapply Conditions B and C or to shorten the time period of 21 days.

Formal insolvency proceedings under the laws of England may be initiated in a number of ways and by different parties depending on the process (see below for further detail on each process).

Administration

A company can enter into administration if the company: (i) is registered under the Companies Act 2006 ("CA 2006") in England and Wales or Scotland; (ii) is incorporated in an EEA State; or (iii) is not incorporated in an EEA State but has its centre of main interests (as defined in the IA86) ("COMI") in an EU member state (other than Denmark) or in the UK.

There are two distinct methods for placing a company into administration: (i) an application to court followed by a court order for administration (the 'in-court route'); or (ii) the filing of certain forms with the court following which the administration takes effect (the 'out-of-court route'). The in-court route is commenced by an application to court by the company itself, a majority of its directors, one or more of its creditors including contingent or prospective creditors and, where applicable, the Financial Conduct Authority or the Prudential Regulation Authority or certain other designated persons. The out-of-court method of appointment is available only to the directors, the company itself and the holder of a qualifying floating charge (not relevant here as the Notes are unsecured). No physical court hearing is required and the administrator's appointment takes effect when the court stamps receipt of the relevant forms.

When any person other than a holder of a qualifying floating charge makes an administration appointment (whether by the in-court or out-of-court route), it will be necessary to show that the company is, or is likely to become, unable to pay its debts (see "*The Insolvency Test*" above). Regardless of how an administrator is appointed, the administrator will need to consent to act as administrator and to state that, in his or her opinion, one of the following statutory objectives can be satisfied (the second objective can only be considered if the first objective is not reasonably practicable and similarly for the third objective): (i) to rescue the company as a going concern (the "first objective"); (ii) to achieve a better result for creditors as a whole than would be likely if the company were wound up without first being in administration (the "second objective"); or (iii) to realise property to make a distribution to one or more secured or preferential creditors (see "*Statutory order of priorities*" below) (the "third objective"). An administrator must attempt to achieve the first objective of administration, unless he or she thinks either that it is not reasonably practicable to achieve the first objective, or that the second objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective unless he or she thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective. Subject to this, the administrator must perform his or her functions in the interests of the company's creditors as a whole. In order to make an order, the court must be satisfied that it is reasonably likely that the administration will achieve one or more of these purposes.

An interim moratorium takes effect when an application to appoint an administrator is made or a notice of intention to appoint an administrator is filed at court. This becomes final once the company is in administration. Additionally, even where no interim moratorium was previously in effect, a company will nevertheless gain the benefit of the moratorium once in administration. The moratorium means, among other things, that no other legal process or proceedings may be commenced or continued against the company (creditors cannot enforce their claims against the company to recover debts, for example) and no step can be taken to enforce security over the company's property, no administrative receiver can be appointed, no resolution can be passed for the winding-up

of the company and, except in certain limited circumstances, no order can be made for the winding-up of the company (in each case except with the consent of the administrator or the permission of the court). This moratorium does not apply to financial collateral that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226) (as amended) (the "Financial Collateral Regulations") (generally, such arrangements are in respect of cash or financial instruments, such as shares, bonds or tradable capital market debt instruments and credit claims).

An administrator owes his or her duties to the creditors of the company as a whole. Upon appointment, an administrator takes control of the day-to-day running of the company and takes custody or control of all property to which the administrator thinks the company is entitled. He or she has broad powers to deal with the company and its assets, except in respect of assets which are subject to fixed charge security (where powers are more restricted). An administrator's powers further extend to investigating why the company failed and, where appropriate, bringing actions against the directors or former directors or seeking to set aside certain transactions (see "*Antecedent Transaction Laws*" below in respect of the latter).

An administrator may make distributions to unsecured creditors with permission of the court and in doing so they will follow a statutory order of priority set out in legislation (see "*Statutory order of priorities*" below). The holders of the Notes would receive payment as unsecured creditors alongside other unsecured creditors based on a proof of debt the trustee of the Notes would submit on behalf of the holders of the Notes (i.e. the holders of the Notes would not receive any (further) interest/coupon payments or any payment on maturity set out in the terms of the Notes themselves).

An administration does not itself terminate any contracts and an administrator does not have the power to disclaim contracts (although he or she can choose to breach a contract if he or she considers it to be in the best interests of the creditors as a whole, in which case the resulting damages will rank as an unsecured debt – see "*Statutory order of priorities*" below).

Following the enactment of CIGA, contractual terms providing for automatic termination or a right of termination by the counterparty upon the occurrence of an insolvency event (including administration) will generally be suspended for the duration of the relevant insolvency procedure (see "*Supplier Contracts*" below).

Liquidation/Winding-Up

Liquidation proceedings may be opened where: (i) the company is registered in England and Wales or Scotland; (ii) the debtor's COMI is in the UK; or (iii) the debtor's COMI is in an EU member state (other than Denmark) and there is an establishment in the UK. The English courts can also open compulsory liquidation (see below) in respect of foreign companies as unregistered companies if such foreign company has a sufficient connection to England and Wales.

Liquidation is a terminal insolvency process pursuant to which the assets of a company are realised by the liquidator and the proceeds distributed to creditors in accordance with a statutory order of priority (see "*Statutory order of priorities*" below), with any surplus paid to the shareholders. Once the liquidator has completed this task, the company will be dissolved and removed from the register of companies.

There are two different types of liquidation: (i) compulsory; and (ii) voluntary, which is in turn divided into members' voluntary liquidation ("MVL") and creditors' voluntary liquidation ("CVL"). Compulsory liquidation is a court-based procedure initiated by the presentation of a winding-up petition, commonly but not exclusively on the grounds that the company is unable to pay its debts (see "*The Insolvency Test*"). Voluntary liquidations are initiated by the company out-of-court. A CVL is initiated by the shareholders but the process involves some degree of control by the creditors. The company may be solvent or insolvent. An MVL is a solvent voluntary liquidation that is controlled by the shareholders and, given that it requires that all creditors are paid in full, no further detail on MVLs is included here.

Regardless of how a liquidator is appointed, a liquidator owes his or her duties to the company and its creditors as a whole and has wide powers to do whatever is necessary for the conduct of the liquidation. This includes the power to: (i) agree, compromise and pay creditor claims; (ii) sell any of the company's property; (iii) bring or defend any legal proceedings on behalf of the company; (iv) disclaim onerous property or contracts in accordance with section 178 of the IA86; (v) bring actions against the directors or former directors; and (vi) bring actions to set aside certain transactions (see "*Antecedent Transaction Laws*" below in respect of the latter).

In a compulsory liquidation, under section 127 of the IA86, any disposition of the company's property, any transfer of the company's shares and any altering of the status of company members is void if made following the 'commencement of a winding up' unless the court orders otherwise (this means that the Issuer loses its ability to service its debt, for example, without the court's permission). Further, there is an automatic stay on proceedings being commenced or continued against the company or its property except with the permission of the court and

subject to such terms as the court may impose although there is no freeze on the enforcement of security. In a voluntary liquidation, there is no such automatic stay although the court may, upon the application of the liquidator or any creditor, or contributory of the company, order a stay under its general discretionary power in section 112 of the IA86. Ordinary practice is to grant the stay on proceedings brought by a creditor in respect of a debt that is largely admitted and should be determined in the liquidation rather than through separate legal proceedings. This is important because it means secured creditors, for example, can go ahead and enforce their security.

A liquidator may make distributions to unsecured creditors and in doing so they will also follow the statutory order of priorities (see "*Statutory order of priorities*" below). The holders of the Notes would receive payment as unsecured creditors alongside other unsecured creditors and based on a proof of debt the trustee of the Notes would submit on behalf of the holders of the Notes (i.e. the holders of the Notes would not receive any (further) interest/coupon payments or any payment on maturity set out in the terms of the Notes themselves).

A liquidation does not in itself terminate financial or commercial contracts, but a liquidator does have the power to disclaim onerous contracts and he or she can choose to breach a contract if he or she considers it to be in the best interests of the creditors as a whole, in which case the resulting damages will rank as an unsecured debt – see "*Statutory order of priorities*" below).

Restructuring procedures

As well as formal insolvency proceedings, there are various restructuring tools under the laws of England which a Guarantor may be subject to and which may adversely affect investors and their ability to enforce their rights relating to the Notes or the Guarantees. Some of these processes are under the CA 2006 (e.g. a scheme of arrangement and a restructuring plan) and some under the IA86 (e.g. a company voluntary arrangement). Further details on these processes are set out below.

Schemes of arrangement

Pursuant to Part 26 of the CA 2006 the English courts have jurisdiction to sanction the compromise of a company's liabilities between a company and its creditors (or any class of its creditors) where such company is liable to be wound-up under the IA86 (see "*Liquidation/Winding-Up*" above); and, in the context of a foreign company, all that is required is a "sufficient connection" to the English jurisdiction. An English Guarantor may be able to pursue a scheme in respect of its financial liabilities. In practice, the "sufficient connection" test has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents are English law-governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Recognition of an English scheme (commenced after 31 December 2020) in an EU member state will, in part, be dependent on the relevant countries' private internal law rules. Where a contract is English law governed, Regulation (EC) 593/2008 on the Law Applicable to Contractual Obligations ("Rome I") continues to apply following the UK's exit from the EU.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme will be considered, affected creditors will vote on the proposed compromise in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If 75 per cent or more by value and over 50 per cent in number of those creditors present and voting at the creditor meeting(s) of each class vote in favour of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement. In certain circumstances, a scheme of arrangement can also result in the release of guarantees in order to ensure the effectiveness of the compromise. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

Restructuring plan

Pursuant to Part 26A of the CA 2006, the English courts have jurisdiction to sanction a compromise or arrangement (a "Restructuring Plan") proposed between a company and its creditors and/or members (or any class of its creditors and/or members) in circumstances where the company has encountered, or is likely to encounter, financial difficulties that affect, or will or may affect, its ability to carry on business as a going concern. The purpose of the Restructuring Plan must be to eliminate, reduce or prevent, or mitigate the effect of these financial difficulties. Similar to a scheme of arrangement, the Restructuring Plan procedure is open to any company liable

to be wound up under the IA86 (i.e. a foreign company may use the procedure provided that certain conditions are met).

For a consensual plan (i.e. one where each class votes in favour) to be capable of being sanctioned by the court, the Restructuring Plan must be approved by 75 per cent by value of creditors or members in each class present in person or by proxy and voting at each meeting convened to consider the Restructuring Plan (there is no majority by number test as is the case with a scheme of arrangement). The applicant may also apply to the court to exclude a class from voting if they have no genuine economic interest in the company. Unlike a scheme, if the Restructuring Plan is not approved by a number representing at least 75 per cent. in value of any class of creditors or members of the company present in person or by proxy and voting at the relevant plan meeting (the "Dissenting Class"), the Dissenting Class may be crammed down provided that: (i) the court is satisfied that no members of the Dissenting Class would be any worse off under the Restructuring Plan than they would be in the most likely alternative scenario (in the court's view) if the Restructuring Plan is not sanctioned (the 'relevant alternative'); and (ii) the Restructuring Plan is agreed by 75 per cent by value of a class of creditors or (as the case may be) members present in person or by proxy and voting at the relevant plan meeting who would receive a payment or have a genuine economic interest in the company in the event of the relevant alternative. Even if the voting threshold is met, the court has discretion as to whether to sanction the Restructuring Plan and will refuse to sanction if it is not 'just and equitable' to do so. If the Restructuring Plan is sanctioned, it will be binding on all affected parties, including those who did not participate in the vote on the Restructuring Plan and those who voted against the Restructuring Plan.

Restructuring moratorium

Pursuant to CIGA, a free-standing moratorium is available to protect certain companies, both UK and overseas if there is a sufficient connection with England, from creditor action for a specified period, granting a 'payment holiday' for 'pre-moratorium debts'. Pre-moratorium debts are debts due prior to the moratorium coming into force or debts which become due during the moratorium if they relate to obligations incurred before the moratorium comes into force. The moratorium is similar in scope to that which applies in administration, preventing security enforcement and legal proceedings amongst other things. The moratorium is available for a limited initial period of 20 business days, subject to permitted extensions. Any extension beyond 40 business days will require the consent of the company's pre-moratorium creditors (among other conditions) or the consent of the court. In order to be eligible for the moratorium a company must be or be likely to be unable to pay its debts and the moratorium must be likely to result in the rescue of the company as a going concern. The moratorium will be overseen by a licensed insolvency practitioner who will act as a monitor. The monitor will scrutinise the company for the duration of the moratorium, assessing whether it is likely that the moratorium will result in the rescue of the company as a going concern. The moratorium will be overseen by a licensed insolvency practitioner who will act as a monitor. The monitor will scrutinize the company for the duration of the moratorium, assessing whether it is likely that the moratorium will result in the rescue of the company as a going concern. However, there are broad exclusions including for companies which are party to a capital markets arrangement.

Company voluntary arrangements

Pursuant to Part I of the IA86, a company (by its directors or its administrator or liquidator as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors. Provided that the proposal is approved by the requisite majority of creditors by way of a decision procedure, it will bind all unsecured creditors who were entitled to vote on the proposal (notwithstanding the terms and approval thresholds contained in the finance documents).

A company is eligible to propose a company voluntary arrangement proposal if it is: (a) a company registered under the CA 2006 in England and Wales or Scotland; (b) a company incorporated in an EEA State; or (c) a company not incorporated in an EEA State but having its COMI in a member state other than Denmark.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75 per cent (by value) of the company's creditors who respond in the decision procedure, a majority (by value) of the company's members and no more than 50 per cent (by value) of unconnected creditors may vote against it.

Supplier contracts

One of the common challenges involved in using a formal process to rescue and restructure a company is that it can trigger termination or other consequences under supplier contracts. This makes the company vulnerable to ransom creditors. New provisions have been introduced by CIGA in order to supplement the existing essential supplier regime (see below) to help the continuation of supply of goods and services to companies in an insolvency process.

Essential suppliers

The essential supplier regime under sections 233 and 233A of the IA86: (i) prevents the suppliers from, where a company is subject to a qualifying form of insolvency procedure (including administration, liquidation and CVA) and a request is made by or with the concurrence of the insolvency officer holder for the giving, after the date that insolvency procedure commenced or the CVA took effect (as applicable), of any essential supplies, making it a condition of the giving of the supply, or doing anything which has the effect of making it a condition of the giving of the supply, that any outstanding charges in respect of a supply given to the company before the effective date are paid; and (ii) where a company enters administration or a CVA takes effect, subject to certain exceptions, compels continued supply by restricting the effect of existing insolvency-related terms in contracts for the supply of essential goods or services.

Essential goods and services include such things as water, gas, electricity, communications services, wi-fi and chip-and-pin devices.

Other suppliers

Section 233B of the IA86 says that (subject to certain exceptions), if a company is subject to a qualifying form of insolvency procedure (including the new moratorium, CVA, administration and liquidation or where a court order is made summoning a meeting relating to a Restructuring Plan), (i) any provision of a supply contract which provides that the contract or supply would terminate, or any other thing would take place, or that the supplier would be entitled to terminate the contract or the supply or do any other thing (for example, change payment or supply terms) because the company becomes subject to the relevant insolvency procedure, will cease to have effect; (ii) suppliers will be unable to exercise any entitlement arising before the start of the insolvency period to terminate the contract or the supply because of an event occurring before the start of the insolvency period, for the duration of the insolvency period (which in some cases could be measured in years); and (iii) suppliers will be unable to impose ransoms by demanding payment of outstanding amounts in respect of pre-commencement supply as a condition of continuing supply.

The prohibitions apply to both new and pre-existing contracts. Certain contracts involving financial services are excluded from the regime, including a capital market arrangement. In addition, certain types of entities (such as banks or insurance companies), whether such entities are the customer or the supplier, are excluded from this regime. Additionally, the regime does not apply to insolvency-related terms of a contract for the supply of essential goods or services which cease to have effect under section 233A of the IA86 (as described above).

Suppliers may still terminate contracts if: (i) they receive consent from the company or insolvency officeholder (where in office); or (ii) the court is satisfied that the continuation of the contract would cause the supplier hardship and grants permission for the termination of the contract. Supplier rights relating to events arising after the insolvency process begins are not affected.

Statutory order of priorities

A liquidator or administrator will need to comply with a set statutory order of priority when he or she distributes the proceeds of realised assets to a company's creditors and, with the exception of the prescribed part (as described below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior-ranking class have been paid in full. This statutory order of priority is broadly summarised as follows:

(a) proceeds of realisations from assets subject to a fixed charge are paid to the fixed charge holder (less any costs of realisation);

(b) any prescribed fees or expenses of the official receiver and moratorium debts and certain "priority pre-moratorium debts" in circumstances where a company has entered into a restructuring moratorium and subsequently entered into administration or liquidation within 12 weeks beginning with the day after the end of the moratorium;

(c) expenses of the liquidation or the administration, which includes monies arising under a contract entered into by the administrator or liquidator, or any necessary disbursements made in the ordinary insolvency process;

(d) ordinary preferential debts (these rank equally among themselves), which include (but are not limited to) debts owed by the insolvent company in relation to contributions to occupational and state pension schemes, wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person, holiday pay due to any employee whose contract has been terminated and bank and building society deposits eligible for compensation under the Financial Services Compensation Scheme ("FSCS") up to the statutory limit;

(e) secondary preferential debts (these rank equally among themselves), including bank and building society deposits eligible for compensation under the FSCS to the extent that the claims exceed the statutory limit, deposits made through a non-EEA branch of a credit institution that would otherwise have been eligible for FSCS compensation and claims by HMRC in respect of certain taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers;

(f) subject to certain exceptions, the prescribed part, which is a ring fenced amount of money that the administrator or liquidator must set aside from realisations from floating charge assets to distribute to unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realisations, and unless the cost of making the prescribed part available to unsecured creditors would be disproportionate to the resulting benefit to creditors) – calculated as 50 per cent. of the first £10,000 of net realisations and 20 per cent. of the net realisations thereafter, up to a maximum of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before 6 April 2020, in which case the maximum aggregate cap is £600,000);

(g) proceeds of floating charge asset realisations (less any costs of realisation, the preferential debts and the prescribed part), according to the priority of the security;

(h) provable debts of unsecured creditors (these rank equally among themselves unless there are subordination agreements in place between any of them) and any secured creditor to the extent of any unsecured shortfall (not relevant in present case), in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings;

(i) statutory interest that arises on debts after the commencement of liquidation or after the commencement of an administration which has been converted into a distributing administration at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8 per cent. per annum); and

(j) non-provable liabilities, being liabilities that do not fall within any of the categories above and which are therefore only recovered in the (unusual) event that all categories above are fully paid.

Any surplus following the repayment of all unsecured creditors in full will be paid to the shareholders in accordance with the company's articles of association. There are no equitable subordination provisions under English law, meaning that an unsecured shareholder loan ranks as a provable debt alongside other unsecured creditors and will not be subordinated by law.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation.

Unless creditors have agreed otherwise with the company, distributions are made on a pari passu basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

Contractual setting-off arrangements entered into after a company enters liquidation or administration are only respected to the extent they fall within the definition of "mutual dealing" as applied by the mandatory insolvency set-off regime. This regime sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and only the resulting net balance is either provable by the creditor in the administration or liquidation of the company (if amounts remain due to the creditor) or, conversely, is payable by the creditor to the company (if amounts remain due to the company).

Foreign currency risk

In administration or liquidation, any debt payable in a currency other than pounds sterling must be converted into pounds sterling at a single rate for each currency as determined by the administrator or liquidator by reference to the exchange rates prevailing on the date that the company went into administration or liquidation. This provision overrides any agreement between the parties. Accordingly, in the event that the Issuer or a Guarantor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date on which the Issuer or such Guarantor went into liquidation or administration and the date of receipt of any amounts to which such holders of the Notes may become entitled (by way of a distribution in the liquidation or administration).

Post-petition interest

Any interest accruing under or in respect of amounts due under the Notes or any Guarantee to which an English company is a party (at the higher of the applicable contractual rate and the official rate) in respect of any period

after the commencement of administration or liquidation proceedings would only be recoverable from any surplus remaining after payment of all other debts proved in the English company's insolvency proceedings and accrued and unpaid interest up to the date of the commencement of those proceedings.

Trust assets

Assets held on trust by the company for a third-party generally fall outside the insolvent estate that is available for distribution.

Antecedent Transaction Laws

There are five principal provisions of the IA86 under which transactions entered into prior to a company's insolvency are capable of being set aside. They are: (i) transactions at an undervalue (section 238); (ii) preferences (section 239); (iii) avoidance of certain floating charges (section 245) (not relevant here as the Notes are unsecured); (iv) transactions defrauding creditors (section 423); and (v) extortionate credit transactions (section 244).

These provisions all apply where the company has gone into liquidation or administration, with the exception of section 423 which applies regardless of whether the company is in insolvency proceedings. The granting of security or guarantees by a company could be subject to challenge under these provisions. The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described below) is within any of the requisite time periods, any UK Guarantor's guarantee in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Pursuant to the CIGA, the concept of the onset of insolvency (as discussed below) is temporarily amended in relation to transactions at an undervalue, preferences and invalid floating charges in the context of a compulsory liquidation where the winding up order is made based on the company's inability to pay its debts. This temporary amendment applies where the winding up petition is presented by a creditor on or before 29 September 2021.

Transactions at an undervalue

If a company goes into administration or liquidation and it has entered into a transaction at an undervalue, the court may, on the application of the insolvency officeholder, set the transaction aside. We note that section 118 of the Small Business, Enterprise and Employment Act 2015 (the "SBEEA") introduced section 246ZD to the IA86 from 1 October 2015 and provides that liquidators and administrators may assign the cause of action (including the proceeds of the cause of action) in respect of any transaction under section 238 of the IA86. Where a foreign officeholder has been granted recognition under the Model Law Regulations, he or she also has standing to bring a claim for a transaction at an undervalue.

A transaction will constitute a transaction at an undervalue if: (i) the transaction is at an undervalue (a gift or a transaction on terms that provide for the company to receive no consideration or a transaction for a consideration the value of which (in money or money's worth) is significantly less than the value (in money or money's worth) of the consideration provided by the company); (ii) the transaction took place within the relevant time (2 years before the onset of insolvency, being broadly the commencement of its liquidation or administration); and (iii) the company was at the time of the transaction, or became, as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86 (although there is a rebuttable presumption that the company was unable to pay its debts at the time of the transaction if the transaction is made to a person connected to the company such as a shareholder or a director (a "connected person")).

The court will not make an order in respect of a transaction at an undervalue if it is satisfied that: (i) the company which entered into the transaction did so in good faith and for the purposes of carrying on its business; and (ii) when it did so, there were reasonable grounds for believing that the transaction would benefit the company.

If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the IA86, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings.

Preferences

If a company goes into administration or liquidation and it has granted a preference the court may, on the application of the insolvency officeholder, set the transaction aside. We note that section 118 of the SBEA introduced section 246ZD to the IA86 from 1 October 2015 and provides that liquidators and administrators may assign the cause of action (including the proceeds of the cause of action) in respect of any preference claim under

section 239 of the IA86. Where a foreign officeholder has been granted recognition under the Model Law Regulations he or she also has standing to bring a preference claim.

A company gives a preference to a person if: (i) that person is one of the company's creditors, a surety or a guarantor for any of the company's debts or other liabilities; (ii) the company has done something, or has suffered something to be done which (in either case) has had the effect of putting that person into a position which, in the event that the company goes into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done; (iii) the company was influenced in deciding to give the preference by a desire to put the creditor in a better position than that person would have been in if the thing had not been done or suffered to be done (this desire is rebuttably presumed in the case of connected persons); (iv) the preference was given within the relevant time (6 months before the onset of the insolvency or 2 years before the onset of insolvency where the transaction is with a connected person); and (v) the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86.

If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given. However, for the court to do so, it must be shown that in deciding to give the preference the company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

The desire to prefer requires a "positive wish to improve the creditor's position in the event of the company's insolvent liquidation" (*Re Fairway Magazines Ltd* [1993] BCLC 643). A preferential effect for a creditor may be foreseen by the company without being desired. Where a company is influenced by "proper commercial considerations" there will be no desire to prefer and therefore no voidable preference (*Re MC Bacon* [1990] BCLC 324).

Transactions defrauding creditors

A transaction entered into by a company can be set aside by the court if: (i) the transaction is at an undervalue (see above); and (ii) it was entered into for the purpose of putting assets beyond the reach of a person who is making or may make a claim against the company or otherwise prejudicing that person's interests in relation to the claim which that person is making or may make.

It is not necessary for the company to be in insolvency proceedings and unlike a transaction at an undervalue or a preference, the claim is not restricted to the officeholder and can be made by, subject to certain conditions, the Financial Conduct Authority, the Prudential Regulation Authority and the UK Pensions Regulator. The victim of the transaction can apply to court to set aside a transaction. A foreign officeholder recognised under the Model Law Regulations also has standing to apply to court. The IA86 also does not prescribe a set time limit within which to bring the action (subject to the normal statutory limitation periods). The fact that the transaction was not entered into with a dishonest motive is no defence to the claim. It will suffice that the company's subjective purpose was to place the assets out of the reach of creditors or a particular creditor. There is no need to show that the intention was the sole purpose and a substantial purpose is likely to suffice.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

Extortionate credit transactions

If a company goes into administration or liquidation and it has entered into an extortionate credit transaction, the court may, on the application of the insolvency officeholder or a foreign officeholder recognised under the Model Law Regulations, set the transaction aside. We note that section 118 of the SBEA introduced section 246ZD to the IA86 from 1 October 2015 and provides that liquidators and administrators may assign the cause of action (including the proceeds of the cause of action) in respect of any extortionate credit transaction claim under section 244 of the IA86.

A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, either: (i) its terms require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit; or (ii) it otherwise grossly contravenes ordinary principles of fair dealing.

The court can make an order in relation to extortionate credit transactions entered into by the company up to three years before the day on which the company entered into administration or went into liquidation (which is slightly different to the concept of the onset of insolvency used in relation to transactions at an undervalue and preferences).

Orders

In the case of any of the above applying and where a court order is required, the court has very wide statutory powers to make such orders as it thinks fit to restore the position to that which existed before the transaction was entered into.

Secondary Legislation

UK secondary legislation, such as the Financial Collateral Regulations, may be invalid and ineffective if, among other things, it is not enacted within the scope of the relevant primary statute or within the powers of the relevant rule-making authorities.

Corporate authorisations and maintenance of capital

The legality, validity and enforceability of the obligations of an obligor under the Notes and the Guarantees are subject to matters affecting companies generally, including that: (i) its entry into and performance of such obligations: (A) are not prohibited by its constitutional documents (or contracts to which it is party); and (B) have been duly authorised and do not breach or result in inconsistency with applicable laws or regulations; and (ii) the documents evidencing such obligations have been duly executed and delivered in accordance with all applicable procedures and laws. In addition, the granting of guarantees by an English company could be subject to challenge if it results in a reduction in that company's net assets as properly recorded in its books or, to the extent that it does, the company does not have sufficient distributable reserves to cover that reduction.

Enforcement

Enforcement of guarantees may be affected by general legal and equitable principles regarding the legality, validity and enforceability of contractual provisions and contractual obligations and liabilities (including guarantees.

Wrongful trading

If, in the course of an insolvent winding up or insolvent administration of a company, it appears that a person who is, or was, a director of the company knew or ought to have concluded at some point before the commencement of the liquidation or administration that there was no reasonable prospect that the company would avoid going into insolvent liquidation or insolvent administration, the liquidator or administrator of the company can seek a court declaration that the director make a contribution to the company's assets pursuant to the IA86.

Financial assistance

A liability (an "Acquisition Liability") incurred directly or indirectly for the purpose of an acquisition by any person of shares in an English company or in any holding company (within the meaning contained in section 1159 of the CA 2006) of that company, or the discharge or reduction of any Acquisition Liability or any liability incurred for the purpose of refinancing any liability that from time to time, directly or indirectly, refinances any such liability, could be subject to challenge if that incurrence, discharge or reduction is unlawful under section 678 or 679 of the CA 2006. These provisions apply to financial assistance (for example, guarantees or security) granted in connection with an acquisition of shares in an English company, if the English company providing the assistance is either a public company the shares in which are being acquired, a public or private company that is a subsidiary of the public company the shares in which are being acquired, or a public company that is a subsidiary of a private company the shares in which are being acquired.

"People with significant control" regime

Pursuant to Part 21A of the CA 2006 (and related Schedules 1A and 1B to the CA 2006), from 6 April 2016 certain UK incorporated companies, *societates europaeae* registered in the UK and limited liability partnerships formed under the Limited Liability Partnerships Act 2000 (for the purposes of this paragraph, each a "relevant company") must keep a register of certain registrable individuals and legal entities that have significant control over them. Failure of such registrable individuals or legal entities or other persons specified in Part 21A of (and Schedule 1B to) the CA 2006 (for the purposes of this paragraph, each a "notifying party") to comply with the

requirements of that Part may give relevant companies the right to issue a restrictions notice to such notifying party for the purposes of Schedule 1B to the CA 2006. Subject to certain exceptions, the effect of a restrictions notice is that in respect of any relevant interest in the relevant company (as defined in Schedule 1B to the CA 2006, for example, a share in the relevant company): (i) any transfer of (or agreement to transfer) the interest is void; (ii) no rights are exercisable in respect of the interest; (iii) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and (iv) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise. Such restrictions could adversely affect the validity of the security interests and the ability of the relevant secured parties to enforce their rights under or in respect of the security interests.

Application of proceeds

The enforceability of a provision in a security document that relates to the application of proceeds will be subject to any obligations mandatorily preferred by applicable law.

Turnover trust

A turnover trust may be construed as creating a registrable charge under section 859A of the CA 2006, in which case it will be void in the circumstances set out in section 859H of the CA 2006, unless the prescribed statement of particulars, together with a certified copy of the agreement or instrument under which the turnover trust arises, are delivered to the Registrar of Companies in accordance with section 859A of the CA 2006 within 21 days after the date of creation of that charge (unless an order allowing an extended period is made under section 859F of the CA 2006).

Amendments

An English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee or other suretyship to make a material amendment to the obligations to which the guarantee or suretyship relates without further reference to the guarantor or surety.

Fetters on exercise of powers

A provision under which a company or other legal person agrees, or purports to agree, to fetter the exercise of its powers under its constitutional documents or any applicable law (or regulation) may not be enforceable against the company or other legal person.

Switzerland

Limitations on Guarantees granted by any Swiss subsidiaries

One or more Guarantor(s) is/are incorporated under the laws of Switzerland (each a "Swiss Guarantor"). The granting of a guarantee, indemnity, security or other benefit by a Swiss Guarantor, as well as any other undertaking contained in any agreement having the same or a similar effect, such as, but not limited to, the waiver of set-off or subrogation rights or the subordination of intragroup claims, granted by such Swiss Guarantor for the benefit of such Swiss Guarantor's direct and indirect parent and sister companies (so called "Upstream/Cross-stream Obligations") are subject to certain restrictions and risk being held invalid or partially invalid under Swiss corporate law. Therefore, the Indenture and/or any other relevant document to which a Swiss Guarantor is a party will contain certain limitation language in relation to Upstream/Cross-stream Obligations of a Swiss Guarantor, in order to enable such Swiss Guarantor to grant guarantees or security securing liabilities of the Issuer without the risk of violating such restrictions under Swiss law and to protect management from personal liability. Such "limitation language" is standard market practice for, amongst others, guarantees and security documents granted by a stock corporation (*Aktiengesellschaft*) or limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated in Switzerland. Limitations on the enforcement of any guarantee and/or any security granted by a Swiss Guarantor apply in relation to Upstream/Cross-stream Obligations. The ability of such Swiss Guarantor to assume Upstream/Cross-stream Obligations is restricted under Swiss law insofar as such Upstream/Cross-stream Obligations must be within the corporate purposes and interests of such Swiss Guarantor and must not result in a repayment of the share capital, legally protected reserves (*gesetzlich geschützte Reserven*) or other non-permitted distribution of assets to shareholders, board members or other persons close to such Swiss Guarantor. In light of the foregoing, the Indenture and/or any other relevant document to which the Swiss Guarantor is a party will limit the value of any Upstream/Cross-stream Obligations assumed by a Swiss Guarantor to its freely distributable equity at the time of enforcement. Freely distributable equity is equal to the maximum amount that a Swiss Guarantor is permitted to distribute to its shareholders as a dividend payment under Swiss law at such time. Presently, the freely distributable equity capital is equal to the balance sheet profits, and any reserves available for distribution (minus, without double counting, any freely disposable equity that has to be blocked for any loans granted by the relevant Swiss Guarantor to a direct or indirect parent company of such Swiss Guarantor or a direct

or indirect subsidiary of any parent company pursuant to applicable Swiss corporate law and applicable accounting standards) at the time or times at which payment in relation to Upstream/Cross-stream Obligations is requested.

In addition, the enforcement of a Swiss Guarantor's Upstream/Cross-stream Obligations may give rise to Swiss withholding taxes (of up to 35% at present rates, subject to applicable double taxation treaties) to the extent that the payment or enforcement of such Upstream/Cross-stream Obligations are regarded as a deemed dividend distribution. Under Swiss law, any obligation of a Swiss Guarantor to gross-up, indemnify or otherwise hold harmless the holders of the Notes for the deduction of Swiss withholding tax may not be valid and, thus, may prejudice the enforceability of anything to the contrary contained above under "*Description of the Notes—Additional Amounts*" or in the Indenture or any other documentation related to the Notes. In addition, any obligation to gross-up, indemnify or otherwise hold harmless the holders of the Notes for the deduction of Swiss withholding tax in connection with Upstream/Cross-stream Obligations granted by a Swiss Guarantor would in any case be limited by the amount of the freely distributable equity of the Swiss Guarantor. Further, the performance of Upstream/Cross-stream Obligations may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions.

Overview of Swiss Insolvency Proceedings

In the event of the insolvency of a Swiss Guarantor, insolvency proceedings may be initiated in Switzerland and Swiss insolvency laws would govern those proceedings. The insolvency laws of Switzerland and, in particular, the provisions of the Swiss Federal Debt Enforcement and Bankruptcy Act ("DEBA", *Bundesgesetz über Schuldbetreibung und Konkurs*) may be less favourable to the interests of creditors than the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and therefore may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of a bankruptcy proceeding (*Konkursverfahren*) and, hence, a general liquidation of all assets and liabilities of a Swiss debtor. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private liquidation. However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted.

The following is a brief description of certain aspects of the insolvency laws of Switzerland currently in force.

Under Swiss insolvency laws, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity has to be dealt with separately from a Swiss insolvency law point of view. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and against each entity have to be dealt with separately.

Under Swiss insolvency laws, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but rather require that the debtor or a creditor files a petition for the opening of insolvency proceedings based on an application for commencement of enforcement proceedings and the threat of insolvency (as discussed in the paragraphs below). Moreover, insolvency proceedings must be initiated by the debtor itself according to Swiss corporate law in the event of over-indebtedness (*Überschuldung*) or can be initiated by a creditor according to Swiss insolvency laws in the event that the debtor has obviously and permanently stopped paying its debts as and when they fall due or has acted fraudulently, or is attempting to act fraudulently to the detriment of its creditors. Furthermore, a debtor may also initiate insolvency proceedings if it declares itself insolvent (*zahlungsunfähig*) before court. Generally, pursuant to Swiss corporate law, a debtor is over-indebted when its liabilities exceed the value of its assets, which must be assessed pursuant to the accounting standards of the Swiss Code of Obligations and on the basis of a balance sheet to be drawn up (i) on the basis of the liquidation value of the debtor's assets and (ii) to the extent there is still a going concern scenario, based upon the going concern value. If the interim balance sheet shows that the creditors' claims are neither covered by assets valued at liquidation values nor at going concern values, the debtor's board of directors has to notify the insolvency court, provided that creditors of the debtor do not agree to subordinate their claims in the amount necessary to cover the over-indebtedness (Art. 725 of the Swiss Code of Obligations). However, as soon as the debtor loses the going concern assumption for accounting purposes, going concern values become irrelevant and over-indebtedness is assessed solely based on liquidation values. While the criterion of over-indebtedness is based on a balance sheet test (rather than a liquidity test), it is important to note that a debtor's inability to pay its debts as and when they fall due will cause the debtor to lose the going concern assumption for accounting purposes and lead to an obligation to account for liquidation values. This, in turn, will typically result in over-indebtedness. The debtor's board of directors is obliged to file for insolvency without delay and non-compliance with this obligation exposes the board of directors

to damage claims and, in extreme cases, to sanctions under criminal law. The debtor's board of directors need not file for insolvency if (i) creditors with claims in an aggregate amount no lower than the amount of the debtor's over-indebtedness subordinate their claims against the claims of all other creditors, or (ii) if there is a substantiated likelihood for an informal (i.e., out of court) workout within a relatively short period of time. It is not settled in Swiss case law as to how long such period of time is supposed to be. However, many legal scholars consider such period to be four to six weeks. Finally, the debtor's auditors have the obligation to notify the competent court if the debtor's board of directors has failed to file for insolvency despite the debtor being obviously over indebted.

If a creditor wants to initiate insolvency proceedings it has to file an application for commencement of enforcement proceedings (*Betreibungsbegehren*) with the competent debt collection office (*Betreibungsamt*). With respect to unsecured claims, the competent debt collection office is located where the debtor is registered or resident. The debt collection office will then serve the debtor with the writ of payment (*Zahlungsbefehl*). There is no material assessment of the claim at this stage. The debtor may within 10 days upon having been served with the writ of payment, file an objection (*Rechtsvorschlag*) to bring the procedure to a halt and obtain an individual stay of proceedings. No reasons need to be given for the objection. The debt collection office notifies the creditor of the objection.

For claims based on an enforceable judgment, the creditor can without any further delay file an application to lift this stay with the court (*Rechtsöffnungsbegehren*). For claims not based on an enforceable judgment, but on a certified and/or signed document evidencing the claim, provisional lifting of such stay can be applied for in summary proceedings (*provisorische Rechtsöffnung*). In the event the objection is set aside in these summary proceedings, the debtor may within 20 days bring an action in ordinary court proceedings for negative declaration that the creditor's claim does not exist (*Aberkennungsklage*).

The creditor may then ask the debt collection office to issue a writ of continuation (*Fortsetzungsbegehren*) in relation to an existing writ of payment having full force and effect. The competent debt collection office delivers this writ of continuation to the debtor. The insolvency court may take preliminary measures to secure property of the debtor in case this is requested by a creditor and required to secure the creditor's rights. Within 20 days from receipt of the threat of insolvency (*Konkursandrohung*), the creditor may petition the opening of insolvency proceedings. The competent insolvency court decides upon the insolvency without any delay, provided that there are no reasons which would lead to a suspension of the insolvency court's decision. In addition, the debtor has the right to file a request for a moratorium. The parties may file an appeal against any decision taken by the insolvency court.

The insolvency court orders the continuation of insolvency proceedings if certain requirements are met, in particular if there are sufficient assets to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only order to continue insolvency proceedings if third parties, for instance creditors, advance the costs of the insolvency proceedings themselves. In the absence of such advancement, the insolvency proceedings will be closed for insufficiency of assets (*Einstellung des Konkursverfahrens mangels Aktiven*). Alternatively, the insolvency office may request the insolvency court to resolve upon summary insolvency proceedings (*summarisches Konkursverfahren*), if the assets are not sufficient to cover the cost of ordinary insolvency proceedings and the actual facts of the case are not complicated. Also, in such case, creditors have the right to request ordinary insolvency proceedings.

Upon the opening of formal insolvency proceedings (*Konkurseröffnung*), the right to administer and dispose of the business and the assets of the debtor passes to the insolvency office (*Konkursamt*). The insolvency office has full administrative and disposal authority over the debtor's estate (*Konkursmasse*), provided that certain acts require the approval of the insolvency court. The creditors' meeting may appoint a private insolvency administration (*private Konkursverwaltung*) and, in addition, a creditors' committee (*Gläubigerausschuss*). In such case, the private insolvency administration will be competent to maintain and liquidate the debtor's estate (*Konkursmasse*). The creditors' committee has additional competences.

Insolvency results in the acceleration of all claims against a debtor (secured or unsecured), except for those secured by a mortgage on the debtor's real property, and the relevant claims become due upon the opening of formal bankruptcy proceedings (*Konkurseröffnung*). As a result of such acceleration, a creditor's bankruptcy claim consists of the principal amount of the debt (discounted at 5% if not interest bearing), interest accrued thereon until the date of insolvency, and (limited) costs of enforcement. Upon insolvency, interest ceases to accrue. Only secured claims enjoy a preferential treatment insofar as interest that would have accrued until the collateral is realized will be honored if and to such extent as the proceeds of the collateral suffice to cover such interests.

All creditors, whether secured or unsecured (unless they have a segregation right (*Aussonderungsrecht*)), wishing to assert claims against the debtor need to participate in the insolvency proceedings in Switzerland. Swiss insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with, and subject to, the restrictions of Swiss

insolvency laws. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Vorzugsrechte*). Generally, entitlement to realize such security is vested with the insolvency administration.

Realization proceedings are governed by Swiss insolvency laws providing for a public auction, or, subject to certain conditions, a private sale. Proceeds from enforcement are used to cover (i) enforcement costs, (ii) the claims of the secured creditors and (iii) any excess proceeds will be used to satisfy unsecured creditors.

Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the debtor's estate (*Konkursmasse*). All other claims, in particular claims of unsecured creditors (such as claims against a Swiss Guarantor related to the Notes), will be satisfied pursuant to the distribution provisions of Swiss insolvency laws, which provide for certain privileged classes of creditors, such as a debtor's employees. Certain privileges can further result for the Swiss government and its subdivisions based on specific provisions of federal law. All other creditors will be satisfied on a *pro rata* basis if and to the extent there are funds remaining in the debtor's estate (*Konkursmasse*) after the security interests and privileged claims have been settled and paid in full.

As an alternative solution to insolvency, the debtor (or, under certain circumstances, a creditor or the bankruptcy court acting on its own motion) may seek a composition with creditors (*Nachlassverfahren*) by applying to the competent composition court (*Nachlassgericht*) for a moratorium (*Nachlassstundung*) and submitting, besides other documents, a tentative reorganization plan. The court immediately decides whether to grant the moratorium provisionally (*provisorische Stundung*) for a maximum period of four months or not (which can be extended for a maximum period of four additional months). With its decision the court appoints a commissioner provisionally (*provisorischer Sachwalter*). In case circumstances would justify it, the competent composition court (*Nachlassgericht*) may withhold a public announcement of the granting of the provisional moratorium, provided third party interests are well protected. In such case, (i) the creditors and other authorities will not be notified, (ii) debt collection proceedings may still be initiated or further pursued (unless challenged by the debtor) and (iii) a provisional commissioner (*provisorischer Sachwalter*) must be appointed in all circumstances. In case it is obvious that there are no chances for a successful reorganization of the company or a composition agreement (*Nachlassvertrag*), the competent composition court (*Nachlassgericht*), acting on its own motion, opens insolvency proceedings over the debtor. In case the moratorium has been granted provisionally (*provisorische Stundung*) and in case during the period of the provisional moratorium a reorganization of the company or a composition agreement (*Nachlassvertrag*) appear promising, at a time before the provisional moratorium has expired, the court approves the moratorium definitely (*definitive Stundung*) and appoints a commissioner (*Sachwalter*). The court may, where deemed necessary, also appoint a creditors' committee (*Gläubigerausschuss*) for the purpose of supervising the commissioner. The commissioner convokes a meeting of creditors (*Gläubigerversammlung*) which has to approve the draft composition agreement according to specific majority rules. The composition agreement (*Nachlassvertrag*) is subject to the approval of the composition court. The DEBA provides for three different types of composition agreements: the ordinary composition agreement (*ordentlicher Nachlassvertrag*), the composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) and the composition agreement in insolvency proceedings (*Nachlassvertrag im Konkurs*). The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). However, a debtor may, subject to consent by the commissioner (*Sachwalter*), terminate long-term agreements (*Dauerschuldverhältnisse*) (other than employment agreements) without notice (even if notice periods apply under the agreement as such), provided (i) the continuation of the long-term agreement (*Dauerschuldverhältnis*) would impede or at least seriously challenge the intended financial recovery and (ii) provided the counterparty to such long-term agreement (*Dauerschuldverhältnis*) is held harmless (it being understood that the respective claim would be a claim in the composition proceeding (*Nachlassforderung*)). Interest payments will be stopped for unsecured claims during the moratorium (unless otherwise explicitly provided in the composition agreement). The moratorium aims at facilitating a rehabilitation of the debtor under protection of the court or the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims. Privileged claims must be paid in full.

Avoidance actions under Swiss law

Under Swiss insolvency laws, the insolvency administration may, under certain conditions, avoid transactions, such as, *inter alia*, the granting of, or the payment under, any guarantee or security or, if a payment has already been made under the relevant guarantee or security, require that the recipients return the amount received to the debtor's estate (*Konkursmasse*). In particular, a transaction (the terms of which include the granting of a guarantee,

the provision of security and the payment of debt) detrimental to the debtor's other creditors may be avoided according to Swiss insolvency laws in the following cases if such acts result in damages to the creditors:

- The debtor has effected a transaction that is considered to be a gift or a disposal of assets without any consideration, provided that the debtor effected such transaction within the year immediately prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) or the confirmation of a composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*). Similarly, transactions pursuant to which the debtor received consideration that was disproportionate to its own performance, may be avoided. If the beneficiary of the relevant transaction with the debtor is a related party, including without limitation a group company, the burden of proof is shifted: the beneficiary must in this case prove that such transaction was at arm's length.
- Certain acts are voidable if performed by the debtor within the year immediately prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) or the confirmation of a composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*), provided that the debtor was already over-indebted at that time: (i) granting of security for already existing claims, provided that the debtor was not previously obliged to grant such security, (ii) payment of a monetary obligation (*Geldschuld*) in any other way than by payment in cash (*Barschaft*) or other customary means of payment, and (iii) the payment of a debt not yet due. However, any avoidance action is excluded if the beneficiary of the transaction can prove that it was not aware of the debtor's over-indebtedness and, being diligent, could not know that the debtor had been over-indebted at that time.
- Furthermore, any acts performed within the five years immediately prior to, *inter alia*, the opening of formal insolvency proceedings (*Konkurseröffnung*) or the confirmation of a composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) performed by the debtor with the intention to disadvantage its creditors, or discriminate between creditors or to favour some creditors over others are voidable if such intention was, or exercising the requisite due diligence must have been known to be, to the debtor's counterparty. If the beneficiary of the relevant transaction with the debtor is a related party, including without limitation a group company, the burden of proof is shifted: the beneficiary must in this case prove that such intention was not recognizable.

If any guarantee or security is avoided as summarized above or held unenforceable for any other reason, the claimant would cease to have any claim in respect of the guarantee and/or any security interest and would have a claim solely under the Notes and the remaining guarantees, if any. Any amounts obtained by the holders of the Notes under a guarantee and/or security interest that have been avoided would have to be repaid by the holders of the Notes. The Swiss principles on avoidance may, therefore, limit the ability of the holders of the Notes to recover payments due on a guarantee and/or any security interest.

Denmark

The Danish Companies Act (*selskabsloven)* ("*Danish Companies Act*") contains restrictions on upstream guarantees and security by Danish limited companies. Generally, Danish companies and their Danish and foreign subsidiaries are prohibited from granting loans to or issuing guarantees or providing security in respect of obligations of, among others, their direct and indirect parent companies. However, Danish companies may grant loans to or issue guarantees or provide security in respect of obligations of parent companies covered by Danish Executive Order No. 85 of January 30, 2020 ("Danish Executive Order") (on loans etc. to foreign parent companies) which includes any entity in the corporate form of (i) a public limited company (*aktieselskab),* (ii) a limited partnership company *(partnerselskab),* (iii) a private limited liability company (*anpartsselskab)* or (iv) a company with an equivalent corporate form, incorporated in a jurisdiction which is a member of the EU or European Economic Area or Switzerland, Australia, Canada, Chile, United Kingdom of Great Britain and Northern Ireland, Israel, Japan, South Korea, New Zealand, Singapore, Taiwan or the U.S.

In addition, a Danish company is generally prohibited from granting loans, issuing guarantees or providing security in connection with the financing or refinancing of the acquisition by any person or entity of shares in such Danish company or shares in its direct and indirect parent companies, and any such loan, guarantee or security will be invalid and unenforceable.

To the extent that any such debt constituting unlawful financial assistance cannot be separated from other debt, such other debt may be deemed unlawful financial assistance debt and any loans, guarantees or security granted by a Danish companyfor such other debt may then also be invalid or unenforceable. According to the Danish Business Authority ("Danish Business Authority"), the prohibition on financial assistance also extends to non-Danish subsidiaries of Danish companies. If loans, guarantees or security are granted in violation of the

prohibitions above, such loans, guarantees or security will be invalid and unenforceable and must be repaid with statutory interests. The directors may be subject to liability for losses suffered in this regard.

Further, it is a requirement under Danish law that a guarantor or security provider obtains an adequate corporate benefit from the issuance of a guarantee or granting of security. The management of the company is obliged to act in accordance with the company's individual interests, including, among other things, consideration of the company's financial position, the benefits the company will obtain through and the risks related to the granting of guarantees and security, assessment of the debtor and ensuring that the arrangement is on market terms. If such benefit is not obtained, the directors of a Danish guarantor or security provider may be subject to civil liability and the guarantee or security may be deemed invalid. It is not clear under Danish case law under which circumstances corporate benefit accrues to a subsidiary when such subsidiary guarantees and secures debt of a direct or indirect parent company or other group company. Accordingly, any guarantee or security provided by a Danish company in connection with the Notes will be limited (i) if and to the extent required to comply with Danish statutory provisions on unlawful financial assistance and non-permitted shareholder loans, including, without limitation, Sections 206 through 212 of the Danish Companies Act and (ii) to a maximum amount equivalent to the higher of the equity (*egenkapital)* of such Danish company (calculated in accordance with the approved accounting principles) (a) at the time of the granting of the guarantee or (b) at the time payment is requested pursuant to the guarantee. Hence, the Notes will not have the benefit of guarantees from and security granted by a Danish Guarantor or security provider to the extent the proceeds of the Notes are deemed used towards financing of the (direct or indirect) acquisition of such Danish Guarantor or security provider.

Claims may become barred under Danish statutes of limitation or principles of passivity or may become subject to set-off or counterclaim.

Certain Danish insolvency law considerations

One of the Guarantors and one of the security providers are companies incorporated under the laws of Denmark. Any insolvency proceedings with respect to a Danish Guarantor would be based on Danish insolvency laws. Please note that the Insolvency Regulation does not apply to Denmark. Danish insolvency laws may not be as favourable to investors' interests as the laws of the United States or other jurisdictions with which the investors are familiar. In the event that a Danish Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. In a Danish bankruptcy, the debtor's assets are liquidated and the proceeds are distributed to the creditors on a priority of claims. Such liquidation may not yield the same value to the creditors as a reorganization and sale of going concern.

Insolvency Proceedings

Bankruptcy proceedings may be commenced either at the petition of a debtor or a creditor, however provided that the debtor is insolvent, which pursuant to the Danish Bankruptcy Act is defined as the debtor's inability to pay his debts as they fall due, unless such inability is considered to be temporary.

The petition for bankruptcy must be filed with the bankruptcy court in the district in which the debtor operates his business. The bankruptcy court does not publish information on the receipt of the petition for bankruptcy, but any person having a legal interest is entitled to receive information as to whether and when a debtor has filed a petition for bankruptcy (debtor's own petition). The bankruptcy court does not provide information on a creditor's petition for bankruptcy.

A creditor cannot demand that the debtor be declared bankrupt if the creditor's claim is secured by adequate security. In this context, adequate security means a security right expected to provide full coverage for the creditor. If the security is avoidable in bankruptcy or the act of perfection has not been performed, the creditor does not have adequate security.

The creditor is not required to have a basis of execution for his claim, e.g. a judgment in a civil case, a settlement in court or a signed debt instrument or mortgage. Further, the creditor's claim does not have to be due for payment to form basis of a petition for bankruptcy. However, the creditor must have a legal interest in the debtor's estate being administered in bankruptcy. As a result, not all claims that have not become due for payment may form basis of a petition for bankruptcy. Depending on the circumstances, an overdraft facility still being in force or a repayment arrangement being observed by the debtor may result in the creditor's petition being rejected. The requirement for legal interest also means that in general the bankruptcy court will reject a creditor's petition for bankruptcy if it is clear in advance that he will not receive any dividend in case of bankruptcy. It should be noted,

however, that if there is probable cause to believe that the debtor has made avoidable transactions, the creditor may have the required legal interest in the bankruptcy even if the debtor does not have substantial assets. In that case, the creditor must be able to substantiate the avoidable transactions with some degree of certainty.

A creditor having filed a petition for bankruptcy against a debtor will be liable to pay damages if the debtor suffers a loss or to pay compensation for injury to the debtor's reputation if the bankruptcy conditions, e.g. the insolvency requirement, are not fulfilled or if the claim does not exist.

The petitioner must provide security for the expenses relating to the administration of the estate. In practice, the bankruptcy court demands security in the amount of DKK 30,000. If the debtor has filed the petition for bankruptcy, the security must be provided by the funds of the bankruptcy estate.

Bankruptcy Trustee

One or more trustees are appointed at the discretion of the bankruptcy court; however, in practice the request of the major unsecured and unsubordinated creditors have the decisive influence as another liquidator can be appointed at a creditor's meeting.

The trustee is not required to be an attorney, but in practice that is normally the case.

The trustee must comply with the disqualification rules of the Danish Bankruptcy Act. Consequently, the trustee must not be the debtor's related party or depending on the debtor, and there must not be any doubt as to whether the trustee is impartial. As a general rule, the debtor's own attorney is prevented from being appointed as trustee due to the disqualification rules. The bankruptcy court may also find that a person being a member of the board of directors of the debtor's business or a person being the debtor's advisor cannot be appointed as trustee.

The trustee will make all decisions concerning the administration of the bankruptcy estate and it represents the estate in every respect.

Reconstruction

Reconstruction proceedings may be commenced either at the petition of the debtor or a creditor. The petition for reconstruction must be filed with the bankruptcy court in the district in which the debtor operates his business.

Reconstruction proceedings may only be commenced if the debtor is insolvent (same as described above with respect to bankruptcy). If this criterion is fulfilled, the bankruptcy court will immediately appoint a reconstructor to administrate the company. A reconstructuring accountant is appointed if requested by the company, the reconstructor or at least 25% of the creditors. The management continues to operate the company, but any material transactions may not be carried out without the prior approval of the reconstructor. Payment of creditors may only be done in accordance with the priority of claims as described below.

The reconstruction of a company must achieve the following statutory objectives: (1) the rescue of the company as a going concern by means of a compulsory composition; (2) the termination of the business of the company by transferring the business; or (3) a combination of a compulsory composition and a transfer of business.

The reconstructor must try to achieve these objectives in no particular order. Within the four or eight weeks (until a restructuring plan is adopted), the company can discontinue the restructuring without automatically entering into insolvency proceedings. If the reconstructor does not realize the statutory objectives after a restructuring plan is adopted, the company will automatically enter bankruptcy proceedings as described above, unless it turns out that the company is not (or no longer is) insolvent.

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors and, providing all creditors have been paid in full, the shareholders. In Denmark, liquidation is not an insolvency proceeding, and only companies that are solvent can be liquidated. If a company is insolvent, or if it turns out during the liquidation process that the company cannot pay all its creditors in full, the company must enter bankruptcy proceedings instead. The decision to liquidate a company is made by the shareholders of the company at a general meeting who also appoint a liquidator. At the end of the liquidation process the company will be dissolved.

Foreign Currency

Under the Danish Bankruptcy Act, claims must be converted into DKK at the exchange rate at the day the bankruptcy court issued a bankruptcy order over the company.

Challenges to the Guarantees and the Collateral

Certain Avoidance Rules

Under the Danish Bankruptcy Act, the bankruptcy estate is entitled to under certain circumstances to avoid the debtor's transactions in the period preceding the bankruptcy if such transactions have reduced the assets of the estate or otherwise damaged the estate, or if the transactions have favoured certain creditors without observing the ranking of the creditors.

Transactions damaging the estate are for example gifts, renunciations of inheritance or the payment of excessive salary or pension to related parties. Transactions favouring creditors without observing the ranking of creditors are for example payment by unusual means of payment, payments before due date, payments having deteriorated the debtor's ability to pay decisively or the provision of security for prior debts. Set out herein is the avoidance rule on security for prior debts and the general avoidance rule applicable to various transactions.

Any security interest which has not been created prior to, or simultaneously with, the debt obligations which it secures or which is not perfected without undue delay after the creation of such debt obligations will be subject to a three months hardening period, if insolvency proceedings are commenced against the provider of the security during the three month period starting from the latter of the date of the relevant act of perfection and the creation of the security interest.

Danish law operates with a general avoidance rule, which stipulates that a disposition which unduly favours a creditor to the detriment of the other creditors, or whereby the company's property is prevented from serving the purpose of satisfying the creditors, or whereby the company's debt is increased to the detriment of the creditors, may be declared void if the company was or because of the disposition became insolvent, and the favoured party knew or ought to have known about the company's insolvency and the circumstances that made the disposition improper. Generally, only transactions which are contrary to common norms of correct and decent business behaviour will be deemed improper. Improper behaviour is normally related to a breach of the purpose of insolvency proceedings, which typically is the situation where a creditor should have realized that a given transaction would deprive the other creditors of their right to fulfilment of their claims.

The usual hardening period is three months prior to the filing date, which is extended to up to 24 months for transactions with parties closely related to the company, and the general avoidance rule (as described above) provides for an unlimited avoidance period with respect to improper transactions.

Legal Position of Unsecured Claims and Priority of Claims

Creditors who believe they have a claim against the debtor or the bankruptcy estate must prove their claims and accompany their proofs of claim by adequate documentation. The trustee registers all claims and examines whether they are legitimate and entitle the creditor to receive dividend.

The ranking of creditors is described in the Danish Bankruptcy Act and it indicates the order in which claims against the estate of the debtor are settled. All higher ranking claims must be satisfied in full before the next level will be entitled to dividend. The ranking of creditors is as follows:

• *Firstly:* claims in connection with the bankruptcy proceedings or claims in according to affirmed agreements;

• *Secondly:* claims in connection with any prior restructuring proceedings;

• *Thirdly:* claims for wages or salaries payable;

• *Fourthly:* claims of suppliers for indirect taxes;

• *Fifthly:* unsecured claims (all other claims except for deferred claims); and

• *Sixthly:* deferred claims (interest, fines, promises of gifts and subordinated loan capital).

France

The provisions of French law relating to insolvency and bankruptcy have been significantly amended by ordinance 2021-1194 dated 15 September 2021 which shall enter into force on 1 October 2021 which was completed by decree n°2021-1218 dated 23 September 2021 (together, the **2021 *Ordinance***). The descriptions of French insolvency and bankruptcy laws contained in this section are based on literal interpretations of the 2021 Ordinance which could differ from the interpretation which will be given to the terms of the 2021 Ordinance by scholars, pre-insolvency and insolvency practitioners and by case law.

The French Guarantor is organized in France and, consequently could be subject to French insolvency proceedings affecting creditors, including court-assisted pre-insolvency proceedings (*mandat ad hoc* proceedings or conciliation proceedings (*procédure de conciliation*)), and court-administered pre-insolvency and insolvency proceedings which would qualify as main insolvency proceedings under the EU Insolvency Regulation (to the extent that its COMI or, in cases where the EU Insolvency Regulation does not apply, its main center of interests within the meaning of Article R. 600-1 of the French Commercial Code, is deemed to be in France), i.e., safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) and judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit the ability of holders of the Notes to enforce their rights under the Notes. The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes and/or the Guarantees granted by the French Guarantor.

Annex A of the EU Insolvency Regulation lists safeguard, accelerated safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the EU Insolvency Regulation. Please note that any company of the Group having its center of main interests (COMI) (*centre principal des intérêts*) in France could be subject to French main insolvency proceedings and any company of the Group having an establishment in France and its COMI in another EU Member State (other than Denmark) could be subject to French secondary insolvency proceedings within the meaning of the EU Insolvency Regulation.

In addition, the French court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of the group (subject to specific detention/control thresholds and French courts having international jurisdiction with respect to such entities, in accordance with the rules outlined above); accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator (*administrateur judiciaire*) and creditors' representative (*mandataire judiciaire*) for all proceedings in respect of members of the group.

Temporary Measures in the Context of the COVID-19 Pandemic

Within the context of the COVID-19 pandemic, the French government implemented ordinance n° 2020-341 of March 27, 2020, ordinance n° 2020-596, ordinance n° 2020-1443 and law n°2020-1525 dated December 7, 2020, in force as from December 8, 2020. Such ordinances and law provide for specific provisions applicable for a limited period of time to pre-insolvency and insolvency situation under French law (the ***Covid-19 Temporary Framework***).

In particular, until December 31, 2021, pursuant to Article 1 of ordinance n°2020-1443 dated November 25, 2020, in force as from November 26, 2020, at the request of the conciliator, the duration of conciliation proceedings may be extended one or more times, by a reasoned decision of the president of the court, up to a maximum of ten months (see "*—Conciliation Proceedings*" below).

In addition, Article 124 of law n°2020-1525 dated December 7, 2020, in force as from December 8, 2020 extends until December 31, 2021 the following measures that were initially adopted by ordinance n°2020-596 dated May 20, 2020, in force as from May 21, 2020 that were due to expire on December 31, 2020:

- additional specific measures aimed at protecting debtors and an adaptation of the provisions governing grace periods in the context of conciliation proceedings (see "—*Conciliation Proceedings*" and "—*Grace Periods*" below);
- the right of the insolvency judge (*juge-commissaire*), at the request of the court-appointed administrator or the creditors' representative, to reduce from 30 to 15 days of receipt of the debt settlement proposal the deadline during which creditors can respond to a debt settlement proposal in the context of a standard consultation for the approval of a safeguard or reorganization plan; and
- the possible up to two-year extension of the duration of the safeguard or reorganization plan, as a result of which such a plan can now last up to 12 years.

Some of the measures initially adopted by the Covid-19 Temporary Framework have been included in the 2021 Ordinance.

Due to the COVID-19 pandemic, these rules may be further adapted and additional measures may be put in place within the following weeks or months, which may have an impact on French insolvency law.

Grace Periods

In addition to and independently from the specific provisions of insolvency laws discussed below, the holders of the Notes as our creditors could also be subject to Articles 1343-5 *et seq.* of the French Civil Code (*Code civil*).

Pursuant to the provisions of this Article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the prevailing legal rate as published twice a year by administrative decree of the Ministry of Economy) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant court. A creditor cannot contract out of such grace periods. If the debtor is engaged in conciliation proceedings or has reached a conciliation agreement that is in the course of being executed, special rules apply to the grant of grace periods (see "*Conciliation Proceedings*" below).

Insolvency (Cessation des Paiements) Under French Law

Under French law, a company is insolvent (in a state of *cessation des paiements*) when it is not able to pay its debts which are due and payable with its available assets taking into account available credit lines and moratoria.

The court order may set the date of insolvency up to 18 months before the date of the court order commencing judicial reorganization or liquidation proceedings. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (*période suspecte*) (see below).

Court-assisted Pre-insolvency Proceedings

Pre-insolvency proceedings may only be initiated by the debtor company itself, in its sole discretion; provided that it experiences or anticipates legal, economic or financial difficulties:

(i) while not being in a state of *cessation des paiements* in case of *mandat ad hoc* or *conciliation* proceedings, or

(ii) while not being in a state of *cessation des paiements* for more than 45 days in case of *conciliation* proceedings only.

Mandat ad hoc and *conciliation* proceedings are informal and confidential (subject to the below as regards *conciliation* proceedings) proceedings carried out under the supervision of the president of the court. The president of the competent court will appoint an officer (as the case may be, a *mandataire ad hoc* or a conciliator) in order to help the debtor company reach an agreement with its main creditors and stakeholders, in particular by reducing or rescheduling its

indebtedness. Such proceedings are non-binding since the court-appointed intermediary has no power to force the parties to accept an agreement and the dissenting creditors will not be bound by the arrangement, if any. Except under specific circumstances or temporary provisions related to the Covid-19 pandemic, creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they generally abstain from doing so, to try and negotiate a consensual restructuring.

Contractual provisions modifying the conditions for the performance of an ongoing contract, by diminishing the rights or increasing the obligations of the debtor solely by reason of the appointment of a *mandataire ad hoc* or the opening of *conciliation* proceedings or any request made to this end are deemed null and void.Equally, contractual provisions that would, as the sole result of the appointment of a *mandataire ad hoc* or the opening of conciliation proceedings, make the debtor bear the fees of the creditor's counsel relating to such proceedings for the portion that would exceed three quarters of the total fee of the relevant counsel are null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before three months have elapsed as from the end of the previous ones.

Mandat Ad Hoc Proceedings

In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic or financial nature but are not insolvent ("*en état de cessation des paiements*"). There is no time limit for the duration of *mandat ad hoc* proceedings. The agreement reached by the parties (if any) with the help of the court-appointed officer (*mandataire ad hoc*, whose name can be suggested by the debtor and whose duties are determined by the court appointing him, usually to facilitate negotiations with the creditors) can be reported to the president of the court but, unlike in conciliation proceedings, French law does not provide for any approval by the court or recognition by the president of the court with the related specific consequences. This restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement. The *mandataire ad hoc* is appointed in order to facilitate negotiations with creditors but cannot coerce the latter into accepting any proposal. Such proceedings are confidential (save for their disclosure for statutory auditors, if any).

In any event, the debtor retains the right to petition the court for a grace period as set forth in Articles 1343-5 *et seq.* of the French Civil Code.

Conciliation Proceedings

Conciliation proceedings are available to debtors that face current or foreseeable difficulties of a legal, economic or financial nature but which have not been insolvent (in a state of *cessation des paiements*) for more than 45 days. The debtor petitions the president of the relevant court for the appointment of a "conciliator" (whose name the debtor can suggest) in charge of assisting the debtor in negotiating with all or part of its creditors and/or trade partners an agreement, that puts an end to its difficulties, providing e.g. for the restructuring of its indebtedness. Conciliation proceedings may last up to four months (with the conciliator being able to request an extension up to five months). Such proceedings are confidential (save for their disclosure for statutory auditors, if any).

Whilst no general stay is imposed on creditors, which may therefore continue to sue the debtor for payment of their claims, the following measures may affect creditors' rights during conciliation proceedings:

(i) if the debtor receives a formal notice from a creditor requesting payment or faces enforcement measures, or if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to defer payment of its claim for the duration of the conciliation proceedings, the debtor may petition the judge that commenced conciliation proceedings to grant, after having heard the conciliator, a grace period in accordance with Article 1343-5 of the French Civil Code (see "*Grace Periods*" above);

(ii) if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to defer payment of its claim for the duration of the conciliation proceedings, the judge that commenced conciliation proceedings may, after having heard the conciliator, defer or reschedule that creditor's claim for the duration of the conciliation proceedings; and

(iii) creditors may not request the opening of insolvency proceedings (*redressement judiciaire or liquidation judiciaire*) against the debtor.

Creditors usually in practice restrain themselves from taking any such enforcement action in order to negotiate a consensual restructuring.

Some specific measures adopted as part of the Covid-19 Temporary Framework have modified conciliation proceedings to provide that, until December 31, 2021:

1. the duration of conciliation proceedings can be extended upon request of the conciliator, thereby increasing the maximum duration of conciliation proceedings to 10 months (instead of 5 months previously);

2. if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to defer payment of its claim for the duration of the conciliation proceedings, the debtor may request from the President of the court in ex-parte proceedings, for the duration of the conciliation proceedings:

- the stay or prohibition of any legal action for payment or for termination of a contract for a payment default; or

- the stay or prohibition of any judicial enforcement measure against the debtor's movable or immovable property as well as any judicial procedure relating to the distribution of the debtor's assets that would not have already transferred ownership away from the debtor; and

3. the debtor may petition the judge that commenced conciliation proceedings for a grace period in accordance with Article 1343-5 of the French Civil Code (see "*Grace Periods*" above) even before the creditor sends any formal notice requesting payment or initiates any suit for payment, if a creditor does not accept, by the deadline set by the conciliator, a request made by the conciliator to suspend payment of its claim for the duration of the conciliation.

The conciliation agreement reached between the parties may be acknowledged (*constaté*) by the president of the court at the request of the parties, which makes the agreement binding upon them and enforceable without further recourse to a judge (*force exécutoire*), but the conciliation proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the court at the request of the debtor following a hearing held for that purpose which will have to be attended by the works council, as the case may be, if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor's insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above, except that in addition:

- the decision of approval by the relevant court will be public but the agreement itself should otherwise remain confidential (subject to certain exceptions);

- creditors who, as part of the approved agreement or during the course of the conciliation proceedings, provide new money or goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will benefit from a specific protection (the so-called "**New Money Lien**") and as such enjoy priority of payment over all pre-petition and post-petition claims (other than certain pre-petition employment claims and post-petition procedural costs), in the event of subsequent court-administered proceedings;

- in the event of subsequent court-administered proceedings, the payment date of claims benefiting from the New Money Lien may not be rescheduled and these claims may not be written-off without their holders' consent, and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* (and therefore the starting date of the

"hardening period" as defined below) cannot be determined by the court to be at a date earlier than the date of the approval of the agreement by the court, except in case of fraud.

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

While the agreement is in force:

- any legal action and suit for payment in respect of claims which were dealt with in the conciliation agreement is prohibited;

- the court may impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) and have formally put the debtor on notice to pay or are suing for payment of claims that were not dealt with in the conciliation agreement; and

  interest accruing on the claims that are the subject to the conciliation agreement may not be compounded.

If the debtor breaches the agreement, whether approved or acknowledged, any party thereto can petition the court for its rescission. The rescission of the agreement will not apply to the clauses of the agreement organizing the consequences of such rescission and such clauses shall continue to apply. The commencement of subsequent court-administered proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Court-administered Proceedings

The following French proceedings may be initiated by or against a company in France:

- safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), upon petition by the debtor only if, while not being in a state of *cessation des paiements* (or for accelerated safeguard proceedings, if in *cessation des paiements* for less than 45 days when it initially requested the opening of *conciliation* proceedings), it is facing difficulties which it cannot overcome. Absent any difficulties it cannot overcome, the court will invite the debtor to file for conciliation proceedings. The conditions for the opening of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) are described below.

- judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*) upon petition by the debtor, any creditor or the public prosecutor if the debtor is in *cessation des paiements*. Judicial reorganization proceedings are available to companies whose recovery prospects are possible while judicial liquidation proceedings are available to companies whose recovery is manifestly impossible.

While a company may file for safeguard proceedings at any time it is facing insurmountable difficulties, it is required to petition for the opening of judicial reorganization or judicial liquidation proceedings within 45 days of becoming in a state of *cessation des paiements*. Alternatively, the debtor may request the opening of conciliation proceedings within the same timeframe. If it does not, de jure managers and, as the case may be, de facto managers of the company, may be subject to civil liability.

A lien (the ***S/R Lien***) applies to all new cash contributions made, with the exception of those made through a share capital increase, by any person (i) during the observation period in safeguard or judicial reorganization proceedings or the temporary continuation of business operations in judicial liquidation proceedings, in order to ensure the continuity of debtor's business during such proceedings, in which case such cash contributions must be authorized by the insolvency judge, or (ii) for the implementation of the safeguard or reorganization plan, including when such plan is being amended, it being specified that the judgment endorsing or modifying the plan must mention all claims benefiting from the S/R Lien, as well as the relevant amounts.

Claims benefiting from the S/R Lien enjoy a priority of payment over pre-commencement and post-commencement claims in the event of on-going or subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings, except with respect to claims secured by a retention right, employees' super-privilege claims, procedural costs and the New Money Lien, pre-petition claims secured by real estate security (in judicial liquidation proceedings only) and post-petition wages claims not advanced by the French wages guarantee fund. Claims benefitting from the S/R Lien cannot be the subject of any rescheduling or waiver without the consent of their holders.

Court-administered Proceedings—Safeguard

A debtor which experiences difficulties that is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, provided that it is not insolvent (see "*Insolvency*"). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is appointed (except for small companies where the court considers that such appointment is not necessary) to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 12 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (*projet de plan de sauvegarde*) that it will circulate among its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise ex post facto control over decisions made by the debtor (*mission de surveillance*) or assist the debtor to make all or some of the management decisions (*mission d'assistance*), all under the supervision of the court.

The court may convert such safeguard proceedings into judicial reorganization proceedings in certain circumstances.

Creditors whose rights are affected by the plan must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt write-offs, payment terms or debt-for-equity swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies to debtors for which the class-based consultation is not mandatory or requested by the debtor with the consent of the bankruptcy judge (as described below).

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who informs each creditor who filed a claim. Creditors are consulted individually or collectively.

The duration of the plan is determined by the court and may not exceed ten years, or 15 years in relation to agricultural or maritime fishing businesses.

Pursuant to Article 5 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19 pandemic and Law n° 2020-1525 dated December 7, 2020, until December 31, 2021 the maximum length of a plan can be extended to 12 years, or 17 years for agricultural businesses.

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors who do not respond within 30 days of their receipt of the debt settlement proposal (other than write-off or debt-for-equity-swap proposals) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and any creditors of the debtor appointed by the court as a controller (*contrôleur*).

Pursuant to Article 4 of Ordinance No. 2020-596 dated May 20, 2020 adopted in the context of the COVID-19 pandemic and Law n° 2020-1525 dated December 7, 2020, until December 31, 2021 the abovementioned 30-day delay may be reduced to 15 days, at the request of the court-appointed administrator or the court-appointed creditors' representative.

Within the framework of a standard consultation, the court that approves the safeguard plan (*plan de sauvegarde*) can impose a uniform rescheduling of the claims of creditors having refused the proposals that were submitted to them (subject to specific regimes such as the one applicable to claims benefiting from the New Money Lien or the S/R Lien)

over a maximum period of ten years (except for agricultural businesses where the maximum is fifteen years and for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no write-off of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court-imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had it been paid in accordance with the uniform payment rescheduling applying to the other creditors. In the third, fourth and fifth year, the amount of each annual instalment must be of at least 5% of the amount of each debt claim, and at least 10% of the amount of each debt claim as from the sixth year, except for agricultural businesses (subject to a maximum duration of the plan of ten years, except for agricultural businesses and as a result of temporary Covid-19 measures).

Class-based consultation: this applies mandatorily in case of accelerated safeguard proceedings (see below) and, in case of safeguard and judicial reorganization proceedings, to (i) companies that either (x) employ at least 250 employees and have a net turnover of at least €20 million or (y) have a net turnover of at least €40 million, and (ii) companies that own or control another company, within the meaning of Articles L. 233-1 and L. 233-3 of the French Commercial Code, provided that all the companies together reach the aforementioned thresholds. This could also apply, in case these thresholds are not met, upon the debtor's request (in safeguard proceedings) or upon the debtor's or the judicial administrator's request (in judicial reorganization proceedings), in each case with the consent of the bankruptcy judge.

Only affected parties (*parties affectées*) are entitled to vote on the draft restructuring plan. These affected parties being (i) creditors whose rights are directly affected by the proposed draft restructuring plan and (ii) equity holders (*détenteurs de capital*), if their equity interest in the debtor, the articles of association, or their rights are modified by the proposed restructuring plan.

The constitution of classes of creditors is made under the responsibility of the judicial administrator, who will, on the basis of objective and verifiable criteria, group within the same class creditors sharing sufficient common economic interest (*communauté d'intérêt économique suffisante*). Claims taken into account are those indicated by the debtor and certified by its auditor(s) or, in the absence of an auditor, in a certificate from the debtor's certified public accountant.

In determining the composition of each class the judicial administrator shall ensure that (i) creditors benefiting from "*rights in rem*" security (*sûretés réelles*) over the debtor's assets and other creditors are in separate classes, (ii) the determination of each class complies with the subordination arrangements entered into before the opening of the relevant proceedings (provided that these subordination arrangements have been provided to the judicial administrator within 10 days of receipt of the notice sent by the judicial administrator or the publication of such notice inviting the affected parties to notify the existence of such arrangements) and (iii) equity holders are grouped in one or several classes. The judicial administrator can also create "ad hoc" classes, for example for public creditors or strategic suppliers.

It is unclear whether the beneficiary of a guarantee will be considered as an affected party and, should this be the case, to which class of affected party it would belong. The guarantee being called or not may have an impact on the assessment made by the judicial administrator.

At least 21 days prior to the date of the vote on the draft restructuring plan, the judicial administrator shall notify each affected party of the methods of class allocation and computation of voting rights corresponding to the affected claims or rights enabling them to cast a vote. The amount of the claims taken into account for the computation of the voting rights is the one indicated by the debtor and certified by its statutory auditor or certified public accountant. The methods used are also notified to the court-appointed creditor's representative. In the event of disagreement, the matter may be brought before the insolvency judge at the request of the affected party, the debtor, the public prosecutor, the court-appointed creditor's representative or the judicial administrator.

The restructuring plan will be adopted once each class has voted on it by a two-third majority of the amount of the claims held by the members having cast a vote. The affected parties must vote within 20 to 30 days following receipt of the draft restructuring plan. This timeframe may be increased or decreased following a request by the

debtor or the judicial administrator to the judge but cannot be less than 15 days. Within each class, the vote on the approval of the plan may be replaced by an agreement from the required majority.

If the draft restructuring plan is approved by all classes under the required conditions and majority rules, the court will nevertheless have to make sure that certain conditions are met before approving the draft restructuring plan:

- the restructuring plan has been approved in accordance with the rules governing the constitution of classes of affected parties;

- creditors of the same class sharing sufficient common interests benefit from an equal treatment and are treated in proportion to their claims or rights;

- the restructuring plan has been duly notified to all affected parties;

- in the presence of dissenting creditors, the restructuring plan does not put those dissenting creditor in a less favourable position than the position they would have been in (i) if the order of priority of the distribution of asset sale proceeds in judicial liquidation proceedings, or the sale price of the business as a going concern via an asset sale plan (*plan de cession*) pursuant to article L. 642-1 of the French Commercial Code were to apply or (ii) in the event of a better alternative solution if the restructuring plan were not to be approved;

- to the extent applicable any new financing provided for in the restructuring plan is necessary for its implementation and does not unduly affect (*ne porte pas une atteinte excessive aux*) the interests of the affected parties.

Even if these criteria are met, the court may refuse to approve a restructuring plan which does not offer a reasonable prospect of avoiding the insolvency of the company (state of *cessation des paiements*) or ensures business continuity (*viabilité de l'entreprise*). The court must also ensure that the interests of all affected parties are sufficiently protected.

When the restructuring plan is not approved by all classes of creditors but only by a majority of (or one of) them, it may nevertheless be adopted by the court upon request made by the debtor or the judicial administrator with the consent of the debtor and imposed on the dissenting classes by means of a "cross-class cram down" (*application forcée interclasses*), provided that the plan meets the above mentioned conditions along with several additional conditions, including that:

- the restructuring plan has been approved in accordance with the rules governing the approval of plans;

- at least one of the following two criteria is met:

    - a majority of the classes of affected parties voted in favour of the plan, provided that at least one of those classes is a secured creditors' class or is senior to the ordinary unsecured creditors' class (*créanciers chirographaires*);

    - or, if the above criteria cannot be satisfied, at least one of the classes of affected parties, other than an equity holders' class or any other class which, after determining the value of the debtor as a going concern, could reasonably be expected not to be entitled to any payment or retain any interest in the context of a judicial liquidation or an asset sale plan (*plan de cession*), has voted favorably;

- affected creditors of a dissenting class are fully repaid by the same or equivalent means where, under the plan, a lower ranking class is entitled to a payment or retains an interest (*intéressement*) under the restructuring plan (the "**absolute priority" rule**);

- no class of affected creditors may receive or maintain more than the total amount of its claims and interests;

- when one or more classes of equity holders have been constituted and have not approved the restructuring plan:

- the debtor (x) either employs at least 250 employees and has a net turnover of at least €20 million or (y) has a net turnover of €40 million (such thresholds applying to companies that own or control another company, within the meaning of Articles L. 233-1 and L. 233-3 of the French Commercial Code, provided that all the companies together reach the aforementioned thresholds);

- based on the value of the debtor as a going concern, one may reasonably assume that the equity holders of one or several dissenting classes would not be entitled to any payment or retain any interest in the context of a judicial liquidation or an asset sale plan (*plan de cession*);

- the shares issued, if the plan provides for a capital increase subscribed by cash contribution (which should include a subscription by way of set off), are offered in priority to the shareholders, pro rata their existing shareholding ; and

- the plan does not provide for the transfer of all or part of the rights of dissenting class or classes of equity holders.

The court may depart from the "absolute priority" rule, with the agreement of the debtor, where such derogations are necessary in order to achieve the objectives of the plan and if the plan does not unduly prejudice (*ne porte pas une atteinte excessive aux*) the rights or interests of the affected parties. In particular, suppliers essential to the debtor's business, equity holders or holders of claims arising from the debtor's tort liability are eligible for special treatment.

The court decisions will constitute approval of the changes to the shareholding or to the rights of the equity holders or to the constitutional documents provided for in the restructuring plan. The court may designate a judicial *mandataire* to register in the debtor's books the changes to the share capital and to carry out all acts necessary for the implementation of such amendments.

Accelerated Safeguard Proceedings

The 2021 Ordinance redesigned accelerated safeguard proceedings, by merging the previously existing accelerated safeguard proceedings and accelerated financial safeguard proceedings.

A debtor that is engaged in conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*).

The accelerated safeguard proceedings has been designed to "fast-track" the treatment of difficulties faced by companies and corresponds to the proceeding in which the approval of a plan by classes of affected parties is mandatory, as imposed by Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019.

The maximum duration of accelerated safeguard proceedings is four months (provided the court has decided to extend the initial two-month period).

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard proceedings. However, certain provisions relating to ongoing contracts and to the recovery of assets by their owners do not apply in accelerated safeguard proceedings.

When the accounts show that the nature of the indebtedness makes it likely that a plan will be adopted only by creditors having the status of finance companies, credit institutions and the like, as well as by all holders of claims acquired from them or from a supplier of goods or services and, if applicable, bondholders, the debtor may request the opening of an accelerated safeguard proceeding, the effects of which shall be limited to these creditors.

If the debtor does not meet the conditions that require affected parties' classes (*classes de parties affectées*) (see above) to be constituted, the court shall authorize such constitution in the opening decision and the class-based consultation shall apply (see "*Safeguard Proceedings*").

To be eligible to accelerated safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- its accounts are certified by a statutory auditor or established by a certified public accountant;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is likely to be supported by enough of its affected parties (*parties affectées*) so as to make the approval of the plan probable during the proceedings.

If a plan is not approved by the court within the applicable deadline, the court will terminate the proceedings.

Judicial Reorganization or Liquidation Proceedings

General

Judicial reorganization (*redressement judiciaire*) or liquidation (*liquidation judiciaire*) proceedings may be initiated against (including at the request of a creditor) or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings (or for conciliation proceedings, as discussed above) within 45 days of becoming insolvent; de jure managers (including directors) and, as the case may be, de facto managers that would have failed to file such a petition within the deadline are exposed to civil liability.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings that it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the safeguard proceedings observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*) or the public prosecutor, the court may convert safeguard proceedings into judicial reorganization proceedings or liquidation proceedings if it appears that the debtor was already insolvent at the time of the court decision opening the proceedings. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the public prosecutor and the workers' representatives (if any).

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

Judicial Reorganization

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

An administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals for the reorganization of the debtor (by assisting the debtor in the preparation of a draft judicial reorganization plan, which is similar to a draft safeguard plan or organizing the sale of the business by way of an asset sale plan (*plan de cession*)). At any time during the observation period, the court can, at the request of the debtor, the court- appointed administrator, the creditors' representative (*mandataire judiciaire*), the public prosecutor or at its own initiative, order the partial cessation of the business (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities, including the following:

- the plan is prepared and presented by the judicial administrator (with the assistance of the company as regards its preparation);

- any affected party may prepare an alternative plan which shall be reported on by the judicial administrator and presented to the vote simultaneously with the plan prepared by the company provided that such alternative plan has been provided to the debtor and the judicial administrator at least 15 days before the date of the vote on the draft plan presented by the company;

- in case the plan is not approved by all classes any affected party may request from the court that it approves the plan by way of a cross class cram-down; and

- where the class-based consultation applies and the court does not approve the plan, a new plan must be prepared and standard consultation shall apply (including the court-imposed rescheduling described in "*Safeguard Proceedings*").

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity (*capitaux propres*) to a level equal to at least one half of the share capital (*capital social*) as required by Article L. 626-3 of the French Commercial Code, the administrator may request from the court the appointment of a trustee (*mandataire de justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders that refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls one or more companies having together at least 150 employees (within the meaning of the French Labor Code), (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and to local employment and (iii) the modification of the company's share capital seems to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then, at the request of the judicial administrator or of the State prosecutor (x) after the review of the options for a total or partial sale of the business and (y) if at least three months have elapsed as from the court decision commencing the proceedings, provided that the shareholders' meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a trustee (*mandataire*) in order to convene the shareholders' meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or

- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly, a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholders' meetings; any consent clause being deemed unwritten, the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

Law n° 2021-689 May 31, 2021 has introduced a new insolvency procedure available up until June 2, 2023, which is entitled "*procédure de traitement de sortie de crise*" and can be summarized as an accelerated and simplified judicial reorganization proceedings for small undertakings (in terms of employees and turnover), whose purpose is the endorsement of a debt rescheduling (the eligibility criteria are yet to be detailed in an upcoming ministerial decree).

Judicial Liquidation

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings nor does the law limit their duration (except with respect to simplified judicial liquidation proceedings). The liquidator is

vested with the power to represent the debtor and perform the liquidation operations (mainly to liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order of payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Disposal of the debtor's assets will take place as follows:

- a sale of business (*cession d'entreprise*) (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor during a temporary period of continuation of the business operations ordered by the court (three months, renewable once) and organize such sale of the business as a going concern via an asset sale, i.e. an asset sale plan (*plan de cession*), any third party (as construed under French law) being entitled to present a bid on all or part of the debtor's business); or

- a piecemeal sale of the individual assets of the debtor, in which case the liquidator may decide to:

  - launch auction sales (*vente aux enchères* and *adjudication amiable* for real estate assets only);

  - sell by private sale (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received (the formal authorization of the insolvency judge being necessary to enter into the sale agreement with the bidder); or

  - in practice, request, under the supervision of the insolvency judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*). However, the possibility to implement such process is questioned by certain legal authors and case law in this respect has varied.

If the court adopts a reorganization or sale plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

The court will end the proceedings when either no due liabilities remain and the liquidator has sufficient funds to pay off the creditors (*extinction du passif*) or continuation of the liquidation process becomes impossible due to an insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets; or

- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

The Observation Period and Its Outcome

The period from the date of the court decision commencing the safeguard or judicial reorganization proceedings and until the court makes a decision on the outcome of the proceedings is called the observation period (*période d'observation*) and may last up to twelve months (with six additional months for judicial reorganization proceedings under exceptional circumstances and upon request of the public prosecutor) . During the observation period, the court-appointed administrator investigates the business of the company.

Under safeguard proceedings, the court-appointed administrator's mission is limited to either supervising the debtor's management or assisting it, and in any case helping it prepare a safeguard plan for the company. In judicial reorganization proceedings, the court-appointed administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which proposals may include a reorganization or an asset sale plan. In judicial reorganization proceedings, the court may also decide that the court-appointed administrator will manage the company alone by replacing the debtor's management.

At the end of the observation period, if it concludes that the company can survive as a going concern, the court will adopt a safeguard or a reorganization plan, which will essentially provide for a restructuring and/or rescheduling of debts which may only entail the partial divesture of assets rather than the entire business, to a third party (a sale of the entire business is not possible under safeguard proceedings). At the end of the observation period of judicial reorganization proceedings and, alternatively to a reorganization plan, the court may determine that all or part of the business should be sold to purchasers who have submitted bids. In such a case, the court orders such a (partial or entire) sale in the framework of a so-called "asset sale plan" (*plan de cession*), which consists of transferring assets, contracts and employees cherry-picked by the purchaser thereto, for a lump sum, in accordance with the bid submitted by the purchaser during the observation period.

Judicial liquidation proceedings entail the relief of the debtor's management and there is no observation period in such proceedings. The outcome of liquidation proceedings, which is decided by the court without a vote of the creditors, may be a sale of the business and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. Where a sale of the business (partial or not) is contemplated, the court may authorize a temporary continuation of the business for a maximum period of three months (renewable once for a period of three months at the public prosecutor's request) whose effects are similar to an observation period.

The sales that have been pre-packed in *mandat ad hoc* or conciliation proceedings and that are deemed satisfactory will be implemented in the framework of subsequent court-administered proceedings through an expeditious process. Such sale could only relate to part (but not all) of the business of the debtor in safeguard proceedings.

The "Hardening Period" (Période Suspecte) in Judicial Reorganization and Liquidation Proceedings

The date when the debtor becomes in a state of "*cessation des paiements*" is deemed to be the date of the court order commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may not be earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (homologation) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the "hardening period" (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into by the debtor during the hardening period are automatically void or voidable by the court.

Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments of the debts that are due made in a manner which is not commonly used in the ordinary course of business, deposits of cash or monetary instruments ordered by a court decision that has not yet become final to serve as bond or as a precautionary measure in accordance with Article 2350 of the French Civil Code, any security interest agreement or right of retention agreement granted on the debtor's assets or rights for debts previously contracted unless they replace a previous security with at least an equivalent nature and basis and with the exception of the assignments of receivables provided under Article L. 313-23 of the French Monetary and Financial Code made in execution of a framework agreement entered into prior to the date of insolvency, any legal mortgage (*hypothèque légale*) resulting from a judgment against the debtor for debts previously incurred, provisional attachment or seizure measures (*mesures conservatoires*) (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*) pursuant to Article L. 526-1 of the French Commercial Code.

Voidable transactions include, transactions for consideration, payments made on debts that are due, notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions, in each case, if such actions are taken after the debtor was in *cessation des paiements* and the court determines that the party dealing with the debtor knew that the debtor was insolvent at the relevant time. In addition, transactions relating to transfers of assets for no consideration and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*) pursuant to Article L. 526-

1 of the French Commercial Code are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard proceedings, since the condition required to commence such proceedings is that the company is not insolvent within the meaning of French law.

Extension of Insolvency Proceedings

French law provides that, upon the petition of the debtor, the public prosecutor, the court-appointed administrator, the creditors' representative, the controllers or the liquidator, the insolvency proceedings of a company may be extended to another one, so that their respective assets and liabilities will be treated as belonging to one single insolvency estate, if (i) the debtor is deemed "fictitious," i.e. a sham, or (ii) the debtor "commingled its assets and liabilities" with another entity, i.e. either it proves impossible to determine which assets and liabilities belong to each of them or "abnormal financial relationships" existed between the two entities (such as transfers of assets or funds without consideration).

Status of Creditors During Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of judicial reorganization proceedings" (in accordance with a decision of the French Supreme Court (*Cour de Cassation*) dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard or accelerated safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) that it believes the debtor will not be able to continue to perform. This possibility is excluded in the case of an accelerated safeguard. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of judicial reorganization or judicial liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of an asset sale plan (*plan de cession*) as described above; in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the asset sale plan (*plan de cession*), as described above, or on the date on which the continued operation of the business ends.

During the observation period (and some of these rules continue to apply during the execution of the approved plan):

- accrual of interest is suspended (except in respect of loans having a maturity of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);

- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge-commissaire*) to recover assets required by the continued operation of the business and post-petition debts, unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;

- debts duly arising after the commencement of the proceedings and which were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a "New Money Lien"), provided that they are duly brought to the attention of the court-appointed administrator or, failing one, the *mandataire judiciaire* or, should they both have ceased to be in office, the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) or the judicial liquidator within one year of the end of the observation period;

- in the context of judicial reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrat en cours*) will be required;

- creditors may not initiate or pursue any individual legal action against the debtor (or against a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard or accelerated safeguard proceedings) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:

  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due) in order to file a proof of claim, as described below)

  - to terminate a contract for non-payment of amounts owed to the creditor; or

  - to enforce the creditor's rights against any assets of the debtor, except (i) in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset—whether tangible or intangible, moveable or immoveable, is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 8 of the EU Insolvency Regulation; and

- any increase in the scope of a contractual security or a contractual right of retention, by any means whatsoever, by the inclusion of goods or rights, or by transfer of the debtor's assets or rights, is prohibited. Any contrary provision, in particular relating to a transfer of property or rights of the debtor which have not yet arisen on the date of decision commencing the proceedings, is unenforceable as from the date of the court decision opening the relevant proceedings. However, the increase in the scope may validly result from an assignment of a claim under Article L. 313-23 of the Monetary and Financial Code when it is made pursuant to a master assignment agreement entered into prior to the opening of the proceedings, or from an express derogation from this prohibition provided for in the French Monetary and Financial Code or the French Insurance Code.

A natural person that is the guarantor of the debtor may avail itself of the provisions of a safeguard plan and of a judicial reorganization plan adopted by the court.

In accelerated safeguard proceedings, the above rules only apply to the creditors that fall within the scope of those proceedings. Debts owed to other creditors continue to be payable in the ordinary course of business.

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of court-administered proceedings must file a proof of claim (*déclaration de créances*) with the creditors' representative within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales* (by exception, the deadline starts upon receipt of an individual notification for those creditors whose claim arose out of a published contract or who benefit from a published security interest); this period is extended to four months for creditors domiciled outside France. Where the debtor has informed the creditors' representative of the existence of a claim and no proof of a claim has been filed yet, such claim is deemed filed with the creditors' representative. Creditors are allowed to confirm a proof of claim made on their behalf. Creditors who have not submitted their claims during the relevant period, whose claims are not deemed filed with the creditors' representative save for a ratification by the creditor of a proof of claim made on its behalf, are barred, except with respect to very limited exceptions, from receiving distributions made in accordance with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

Under accelerated safeguard proceedings the claims held by parties affected (*parties affectées*) that took part in the *conciliation* proceedings are listed by the debtor and certified by its statutory auditor (or, in its absence, its accountant) and are thus deemed to have been filed. This list should include among other information, the subordination agreements brought to the debtor's attention by the creditors before the opening of the proceeding. Although such affected parties (*parties affectées*) can file proofs of claim pursuant to the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth on the list prepared by the debtor (within

the 2 or 4 month time limit). Those affected parties (*parties affectées*) who did not take part in the conciliation proceedings would have to file their proofs of claim within the above-mentioned deadlines.

If the court adopts a safeguard plan, an accelerated safeguard plan or a reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts an asset sale plan (*plan de cession*) of the debtor in judicial reorganization or liquidation proceedings (see above), the proceeds of the sale will be allocated towards the repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employee claims, post-commencement legal costs (essentially, court-officials fees), creditors who, benefit from a New Money Lien or a S/R Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over certain assets with respect to their claim related to such asset.

Creditors' Liability

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where insolvency proceedings, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds: (i) fraud; (ii) clear interference with the management (*immixtion caractérisée dans la gestion*) of the debtor; or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court. Case law has recently set out that this liability would also require that the granting of the facility be deemed wrongful.

If a creditor has repeatedly interfered in the company's management, it can be deemed a de facto manager of such company (*dirigeant de fait*). In such case, Article L.651-2 of the French Commercial Code provides that, if liquidation proceedings (*liquidation judiciaire*) have been commenced against the debtor, the creditor may be liable for bearing the excess of liabilities over the company's assets, along with the other managers (whether de jure or de facto), as the case may be, if it is established that their mismanagement contributed to the company's shortfall of assets. If such conditions are met, French courts will decide whether the managers should bear all or part of the shortfall amount.

However, a manager (whether de jure or de facto) cannot be held liable on the basis of Article L. 651-2 of the French Commercial Code in cases of "simple negligence" (*simple négligence*) in the management of the company.

Limitations on guarantees

Corporate benefit, financial assistance and other limitations

A guarantee has been granted by a company incorporated in France.

In certain circumstances, where a French company acts in breach of its requirement to act for its corporate benefit, its officers may incur civil and/or criminal liability. In addition, under French law, a French court may, under certain circumstances, set aside a guarantee granted by a French company if such company derives no corporate benefit.

While the granting of guarantees by a parent company with respect to the obligations of its subsidiary are deemed to be, in principle, for the corporate benefit of the parent company, the granting of cross or upstream guarantees by a subsidiary may be more problematic from that perspective.

Furthermore, under French financial assistance rules, a company limited by shares may not advance funds, grant loans or grant security for the purposes of the subscription or the acquisition of its own shares by a third party. Breach of French financial assistance rules may result in criminal liability for the officers of the company acting in breach of these rules and their accomplices. Moreover, a court could declare any guarantee given in breach of such rules unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor.

Based upon the above, guarantee limitation language has been agreed in this transaction with respect to the Guarantees to be granted by Guarantors incorporated under the laws of France (each, a "**French Guarantor**") in respect of the payment obligations of the Issuer under the Notes:

- the obligations and liabilities of a French Guarantor under its Guarantee will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241-3, L. 242-6 or L.244-1 of the French Commercial Code; and

- the aggregate obligations and liabilities of a French company under its Guarantee for the obligations of the Issuer under the Notes shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on lent by the Issuer to, or used to refinance any indebtedness previously on-lent directly or indirectly to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding at the time a demand is made from such French Guarantor under its Guarantee, it being specified that any payment made by any such French Guarantor under its Guarantee shall reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by such French Guarantor under the intercompany loan arrangements referred to above.

However, the balance of such intercompany loans, which are financed directly or indirectly with the proceeds of the Notes, will increase and decrease in the ordinary course of business, in line with the needs of the business and availability of such proceeds for other utilizations.

By virtue of this limitation, the Guarantors obligation under the Guarantees could be significantly less than amounts payable with respect to the Notes, or the Guarantors may have effectively no obligation under the Guarantees. By virtue of this limitation and with respect to the French Guarantor, in the absence of any proceeds of the Offering being made available to the French Guarantor and/or its subsidiaries the amount guaranteed by the French Guarantor will be equal to zero.

In addition, if a Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such Guarantor would obtain in a transaction entered into on an arm's length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

The existence of a real and adequate benefit to any Guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

A French insolvency court may also refuse to enforce a guarantee if it is determined that the grantor was insolvent at the time the guarantee was granted and that the relevant secured party had knowledge, at the time the guarantee was granted, of such insolvency.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of insolvency proceedings, called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the debtor by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) insolvency proceedings of the relevant debtor, or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the debtor's insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of

recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the Notes, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor that lodged the claim in relation to the relevant act. As a result of such successful challenges, the holders of the Notes may not enjoy the benefit of the Notes, the Guarantee and the value of any consideration that the holders of the Notes received with respect to the Notes, or the Guarantee could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, the holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantor as a result of the fraudulent conveyance.

Intercreditor arrangements

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Articles L. 626-30 of the French Commercial Code pursuant to which, in the context of safeguard or judicial reorganization proceedings, the classes of creditors aiming to vote on the safeguard or reorganization plan are made taking into account the provisions of subordination agreements between creditors entered into prior to the commencement of the safeguard, or judicial reorganization, proceedings. As a consequence, except to the extent referred to above (which, as at the date of this Offering Memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

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PLAN OF DISTRIBUTION

Goldman Sachs Bank Europe SE, J.P. Morgan Securities LLC, BBVA Securities Inc., Danske Markets Inc., DNB Markets, Inc., Fifth Third Securities, Inc., HSBC Bank plc, Mizuho Securities USA LLC, MUFG Securities Americas Inc., NatWest Markets Securities Inc., Skandinaviska Enskilda Banken AB (publ) and SMBC Nikko Securities America, Inc. are the Initial Purchasers. Subject to the terms and conditions set forth in the purchase agreement dated the date of the final offering memorandum among, *inter alios*, the Issuer and the Initial Purchasers (the "Purchase Agreement"), the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase the Notes from the Issuer the principal amount of Notes set forth in the Purchase Agreement.

Subject to the terms and conditions set forth in the Purchase Agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the Purchase Agreement if any of the Notes are purchased. If an Initial Purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the Purchase Agreement may be terminated.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers.

Notice to prospective investors in the EEA

MiFID II

Each Initial Purchaser has represented, warranted and agreed with us that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For these purposes, a "retail investor," means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

PRIIPs regulation / prohibition of sales to EEA retail investors

The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, "retail investor" means a person who is one (or more) of the following: (a) "retail client" as defined in point(11) of Article 4(1) of MiFID II; or (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c); or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United States

Each purchaser of Notes offered by this Offering Memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Notice to Investors*."

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under

the Exchange Act. Terms used above have the meanings given to them by Rule 144A and Regulation S. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*."

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the later of the commencement of this offering or the date the Notes are originally issued, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the Securities Act.

New Issue of Securities

The Notes are a new issue of securities with no established trading market. The Issuer does not intend to apply for listing of the Notes on any U.S. securities exchange or for inclusion of the Notes on any automated dealer quotation system.

The Issuer will apply, through a listing agent, to list the Notes on the Official List of the Exchange and trade the Notes on the Exchange; however, the Issuer cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Issuer cannot assure you that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will continue after this Offering. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act, and may be limited. Accordingly, the Issuer cannot assure you that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favourable.

No Sales of Similar Securities

In the Purchase Agreement, the Issuer and the Guarantors have agreed that, no member of the Group nor any of their respective affiliates will, without first obtaining the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of, any debt securities issued or guaranteed by the Issuer or any of the Guarantors and having a tenor more than one year (other than the Notes and the Guarantees), through and including the date falling 90 days after the date of the Purchase Agreement.

Price Stabilisation and Short Positions

In connection with the Offering, the Initial Purchasers (or persons acting on their behalf) may engage in transactions that stabilise the market price of the Notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Notes. Purchases of a security to stabilise the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of the Issuer, the Guarantors, nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of the Issuer, the Guarantors, nor any of the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any stabilising action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Other Relationships

The Initial Purchasers or their respective affiliates have engaged in, and/or may in the future engage in, investment banking (which may include, without limitation, mergers, acquisitions, sales or disposals), financial advisory, commercial banking, cash management, trade finance, foreign exchange relationships and/or other commercial dealings in the ordinary course of business with the Issuer or its affiliates. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates (including the Notes). If the Initial Purchasers or their affiliates have a lending relationship with the Issuer, its affiliates and/or subsidiaries, certain of those initial purchasers or their affiliates routinely hedge, certain of those initial purchasers or their affiliates are likely to hedge and certain of those initial purchasers or their affiliates may hedge their credit exposure to these entities consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such credit default swaps or short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Certain of the Initial Purchasers or certain of their affiliates have been appointed as arrangers, agents or lenders under the Facilities Agreement and therefore will receive a portion of the proceeds of the Offering of the Notes.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S.

The Issuer and the Guarantors have not registered and will not register the Notes or the Guarantees under the Securities Act and, therefore, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers", commonly referred to as "QIBs" as defined in Rule 144A in compliance with Rule 144A; and
- to investors who are outside the United States in accordance with Regulation S.

The term "United States" are used with the meanings given to them in Regulation S.

By your acceptance thereof, you will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

1. You understand and acknowledge that the Notes and the Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
2. You are not the Issuer's "affiliate" (as defined in Rule 144 under the Securities Act) or acting on the Issuer or the Guarantors' behalf and you are either:
    (a) a QIB, within the meaning of Rule 144A and are aware that any sale of these Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or
    (b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S
3. You acknowledge that none of the Issuer, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to the Issuer or the Guarantors or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Guarantors and the Initial Purchasers.
4. You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.
5. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of Rule 144A Note) after the later of the date of the original issue and the

last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act; subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations; and further subject to the Issuer's and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

6. Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

   IN THE CASE OF RULE 144A NOTES: THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

   If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

7. You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

8. You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

9. You acknowledge that the trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the trustee that the restrictions set forth therein have been complied with.

10. You acknowledge that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

11. You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of Distribution."

You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer and the Guarantors by Freshfields Bruckhaus Deringer LLP, with respect to U.S. federal, New York, Delaware, English, French and Italian law, Freshfields Bruckhaus Deringer Rechtsanwälte Steuerberater PartG mbB with respect to matters of German law, Accura Law Firm with respect to matters of Danish law, Homburger AG with respect to matters of Swiss law, Hull & Chandler, P.A. with respect to matters of North Carolina law and GableGotwals with respect to matters of Oklahoma law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Ropes & Gray International LLP, with respect to U.S. federal, New York and English law, Allen & Overy LLP with respect to matters of French and German law, Allen & Overy – Studio Legale Associato with respect to matters of Italian law, Lenz & Stahelin as to matters of Swiss law, Kromann Reumert as to matters of Danish law and McAfee & Taft as to matters of Oklahoma law.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Group as at and for each of the years ended December 31, 2019 (including the comparative financial information for the year ended December 31, 2018 included therein) and 2020 included elsewhere in this Offering Memorandum were audited by Deloitte LLP, independent auditors, as stated in their reports appearing therein.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENT

The following description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the ability to serve process and enforce judgments with respect to the Notes and the Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

The Issuer is established as a corporation incorporated under the laws of the state of Oklahoma. The Company is a listed company incorporated under the laws of England and Wales. Future guarantors may be organised under the laws of non-U.S. jurisdictions.

Most of the directors and officers of the Guarantors are non-residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or the Guarantors or their respective directors, officers and other executives or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York.

In addition, as many of the Issuer's and the Guarantor's assets and the assets of their respective directors and executive officers are located outside of the United States, you may be unable to enforce against them or U.S. judgments obtained in the U.S. courts predicated on civil liability provisions of the federal securities laws of the United States. If a judgment is obtained in a U.S. court against the Issuer or the Guarantors, investors will need to enforce such judgment in jurisdictions where the relevant company has assets.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on the state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- the judgment being final under U.S. law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the judgment of the U.S. court being consistent with the procedure of a matter pending before a German court, provided that such matter was pending before a German court before the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with German public policy, including the fundamental principles of German law, and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

It is doubtful whether a German court would impose civil liability if proceedings were commenced in Germany based solely upon U.S. federal or state securities laws. German courts also usually deny the recognition and enforcement of punitive damages or any other damages which do not serve a compensatory purpose, such as

treble damages, as incompatible with the substantive foundations of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

If the party in whose favour such final U.S. judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

England

The following summary with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to the Group by the Company's English legal advisors. The U.S. and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment of a U.S. federal or state court, whether or not predicated solely upon U.S. federal securities law, will not automatically be recognised or directly enforceable in England but may be enforceable by separate action in accordance with English common law rules. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally re-investigate the merits of a final and conclusive judgment of the U.S. court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no real prospect of a successful defence to it).

Recognition and enforcement of a U.S. judgment by an English court is conditional upon (among other things) the following:

- the U.S. court being recognised by the English court as having had jurisdiction over the original proceedings at the time they were served, and the party against whom judgment was given having properly submitted to the jurisdiction of the U.S. court (including by presence), according to English rules of the conflict of laws and private international law;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it (even though it may be subject to an appeal);
- the U.S. judgment not having been obtained by fraud or being in breach of English principles of natural or substantial justice;
- the U.S. judgment being for a debt or definite sum of money (provided that the judgment is not for a sum payable in respect of taxes or other charges of a like nature, or in respect of a penalty or fine or other penalty, or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law);
- recognition of the U.S. judgment not being contrary to public policy or statute in England;
- recognition of the U.S. judgment not violating the Human Rights Act 1998;
- the U.S. judgment (i) is not a judgment in respect of the same subject matter involving the same parties that has previously been determined by an English court or another court whose judgment is entitled to recognition in England; and (ii) does not conflict with an earlier English or foreign judgment given earlier in time which is enforceable in an English court;
- the U.S. judgment was not given in proceedings brought in breach of an agreement for the settlement of disputes, including in breach of a binding arbitration agreement (as provided by section 32 of the Civil Jurisdiction and Judgments Act 1982);
- enforcement of the U.S. judgment would not contravene the Protection of Trading Interests Act 1980 (Section 5 of which precludes, among other things, the enforcement in the United Kingdom of any judgment given by a court of an overseas country which is a judgment for multiple damages arrived at

by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained and which exceeds the compensatory element of the award);

- recognition or enforcement of the U.S. judgment would not be contrary to the terms of the Administration of Justice Act 1920, the Foreign Judgments (Reciprocal Enforcement) Act 1933 or the Civil Jurisdiction and Judgments Act 1982; and
- the English enforcement proceedings being commenced within the relevant limitation period.

In addition, an English court may decline to accept jurisdiction and impose civil liability if the original action was commenced in England and was predicated solely upon a law other than the law of England.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, the Company cannot assure you that those judgments will be recognised or enforceable in England. Furthermore, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is or becomes subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor. The judgment debtor may also appeal the English judgment and seek a stay of execution, or other relief, from the English court.

There are risks, including risks similar to those described above, in relation to enforcing judgments from a U.S. federal or state court in other jurisdictions. Accordingly, the Group cannot assure you that such risks do not and will not exist in other jurisdictions, including those in which the assets of some or all of the Group's subsidiaries that may guarantee the Notes in the future are located.

Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, *provided* that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*), among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of defendant party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

Switzerland

There is doubt as to the enforceability of U.S. judgments in Switzerland, or the applicability of U.S. federal or state laws in an action brought before a Swiss court. The United States and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in

civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Switzerland. A final judgment by a U.S. federal or state court may, however, be recognized in Switzerland in an action before a court of competent jurisdiction in accordance with the proceeding set forth by the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*), the Swiss Federal Act on Civil Procedure (*Schweizerische Zivilprozessordnung*) and the DEBA.

In such an action, a Swiss court generally would not reinvestigate the merits of the original matter decided by a U.S. court. The recognition and enforcement of a U.S. judgment by a Swiss court would be conditional upon a number of conditions including those set out in articles 25 et seqq. of the Swiss Federal Act on International Private Law (*Bundesgesetz über das international Privatrecht*), which include:

- the U.S. court having had jurisdiction over the original proceedings from a Swiss perspective;
- the judgment being final under U.S. federal or state law, and no ordinary legal remedy being available against such judgment;
- the parties having been duly summoned, under the law of their place of residence or under the law of their habitual residence (i.e. with respect to a Swiss Guarantor, the rules of the Hague Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters or any other applicable international treaty), or they having proceeded to the merits without any reserves;
- the original proceeding not having been conducted under a violation of material principles of Swiss civil proceedings law, in particular the right to be heard;
- the matter (*Verfahren*) resulting in the judgment of the U.S. court not being consistent with the matter (*Verfahren*) pending before a Swiss court, provided such Swiss matter was pending before a Swiss court prior to the U.S. court entered its proceedings; and
- the enforcement of the judgment by the U.S. court not being manifestly incompatible with Swiss public policy (*schweizerischer Ordre public*).

Subject to the foregoing, purchasers of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Switzerland. We cannot, however, assure you that any attempts to enforce judgments in Switzerland will be successful; in particular, it is uncertain whether a Swiss court would recognize U.S. jurisdiction if the defendant did not enter an appearance before a U.S. court during the substantive proceedings in the sense of Art. 6 of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*). In addition, the recognition and enforcement of punitive damages awards might be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Furthermore, it is not certain that a Swiss court, if substantive proceedings were commenced in Switzerland, would apply U.S. federal or state laws. The applicable law will be determined in particular in accordance with the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*), which may limit the right of the parties to choose the applicable law. As an example, notwithstanding a valid choice of law by the parties to an agreement, a court of Switzerland or other authority will not apply a provisions of foreign law if and to the extent that this would, in the court's or authority's view, lead to a result violating Swiss public policy (*schweizerischer Ordre public*) or similar general principles. Moreover, a court of Switzerland or other authority will apply, notwithstanding a valid choice of law by the parties, any provisions of Swiss law (and, subject to further conditions, of another foreign law) which in the court's or authority's view imperatively demand application in view of their specific purpose (*lois d'application immédiate*).

Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the depositions of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. In Switzerland, no such pre-trial discovery process exists. Instead, a Swiss court would decide upon the claims for which evidence is required from the parties and the related burden of proof.

Denmark

The United States and Denmark currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (as opposed to arbitration awards). Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws enforceable in the United States, would not be recognized or enforceable in Denmark. A final judgment properly obtained in a U.S. court will therefore neither be recognized nor enforced by the Danish courts without re-examination of the substantive matters thereby adjudicated. In connection with any such re-examination, the judgment will generally be accepted as material evidence, but the parties must provide the Danish courts with satisfactory information about the contents of the relevant foreign law and, if they fail to do so, the Danish courts may apply Danish law instead. Further, certain remedies available under U.S. law may not be allowed in Danish courts as contrary to Danish public policy, including, among other remedies, punitive damages.

France

We have been advised by our French counsel that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters.

Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (exequatur) in France before the relevant civil court (*tribunal judiciaire*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment is final and enforceable in the jurisdiction of the court which rendered it;
- the subject matter of such U.S. judgment is sufficiently or substantially connected with the jurisdiction of the court that rendered it, the choice of the U.S. court was not fraudulent and French courts did not have exclusive jurisdiction to hear the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment that has become effective in France and there is no risk of conflict with proceedings pending before French courts at the time enforcement of the judgment is sought.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the *exequatur* is subject to appeal. In principle, the appeal proceedings has no suspensive effect (i.e.: the Judgement will be enforceable notwithstanding the appeal). The claimant is however allowed to file a request before the 1st President of the Court of appeal in order to seek the freezing the enforcement of the exequatur judgement pending the outcome of the appeal proceedings).

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French laws No. 80-538 of July 16, 1980 and No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) and French procedural rules to obtain evidence in France or from French persons. Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by law No. 2021-1017 of 2 August 2021) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

We have been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply foreign law (or part of foreign law) as designated by the applicable French rules of conflict or as chosen by the

parties to govern their contract if its application is deemed to contravene French international public policy (as determined on a case-by-case basis by French courts) or in case of overriding mandatory rules. In an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) may decide to bring an action before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with a French person. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant. These provisions also apply in the context of non-contractual obligations. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law from 2006 and 2007, the French courts' jurisdiction over French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. More specifically, according to this case law, a French defendant can no longer challenge the jurisdiction of a foreign court on the basis of Articles 14 and 15 of the French Civil Code in circumstances where the foreigncourt has otherwise jurisdiction. In addition, French and foreign claimants may waive his or her rights respectively to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

In a decision dated September 26, 2012, the French Supreme Court (*Cour de cassation*) held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (potestative). In a decision dated 25 March 2015, the French Supreme Court (*Cour de cassation*) reversed the decision of the Angers Court of Appeal, stating that it should have examined whether the one-sided jurisdiction clause which did not set out an objective basis for the alternative jurisdictions that one party could choose, wasn't contrary to the Lugano Convention's objectives of predictability and legal certainty (which, so far as relevant, is the same as the Brussels I Regulation). Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts. On the other hand, a provision which allows to identify the alternative forum in which a potential dispute could be brought will be upheld.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchaser by the Issuer for such purpose, any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer or the Initial Purchasers.

This Offering Memorandum contains summaries, believed to be accurate in all material respects, of certain terms of certain agreements, but reference is made to the actual agreements (copies of which will be made available upon request to the Issuer or the Initial Purchasers) for complete information with respect thereto, and all such summaries are qualified in their entirety by this reference. While any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and, with respect to financial information, the Issuer, will make available, upon request, to any holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Requests for such information and requests for the agreements summarised in this Offering Memorandum should be directed to ConvaTec Group Plc, 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, United Kingdom**.** Information contained on the Company's website is not incorporated by reference into this Offering Memorandum and is not part of this Offering Memorandum.

For so long as the Notes are admitted to trading on the Exchange and the rules of the Exchange so require, copies of such information will be available for review during the normal business hours on any business day at the specified office of the principal paying agent. Please see "*Listing and General Information*."

LISTING AND GENERAL INFORMATION

1. The Issuer and the Guarantors

   a. The Issuer is a corporation incorporated in the state of Oklahoma with its principal executive office at 8516 Northwest Expressway, Oklahoma City, OK 73162, United States.

   b. The Company is a public limited company incorporated on 6 September 2016 as a private company limited by shares in the United Kingdom and re-registered as a public limited company on 10 October 2016 with its registered office situated in England and Wales. The Company operates under the Companies Act 2006.

   c. ConvaTec Inc. is a corporation incorporated in the state of Delaware with its registered office at Corporation Trust Center, 1209 Orange Street, Wilmington, County of Newcastle, DE 19801, United States.

   d. Wilmington Medical Supply Inc. is a corporation incorporated in the state of North Carolina with its registered office at 1206 N. 23rd Street, Wilmington, NC 28405-1810, United States.

   e. ConvaTec Dominican Republic Inc. is a corporation incorporated in the state of Delaware with its registered office at Carretera Sanchez km 18 ½, Parque Industrial Itabo, Haina, San Cristóbal, Dominican Republic.

   f. ConvaTec Finance Holdings Limited is a private limited company incorporated under the laws of England and Wales and registered with Companies House with company number 12141776. Its registered office is at 3 Forbury Place, 23 Forbury Road, Reading, Berkshire, United Kingdom, RG1 3JH.

   g. ConvaTec Limited is a private limited company incorporated under the laws of England and Wales and registered with Companies House with company number 01309639. Its registered office is at Gdc First Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NU, United Kingdom.

   h. Amcare Limited is a private limited company incorporated under the laws of England and Wales and registered with Companies House with company number 03191025. Its registered office is at Gdc First Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NU, United Kingdom.

   i. Unomedical A/S is a limited liability company incorporated under the laws of Denmark and registered with the commercial register under the number 64153315. Its registered office is Åholmvej 1-3, 4320 Lejre, Denmark.

   j. Laboratoires ConvaTec SAS is a limited liability company (*société par actions simplifiée*) under the laws of France and registered with the Greffe du Tribunal de Commerce de Nanterre under the registration number 318 209 251 R.C.S. Nanterre. Its registered office is at 90, Boulevard National, La Garenne Colombes, F-92250, Paris, France.

   k. ConvaTec International Services GmbH is a limited liability company *(Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Switzerland and registered with the commercial register under the number CHE-114.938.522. Its registered office is Mühlentalstrasse 36/38, 8200 Schaffhausen, Switzerland.

   l. ConvaTec Italia S.r.l is a limited liability company (*società a responsabilità limitata*) incorporated under the laws of Italy and registered with the Companies' Register (registro delle Imprese) of Milan under the number 06209390969. Its registered office is Via della Sierra Nevada, 60-00144 Rome, Italy.

   m. ConvaTec (Germany) GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under registration number HRB 175905. Its registered office is Gisela-Stein-Strasse 6, 81671 Munich, Germany.

2. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer dated 17 September 2021, with approval of the final terms delegated to certain authorised persons to undertake on behalf of the Board of Directors of the Issuer.

3. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange

(the “Exchange”). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

4. The Notes sold pursuant to Regulation S in this Offering have been accepted for clearance through the facilities of DTC and have been assigned CUSIP number U68355 AA1. Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of DTC and have been assigned CUSIP number 682357 AA6. The international securities identification number (ISIN) for the Notes sold pursuant to Regulation S is USU68355 AA17 and for the Notes sold pursuant to Rule 144A is US682357AA69. The Legal Entity Identifier of the Issuer is 254900ZB648OPWVFVX59.

5. The Issuer has appointed BNY Mellon Corporate Trustee Services Limited as Trustee under the terms of the Indenture. The conditions under which the Trustee may be replaced are set out in the Indenture.

6. The Issuer has appointed The Bank of New York Mellon, London Branch as Paying Agent.

7. The Issuer has appointed The Bank of New York Mellon SA/NV, Dublin Branch as Transfer Agent and Registrar.

8. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the financial or trading position of the Group since 30 June 2021 and the Issuer since 31 December 2020.

9. Copies of the following documents may be inspected during normal business hours at the specified office of the Issuer for a period of 14 days from the date of the listing of the Notes, namely:

   - the constitutional documents of each of the Issuer and the Guarantor; and
   - the Indenture.

10. Holders of the Notes may contact the Issuer with questions relating to the transfer of Notes.

11. Except as disclosed in this Offering Memorandum, the Group has not been engaged in any governmental, legal or arbitration proceedings during the 12 months preceding the date of this Offering Memorandum, which may have significant effects on the Group’s ability to meet its obligations to holders of the Notes and so far as the Issuer or the Group is aware, no such governmental, legal or arbitration proceeding is pending or threatened.

12. The audited consolidated financial information contained herein include the Company, the Guarantors, the Issuer and non-guarantor subsidiaries of the Company.

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2021 Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2021	2020
	Notes	**$m**	$m
		(unaudited)	*(unaudited)*
Revenue	2	**1,008.0**	908.0
Cost of sales		**(452.7)**	(416.4)
Gross profit		**555.3**	491.6
Selling and distribution expenses		**(252.9)**	(218.2)
General and administrative expenses		**(126.0)**	(124.8)
Research and development expenses		**(40.9)**	(35.6)
Operating profit		**135.5**	113.0
Finance income		**0.5**	1.5
Finance expense		**(20.3)**	(27.8)
Non-operating expense, net	3	**(3.6)**	(5.2)
Profit before income taxes		**112.1**	81.5
Income tax expense	4	**(26.3)**	(22.4)
Profit for the period		**85.8**	59.1
Earnings per share			
Basic earnings per share (cents per share)		**4.3¢**	3.0¢
Diluted earnings per share (cents per share)		**4.2¢**	3.0¢

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

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2021	2020
		$m	$m
		(unaudited)	*(unaudited)*
Profit for the period		**85.8**	59.1
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to the Consolidated Income Statement			
Remeasurement of defined benefit pension plans		**(0.1)**	(2.1)
Change in pension asset restriction		**0.1**	4.7
Items that may be reclassified subsequently to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**3.4**	(58.5)
Effective portion of changes in fair value of cash flow hedges		**(2.0)**	(10.4)
Costs of hedging		**(0.2)**	–
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement		**0.7**	–
Income tax relating to items that may be reclassified		**(0.5)**	2.0
Other comprehensive income/(loss)		**1.4**	(64.3)
Total comprehensive income/(loss)		**87.2**	(5.2)

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

Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2021**	31 December 2020
		$m	$m
		(unaudited)	*(audited)*
Assets			
Non-current assets			
Property, plant and equipment		**351.6**	352.2
Right-of-use assets		**80.1**	85.8
Intangible assets and goodwill		**2,118.4**	2,089.6
Deferred tax assets		**41.2**	41.4
Restricted cash		**7.9**	5.7
Other non-current receivables		**15.0**	13.3
		2,614.2	2,588.0
Current assets			
Inventories		**293.0**	297.1
Trade and other receivables		**332.1**	307.9
Derivative financial assets	8	**2.6**	8.1
Cash and cash equivalents		**501.1**	565.4
		1,128.8	1,178.5
Total assets		**3,743.0**	3,766.5
Equity and liabilities			
Current liabilities			
Trade and other payables		**274.9**	334.1
Borrowings	7	**85.8**	86.6
Lease liabilities		**18.6**	19.8
Current tax payable		**59.5**	55.6
Derivative financial liabilities	8	**11.4**	7.7
Provisions		**5.3**	9.4
		455.5	513.2
Non-current liabilities			
Borrowings	7	**1,359.5**	1,369.8
Lease liabilities		**68.3**	72.3
Deferred tax liabilities		**104.3**	101.4
Provisions		**1.2**	1.5
Derivative financial liabilities	8	**5.7**	7.7
Other non-current payables		**37.2**	29.9
		1,576.2	1,582.6
Total liabilities		**2,031.7**	2,095.8
Net assets		**1,711.3**	1,670.7
Equity			
Share capital		**246.8**	245.5
Share premium		**140.1**	115.3
Own shares		**(5.0)**	(6.7)
Retained deficit		**(839.2)**	(845.3)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(42.7)**	(46.1)
Other reserves		**112.4**	109.1
Total equity		**1,711.3**	1,670.7
Total equity and liabilities		**3,743.0**	3,766.5

Condensed Consolidated Statement of Changes in Equity

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2021 *(audited)*		**245.5**	**115.3**	**(6.7)**	**(845.3)**	**2,098.9**	**(46.1)**	**109.1**	**1,670.7**
Profit for the period		**–**	**–**	**–**	**85.8**	**–**	**–**	**–**	**85.8**
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		**–**	**–**	**–**	**–**	**–**	**3.4**	**–**	**3.4**
Remeasurement of defined benefit pension plans, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Change in pension asset restriction		**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Effective portion of changes in fair value of cash flow hedges, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**(2.0)**	**(2.0)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**3.4**	**(2.0)**	**1.4**
Total comprehensive income		**–**	**–**	**–**	**85.8**	**–**	**3.4**	**(2.0)**	**87.2**
Dividends paid	5	**–**	**–**	**–**	**(53.6)**	**–**	**–**	**–**	**(53.6)**
Scrip dividend	5	**1.3**	**24.8**	**–**	**(26.1)**	**–**	**–**	**–**	**–**
Share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**7.0**	**7.0**
Share awards vested		**–**	**–**	**1.7**	**–**	**–**	**–**	**(1.7)**	**–**
At 30 June 2021 *(unaudited)*		**246.8**	**140.1**	**(5.0)**	**(839.2)**	**2,098.9**	**(42.7)**	**112.4**	**1,711.3**

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2020 *(audited)*		242.9	70.7	(10.8)	(847.7)	2,098.9	(99.1)	106.1	1,561.0
Profit for the period		–	–	–	59.1	–	–	–	59.1
Other comprehensive loss:									
Foreign currency translation adjustment, net of tax		–	–	–	–	–	(58.5)	–	(58.5)
Remeasurement of defined benefit pension plans, net of tax		–	–	–	–	–	–	(2.1)	(2.1)
Change in pension asset restriction		–	–	–	–	–	–	4.7	4.7
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	–	(8.4)	(8.4)
Other comprehensive loss		–	–	–	–	–	(58.5)	(5.8)	(64.3)
Total comprehensive loss		–	–	–	59.1	–	(58.5)	(5.8)	(5.2)
Dividends paid	5	–	–	–	(38.0)	–	–	–	(38.0)
Scrip dividend	5	2.1	35.7	–	(37.8)	–	–	–	–
Share-based payments		–	–	–	–	–	–	7.2	7.2
Share awards vested		–	–	2.4	–	–	–	(2.4)	–
At 30 June 2020 (unaudited)		245.0	106.4	(8.4)	(864.4)	2,098.9	(157.6)	105.1	1,525.0

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2021	2020
		$m	$m
Cash flows from operating activities		***(unaudited)***	*(unaudited)*
Profit for the period		**85.8**	59.1
Adjustments for			
Depreciation of property, plant and equipment		**19.8**	18.3
Depreciation of right-of-use assets		**11.7**	10.9
Amortisation		**73.7**	67.3
Income tax expense	4	**26.3**	22.4
Non-operating expense, net		**2.7**	5.2
Finance costs, net		**19.8**	26.3
Share-based payments		**7.1**	7.2
Impairment/write-off of property, plant and equipment		**1.7**	0.3
Change in assets and liabilities:			
Inventories		**6.9**	(14.4)
Trade and other receivables		**(21.8)**	(6.1)
Other non-current receivables		**(1.7)**	(3.6)
Restricted cash		**(2.3)**	(0.8)
Trade and other payables		**(51.4)**	0.4
Other non-current payables		**0.5**	4.1
Net cash generated from operations		**178.8**	196.6
Interest received		**0.5**	1.5
Interest paid		**(19.3)**	(28.5)
Income taxes paid		**(29.0)**	(14.5)
Net cash generated from operating activities		**131.0**	155.1
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(43.6)**	(36.7)
Acquisitions, net of cash acquired	6	**(85.1)**	–
Net cash used in investing activities		**(128.7)**	(36.7)
Cash flows from financing activities			
Payment of lease liabilities		**(10.9)**	(10.3)
Dividend paid	5	**(53.6)**	(38.0)
Net cash used in financing activities		**(64.5)**	(48.3)
Net change in cash and cash equivalents		**(62.2)**	70.1
Cash and cash equivalents at beginning of the period		**565.4**	385.8
Effect of exchange rate changes on cash and cash equivalents		**(2.1)**	(4.6)
Cash and cash equivalents at end of the period		**501.1**	451.3

1. Basis of preparation and accounting standards

ConvaTec Group Plc (the "Company") is a company incorporated in the United Kingdom. The accompanying unaudited Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, *Interim Financial Reporting* as adopted by the United Kingdom.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the 2020 ConvaTec Group Plc Annual Report and Accounts, which were prepared in accordance with IFRS as adopted by the European Union. The accounting policies adopted by the Group in preparation of these Condensed Consolidated Interim Financial Statements are consistent with those set out in the 2020 Annual Report and Accounts, except for those described below as new standards and interpretations applied for the first time.

These Condensed Consolidated Interim Financial Statements and the comparatives are unaudited, except where otherwise indicated, and do not constitute statutory financial statements. The statutory financial statements for the Group in respect of the year ended 31 December 2020 have been reported on by the Group's auditor and delivered to the Registrar of Companies. The audit report on those accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The auditors have carried out a review of the financial information in accordance with the guidance contained in ISRE (UK and Ireland) 2410 'Review of Interim Financial Information Performance by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom.

The Condensed Consolidated Interim Financial Statements are presented in US dollars ("USD"), reflecting the profile of the Group's revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to the nearest $0.1 million except where otherwise indicated.

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2021 were approved by the Board on 29 July 2021.

New standards and interpretations applied for the first time

On 1 January 2021, the Group adopted *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* as issued by the IASB. The adoption has not had a material impact on the Condensed Consolidated Interim Financial Statements. Apart from this change, the accounting policies set out in the 2020 Annual Report and Accounts have been applied consistently to both periods presented in these Condensed Consolidated Financial Statements.

New standards and interpretations not yet applied

There were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

Going concern

In preparing their assessment of going concern, the Directors have considered available cash resources, financial performance and forecast performance, including continued implementation of the strategy and transformation, together with the Group's financial covenant compliance requirements (as embedded in the term loans) and principal risks and uncertainties.

The overall financial performance of the business remains robust with a strong liquidity position maintained throughout the year. As at 30 June 2021, the Group held cash and cash equivalents of $501.1 million (31 December 2020: $565.4 million) and two multicurrency term loans totalling $1.5 billion, of which $900.0 million is available until October 2024 and the remainder is amortising and requires a capital repayment of $90.0 million within the next 12 months. The Group also has access to a $200.0 million multicurrency revolving credit facility, which remains undrawn and is available until October 2024.

In assessing going concern, management used cash flow forecasts derived from actual performance year to date, the Board approved 2021 budget and longer-term strategic plan as foundations, which also reflect the expected impact of the ongoing COVID-19 pandemic on the business.

In addition, as part of the 2020 Annual Report and Accounts and in accordance with FRC guidance, management applied severe but plausible downside scenarios linked to the Group's principal and emerging risks, including supply chain disruption (incorporating the effect of climate change), COVID-19, delivery of transformation initiatives, pricing and reimbursement and foreign exchange sensitivity. Further details of the specific scenarios are provided on pages 80 and 81 of the 2020 Annual Report and Accounts. The Board has reviewed these scenarios in the preparation of the interim results and as part of the going concern review and has concluded that these scenarios remain in line with the Group's principal emerging risks and continue to reflect the financial risk of downside events and circumstances, with the exception of delivery of transformation initiatives which has reduced in exposure as a result of delivering the expected strategic transformation plan in 2020 and the gradual shift from strategic transformation to continual business transformation execution initiatives. Under each scenario the Group retains significant liquidity and covenant headroom throughout the going concern period. A reverse stress test, before mitigation, was also considered but the conditions of the reverse stress test were considered implausible.

There are no key sources of estimation uncertainty in arriving at the going concern conclusion and no significant judgements have been required.

Accordingly, at the time of approving these Condensed Consolidated Interim Financial Statements, the Directors have a reasonable expectation that the Group and the Company will have adequate liquid resources to meet their respective liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 29 July 2021.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Condensed Consolidated Interim Financial Statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting

policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Condensed Consolidated Interim Financial Statements and the sources of estimation uncertainty that are considered to be “key estimates” due to their potential to give rise to material adjustments in the Group’s Consolidated Financial Statements within the next financial year. As part of this assessment, the financial reporting impact of risks associated with our identified principal risks, including actual and proposed mitigations, are considered, which includes the effects of COVID-19 and climate change.

In preparing the Condensed Consolidated Interim Financial Statements, no critical judgements have been identified, which is consistent with the Consolidated Financial Statements for the year ended 31 December 2020. A key estimate has been identified in relation to recognition of deferred tax assets in relation to unutilised US tax losses.

IAS 12, *Income taxes* states that when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity. The Group had unutilised US tax losses at 30 June 2021 which were not recognised as deferred tax assets. Given the history of US tax losses, management assessed that there is not convincing other evidence that there will be probable future taxable profit in the US against which these losses can be utilised. Therefore, the related deferred tax assets have only been recognised at 30 June 2021 to the extent that there are suitable offsetting temporary differences.

Management has identified that there is uncertainty in respect to the probability of the timing and extent of future taxable profits in the US given the continuing transformative changes in the Group. It is reasonably possible that the deferred tax recognition criteria may be met within the next 12 months, which could result in a deferred tax asset of up to ca. $31 million. Therefore, the recognition of deferred tax assets in relation to unutilised US tax losses has been identified as a key source of estimation uncertainty. Management will continue to assess the recoverability of the deferred tax assets as the transformation progresses and the financial impact on the US is further determined.

2. Segment information

The Board considers the Group's business to be a single segment entity engaged in the development, manufacture and sale of medical products and technologies. R&D, manufacturing and central support functions are managed globally for the Group. Revenues are managed both on a category and regional basis. This note presents the performance and activities of the Group as a single segment.

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 evaluates profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures and support functions between the categories. Financial information relating to revenues provided to the CEO for decision-making purposes is made on both a category and regional basis, however, profitability measures are presented and resources allocated on a Group-wide basis.

Revenue by category

The following table sets out the Group's revenue by category:

	Six months ended 30 June	
	2021	2020
	$m	$m
Advanced Wound Care	**293.8**	250.9
Ostomy Care	**273.4**	251.8
Continence and Critical Care	**266.0**	244.3
Infusion Care	**174.8**	161.0
Total	**1,008.0**	908.0

Geographic information

The following table sets out the Group's revenue in each regional geographic market in which customers are located:

	Six months ended 30 June	
	2021	2020
	$m	$m
EMEA	**385.8**	346.8
Americas	**539.5**	493.5
APAC	**82.7**	67.7
Total	**1,008.0**	908.0

Details on revenue performance are discussed in the Financial Review.

3. Non-operating expense, net

Non-operating expense, net was as follows:

	Six months ended 30 June	
	2021	2020
	$m	$m
Net foreign exchange losses[(a)]	**(2.0)**	(8.2)
(Loss)/gain on foreign exchange forward contracts[(a)]	**(0.9)**	3.1
Loss on foreign exchange cash flow hedges	**(0.7)**	–
Other expense	**–**	(0.1)
Non-operating expense, net	**(3.6)**	(5.2)

(a) Net foreign exchange losses primarily relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies. The Group uses foreign exchange forward contracts to manage these exposures in accordance with the Group's foreign exchange risk management policy.

4. Income taxes

The Group's income tax expense is accrued using the tax rate that would be applicable to expected annual total earnings (i.e. the estimated average annual effective income tax rate applied to the profit before tax).

The tax charge for the six months ended 30 June 2021 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ended 31 December 2021 using rates substantively enacted as at 30 June 2021.

For the six months ended 30 June 2021, the Group recorded an income tax expense of $26.3 million (2020: $22.4 million). The Group's reported effective tax rate of 23.5% is lower than the prior year (2020: 27.5%), as the current period's tax expense included a net tax benefit as a result of a deferred tax asset recognition in the US which is offset by the tax expense on the revaluation of the net deferred tax liability (see below for further details). The prior year expense included a tax expense for the revaluation of the net deferred tax liability in the UK from 17% to 19% corporation tax rate.

For the six months ended 30 June 2021, the following items have impacted the Group's income tax expense:

- A tax benefit of $9.3 million has been recognised is in respect of previously unrecognised tax losses in the US, where recognition of the deferred tax asset relating to US tax losses on the Group's Statement of Financial Position is restricted to the extent of there being probable future taxable profit to be available to utilise the tax losses. Upon acquisition of Cure Medical, a deferred tax liability of $9.3 million was recognised in relation to acquisition intangible assets – refer to Note 6 for further details. This can be offset by the Group's US tax losses and therefore the deferred tax recognition criteria were met, resulting in a tax benefit being recognised in respect of the US tax losses. The effective tax rate includes the impact of accumulated taxable losses in prior years in the US on which a deferred tax asset is not recognised.
- The Group's net deferred tax liabilities in the UK have been revalued in 2021 following the enactment on 10 June 2021 of Finance Act 2021, which increases the UK corporation tax rate from 19% to 25% as from 1 April 2023. This has resulted in a tax expense of $8.3 million, primarily relating to revaluation of deferred tax liabilities for acquisition intangibles.
- A tax expense of $0.4 million due to revaluation of the deferred tax asset related to the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019. The final

assessment of the deferred tax asset valuation was made in 2021 following formal agreement with the Swiss Tax Authorities.

The recognition of deferred tax assets on unutilised tax losses in the US is a key source of estimation uncertainty which could materially impact the Group's tax charge and the Statement of Financial Position in the next 12 months. Refer to Note 1 for further details.

5. Dividends

The Group ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholder dividends, and the purchase of shares for employee share scheme incentives. The Company principally derives distributable reserves from dividends paid by subsidiary companies.

In determining the level of dividend in the year, the Board considers the following factors and risks that may influence the proposed dividend:
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments, in line with the Group's strategic plan; and
- Principal risks of the Group including the risks associated with the COVID-19 pandemic (

The Board paid the 2020 final dividend in May 2021 and proposes an interim dividend to be paid in October 2021. In determining the dividend, the Board has reviewed the financial strength the Group, the Group's dividend policy together with s172 considerations and has reviewed the distributable reserves position of the Company and the forecast cash generation of the Group for the next two years from the date of the dividend payment.

Dividends paid and proposed were as follows:

	pence per share	cents per share	Total $m	Settled in cash $m	Settled via scrip $m	No of scrip shares issued
Final dividend 2019	3.095	3.983	75.8	38.0	37.8	16,991,621
Interim dividend 2020	1.306	1.717	34.3	24.9	9.4	3,841,666
Paid in 2020	4.401	5.700	110.1	62.9	47.2	20,833,287
Final dividend 2020	2.845	3.983	79.7	53.6	26.1	9,475,532
Paid in 2021 to date	**2.845**	**3.983**	**79.7**	**53.6**	**26.1**	**9,475,532**
Interim dividend 2021 proposed	**1.229**	**1.717**	**34.6**			

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

The proposed interim dividend for 2021, to be distributed on 14 October 2021 to shareholders registered at the close of business on 3 September 2021, is based upon the issued and fully paid share capital as at 30 June 2021. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.397/£1.00 determined on 29 July 2021. A scrip dividend alternative will be offered allowing shareholders to elect by 21

September 2021 to receive their dividend in the form of new ordinary shares.

Distributable reserves

Distributable reserves equate to the retained surplus of the Company, ConvaTec Group Plc. The capacity of the Company to make dividend payments is primarily determined by the availability of these distributable reserves (which are fully realised) and cash resources. The Company principally derives distributable reserves from dividends paid by subsidiary companies, with the dividends being paid out of the realised distributable reserves of the subsidiary companies.

At 30 June 2021, the retained surplus of ConvaTec Group Plc (the Company) was $1,552.9 million (31 December 2020: $1,653.1 million). The movements in distributable reserves were as follows:

	$m
At 1 January 2021	**1,653.1**
Total comprehensive loss for the period	**(20.5)**
Dividends paid	**(53.6)**
Scrip dividend	**(26.1)**
Retained surplus at 30 June 2021	**1,552.9**

6. Acquisition

Cure Medical LLC ("Cure Medical")

Description of the transaction

On 15 March 2021, the Group acquired 100% of the share capital of Cure Medical for initial cash of $85.1 million (net of cash acquired), which included $4.9 million of deferred consideration paid into escrow. Cure Medical, based in California, manufactures and distributes intermittent catheters, and operates within the Continence category. The acquisition of Cure Medical allows the Group to better serve the US intermittent catheter market, improving and expanding relationships with patients, caregivers and partners.

In addition to the initial consideration the sellers may earn contingent consideration of up to $10.0 million based upon post-acquisition performance targets included in the Share Purchase Agreement. The fair value of contingent consideration at the date of acquisition was $3.1 million, which is due to be paid within three years of the acquisition date. Following completion of acquisition accounting, any changes in the fair value of contingent consideration will be recorded in the Consolidated Income Statement in accordance with the Group's accounting policies.

Assets acquired and liabilities assumed

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

	$m *Provisional*
Non-current assets	
Intangible assets - customer relationships and non-compete agreements	**28.9**
Intangible assets - trade names	**4.2**
Intangible assets - product-related	**4.9**
Current assets	
Trade and other receivables	**2.1**
Inventories	**8.0**
Cash and cash equivalents	**0.7**
Total assets acquired	**48.8**
Non-current liabilities	
Deferred tax liabilities	**(9.3)**
Current liabilities	
Trade and other payables	**(5.6)**
Total liabilities assumed	**(14.9)**
Net assets acquired	**33.9**
Goodwill	**54.6**
Total	**88.5**
Initial cash consideration	**80.9**
Working capital adjustment[(b)]	**(0.4)**
Deferred purchase consideration paid into escrow[(a)]	**4.9**
Contingent consideration	**3.1**
Total consideration	**88.5**

Analysis of cash outflow in the Condensed Consolidated Cash Flow Statement	**$m**
Initial cash consideration	**80.9**
Deferred purchase consideration paid into escrow[(a)]	**4.9**
Cash and cash equivalents acquired	**(0.7)**
Net cash outflow from acquisitions, net of cash acquired	**85.1**

(a) $4.9 million was paid on closing into escrow as security for due and punctual fulfilment by the seller of its obligations under the Share Purchase Agreement. The escrow account will be maintained for three years, of which (i) $0.8 million has been released in July 2021, (ii) $0.4 million will be released after 12 months, (iii) $2.8 million will be released after two years, and (iv) the remaining amount will be released after three years.

(b) The working capital adjustment forms part of the initial consideration and was settled on 13 July 2021.

The fair values of the assets acquired and liabilities assumed remain provisional due to the proximity of the acquisition to the date of approval of the Condensed Consolidated Interim Financial Statements. 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.

The goodwill recorded, which is not deductible for tax purposes, represents the cost savings, operating synergies and future growth opportunities expected to result from combining the operations of Cure Medical with those of the Group, as well as intangible assets that do not qualify for separate recognition.

The carrying value of the Group's goodwill increased to $1,151.4 million at 30 June 2021 (31 December 2020: $1,097.2 million) as a result of the acquisition of Cure Medical ($54.6 million) and foreign exchange movements ($0.4 million).

Acquisition-related costs

The Group incurred $1.7 million of acquisition-related costs directly related to the Cure Medical acquisition in the period to 30 June 2021, primarily related to legal and due diligence expenses. These acquisition-related costs have been recognised in general and administrative expenses in the Condensed Consolidated Income Statement.

Revenue and profit

The revenue of Cure Medical for the period from the acquisition date to 30 June 2021 was $9.5 million and profit for the period was $1.2 million, after recognising acquisition-related intangible asset amortisation of $1.2 million. If the acquisition had been completed at 1 January 2021, reported Group revenue would have been $6.7 million higher and profit for the period would have been $0.6 million higher for the six months to 30 June 2021.

7. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from a credit agreement comprising two bank term loans together with a committed revolving credit facility. The Group's credit agreement matures in October 2024.

The Group's consolidated borrowings were as follows:

	Currency	Year of maturity	**30 June 2021 Face value $m**	31 December 2020 Face value $m
Revolving Credit Facilities	Multicurrency	2024	**–**	–
Term Loan Facility A[a]	USD/Euro	2024	**555.0**	560.1
Term Loan Facility B[b]	USD/Euro	2024	**900.0**	908.2
Total interest-bearing borrowings			**1,455.0**	1,468.3
Financing fees			**(9.7)**	(11.9)
Total carrying value of borrowings from credit facilities			**1,445.3**	1,456.4
Less: current portion of borrowings			**85.8**	86.6
Total non-current borrowings			**1,359.5**	1,369.8

(a) Included within Term Loan Facility A is €140.4 million ($166.5 million) and €140.4 million ($171.6 million) at 30 June 2021 and 31 December 2020 respectively, denominated in Euros. This represents 30% (2020: 31%) denominated in Euros and 70% (2020: 69%) denominated in US dollars.

(b) Included within Term Loan Facility B is €227.8 million ($270.0 million) and €227.8 million ($278.2 million) at 30 June 2021 and 31 December 2020 respectively, denominated in Euros. This represents 30% (2020: 31%) denominated in Euros and 70% (2020: 69%) denominated in US dollars.

The principal financial covenants are based on a permitted net debt to adjusted EBITDA ratio and interest cover test as defined in the credit agreement. Testing is required on a semi-annual basis, at June and December, based on the

last 12 months' financial performance. At 30 June 2021, the permitted net debt to adjusted EBITDA ratio was a maximum of 3.75 times (reducing to 3.50 times for testing periods from 31 December 2021 inclusive) and the interest cover a minimum of 3.50 times (no change in 2021), terms as defined by the credit agreement. The Group was in compliance with all financial and non-financial covenants in the credit agreement at 30 June 2021 and 31 December 2020, with significant available headroom on the financial covenants ($877.5 million debt headroom on the net debt to adjusted EBITDA ratio (48%) as at 30 June 2021).

Borrowings not measured at fair value

At 30 June 2021, the estimated fair value of the Group's borrowings is $1,450.8 million (31 December 2020: $1,473.7 million). The fair value of the Group's borrowings is based on discounted cash flows using a current borrowing rate and are categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13, *Fair Value Measurements*.

8. Financial instruments

A derivative financial instrument is a contract that derives its value from the performance of an underlying variable, such as foreign exchange rates or interest rates. The Group uses derivative financial instruments to manage foreign exchange and interest rate risk arising from its operations and financing. Derivative financial instruments used by the Group are foreign exchange forwards and swaps and interest rate swaps.

The Group utilises interest rate swap agreements, designated as cash flow hedges, to manage its exposure to variability in expected future cash outflows attributable to the changes in interest rates on the Group’s borrowing facilities.

The Group designates certain foreign currency pairings of forecast third-party transactions as cash flow hedges in accordance with its risk management policy.

Financial instruments are classified as Level 2 in the fair value hierarchy in accordance with IFRS 13, *Fair Value Measurements*, 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).

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar denominated debt, in accordance with the Group's risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

In accordance with Group policy, the Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions for up to one year. When a commitment is entered into a layered approach is taken when hedging the currency exposure, ensuring that no more than 100% of the transaction exposure is covered. The principal currencies hedged by forward foreign exchange contracts are US dollars, GBP, Euro and Danish Krone.

The Group further utilises foreign exchange contracts and swaps classified as fair value through profit or loss (“FVTPL”) to manage short-term foreign exchange exposure.

The fair values are based on market values of equivalent instruments. The following table presents the Group's outstanding interest rate swaps, which are designated as cash flow hedges, at 30 June 2021 and 31 December 2020 respectively:

			30 June 2021		31 December 2020	
	Effective date	Maturity date	**Notional amount $m**	**Fair value[(a)] assets / (liabilities) $m**	Notional amount $m	Fair value[(a)] assets / (liabilities) $m
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	**275.0**	**(5.7)**	275.0	(7.7)

(a) The fair values of the interest rate swaps are shown in non-current derivative financial liabilities in the Condensed Consolidated Statement of Financial Position. Finance expenses in the Condensed Consolidated Income Statement includes the negligible ineffective impact of the interest rate swaps.

The following table presents the Group's outstanding foreign exchange forward contracts valued at FVTPL and foreign currency forward contracts designated as cash flow hedges, which form part of current derivative financial assets and current derivative financial liabilities:

		30 June 2021		31 December 2020	
	Term	**Notional amount $m**	**Fair value assets / (liabilities) $m**	Notional amount $m	Fair value assets / (liabilities) $m
Foreign exchange contracts designated as FVTPL	28 days	**196.6**	**2.4**	512.5	6.4
Foreign currency forward exchange contracts designated as cash flow hedges	12 months	**22.1**	**0.2**	98.3	1.7
Derivative financial assets		**218.7**	**2.6**	610.8	8.1
Foreign exchange contracts designated as FVTPL	28 days	**352.7**	**(8.7)**	355.3	(7.7)
Foreign currency forward exchange contracts designated as cash flow hedges	12 months	**117.5**	**(2.7)**	–	–
Derivative financial liabilities		**470.2**	**(11.4)**	355.3	(7.7)

9. Foreign exchange

The following table summarises the exchange rates used for the translation of currencies into US dollars that have the most significant impact on the Group results:

	Average rate/	**Six months ended 30 June**		Year ended 31 December
Currency	Closing rate	**2021**	2020	2020
EUR/USD	Average	**1.21**	1.10	1.14
	Closing	**1.19**	1.12	1.22
GBP/USD	Average	**1.39**	1.26	1.28
	Closing	**1.38**	1.24	1.37
DKK/USD	Average	**0.16**	0.15	0.15
	Closing	**0.16**	0.15	0.16

10. Commitments and contingencies

Capital commitments

At 30 June 2021, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $34.9 million (31 December 2020: $29.6 million).

Contingent liabilities

Liability claims

On 31 May 2019, ConvaTec Inc. filed a lawsuit against Scapa Group plc (trading as Scapa Tapes North America LLC) and Webtec Converting LLC seeking a declaration that the company was within its rights to terminate a contract between the parties. On 10 July 2019, the defendants filed a motion seeking dismissal of the declaratory judgement action, and Scapa Tapes North America LLC filed a separate complaint seeking damages of $83.8 million against ConvaTec Inc. in relation to the contract cancellation. ConvaTec Inc., in turn, has asserted two separate claims for damages against Scapa Tapes North America LLC and Scapa Group plc. All claims are being litigated before the Connecticut state court in the United States, discovery in the case is progressing, and the trial is presently scheduled for July 2022. The Group's Board, in conjunction with its legal advisors, do not believe the claim has merit and no provision is recognised as at 30 June 2021.

11. Subsequent events

The Group has evaluated subsequent events through to 29 July 2021, the date the Condensed Consolidated Interim Financial Statements were approved by the Board of Directors.

On 29 July 2021, the Board declared the interim dividend to be distributed on 14 October 2021. Refer to Note 5 - Dividends for further details.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that Group management believe are not related to the underlying performance of the Group and provide a meaningful supplement to the reported numbers to provide meaningful insight on how the business is managed and measured on a day-to-day basis. Reconciliations for these adjusted measures determined under IFRS are shown on herein. The definitions of adjusted measures are provided within the reconciliation tables.

These items are excluded from the adjusted measures to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically gains or losses/costs arising from events that are not considered part of the core operations of the business or are considered to be significant in nature. The items include adjustments for the tax effect and may cross several accounting periods. The APMs are consistent with those disclosed in the 2020 Annual Report and Accounts, with no adjustments being made to the Group's reported results in relation to COVID-19.

Adjusted profit items, excluding the impact of tax, for the six months ended 30 June 2021 and 2020 comprise the following credits or costs that are reflected in the reported measures:

- Amortisation of intangible assets relating to acquisitions (ongoing) ($65.5 million and $62.4 million respectively).
- Deal and integration costs relating to acquisitions ($1.7 million and $nil respectively).
- Termination benefits in relation to major change programmes ($1.7 million and $6.4 million respectively).

Acquisition-related amortisation of intangible assets

The Group's strategy is to grow both organically and through acquisition, with larger acquisitions being targeted to strengthen our position in key geographies and/or business categories or which provide access to new technology. As a result, the Group has treated the amortisation of intangible assets in relation to acquisitions which took place after 1 January 2021 as an adjusted measure, together with associated acquisition-related expenses (refer to section below). The treatment of these costs as adjusted measures reflects the underlying performance of the business and aids year-on-year comparability. In addition, acquisition intangible assets from pre-2018 are included as adjusted measures, principally relating to assets recognised as a result of the BMS spin-out in 2008. Between 2018 and 2021, the Group made two small acquisitions, each for a consideration of less than $15 million, for which the amortisation charge on acquisition intangibles is immaterial and continues to be treated as a non-adjusted measure.

Acquisition-related costs

Acquisition-related costs relate to deal costs, integration costs and earn-out adjustments which are incurred directly as a result of the Group undertaking an acquisition. Deal costs are wholly attributable to the deal, including legal fees, due diligence fees, bankers' fees/commissions and other direct costs incurred as a result of the transaction. Integration costs are wholly attributable to the integration of the target and based on integration plans presented at the point of acquisition, including retention of key people where in excess of normal compensation, redundancy of target staff and early lease termination payments. The treatment of these costs as adjusted measures reflects the underlying performance of the business and aids year-on-year comparability.

Termination benefits and related costs

Termination benefits and related costs arise from major Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to termination benefits (including retention) without condition of continuing employment in respect of major Group-wide change programmes. Where discrete qualifying items are identified these costs are highlighted and excluded from the calculation of our adjusted measures. Restructuring-related costs not related to termination benefits are reported in the normal course of business. No termination benefits or related costs have arisen related to COVID-19.

Other discrete tax items

Other discrete tax items in the six months ended 30 June 2021 are in respect of:

- Tax benefit of $9.3 million relating to recognition of deferred tax following the acquisition of Cure Medical in respect of previously unrecognised tax losses in the US. Recognition of the deferred tax asset relating to US tax losses on the Group's Statement of Financial Position is restricted to the extent of there being probable future taxable profit to be available to utilise the tax losses. Upon acquisition of Cure Medical, a deferred tax liability of $9.3 million was recognised in relation to acquisition intangible assets which can be offset by the Group's US tax losses and therefore the deferred tax recognition criteria was met and a tax benefit has been recognised in respect of the US tax losses.
- Tax expense of $6.9 million relating to revaluation of deferred tax liabilities for acquisition intangibles in the UK following the enactment of the Finance Act 2021 on 10 June 2021 which increases the rate of UK corporation tax from 19% to 25% from 1 April 2023.
- Tax expense of $0.4 million. Following formal agreement with the Swiss Tax Authorities of the effect of the Swiss tax reform, which was substantively enacted on 4 October 2019, a final assessment of the associated deferred tax asset has resulted in an income tax expense of $0.4 million.

The deferred tax associated with the Cure Medical acquisition, revaluation of acquisition intangibles in the UK and Swiss tax reform have been classified as adjusted as they relate to significant tax items which do not reflect the underlying performance of the business.

Reconciliation of reported earnings to adjusted earnings for the six months ended 30 June 2021 and 2020

Six months ended 30 June 2021	Revenue $m	Gross profit $m	Operating costs $m	**Operating profit $m**	Finance expense, net $m	Non-operating expense, net $m	**PBT $m**	Taxation $m	**Profit for the period $m**
Reported	1,008.0	555.3	(419.8)	**135.5**	(19.8)	(3.6)	**112.1**	(26.3)	**85.8**
Amortisation of acquisition intangibles	–	55.0	10.5	**65.5**	–	–	**65.5**	(7.1)	**58.4**
Acquisition-related costs	–	–	1.7	**1.7**	–	–	**1.7**	–	**1.7**
Termination benefits and other related costs	–	0.2	1.5	**1.7**	–	–	**1.7**	(0.4)	**1.3**
Total adjustments and their tax effect	**–**	**55.2**	**13.7**	**68.9**	**–**	**–**	**68.9**	**(7.5)**	**61.4**
Other discrete tax items	–	–	–	**–**	–	–	**–**	(2.0)	**(2.0)**
Adjusted	**1,008.0**	**610.5**	**(406.1)**	**204.4**	**(19.8)**	**(3.6)**	**181.0**	**(35.8)**	**145.2**
Software, R&D and other amortisation				**8.2**					
Depreciation				**31.5**					
Impairment/write-off of assets				**1.7**					
Share-based payments				**7.1**					
Adjusted EBITDA				**252.9**					

Acquisition-related costs are deal and integration costs incurred in relation to the acquisition of Cure Medical on 15 March 2021 – refer to Note 6 of the interim Condensed Consolidated Financial Statements for further information. The costs are primarily related to legal and due diligence expenses which were incurred as a result of the transaction. We expect to incur c.$3-4 million of deal and integration costs in relation to Cure Medical during 2021 and 2022.

Termination benefits and other related costs relate to the Transformation Initiative and amounted to $1.7 million, pre-tax, in the six months ended 30 June 2021. The Transformation Initiative is a global multi-year transformation programme which commenced in 2019 and will simplify the way in which the business operates. We expect to incur c$5-10 million of severance and associated retention costs during 2021. No termination benefits or related costs recognised by the Group are related to COVID-19.

Other discrete tax items relate to the tax benefit of $9.3 million resulting from recognition of deferred tax following the acquisition of Cure Medical, partially offset by a $6.9 million tax expense relating to revaluation of deferred tax liabilities for acquisition intangibles in the UK following the enactment of Finance Act 2021 on 10 June 2021 and $0.4 million tax expense which arose as a result of adjustment to the Swiss deferred tax asset following formal agreement with the Swiss Tax Authorities in 2021.

Six months ended 30 June 2020	Revenue	Gross profit	Operating costs	Operating profit	Finance expense, net	Non-operating expense, net	PBT	Taxation	Profit for the period
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Reported	908.0	491.6	(378.6)	113.0	(26.3)	(5.2)	81.5	(22.4)	59.1
Amortisation of acquisition intangibles	–	53.3	9.1	62.4	–	–	62.4	(4.9)	57.5
Termination benefits and other related costs	–	–	6.4	6.4	–	–	6.4	(1.2)	5.2
Total adjustments and their tax effect	–	53.3	15.5	68.8	–	–	68.8	(6.1)	62.7
Adjusted	908.0	544.9	(363.1)	181.8	(26.3)	(5.2)	150.3	(28.5)	121.8

Software, R&D and other amortisation	4.9
Depreciation	29.2
Impairment/write-off of assets	0.3
Share-based payments	7.2
Adjusted EBITDA	223.4

Termination benefits and other related costs were $6.4 million, pre-tax, in the six months ended 30 June 2020 and relate to the Transformation Initiative as described above.

Reconciliation of reported and adjusted operating costs for the six months ended 30 June 2021 and 2020

	Six months ended 30 June							
	2021				2020			
	S&D[(a)]	**G&A[(b)]**	**R&D[(c)]**	**Operating costs**	S&D[(a)]	G&A[(b)]	R&D[(c)]	Operating costs
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Reported	**(252.9)**	**(126.0)**	**(40.9)**	**(419.8)**	(218.2)	(124.8)	(35.6)	(378.6)
Amortisation of acquisition intangibles	**–**	**10.5**	**–**	**10.5**	–	9.1	–	9.1
Acquisition-related costs	**–**	**1.7**	**–**	**1.7**	–	–	–	–
Termination benefits and other related costs	**–**	**1.5**	**–**	**1.5**	–	6.4	–	6.4
Adjusted	**(252.9)**	**(112.3)**	**(40.9)**	**(406.1)**	(218.2)	(109.3)	(35.6)	(363.1)

(a) "S&D" represents selling and distribution expenses.
(b) "G&A" represents general and administrative expenses.
(c) "R&D" represents research and development expenses.

Reconciliation of basic and diluted reported earnings per share to adjusted earnings per share for the six months ended 30 June 2021 and 2020

	Six months ended 30 June			
	Reported 2021	**Adjusted 2021**	Reported 2020	Adjusted 2020
	$m	**$m**	$m	$m
Profit for the period attributable to the shareholders of the Group	**85.8**	**145.2**	59.1	121.8
		Number		Number
Basic weighted average ordinary shares in issue		**2,004,985,601**		1,983,903,773
Diluted weighted average ordinary shares in issue		**2,024,506,676**		1,997,251,095
	cents per share	**cents per share**	cents per share	cents per share
Basic earnings per share	**4.3**	**7.2**	3.0	6.1
Diluted earnings per share	**4.2**	**7.2**	3.0	6.1

Cash conversion for the six months ended 30 June 2021 and 30 June 2020

	Six months ended 30 June	
	2021	2020
	$m	$m
Reported Operating profit/EBIT	**135.5**	113.0
Depreciation of property, plant and equipment	**19.8**	18.3
Depreciation of right-of-use assets	**11.7**	10.9
Amortisation	**73.7**	67.3
Impairment/write-off of property, plant and equipment	**1.7**	0.3
Reported EBITDA	**242.4**	209.8
Non-cash items in EBITDA		
Share-based payment expense	**7.1**	7.2
	7.1	7.2
Working capital movement	**(69.8)**	(20.4)
Loss on foreign exchange derivatives	**(0.9)**	–
Capital expenditure	**(43.6)**	(36.7)
Reported net cash for cash conversion	**135.2**	159.9
Less: tax paid	**(29.0)**	(14.5)
Reported free cash flow	**106.2**	145.4

Reconciliation of Adjusted EBITDA, Adjusted Non-Cash Items, Adjusted Working Capital and Adjusted Net Cash (for Adjusted Cash Conversion measurement)

	Six months ended 30 June	
	2021	2020
	$m	$m
Reported EBITDA	**242.4**	209.8
Share-based payment expense	**7.1**	7.2
Acquisition-related activities	**1.7**	–
Termination benefits and other related costs	**1.7**	6.4
Total adjustments (a)	**10.5**	13.6
Adjusted EBITDA	**252.9**	223.4
Reported non-cash items	**7.1**	7.2
Share-based payment expense	**(7.1)**	(7.2)
Total adjustments (b)	**(7.1)**	(7.2)
Adjusted non-cash items	**–**	–
Reported working capital movement	**(69.8)**	(20.4)
Decrease/(increase) in severance provision	**4.0**	(3.4)
Increase in accruals for acquisition-related activities	**(0.4)**	–
Total adjustments (c)	**3.6**	(3.4)
Adjusted working capital movement	**(66.2)**	(23.8)
Reported net cash for cash conversion	**135.2**	159.9
Non-operating loss on foreign exchange forward contracts	**0.9**	–
Total adjustments above (a), (b), (c)	**7.0**	3.0
Adjusted net cash for cash conversion	**143.1**	162.9
Less: tax paid	**(29.0)**	(14.5)
Adjusted free cash flow	**114.1**	148.4
Reported cash conversion	**55.8%**	76.2%
Adjusted cash conversion	**56.6%**	72.9%

Net debt

Net debt is calculated as the carrying value of current and non-current borrowings on the face of the Consolidated Statement of Financial Position, net of cash and cash equivalents and excluding lease liabilities.

	30 June 2021	31 December 2020
	$m	$m
Borrowings	**1,445.3**	1,456.4
Lease liabilities	**86.9**	92.1
Total interest-bearing borrowings	**1,532.2**	1,548.5
Cash and cash equivalents	**(501.1)**	(565.4)
Net debt (including lease liabilities)	**1,031.1**	983.1
Net debt	**944.2**	891.0
Net debt/adjusted EBITDA[(a)]	**2.0**	2.0

(a) Adjusted EBITDA represents the last 12 months adjusted EBITDA.

Directors' Responsibilities Statement

The Directors confirm that to the best of their knowledge:

- The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 as adopted by the United Kingdom; and
- The interim management report includes a fair review of the information required by:

  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Board of Directors of ConvaTec Group Plc on 29 July 2021 are the same as those listed in the 2020 Annual Report.

By order of the Board:

Karim Bitar	Chief Executive Officer	29 July 2021
Frank Schulkes	Chief Financial Officer	29 July 2021

INDEPENDENT REVIEW REPORT TO CONVATEC GROUP PLC

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related Notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Group in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
29 July 2021

2020 CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 $m	2019 restated[(a)] $m
Revenue	2	**1,894.3**	1,827.2
Cost of sales		**(875.5)**	(871.6)
Gross profit		**1,018.8**	955.6
Selling and distribution expenses		**(463.3)**	(458.9)
General and administrative expenses		**(262.1)**	(240.5)
Research and development expenses		**(82.4)**	(53.8)
Other operating expenses	3	**–**	(105.5)
Operating profit	3	**211.0**	96.9
Finance income	23	**1.9**	7.8
Finance expense	23	**(50.3)**	(81.4)
Non-operating income/(expense), net	4	**12.1**	(4.4)
Profit before income taxes		**174.7**	18.9
Income tax expense	5	**(62.2)**	(9.1)
Net profit		**112.5**	9.8
Earnings per share			
Basic earnings per share (cents per share)	6	**5.7¢**	0.5¢
Diluted earnings per share (cents per share)	6	**5.6¢**	0.5¢

(a) Following a review of cost allocations, general and administrative expenses of $30.5 million (2019: $25.9 million), principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

The accounting policies and notes on pages 149 to 188 form an integral part of the Consolidated Financial Statements. All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Net profit		**112.5**	9.8
Other comprehensive income			
Items that will not be reclassified subsequently to the Consolidated Income Statement			
Remeasurement of defined benefit pension plans	13	**(0.4)**	(5.0)
Change in pension asset restriction	13	**5.0**	(0.6)
Income tax relating to items that will not be reclassified	13	**0.2**	1.5
Items that may be reclassified subsequently to the Consolidated Income Statement			
Exchange differences on translation of foreign operations		**53.0**	25.1
Effective portion of changes in fair value of cash flow hedges	21	**(6.7)**	(9.5)
Costs of hedging	21	**(0.1)**	–
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	21	**(0.2)**	(0.8)
Income tax relating to items that may be reclassified		**1.7**	2.8
Other comprehensive income		**52.5**	13.5
Total comprehensive income		**165.0**	23.3

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 $m	2019 $m
Assets			
Non-current assets			
Property, plant and equipment	7	**352.2**	321.6
Right-of-use assets	22	**85.8**	84.5
Intangible assets and goodwill	8	**2,089.6**	2,166.9
Deferred tax assets	5	**41.4**	55.0
Derivative financial assets	21	**–**	1.0
Restricted cash	10	**5.7**	3.6
Other non-current receivables	10	**13.3**	8.9
		2,588.0	2,641.5
Current assets			
Inventories	9	**297.1**	281.8
Trade and other receivables	10	**316.0**	300.7
Cash and cash equivalents	20	**565.4**	385.8
		1,178.5	968.3
Total assets		**3,766.5**	3,609.8
Equity and liabilities			
Current liabilities			
Trade and other payables	11	**341.8**	289.3
Borrowings	19	**86.6**	40.8
Lease liabilities	22	**19.8**	18.4
Current tax payable		**55.6**	44.6
Provisions	12	**9.4**	4.2
		513.2	397.3
Non-current liabilities			
Borrowings	19	**1,369.8**	1,445.3
Lease liabilities	22	**72.3**	70.1
Deferred tax liabilities	5	**101.4**	107.8
Provisions	12	**1.5**	1.7
Derivative financial liabilities	21	**7.7**	–
Other non-current payables	11	**29.9**	26.6
		1,582.6	1,651.5
Total liabilities		**2,095.8**	2,048.8
Net assets		**1,670.7**	1,561.0
Equity			
Share capital	15	**245.5**	242.9
Share premium	15	**115.3**	70.7
Own shares	15	**(6.7)**	(10.8)
Retained deficit		**(845.3)**	(847.7)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(46.1)**	(99.1)
Other reserves	15	**109.1**	106.1
Total equity		**1,670.7**	1,561.0
Total equity and liabilities		**3,766.5**	3,609.8

The Consolidated Financial Statements of ConvaTec Group Plc, company number 10361298, were approved by the Board of Directors and authorised for issue on 4 March 2021 and signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2019		240.7	39.8	(6.8)	(744.5)	2,098.9	(124.2)	113.3	1,617.2
Net profit		–	–	–	9.8	–	–	–	9.8
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		–	–	–	–	–	25.1	–	25.1
Remeasurement of defined benefit pension plans, net of tax	13	–	–	–	–	–	–	(3.5)	(3.5)
Change in pension asset restriction	13	–	–	–	–	–	–	(0.6)	(0.6)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	–	(7.5)	(7.5)
Other comprehensive income		–	–	–	–	–	25.1	(11.6)	13.5
Total comprehensive income		–	–	–	9.8	–	25.1	(11.6)	23.3
Dividends paid	16	–	–	–	(79.9)	–	–	–	(79.9)
Scrip dividend	15, 16	2.2	30.9	–	(33.1)	–	–	–	–
Share-based payments	17	–	–	–	–	–	–	14.2	14.2
Share awards vested		–	–	10.0	–	–	–	(10.0)	–
Excess deferred tax benefit from share-based payments		–	–	–	–	–	–	0.2	0.2
Purchase of own shares	15	–	–	(14.0)	–	–	–	–	(14.0)
At 31 December 2019		242.9	70.7	(10.8)	(847.7)	2,098.9	(99.1)	106.1	1,561.0
Net profit		**–**	**–**	**–**	**112.5**	**–**	**–**	**–**	**112.5**
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		**–**	**–**	**–**	**–**	**–**	**53.0**	**–**	**53.0**
Remeasurement of defined benefit pension plans, net of tax	13	**–**	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Change in pension asset restriction	13	**–**	**–**	**–**	**–**	**–**	**–**	**5.0**	**5.0**
Effective portion of changes in fair value of cash flow hedges, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**(5.3)**	**(5.3)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**53.0**	**(0.5)**	**52.5**
Total comprehensive income		**–**	**–**	**–**	**112.5**	**–**	**53.0**	**(0.5)**	**165.0**
Dividends paid	16	**–**	**–**	**–**	**(62.9)**	**–**	**–**	**–**	**(62.9)**
Scrip dividend	15, 16	**2.6**	**44.6**	**–**	**(47.2)**	**–**	**–**	**–**	**–**
Share-based payments	17	**–**	**–**	**–**	**–**	**–**	**–**	**12.4**	**12.4**
Share awards vested		**–**	**–**	**9.7**	**–**	**–**	**–**	**(9.7)**	**–**
Excess deferred tax benefit from share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Purchase of own shares	15	**–**	**–**	**(5.6)**	**–**	**–**	**–**	**–**	**(5.6)**
At 31 December 2020		**245.5**	**115.3**	**(6.7)**	**(845.3)**	**2,098.9**	**(46.1)**	**109.1**	**1,670.7**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Cash flows from operating activities			
Net profit		**112.5**	9.8
Adjustments for			
Depreciation of property, plant and equipment	7	**38.5**	35.5
Depreciation of right-of-use assets	22	**22.4**	22.4
Amortisation	8	**136.8**	151.9
Income tax expense	5	**62.2**	9.1
Non-operating expense, net	20	**9.8**	4.4
Finance costs, net	23	**48.4**	73.6
Share-based payments	17	**12.4**	14.2
Impairment/write-off of intangible assets	3	**1.8**	105.5
Impairment/write-off of property, plant and equipment	3	**9.9**	8.8
Change in assets and liabilities:			
Inventories		**(5.3)**	20.4
Trade and other receivables		**6.5**	(13.9)
Other non-current receivables		**(4.1)**	1.8
Restricted cash		**(2.1)**	–
Trade and other payables		**47.5**	43.8
Other non-current payables		**5.3**	(0.5)
Net cash generated from operations		**502.5**	486.8
Interest received		**1.9**	1.8
Interest paid		**(50.4)**	(49.8)
Income taxes paid		**(54.5)**	(37.0)
Net cash generated from operating activities		**399.5**	401.8
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(86.2)**	(61.4)
Proceeds from sale of property, plant and equipment and other assets		**0.1**	0.1
Acquisitions, net of cash acquired		**–**	(12.3)
Proceeds from divestiture	8	**29.8**	–
Change in restricted cash		**–**	0.8
Net cash used in investing activities		**(56.3)**	(72.8)
Cash flows from financing activities			
Repayment of borrowings	19	**(73.0)**	(1,618.7)
Proceeds from borrowings	19	**–**	1,481.0
Payment of lease liabilities	22	**(20.6)**	(20.9)
Purchase of own shares	15	**(5.6)**	(14.0)
Dividend paid	16	**(62.9)**	(79.9)
Net cash used in financing activities		**(162.1)**	(252.5)
Net change in cash and cash equivalents		**181.1**	76.5
Cash and cash equivalents at beginning of the year	20	**385.8**	315.6
Effect of exchange rate changes on cash and cash equivalents		**(1.5)**	(6.3)
Cash and cash equivalents at end of the year	20	**565.4**	385.8

Notes to the Consolidated Financial Statements

1. Basis of preparation

This section describes the Group's significant accounting policies that relate to the Consolidated Financial Statements and explains critical accounting judgements and estimates that management has identified as having a potentially material impact to the Group. Specific accounting policies relating to the Notes to the Consolidated Financial Statements are described within that note.

1.1 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 is 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, United Kingdom.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and therefore comply with Article 4 of the EU International Accounting Standards ("IAS") Regulations.

The Consolidated Financial Statements are presented in US dollars ("USD"), reflecting the profile of the Company and its subsidiaries' (collectively, the "Group") revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to $0.1 million except where otherwise indicated.

Pages 2 and 3 in the Strategic report provide further detail of the Group's principal activities and nature of its operations.

1.2 Significant accounting policies

The following significant accounting policies apply to the Consolidated Financial Statements as a whole:

Basis of accounting

The consolidated financial information has been prepared on a historical cost basis, except for certain financial instruments 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.

Basis of consolidation

The Consolidated 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 Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial information of the Company's subsidiaries is included within the Group's Consolidated Financial Statements from the date that control commences until the date that control ceases and is prepared for the same year end date using consistent accounting policies.

Acquisitions

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Consideration transferred in respect of an 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. If the fair value of the identifiable net assets acquired is greater than the fair value of the consideration given, the excess is recognised immediately in the Consolidated Income Statement as a bargain purchase gain. Acquisition-related costs are expensed as incurred.

The operating results of the acquired business are reflected in the Group's Consolidated Financial Statements from the date of acquisition.

Going concern

As discussed in the Financial review on pages 62 to 71, the overall financial performance of the business remains robust with a strong liquidity position maintained throughout the year. As at 31 December 2020, the Group held cash and cash equivalents of $565.4 million and two multicurrency term loans totalling $1.5 billion, of which $908.2 million is available until October 2024 and the remainder is amortising and requires a capital repayment of $90.0 million within the next 12 months. The Group also has access to a $200 million multicurrency revolving credit facility, which remains undrawn.

In preparing their assessment of going concern, the Directors have considered available cash resources, financial performance and forecast performance, together with the Group's financial covenant compliance requirements (as embedded in the term loans) and principal risks and uncertainties.

In assessing going concern, and in accordance with FRC guidance, management used the Board approved 2021 budget and longer-term strategic plan as foundations with the application of severe but plausible downside scenarios linked to the Group's principal and emerging risks, including supply chain disruption (incorporating the effect of climate change), COVID-19, delivery of transformation initiatives, pricing and reimbursement and foreign exchange sensitivity. Further details of the specific scenarios are provided in the Viability statement on pages 80 and 81. Under each scenario the Group retained significant liquidity and covenant headroom throughout the going concern period. A reverse stress test, before mitigation, was also considered as part of the Viability statement but the conditions of the reverse stress test were considered implausible. There are no key sources of estimation uncertainty in arriving at the going concern conclusion and no significant judgements have been required.

Accordingly, at the time of approving these Consolidated Financial Statements, the Directors have a reasonable expectation that the Group and the Company will have adequate liquid resources to meet their respective liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 4 March 2021.

1. Basis of preparation (continued)

Foreign currency translation and transactions

Assets and liabilities of subsidiaries whose functional currency is not US dollars are translated into US dollars at the rate of exchange at the period end. Income and expenses are translated into US dollars at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into US dollars are recognised in the Consolidated Statement of Other Comprehensive Income. Exchange differences arising from the translation of the net investment in foreign operations are taken to the cumulative translation reserve within equity. They are recycled and recognised in the Consolidated Income Statement 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 reporting 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 Income Statement.

Hyperinflation accounting

Argentina has been considered as a hyperinflationary economy since 2018, with hyperinflation accounting being required for foreign operations with a functional currency of the Argentine peso to meet the conditions of IAS 29, *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). ConvaTec Argentina SRL is a subsidiary that has a functional currency of Argentine peso. The impact of adopting hyperinflation accounting is deemed immaterial to the Group and adjustments related to IAS 29 have not been recognised in either the current or prior financial year.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Consolidated Financial Statements and the sources of estimation uncertainty that are considered to be "key estimates" due to their potential to give rise to material adjustments in the Group's Consolidated Financial Statements within the next financial year.

In preparing the Consolidated Financial Statements, no critical accounting judgements or key estimates have been identified.

Considerations for the identification of critical accounting judgements and key estimates

Management regularly reviews the considerations in relation to critical accounting judgements and key estimates. Management considered, throughout the year, the financial reporting impact of risks associated with our identified principal risks which include the effects of COVID-19, climate change and Brexit.

As detailed further in the Group's Audit and Risk Committee report on pages 105 to 116 and discussed below, the Committee has reviewed, discussed, and challenged management on the determination of its critical accounting judgements and key estimates.

In response to COVID-19 a detailed assessment was performed by management of the potential impact on each balance sheet caption and associated accounting estimates and judgements at each reporting date during the year. No critical accounting judgements or key sources of estimation uncertainty have been identified from this assessment. This review included but was not limited to the following areas:

Goodwill and indefinite-lived intangible assets

The annual cash generating unit ("CGU") impairment review was conducted in accordance with the Group's accounting policy set out in Note 8 – Intangible assets and goodwill. The review demonstrated that no impairment was required in the year ended 31 December 2020. Reasonable possible change sensitivity analysis was performed considering changes in key assumptions including short term revenue growth rates, discount rates and terminal value growth rate and taking into consideration the Board approved 2021 budget and longer-term strategic plan as foundations and consideration of severe but plausible downside scenarios, consistent with those set out in the Viability statement on pages 80 and 81. Under all reasonable possible change scenarios headroom remained on all CGUs, demonstrating that the impairment of goodwill and indefinite-lived intangible assets is not a key source of estimation uncertainty.

Finite-lived intangible assets

The carrying values of finite-lived intangible assets are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. The Group's finite-lived intangible assets are predominantly product-related, trade names and customer-related.

Management identified a key source of estimation uncertainty in relation to certain finite-lived intangible assets in the year ended 31 December 2019. For further information see Note 8 – Intangible assets and goodwill. As a result, the recoverable amounts of finite-lived assets with a carrying value of $539.2 million (2019: $635.2 million) were re-assessed in 2020 based on fair value less costs to sell, using an income approach reflecting the current market expectation over their remaining useful expected life. The approach uses estimated future cash flows deemed attributable to the asset, discounted to their present value using a post-tax discount rate that was based on the Group's weighted average cost of capital adjusted to reflect the territory of the assets. The post-tax discount rate used in the fair value calculation was 9.0% (2019: 11.0%).

For the year ended 31 December 2020 the recoverable amounts of all finite-lived intangible assets was determined to be in excess of net carrying value and no impairment was required. In assessing whether the impairment of assets represents a source of estimation uncertainty, IAS 1, *Presentation of Financial Statements* states that reasonably possible outcomes within the next financial year should be considered. Management has defined severe but plausible scenarios in the Viability statement testing which are linked to the Group's principal and emerging risks, including supply chain disruption (incorporating the effect of climate change), COVID-19, delivery of transformation initiatives, pricing and reimbursement and foreign exchange sensitivity.

1. Basis of preparation (continued)
Whilst these sensitivity scenarios are based on severe downside events and circumstances, management also considered the impact that these scenarios would have on the impairment of assets. Management has not identified any reasonably possible scenarios that would lead to an impairment as at 31 December 2020. As a result, the impairment of finite-lived intangible assets is no longer considered a key source of estimation uncertainty.

Property, plant and equipment and right-of-use assets
The carrying values of property, plant and equipment and right-of-use assets are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired.

During the year ended 31 December 2020, manufacturing optimisation and efficiency programmes have been implemented as part of the Transformation Initiative, resulting in the identification of impairment triggers in relation to machinery with a carrying value of $7.2 million. The recoverable amount was determined to be negligible based on the net present value of future cash flows and the assets were fully impaired.

The majority (c.90%) of the carrying value of the Group's property, plant and equipment relates to manufacturing sites. These sites have continued to operate within normal parameters, with appropriate safety precautions and requirements implemented during 2020 and therefore no other impairment indicators were identified in relation to property, plant and equipment. For further information on property, plant and equipment, refer to Note 7 – Property, plant and equipment.

Right-of-use assets primarily comprise leased buildings, the majority of which relate to manufacturing sites which, as stated above, have continued to operate within normal parameters, and therefore no indications of impairment have been noted. Refer to Note 22 – Leases for further information.

Inventories and trade receivables
Overall demand for our product lines remained strong, however, as noted in the Financial review, COVID-19 affected the AWC category, most notably because of the decline in elective surgeries. In line with our control framework and accounting policies, management reviewed inventory ageing and obsolescence and no incremental obsolescence provisions were required as a result of COVID-19. Despite the challenges of the pandemic, the Group continued to undertake physical cycle counts and, as appropriate, wall to wall counts at manufacturing sites and third-party distributors in line with internal policies. Refer to Note 9 – Inventories for further information.

The Group has monitored the cash collection position on a weekly basis since the onset of the pandemic and noted no material deterioration in collections or trade receivables ageing profile that required an increase in the allowance for expected credit losses. Refer to Note 10 – Trade and other receivables for further information.

Recognition of deferred tax assets
At 31 December 2019, the Group recognised a deferred tax asset of $23.0 million following the introduction of the Swiss tax reform, which was substantively enacted on 4 October 2019. The 'Swiss Practitioners' method was adopted to determine the best estimate of the related deferred tax asset expected to arise on the transition to the new tax rules in Switzerland. This gave rise to a deferred tax asset of $23.0 million. The estimate of the deferred tax asset was identified as a key source of estimation uncertainty at 31 December 2019 given the anticipated future transformative changes in the business. As at 31 December 2020, the deferred tax asset recognised in relation to the Swiss tax reform is $7.3 million. The valuation methodology used has been reassessed to reflect the Group's transformation changes and the resulting future role of the Swiss-based operations in the Group. For further details on the deferred tax asset refer to Note 5.4 – Movement in deferred tax assets and liabilities. While some level of uncertainty remains in the exact value of the deferred tax asset, management has concluded that the calculation of the deferred tax asset relating to the Swiss tax reform is unlikely to be subject to a material adjustment in the next 12 months.

1.4 Accounting standards
New standards and interpretations applied for the first time
On 1 January 2020, the Group adopted the following new or amended IFRSs and interpretations issued by the IASB:
- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

Their adoption has not had a material impact on the Consolidated Financial Statements. Apart from these changes, the accounting policies set out in the Notes have been applied consistently to both years presented in these Consolidated Financial Statements.

Interest Rate Benchmark Reform
On 1 January 2020, the Group adopted the IASB issued *Interest Rate Benchmark Reform – Phase 1 Amendments to IFRS 9, IAS 39 and IFRS 7.* As a result of the ongoing interest rate benchmark reforms, these amendments modify specific hedge accounting requirements to allow hedge accounting to continue during the period of uncertainty that arises before the current interest rate benchmarks are amended.

The amendment is only applicable to the interest rate swaps held as cash flow hedges by the Group and its impact is assessed as being limited. Refer to Note 21 – Financial instruments for further details. In preparation of the reform transition date the Group anticipates being required to make amendments to the contractual terms of the swaps and to update its hedge designation as appropriate.

In August 2020, the IASB also issued *Phase 2 Amendments* which are effective from 1 January 2021. The Group has not early adopted as no amendments have been made to the hedged item and/or hedging instruments in the financial year.

New standards and interpretations not yet applied
At the date of authorisation of these Consolidated Financial Statements, other than noted above, there were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially relevant for the Group and which have not yet been applied.

Results of operations

This section includes disclosures explaining the Group's performance for the year, including segmental information, operating costs, other expenses, taxation and earnings per share.

2. Revenue and segmental information

2.1 Revenue recognition

The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. This note provides further information about how the Group generates revenue and when it is recognised in the Consolidated Income Statement.

Accounting policy

Revenue recognition

The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, chargeback allowances and sales-related taxes. Revenue is recognised when control over a product or service is transferred to a customer, distributor or wholesaler, which is generally when goods have been delivered, as most products are insured to delivery. Due to the short-term nature of the receivables from sale of goods, the Group measures them at the original transaction price invoiced without discounting. The transaction price is the amount the Group expects to receive at that date.

Nature of goods and services

Advanced Wound Care, Ostomy Care, Continence Care and Critical Care products are sold to pharmacies, hospitals and other acute and post-acute healthcare service providers directly or through distributors and wholesalers. Products are also sold directly to end customers through the Group's home services entities and a small number of clinical and retail outlets. Infusion Care primarily serves business-to-business customers, consisting of the leading insulin pump manufacturers. A small proportion of its revenue is derived from business-to-business urology product sales.

In 2020 and 2019, no single customer generated more than 10% of the Group's revenue.

Nature, timing of satisfaction of performance obligations

Principally the Group's contracts with customers contain a single performance obligation, that is the delivery of products to customers. Revenue is typically recognised when the customer receives the product, but is subject to the shipping terms in each individual contract. Where non-standard shipping arrangements exist, revenue is recognised when the goods have transferred control. Allowances for returns, where the contract specifies these terms, are made at the point of sale.

For sales to distributors, revenue is recognised when title is transferred to the distributor and the distributor has assumed control, the timing of which depends on the contractual terms with each distributor. Chargeback allowances or contractual deductions relating to end customer agreements, which may differ from distributor contracts, are made at the point of title transfer to the distributor.

When distributors buy products from ConvaTec at a contract price and sell these products to end customers at a price agreed with ConvaTec that is lower than the distributors' list price, a chargeback is derived and a claim is submitted to ConvaTec by the distributor to keep the distributor whole. The provision for chargebacks is based on expected sell-through levels by the Group's distributors' customers to contracted customers, as well as estimated distributor inventory levels. Retrospective claims are reviewed against estimations to ensure provision levels are regularly updated.

Volume discounts

The Group offers certain prospective volume discounts to customers who achieve a specified volume amount or value of purchases in any given year. Volume discounts that meet the definition of a material right are recognised as a separate performance obligation. Material rights are the option to purchase additional products at a discount which would not have been given had the contract not been entered into and are incremental to the range of discounts typically given for those goods to that class of customer.

The stand-alone selling price of these volume discounts is based on the discount that the customer would obtain when exercising the option, adjusted for any discount the customer could receive without exercising the option and the likelihood that the option will be exercised. The revenue allocated to volume discounts is short-term in nature and recognised proportionally to the pattern of options exercised by the customer or when the option expires.

2. Revenue and segmental information (continued)

Contract costs

Incremental costs related to obtaining a contract with a customer principally relate to commissions paid by the Group to its sales representatives. Costs to fulfil contracts with customers are capitalised as an asset to the extent that they directly relate to a specific contract, are used to generate or enhance resources used in satisfying performance obligations and are expected to be recovered.

The amortisation period for commissions can differ according to the contract term. Renewals of milestones in the contract are taken into account when determining the amortisation period. For each contract that has sales commissions paid, the Group has determined an appropriate amortisation period that is consistent with the transfer of control to the customer.

These capitalised costs amounted to $4.7 million at 31 December 2020 (2019: $4.5 million). In the year ended 31 December 2020, the amount of amortisation expense was $3.7 million (2019: $2.8 million). There was no impairment loss in relation to the costs capitalised.

Contract balances

The Group recognises contract liabilities that primarily relate to any advance consideration received from customers prior to transfer of the related products and material rights offered to customers for options to purchase additional goods. The contract liability balance at 31 December 2020 was $nil (2019: $1.1 million).

2.2 Segment information

The Board considers the Group's business to be a single segment entity engaged in the development, manufacture and sale of medical products and technologies. R&D, manufacturing and central support functions are managed globally for the Group. Revenues are managed both on a category and regional basis. This note presents the performance and activities of the Group as a single segment.

Pages 28 to 37 of the Strategic report provide further detail of category revenue.

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 evaluates profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures and support functions between the categories. Financial information relating to revenues provided to the CEO for decision-making purposes is made on both a category and regional basis; however profitability measures are presented and resources allocated on a Group-wide basis.

Revenue by category

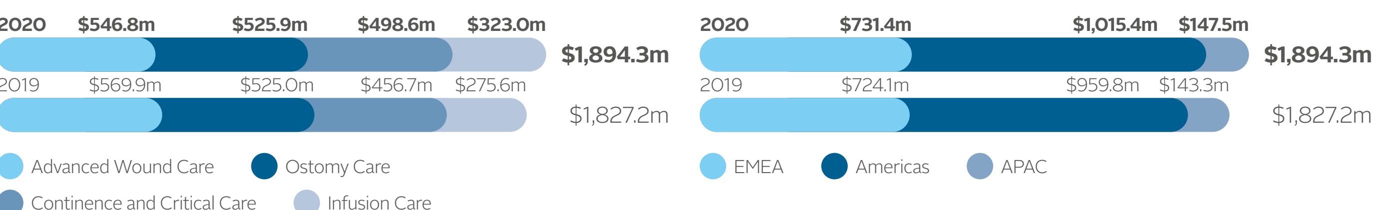
The Group generates revenue across four major product categories.

The following chart sets out the Group's revenue for the year ended 31 December by category:

Geographic information

Geographic markets

The following chart sets out the Group's revenue in each regional geographic market in which customers are located:



Geographic information (continued)

Geographic regions

The following table sets out the Group's revenue on the basis of geographic regions where the legal entity generating the revenue resides, including countries representing over 10% of Group revenue and the UK, where the Group is domiciled:

	2020 $m	2019 $m
Geographic regions		
US	**666.1**	643.9
UK	**149.4**	158.2
Denmark	**316.1**	271.9
Other[(a)]	**762.7**	753.2
	1,894.3	1,827.2

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

2. Revenue and segmental information (continued)

The following table sets out the Group's non-current assets by country:

	2020 $m	2019 $m
Long-lived assets[(a)]		
US	**1,093.0**	1,176.7
UK	**818.7**	829.9
Denmark	**293.0**	249.7
Other[(b)]	**322.9**	316.7
Total long-lived assets	**2,527.6**	2,573.0

(a) Long-lived assets consist of property, plant and equipment, right-of-use assets, intangible assets and goodwill.
(b) Other consists primarily of countries in Europe and Latin America.

3. Operating costs

The Group incurs operating costs associated with the day-to-day operation of the business. These operating costs are deducted from revenue to arrive at operating profit.

3.1 Operating profit

Operating profit is stated after deducting from revenue:

	Notes	2020 $m	2019 $m
Depreciation:			
Property, plant and equipment	7	**38.5**	35.5
Right-of-use assets	22	**22.4**	22.4
Amortisation	8	**136.8**	151.9
Impairment/write-off of property, plant and equipment	7	**9.9**	8.8
Impairment/write-off of intangible assets[(a)]	8	**1.8**	105.5
Gain on disposal of property, plant and equipment		**(0.1)**	–
Loss on terminated leases	22	**0.1**	–
Amounts related to inventory included in cost of sales		**732.6**	714.9
Adjustments to write-down inventory[(b)]		**19.5**	17.1
Lease expenses[(c)]	22	**3.9**	3.3
Staff costs:			
Wages and salaries		**478.1**	420.9
Share-based payment expense	17	**12.4**	14.2
Social security costs		**59.1**	55.3
Defined contribution plan costs		**18.0**	16.6
Defined benefit plan costs	13	**2.9**	1.8
Recruitment and other employment-related fees		**9.2**	6.1
Total staff costs		**579.7**	514.9

(a) In the year ended 31 December 2019 an impairment of $105.5 million was included in other operating expenses in the Consolidated Income Statement (Note 8 – Intangible assets and goodwill).
(b) Relates to adjustments to write down inventory to its net realisable value and is included in cost of sales.
(c) Lease expenses represent low-value leases and short-term leases. Refer to accounting policy in Note 22 – Leases.

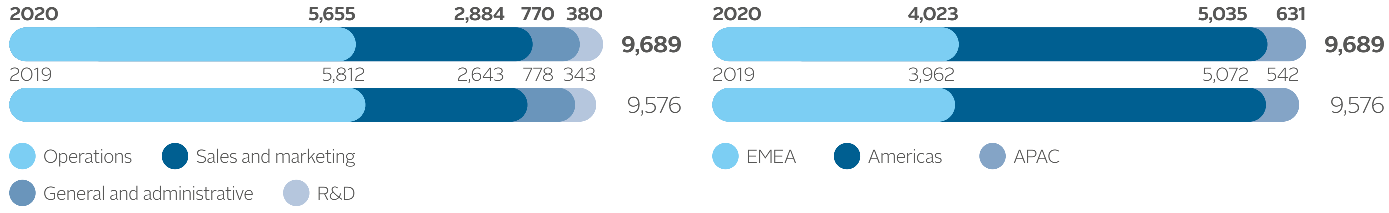
The remuneration of the Executive Directors which is set out on pages 122 to 129, has been audited, is included within staff costs and forms part of these Consolidated Financial Statements.

3. Operating costs (continued)

3.2 Employee numbers

The average number of the Group's employees by function:

The average number of the Group's employees by location:



3.3 Auditor's remuneration

The total remuneration of the Group's auditor, Deloitte LLP, for services provided to the Group during the year ended 31 December is analysed as below:

	2020 $m	2019 $m
Fees for audit services		
Group	**1.1**	0.9
Subsidiaries	**3.1**	3.0
Total fees for audit services	**4.2**	3.9
Fees for non-audit services		
Audit-related assurance services	**0.2**	0.2
Total auditor remuneration	**4.4**	4.1

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 105 to 116.

4. Non-operating income/(expense), net

Non-operating income/(expense), net was as follows:

	Notes	2020 $m	2019 $m
Foreign exchange losses[a]		**(26.3)**	(5.2)
Gain on foreign exchange forward contracts[a]	21	**21.7**	0.9
Gain on foreign exchange cash flow hedges	21	**0.2**	–
Gain on divestiture[b]		**16.5**	–
Other expense		**–**	(0.1)
Non-operating income/(expense), net		**12.1**	(4.4)

(a) The foreign exchange losses in 2020 primarily relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies and are offset by foreign exchange forward contracts in accordance with the Group's foreign exchange risk management policy.
(b) Refer to Note 8.3 – Divestiture for details of the gain on divestiture of the US Skincare product line.

5. Income taxes

The note below sets out the current and deferred tax charges, which together comprise the total tax expense in the Consolidated Income Statement. The deferred tax section of the note also provides information on expected future tax charges or benefits and sets out the deferred tax assets and liabilities held across the Group.

Accounting policy

The tax expense represents the sum of current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit 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. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period.

Deferred tax

Deferred tax is recognised using the balance sheet liability method for 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 temporary differences:

- on 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;
- arising on the initial recognition of goodwill;
- on investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are 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 the asset 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 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 tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax 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.

Tax provisions

The Group is subject to income taxes in numerous tax jurisdictions. Judgement is sometimes required in determining the worldwide provision for income taxes. There may be transactions for which the ultimate tax determination is uncertain and may be challenged by the tax authorities. The Group recognises liabilities for anticipated or actual tax audit issues based on estimates of whether additional taxes will be due. Where an outflow of funds to a tax authority is considered probable and the Group can make a reliable estimate of the outcome of the issue, management calculates the provision for the best estimate of the liability. In assessing its uncertain tax provisions, management takes into account the specific facts of each issue, the likelihood of settlement and the input of professional advice where required. The Group assumes that where a tax authority has a right to examine amounts reported to it, they will do so and will have full knowledge of all relevant information. Where the ultimate liability as a result of an issue varies from the amounts provided, such differences could impact the current and deferred tax assets and liabilities in the period in which the dispute is concluded.

5. Income taxes (continued)

5.1 Taxation

The Group's income tax expense is the sum of the total current and deferred tax expense.

	2020 $m	2019 $m
Current tax		
UK corporation tax	**0.4**	–
Overseas taxation	**54.9**	38.4
Adjustment to prior years	**(0.6)**	(1.5)
Total current tax expense	**54.7**	36.9
Deferred tax		
Origination and reversal of temporary differences	**(13.8)**	(26.4)
Change in tax rates	**2.5**	(4.0)
Adjustment to prior years	**1.2**	2.6
Change in basis of estimate for Swiss deferred tax asset	**17.6**	–
Total deferred tax expense/(benefit)	**7.5**	(27.8)
Income tax expense	**62.2**	9.1

In 2020, the change in basis of estimate for Swiss deferred tax asset of $17.6 million relates to the Swiss tax reform (discussed in Note 5.4 below). The change in tax rates mainly relates to the revaluation of the net deferred tax liability in the UK from 17.0% to 19.0%, which was substantively enacted in March 2020, following the reversal of the change in corporation tax rate originally due to come into effect from 1 April 2020.

In 2019, the origination and reversal of temporary differences includes the deferred tax benefit of $23.0 million in relation to the enactment of the Swiss tax reform on 4 October 2019, which was effective from 31 December 2019. The change in tax rate mainly relates to changes in the UK and Swiss tax rates that were substantively enacted as at 31 December 2019.

5.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2020 was an expense of 35.6%, as compared with an expense of 48.1% for the year ended 31 December 2019.

Tax reconciliation to UK statutory rate

The table below reconciles the UK statutory tax expense to the Group's total income tax expense:

	2020 $m		2019 $m	
Profit before income taxes	**174.7**		18.9	
Profit before income taxes multiplied by rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**33.2**		3.6	
Difference between UK and overseas tax rates[(a)]	**4.8**		(13.6)	
Non-deductible/non-taxable items	**3.4**		2.6	
Tax impact of impairment of certain intangible assets	**–**		24.6	
Movement in unrecognised losses and other assets	**1.8**		17.7	
Movement on provision for uncertain tax positions	**(0.5)**		(5.3)	
Deferred tax impact of the Swiss tax reform	**17.6**		(23.0)	
Other[(b)]	**1.9**		2.5	
Income tax expense reported in the Consolidated Income Statement at the effective tax rate	**62.2**	**35.6%**	9.1	48.1%

(a) This includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December.
(b) Includes tax on amortisation of indefinite-lived intangibles and taxes on unremitted earnings.

The Group has worldwide operations and therefore is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different tax jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms.

The calculation of the Group's tax expense therefore involves a degree of estimation in respect of certain items for which the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. In 2020, the Group provisions for uncertain tax positions relate mainly to transfer pricing positions and withholding tax liabilities.

The Group's effective tax rate in 2020 has mainly been influenced by the deferred tax expense of $17.6 million arising from the change in basis of estimate of the deferred tax asset arising upon the Swiss tax reform (refer to Note 5.1). In 2019, the Group's effective tax rate was mainly driven by a deferred tax benefit of $23.0 million arising from the Swiss tax reform, offset by $17.7 million relating to tax losses where no deferred tax asset has been recognised and $24.6 million relating to the impairment of certain intangible assets in the Group where no tax relief for the costs has been taken.

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the full impact of these proposed changes.

5. Income taxes (continued)

5.3 Deferred tax

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

	2020 $m	2019 $m
Deferred tax assets	**41.4**	55.0
Deferred tax liabilities	**(101.4)**	(107.8)
Net position at the end of the year	**(60.0)**	(52.8)

The movement in deferred tax assets is principally due to a change in the basis of estimate of the deferred tax asset recognised on Swiss tax reform reducing the asset by $17.6 million (2019: a tax benefit of $23.0 million for initial recognition of the deferred tax asset) and an increase of $4.0 million relating to intra-group profits eliminated on intercompany inventory and other temporary differences (2019: $9.1 million).

5.4 Movement in deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rates enacted or substantively enacted at the reporting date. The UK deferred tax rate has increased (from 17.0% to 19.0%) as the planned rate reduction enacted in previous year was reversed. This is in accordance with legislation that was substantively enacted on 17 March 2020. The movements in the deferred tax assets and liabilities were as follows:

	Inventory $m	Losses $m	PP&E $m	Intangibles $m	Unremitted earnings $m	Interest $m	Other $m	Total $m
At 1 January 2019	13.1	53.2	(4.5)	(173.9)	(0.6)	14.5	14.0	(84.2)
Movement in Income Statement	1.3	(5.7)	0.2	34.2	(0.6)	5.6	(7.2)	27.8
Movement in other comprehensive income	–	–	–	–	–	–	4.3	4.3
Other	(0.6)	–	–	(2.6)	–	–	3.4	0.2
Foreign exchange	0.1	–	0.3	(0.7)	–	–	(0.6)	(0.9)
At 31 December 2019	**13.9**	**47.5**	**(4.0)**	**(143.0)**	**(1.2)**	**20.1**	**13.9**	**(52.8)**
Movement in Income Statement	**0.8**	**7.8**	**5.5**	**(30.4)**	**(0.2)**	**(0.5)**	**9.5**	**(7.5)**
Movement in other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1.7**	**0.2**	**1.9**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Foreign exchange	**(0.5)**	**–**	**(0.3)**	**(1.9)**	**–**	**0.1**	**–**	**(2.6)**
At 31 December 2020	**14.2**	**55.3**	**1.2**	**(175.3)**	**(1.4)**	**21.4**	**24.6**	**(60.0)**

Deferred tax liabilities provided in relation to intangible assets predominantly relate to temporary differences arising on assets and liabilities acquired as part of historic business combinations. The net movement in deferred tax liability in relation to intangible assets in 2020 mainly relates to the amortisation in the year, and the reassessment in light of a change in the basis of estimate of the deferred tax asset arising on the Swiss tax reform to $7.3 million (including foreign exchange translation differences on the opening balance of $1.9 million) (2019: $23.0 million). The Group's transformation changes, including the change in the future anticipated profitability of the Group's Swiss-based operations, have led to a development in the method of valuation used. The revised method of valuation is based on what, given the known circumstances at 31 December 2020, is considered to be the most appropriate valuation method, namely the Discounted Cash Flow method. The method is permitted under Swiss tax law and, therefore, is expected to be accepted by the Swiss Tax Authorities. While some level of uncertainty remains until the relevant corporate income tax return is filed and agreed, possible changes in the key assumptions that impact the asset valuation have been considered and they are not expected to have a material impact on the deferred tax asset in the next 12 months and, therefore, this is no longer a key source of estimation uncertainty as at 31 December 2020.

The deferred tax asset arose due to grandfathering provisions that the Swiss tax reform had introduced with effect from 31 December 2019 to alleviate the higher Swiss tax rates that apply from 1 January 2020. These provisions give rise to future deductible amortisation in relation to an intangible asset for tax purposes. In 2019, the net movement in deferred tax liability in relation to intangible assets included the initial recognition of a deferred tax asset of $23.0 million following the enactment of the Swiss tax reform. The valuation was calculated using a specific methodology that is permitted under Swiss law and the method of valuation was a key source of estimation uncertainty subject to review. As mentioned above, given the greater clarity on the future role of the Group's Swiss-based operations, the valuation has been reassessed using an alternative methodology that is also permitted under Swiss tax law and the estimated value of the deferred tax asset has been correspondingly reassessed.

Deferred tax on inventory predominantly relates to a deferred tax asset recognised on intra-group profits arising on intercompany inventory which are eliminated within the Consolidated Financial Statements. As intra-group profits are not eliminated from the individual entities' tax returns, a temporary difference arises that will reverse when inventory is sold externally.

Other net temporary differences include accrued expenses, employee costs and pensions, for which a tax deduction is only available on a paid basis, and share-based payments.

To the extent that dividends remitted from overseas subsidiaries and branches are expected to result in additional taxes, appropriate amounts have been provided for. Deferred tax is not provided on temporary differences of $379.1 million (2019: $313.1 million) arising on unremitted earnings as management has the ability to control any future reversal and does not consider such a reversal to be probable.

5. Income taxes (continued)

5.5 Tax losses carried forward

The following table shows the total recognised and unrecognised tax losses carried forward, including anticipated period of expiration:

Country	2020 Indefinite $m	2020 1 to 20 years $m	2020 Total $m	2019 Indefinite $m	2019 1 to 20 years $m	2019 Total $m
UK	**48.0**	**–**	**48.0**	39.6	–	39.6
Luxembourg	**687.4**	**–**	**687.4**	1,530.8	–	1,530.8
US State Taxes	**29.4**	**209.4**	**238.8**	23.2	213.4	236.6
US Federal Tax	**127.1**	**263.7**	**390.8**	35.5	337.0	372.5
Other overseas	**2.5**	**53.2**	**55.7**	6.0	52.0	58.0
Total	**894.4**	**526.3**	**1,420.7**	1,635.1	602.4	2,237.5

In 2020, the movement in Luxembourg tax losses is mainly attributable to the utilisation of the tax losses against the taxable profit on intra-group transfer of entities. In 2019, the movement in Luxembourg tax losses was driven by foreign exchange gains as the tax losses are Euro denominated.

Deferred tax assets are only recognised where it is probable that future taxable profit will be available to utilise the tax losses. Of the Group's total tax losses of $1,420.7 million, deferred tax assets have not been recognised on $1,038.8 million (2019: $1,917.2 million) of these losses.

6. Earnings per share

Basic earnings per share is calculated based on the Group's net profit for the year attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is net of shares purchased by the Group and held as own shares.

Diluted earnings per share take into account the dilutive effect of all outstanding share options priced below the market price in arriving at the number of shares used in its calculation.

	2020	2019
Net profit attributable to the shareholders of the Group ($m)	**112.5**	9.8
Basic weighted average ordinary shares in issue (number)	**1,991,596,105**	1,971,014,011
Dilutive impact of share awards (number)	**14,994,358**	5,142,363
Diluted weighted average ordinary shares in issue (number)	**2,006,590,463**	1,976,156,374
Basic earnings per share (cents per share)	**5.7¢ per share**	0.5¢ per share
Diluted earnings per share (cents per share)	**5.6¢ per share**	0.5¢ per share

The calculation of diluted earnings per share excludes 936,534 (2019: 10,066,660) share options that were non-dilutive for the year because the exercise price exceeded the average market price of the Group's ordinary shares during the year.

Operating assets and liabilities

This section set outs the assets and liabilities that the Group holds in order to operate the business on a day-to-day basis, including long-term assets which generate future revenues and profits for the Group.

Liabilities relating to the Group's financing activities are addressed in "Capital structure and financial costs".

7. Property, plant and equipment

The Group invests in buildings, equipment and manufacturing machinery to operate the business and to generate revenue and profits. Assets are depreciated over their estimated useful economic life reflecting the reduction in value of the asset due, in particular, to wear and tear.

Accounting policy

Property, plant and equipment ("PP&E") are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset including subsequent additions and improvements when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be reliably measured.

Depreciation is provided on a straight-line basis from the point an asset becomes available for use. Depreciation is calculated to reduce the asset's cost to its residual value over the asset's estimated useful economic life. Assets are depreciated as follows:

Asset category	Useful life
Land	not depreciated
Land improvements	15 to 40 years
Leasehold improvements	shorter of useful life or lease tenure
Buildings	15 to 50 years
Machinery, equipment and fixtures	3 to 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the Consolidated Income Statement.

Assets under construction reflects the cost of construction or improvement of items of PP&E that are not yet available for use. Finance costs incurred in the construction of assets that take more than one year to complete are capitalised using the Group's weighted average borrowing cost during the period in which the asset is under construction. Capitalisation of finance costs ceases when the asset becomes available for use.

Consideration of useful economic lives

The assets' residual values, depreciation methods and useful economic lives are reviewed annually and adjusted if appropriate.

Impairment of assets

The carrying values of PP&E are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows ("value in use").

When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

7. Property, plant and equipment (continued)

The movement in the carrying value of each major category of PP&E is as follows:

	Land & land improvements $m	Building, building equipment and leasehold improvements $m	Machinery, equipment and fixtures $m	Assets under construction $m	Total $m
PP&E at cost					
1 January 2019	14.9	132.7	402.7	63.8	614.1
Reclassification of right-of-use assets[a]	–	(24.9)	(0.6)	–	(25.5)
Additions	–	0.4	1.5	52.7	54.6
Disposals[b]	–	(2.1)	(7.4)	(8.4)	(17.9)
Transfers	–	13.1	40.5	(53.6)	–
Foreign exchange	0.1	2.2	0.1	0.3	2.7
31 December 2019	**15.0**	**121.4**	**436.8**	**54.8**	**628.0**
Additions	**–**	**2.9**	**4.1**	**57.5**	**64.5**
Disposals[b]	**–**	**(3.6)**	**(11.6)**	**(1.3)**	**(16.5)**
Transfers	**–**	**5.5**	**32.0**	**(37.5)**	**–**
Foreign exchange	**0.8**	**3.2**	**22.1**	**3.7**	**29.8**
31 December 2020	**15.8**	**129.4**	**483.4**	**77.2**	**705.8**
Accumulated depreciation					
1 January 2019	0.6	45.7	237.1	–	283.4
Reclassification of right-of-use assets[a]	–	(4.0)	(0.4)	–	(4.4)
Depreciation	0.1	5.5	29.9	–	35.5
Disposals[b]	–	(2.0)	(7.1)	–	(9.1)
Foreign exchange	0.1	0.8	0.1	–	1.0
31 December 2019	**0.8**	**46.0**	**259.6**	**–**	**306.4**
Depreciation	**0.1**	**6.0**	**32.4**	**–**	**38.5**
Disposals	**–**	**(3.1)**	**(10.7)**	**–**	**(13.8)**
Impairment	**–**	**–**	**7.2**	**–**	**7.2**
Foreign exchange	**–**	**1.6**	**13.7**	**–**	**15.3**
31 December 2020	**0.9**	**50.5**	**302.2**	**–**	**353.6**
Net carrying amount					
31 December 2019	14.2	75.4	177.2	54.8	321.6
31 December 2020	**14.9**	**78.9**	**181.2**	**77.2**	**352.2**

(a) Amounts previously recognised as finance lease assets have been reclassified to right-of-use assets upon transition to IFRS 16, *Leases* on 1 January 2019. Refer to Note 22 – Leases for further details.
(b) Included within disposals were asset write-offs of $2.7 million (2019: $8.8 million) following a reassessment by management of the ongoing value of certain projects.

During the year ended 31 December 2020, manufacturing optimisation and efficiency programmes have been implemented as part of the Transformation Initiative, resulting in identification of impairment triggers in relation to machinery with a carrying value of $7.2 million. The recoverable amount was determined to be negligible based on the net present value of future cash flows and the assets were fully impaired.

8. Intangible assets and goodwill

The split of intangible assets and goodwill is as follows:

	Notes	2020 $m	2019 $m
Intangible assets	8.1	**992.4**	1,101.3
Goodwill	8.2	**1,097.2**	1,065.6
Intangible assets and goodwill		**2,089.6**	2,166.9

8.1 Intangible assets

The Group's intangible assets are those that have been recognised at fair value as part of business combinations, investment in product development and software purchased to support business operations. These are assets that are not physical in nature but can be sold separately or arise from legal rights.

Accounting policy

Recognition

Measurement on initial recognition of intangible assets is determined at cost for assets acquired by the Group and at fair value at the date of acquisition if acquired in business combinations. 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 are capitalised as intangible assets. Software that is integral to purchased computer hardware is capitalised as PP&E.

R&D

R&D expenses are comprised of all activities involving investigative, technical and regulatory processes related to obtaining appropriate approvals to market our products. Costs include payroll, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development, regulatory costs including costs incurred to comply with legislative changes, contract services and other external contractors costs, research licence fees, depreciation and amortisation of laboratory facilities, and laboratory supplies.

Research costs are expensed as incurred. Development costs 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. Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses. Upgrades and enhancements are capitalised to the extent they will result in added functionality and probable future economic benefits.

Amortisation

Intangible assets with an indefinite life are not amortised. Amortisation of finite-lived intangible assets is calculated using the straight-line method based on the following estimated useful lives:

Asset category	Useful life
Product-related	3 to 20 years
Capitalised software	3 to 10 years
Customer relationships and non-compete agreements	2 to 20 years
Trade names – finite	10 years
Trade names – indefinite	indefinite
Development costs	5 years

Assets under construction reflects the cost of construction or improvement of intangible assets that are not yet available for use.

Impairment of assets

Finite-lived intangible assets are reviewed for indicators of impairment at each reporting period or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows ("value in use").

When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

Refer to Note 8.4 – CGU impairment review for consideration of impairment of indefinite-lived intangible assets.

8. Intangible assets and goodwill (continued)

The movement in the carrying value of each major category of intangible assets is as follows:

	Product-related $m	Capitalised software[a] $m	Customer relationships and non-compete agreements $m	Trade names $m	Development cost[b] $m	Assets under construction $m	Total $m
Intangibles at cost							
1 January 2019	2,093.6	98.0	297.7	259.2	10.2	10.9	2,769.6
Additions	–	5.0	0.1	–	–	8.2	13.3
Acquisitions	–	–	2.7	–	–	–	2.7
Disposals	–	(2.3)	(2.1)	–	(0.5)	–	(4.9)
Transfers	–	6.7	–	–	2.0	(8.7)	–
Foreign exchange[c]	24.3	0.2	(1.7)	(0.4)	(0.3)	–	22.1
31 December 2019	**2,117.9**	**107.6**	**296.7**	**258.8**	**11.4**	**10.4**	**2,802.8**
Additions	**5.3**	**4.7**	**–**	**–**	**–**	**15.1**	**25.1**
Acquisitions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Divestiture[d]	**(50.0)**	**–**	**–**	**–**	**–**	**–**	**(50.0)**
Disposals	**–**	**(1.9)**	**–**	**–**	**–**	**–**	**(1.9)**
Transfers	**–**	**17.8**	**–**	**–**	**–**	**(17.8)**	**–**
Foreign exchange[c]	**28.0**	**0.4**	**8.8**	**1.4**	**1.1**	**0.5**	**40.2**
31 December 2020	**2,101.2**	**128.6**	**305.5**	**260.2**	**12.5**	**8.2**	**2,816.2**
Accumulated amortisation							
1 January 2019	1,213.2	76.7	135.5	3.0	6.7	–	1,435.1
Amortisation	118.4	9.4	22.0	1.1	1.0	–	151.9
Disposals	–	(2.3)	(2.1)	–	(0.5)	–	(4.9)
Impairment	103.6	–	–	1.9	–	–	105.5
Foreign exchange[c]	15.3	–	(1.2)	–	(0.2)	–	13.9
31 December 2019	**1,450.5**	**83.8**	**154.2**	**6.0**	**7.0**	**–**	**1,701.5**
Amortisation	**102.9**	**8.2**	**22.7**	**1.7**	**1.3**	**–**	**136.8**
Divestiture[d]	**(43.5)**	**–**	**–**	**–**	**–**	**–**	**(43.5)**
Disposals	**–**	**(1.8)**	**–**	**–**	**–**	**–**	**(1.8)**
Impairment	**–**	**–**	**1.7**	**–**	**–**	**–**	**1.7**
Foreign exchange[c]	**21.0**	**0.2**	**7.2**	**–**	**0.7**	**–**	**29.1**
31 December 2020	**1,530.9**	**90.4**	**185.8**	**7.7**	**9.0**	**–**	**1,823.8**
Net carrying amount							
31 December 2019	667.4	23.8	142.5	252.8	4.4	10.4	1,101.3
31 December 2020	**570.3**	**38.2**	**119.7**	**252.5**	**3.5**	**8.2**	**992.4**

(a) Capitalised software relates to purchased software and internally generated software.
(b) Relates to internally generated development costs which have met the requirements of being in the development phase as defined in the Group accounting policy.
(c) Primarily relates to intangible assets denominated in Sterling.
(d) Intangible assets sold as part of the US Skincare product line divestiture. See Note 8.3 – Divestiture for details.

During the year ended 31 December 2020, a strategic review of customer contracts was performed as part of the Transformation Initiative, leading to impairment indicators being identified in relation to customer relationships with a carrying value of $3.9 million. The recoverable amount was calculated based on value in use and in accordance with the Group's accounting policy. As a result, an impairment of $1.7 million was recognised.

As part of the Transformation Initiative, a product portfolio review was undertaken in 2019 which resulted in the identification of impairment triggers in relation to a number of the Group's finite-lived intangible assets. As a result, the Group recognised an impairment of $103.6 million during the year ended 31 December 2019. The impairment review was reperformed in the year ended 31 December 2020 as described in Note 1.3. No impairment was required for the year ended 31 December 2020.

During the year ended 31 December 2019, the Group refreshed the strategy of the HSG business by starting the transition to marketing through 180 Medical as a single trade name. As a result, trade names with a net carrying amount of $1.9 million were fully impaired during the year ended 31 December 2019.

8. Intangible assets and goodwill (continued)

Amortisation expenses related to finite-lived intangible assets for the year ended 31 December were as follows:

	2020 $m	2019 $m
Cost of sales	**106.8**	122.6
Selling and distribution expenses	**0.5**	–
General and administrative expenses	**28.0**	28.3
Research and development expenses	**1.5**	1.0
Total amortisation expense	**136.8**	151.9

The carrying amount of indefinite-lived trade names at 31 December 2020 was $251.0 million (2019: $249.6 million). Each of these remaining trade names is considered to have an indefinite life, given the strength and durability of the current trade name and the level of marketing support. The trade names are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the trade names is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit their useful lives.

Individual intangible assets with a carrying amount in excess of 10% of the total intangible asset carrying amount were as follows:

	2020 $m	2019 $m	Remaining life
Trade names			
ConvaTec trade name	**234.6**	234.6	Indefinite
Product-related			
AQUACEL® including Hydrofibre®	**211.9**	241.5	5.6 years
Stoma care	**176.9**	208.6	5.6 years

8.2 Goodwill

The Group recognises goodwill resulting from business combinations where there are future economic benefits from assets which cannot be individually separated and recognised. Goodwill represents the amount paid in excess of the fair value of the net assets of the acquired business.

Accounting policy

Refer to Note 1 – Basis of preparation for the Group accounting policy in relation to the initial valuation and recognition of goodwill arising from acquisitions.

Goodwill is not subject to amortisation but is tested for impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. Refer to Note 8.4 – CGU impairment review for consideration of impairment of goodwill.

Goodwill is denominated in the functional currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

8. Intangible assets and goodwill (continued)

The changes in the carrying value of goodwill as at 31 December were as follows:

	Total $m
1 January 2019	1,043.0
Additions	9.6
Foreign exchange	13.0
31 December 2019	**1,065.6**
Foreign exchange	**31.6**
31 December 2020	**1,097.2**

8.3 Divestiture

During the year, the Group completed the divestiture of the trade and assets of the US Skincare product line, a limited product range within Advanced Wound Care ("US Skincare"). This note provides details of the transaction and the accounting for the divestiture that has been recorded.

Accounting policy

A divestiture or disposal occurs when the Group ceases to control a subsidiary, business or trade and assets of a product line. Consideration received in respect of a divestiture is measured at fair value, and all associated assets and liabilities are derecognised at the date control is transferred. The difference between the carrying value of the net assets divested and the fair value of consideration received is recorded as a gain or loss on divestiture in the Consolidated Income Statement.

Foreign exchange translation gains or losses relating to subsidiaries that the Group has divested, and that have previously been recorded in other comprehensive income or expense, are also recognised as part of the gain or loss on divestiture.

The operating results of the divested subsidiary, business or product line cease to be included in the Group's Consolidated Financial Statements from the date of divestiture.

On 25 September 2020, the Group completed the divestiture of the trade and assets of US Skincare, including the Aloe Vesta and SensiCare brands, for net consideration of $29.6 million. Transaction fees paid as part of the divestiture were $1.5 million. The divestiture is part of the execution of the Group's strategic transformation and consistent with our five pillars (FISBE, refer to pages 12 to 17) to focus on key markets and categories and provide appropriate product portfolios to serve those markets.

Details of the divestiture

	$m
Consideration received:	
Net cash received	**29.8**
Adjustment to consideration included in other payables	**(0.2)**
Total net consideration	**29.6**
Net assets sold:	
Intangible assets (net book value)	**(6.5)**
Inventories	**(5.1)**
Gain on divestiture before transactions costs and income tax	**18.0**
Transaction costs	**(1.5)**
Gain on divestiture before income tax	**16.5**
Income tax expense on gain	**–**
Gain on divestiture after income tax	**16.5**

The gain on divestiture is presented within Non-operating income/(expense), net in the Consolidated Income Statement.

8. Intangible assets and goodwill (continued)

8.4 Cash generating unit ("CGU") impairment review

An impairment assessment is required to be performed annually for goodwill and indefinite-lived intangibles or when events or changes in circumstances indicate the carrying value may be impaired. An impairment is a reduction in the recoverable amount of an asset compared to the carrying value of the asset. Recoverable amount is the higher of value in use and fair value less costs to sell.

This note provides details of the annual impairment assessment that has been performed.

Accounting policy

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Additionally, goodwill arising from a business combination is allocated to a CGU 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.

The recoverable amounts of the CGUs are determined based on value in use calculations, which reflect the estimated future cash flows of each CGU discounted by an estimated weighted average cost of capital that represents the rate of return an outside investor would expect to earn. This discount rate is based on the weighted average cost of capital for comparable public companies and is adjusted for risks specific to the CGU including differences in risk due to its size, geographic concentration and trading history.

Future cash flows are determined using the latest available Board approved forecasts and strategic plans. These forecasts and strategic plans are based on specific assumptions for each CGU during the five-year planning period with respect to revenue, results of operations, working capital, capital investments and other general assumptions for the projected period. The forecast assumptions that derive the future cash flows are based on the historical results of each CGU combined with external market information and defined strategic initiatives.

If identified, impairment losses are recognised in the Consolidated Income Statement. 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 pro-rated 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 2020 or 2019.

The Group has identified six CGUs in applying the provisions of IAS 36, *Impairment of Assets:* (i) Americas, (ii) HSG, (iii) EMEA, (iv) APAC, (v) Infusion Care, and (vi) Industrial Sales.

Goodwill and indefinite-lived intangible assets are allocated to the Group's CGUs as follows:

	Goodwill		Indefinite-lived intangible assets	
	2020 $m	2019 $m	**2020 $m**	2019 $m
CGUs				
Americas	**15.3**	15.3	**234.6**	234.6
HSG	**330.6**	330.6	**–**	–
EMEA	**652.6**	632.3	**–**	–
Infusion Care	**58.6**	48.6	**14.5**	13.3
Industrial Sales	**40.1**	38.8	**1.9**	1.7
Total	**1,097.2**	1,065.6	**251.0**	249.6

Impairment reviews were performed for each individual CGU during the year ended 31 December 2020.

8. Intangible assets and goodwill (continued)

Determining the estimated recoverable amount of a CGU is judgemental in nature. The key assumptions used in the estimation of value in use as at 31 December were revenue growth rates as included in the Group's five-year Board approved strategic plan, terminal value growth rate and discount rates. Revenue growth rates reflect macroeconomic activity, sector market growth forecasts and competitor activity supplemented by the Group's Transformation Initiative. Revenue growth rates applied in the first three years of the strategic plan and in the preparation of the CGU impairment review assume that revenue continues to grow at existing levels with no change to reimbursement levels and with a normalisation of the impact of COVID-19 during 2021.

The terminal value growth rate and discount rates used were as follows:

Discount rate (pre-tax)	2020 %	2019 %
CGUs		
Americas	**11.5**	12.0
HSG	**9.5**	10.0
EMEA	**11.5**	12.0
Infusion Care	**10.5**	11.0
Industrial Sales	**12.0**	12.0
Terminal value growth rate[(a)]	**2.0**	2.0

(a) The estimated terminal value growth rate for the CGUs is based on expectations concerning the growth trends of the CGUs taking into account global gross domestic product growth, general long-term inflation and population expectations.

In 2020 and 2019, the Group performed its annual goodwill and indefinite-lived intangible impairment test and determined that there was no impairment of goodwill or indefinite-lived intangible assets. In the current year reasonable possible change sensitivity analysis was performed considering changes in key assumptions including short term revenue growth rates, discount rates and terminal value growth rate and taking into consideration the Board approved 2021 budget and longer-term strategic plan as foundations and consideration of severe but plausible downside scenarios consistent with those identified as part of the Viability statement (refer to page 81 for full details of scenarios). Under all reasonable possible change scenarios headroom remained on all CGUs, demonstrating that the impairment of goodwill and indefinite-lived intangible assets is not a key source of estimation uncertainty.

9. Inventories

Inventories are the products manufactured or purchased to be sold by the Group in the ordinary course of business. Inventories include finished goods, goods which are in the process of being manufactured (work in progress) and raw materials and supplies awaiting use in production.

Accounting policy

Inventories are valued 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 overheads. Production overhead comprises 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 inventories that (i) do not meet the Group's specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving. 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.

The components of inventories at 31 December were as follows:

	2020 $m	2019 $m
Raw and packaging materials	**68.6**	74.4
Work in progress	**36.4**	39.3
Finished goods	**192.1**	168.1
Inventories	**297.1**	281.8

Inventories are stated net of a provision of $27.8 million (2019: $23.4 million). Adjustments to write-down inventory to its net realisable value are provided in Note 3 – Operating costs.

10. Trade and other receivables

Trade receivables consist of amounts billed and currently due from customers. Gross trade receivables are presented before allowances for expected credit losses, sales discounts and chargeback allowances. Credit risk with respect to trade receivables is generally diversified due to the large dispersion and type of customers across many different geographies.

Other receivables include amounts due from third parties not related to revenue, restricted cash and prepaid expenses.

Accounting policy

Credit is extended to customers based on the evaluation of the customer's financial condition. Creditworthiness of customers is evaluated on a regular basis. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures. The Group considers a default event to be one where the customer does not have sufficient funds to make their required payments and/or is in the process of being liquidated.

An allowance for expected credit losses is maintained for expected lifetime credit losses that result from the failure or inability of customers to make required payments. It is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected lifetime credit losses and changes in those expected lifetime credit losses. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors, incorporating forward-looking information and adjustments for customers who represent a lower risk of default, which includes public or private medical insurance customers and customers guaranteed by local government. The amount of expected credit losses, if any, are required to be updated at each reporting date.

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.

Trade and other receivables are not collateralised or factored and the Group does not charge interest on past due amounts. Refer to Note 2.1 – Revenue recognition for details on the accounting policy related to chargeback allowances.

Restricted cash

In certain instances, there are requirements to set aside cash to support payment guarantees and obligations, including the payment of value-added taxes, custom duties on imports, tender programmes and lease arrangements. Such amounts are classified by the Group as restricted cash, which does not form part of cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows. Amounts with a maturity of less than one year are presented within other receivables within current assets. Amounts with a maturity of more than one year are presented as restricted cash in non-current assets.

Trade and other receivables at 31 December were as follows:

	2020 $m	2019 restated[a] $m
Included within current assets:		
Trade receivables	**287.0**	290.2
Less: allowances for expected credit losses	**(12.6)**	(11.6)
Less: sales discounts and chargebacks	**(29.2)**	(31.5)
Other receivables	**44.3**	36.7
Prepayments	**18.4**	15.9
Derivative financial assets[b]	**8.1**	1.0
Trade and other receivables	**316.0**	300.7

(a) The aggregation of balances classified as other receivables and prepayments has been revised in order to better reflect the nature of the transactions. The prior year numbers have been restated to reflect the revised presentation.
(b) Derivative financial assets comprise $1.7 million (2019: $nil) cash flow hedges and $6.4 million (2019: $1.0 million) foreign exchange forward contracts. Refer to Note 21 – Financial instruments for further details.

The aged analysis of trade receivables at 31 December was as follows:

	2020 $m	2019 $m
Current	**221.0**	211.6
Past due 1 to 30 days	**19.9**	28.0
Past due 31 to 90 days	**16.3**	15.6
Past due 91 to 180 days	**2.6**	6.4
Past due by more than 180 days	**27.2**	28.6
	287.0	290.2

10. Trade and other receivables (continued)

At 31 December, the unimpaired amounts that are past due are aged as follows:

	2020 $m	2019 $m
Past due 1 to 30 days	**19.0**	27.6
Past due 31 to 90 days	**16.0**	14.5
Past due 91 to 180 days	**2.1**	6.0
Past due by more than 180 days	**16.3**	18.9
	53.4	67.0

The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk. Cash collections are monitored by management on a weekly basis and have remained strong throughout 2020. There have been no indicators of a deterioration in collectability as a result of COVID-19, with no decline in Days Sales Outstanding ("DSO") or trade receivables ageing during the year ended 31 December 2020.

Movements in the allowance for expected credit losses for the years ended 31 December were as follows:

	2020 $m	2019 $m
At 1 January	**(11.6)**	(12.3)
Charges	**(6.5)**	(7.8)
Utilisation of provision	**5.7**	8.4
Foreign exchange	**(0.2)**	0.1
At 31 December	**(12.6)**	(11.6)

Other non-current receivables

Other non-current receivables of $13.3 million (2019: $8.9 million) includes the defined benefit asset of $2.3 million (2019: $nil) (Note 13 – Post-employment benefits). Other amounts relate to deposits held with lessors, prepaid expenses and other receivables.

Restricted cash

At 31 December 2020, the Group had restricted cash of $5.7 million (2019: $3.6 million) with a maturity of more than one year, as presented within non-current assets. No restricted cash was recognised within current assets as at 31 December 2020 (2019: $nil).

11. Trade and other payables

Trade payables consist of amounts owed to third-party suppliers and represent a contractual obligation to deliver cash in the future.

Other payables include taxes and social security, accruals and liabilities for other employee-related benefits.

Accounting policy

Trade payables are recognised at the value of the invoice received from the supplier and are not interest bearing. The carrying amount of trade and other payables is considered to approximate fair value, due to their short-term maturities.

The components of trade and other payables at 31 December were as follows:

	2020 $m	2019 $m
Included within current liabilities:		
Trade payables	**98.2**	90.5
Taxes and social security	**32.1**	28.4
Other employee-related liabilities	**99.1**	72.5
Accruals and other payables	**104.7**	95.7
Derivative financial liabilities (Note 21)	**7.7**	2.2
Trade and other payables	**341.8**	289.3

	2020 $m	2019 $m
Included within non-current liabilities:		
Defined benefit obligations (Note 13)	**23.1**	21.4
Other employee-related liabilities	**6.2**	4.4
Accruals and other payables	**0.6**	0.8
Other non-current liabilities	**29.9**	26.6

12. Provisions

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group primarily relate to restructuring, decommissioning and dilapidation.

Accounting policy

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and that obligation can be measured reliably. Restructuring provisions are only recognised when a constructive obligation exists, which requires both a detailed formal plan and a valid expectation being raised in those affected by starting to implement that plan or announcing the main features. Provisions are measured at the best estimate of the expenditure required to settle the obligation and are discounted to present value if the effect is material. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognised.

When the timing of a settlement is uncertain or expected to be more than 12 months from the reporting date, amounts are classified as non-current.

The movements in provisions are as follows:

	Restructuring provisions $m	Decomm-issioning and dilapidation provisions $m	Total $m
1 January 2019	4.5	1.5	6.0
Charges	4.9	0.4	5.3
Utilisation	(4.6)	(0.2)	(4.8)
Changes in estimate	(0.6)	–	(0.6)
Foreign exchange	–	–	–
31 December 2019	**4.2**	**1.7**	**5.9**
Charges	**12.9**	**0.4**	**13.3**
Utilisation	**(7.3)**	**(0.6)**	**(7.9)**
Changes in estimate	**(0.7)**	**–**	**(0.7)**
Foreign exchange	**0.3**	**–**	**0.3**
31 December 2020	**9.4**	**1.5**	**10.9**

Provisions have been analysed between current and non-current as follows:

	2020		2019	
	Current	**Non-current**	Current	Non-current
Restructuring provisions	**9.4**	**–**	4.2	–
Decommissioning and dilapidation provisions	**–**	**1.5**	–	1.7
Total	**9.4**	**1.5**	4.2	1.7

Restructuring provisions

Restructuring provisions relate to employee termination benefits for involuntary workforce reduction relating to major change programmes and the Group's Transformation Initiative. The Transformation Initiative is a global multi-year transformation programme that commenced in 2019. No restructuring recognised by the Group is related to COVID-19. All restructuring provisions relate to detailed plans and a valid expectation has been raised in those affected as required by the Group's accounting policy.

Decommissioning and dilapidation provisions

Decommissioning provisions are recognised when an item is purchased to represent the estimated costs of dismantling and removing PP&E and restoring the site on which it was located. Dilapidation provisions relate to legal obligations to return leased properties to the conditions which are specified in the individual leases.

13. Post-employment benefits

The Group has over 9,600 employees globally and operates a number of defined benefit and defined contribution pension plans for its employees. Each individual plan is subject to the applicable laws and regulations of the country in which the plan operates.

Defined contribution arrangements are where the Group pays fixed payments as they fall due into a separate fund on behalf of employees participating in the plan and has no further legal or constructive obligations. The cost of Group contributions to defined contribution arrangements during the year is provided in Note 3 – Operating costs.

A defined benefit plan is a pension or other post-employment benefit plan under which the Group has an obligation to provide agreed benefits to current and former employees. The Group bears the risk that its obligation may increase or that the value of the assets in the pension fund may decline. The benefit payable in the future by the Group is discounted to the present value and then the fair value of plan assets is deducted to measure the defined benefit pension position recorded by the Group.

The Group has defined benefit plans in six European countries. The most significant plans are: the UK, which is closed to new entrants and future benefit accruals; Switzerland, a state mandated plan that remains open to all Swiss employees; and Germany, with one unfunded plan, that remains open to German employees but closed to new entrants, and a funded plan put in place from April 2019. The value of the new plan in Germany is not material to the Group. The Group's other defined benefit plans are located in Austria, France and Italy (referred to as "Other" in the tables below).

For plans in the UK, Switzerland, Germany and Austria asset funds for each country are being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets. A buy-in transaction of the UK plan was completed during the year; details are provided below. The value of plan assets in Germany at 31 December 2020 is negligible.

Accounting policy

Defined contribution pension plans

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

Defined benefit pension plans

The Group records an asset or liability related to its defined benefit pension plans as the difference between the fair value of the plan assets and the present value of the plan liabilities. The obligations of the plans are calculated using the Projected Unit Credit Method, with actuarial valuations being performed by an independent actuary at the end of each reporting period. The valuation requires estimates and judgements to be made to calculate the Group's liabilities, and results in actuarial gains and losses being recorded.

Actuarial gains and losses, movements in the return on plan assets (excluding interest) and the impact of the asset ceiling (if applicable) are recognised immediately in the Consolidated Statement of Financial Position with a charge or credit to the Consolidated Statement of Other Comprehensive Income. Remeasurements recorded in the Consolidated Statement of Other Comprehensive Income are not subsequently reclassified to the Consolidated Income Statement.

Past service cost is recognised in the Consolidated Income Statement in the period of plan amendment, where relevant. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The assets of the plans are held at fair value which is equal to market value, and are held in separate trustee-administered funds or similar structures in the countries concerned. Surplus assets within the plan are only recognised to the extent that they are recoverable in accordance with IFRIC Interpretation 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* ("IFRIC 14").

13. Post-employment benefits (continued)

Risks

The defined benefit plans typically expose the Group to risks. The most significant risks impacting the Group as a result of these plans are as follows:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the Group's plans invest primarily in debt instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Buy-in of UK plan

On 24 March 2020, the Trustee of the UK plan completed a buy-in transaction whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Aviva Life & Pensions UK Limited ("Aviva"), under which the benefits payable to defined benefit members are now fully insured. The Scheme paid $12.6 million to Aviva on 30 March 2020 to fund the buy-in premium. The Group intends to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. An actuarial valuation for the UK plan has been prepared by an independent actuary. Details of the valuation and movements in the UK plan's assets and liabilities are provided within the tables below. Certainty over the recoverability of the surplus in the UK has resulted in a gain of $5.0 million recognised in the Consolidated Statement of Comprehensive Income for the 12 months ended 31 December 2020.

Amounts recorded in the Consolidated Financial Statements

Consolidated Income Statement

The aggregate expense for all post-employment defined benefit plans recognised in the Consolidated Income Statement for the year ended 31 December was as follows:

	2020 $m	2019 $m
Defined benefit plans:		
Current service cost	**2.4**	2.3
Past service cost	**–**	(0.6)
Interest income on plan assets	**(0.3)**	(0.5)
Interest expense on defined benefit obligations	**0.4**	0.6
Expenses related to UK buy-in	**0.4**	–
Total expense (Note 3)	**2.9**	1.8

Consolidated Statement of Comprehensive Income

Aggregate actuarial gains and losses for all defined benefit plans recognised in the Consolidated Statement of Comprehensive Income for the year ended 31 December were as follows:

	2020 $m	2019 $m
Remeasurement effect recognised in other comprehensive income:		
Actuarial gain/(loss) on liabilities due to experience	**1.8**	(1.9)
Actuarial loss arising from changes in financial assumptions	**(1.5)**	(6.2)
Actuarial gain arising from changes in demographic assumptions	**0.6**	0.1
Actuarial (loss)/gain on plan assets	**(1.3)**	3.0
Remeasurement loss recognised in other comprehensive income	**(0.4)**	(5.0)
Deferred tax on remeasurement loss recognised in other comprehensive income	**0.2**	1.5
Change in pension asset restriction	**5.0**	(0.6)
Total amount recognised in other comprehensive income	**4.8**	(4.1)

13. Post-employment benefits (continued)

Consolidated Statement of Financial Position

The amount recognised for each defined benefit arrangement in the Consolidated Statement of Financial Position at 31 December was as follows:

	UK		Germany		Switzerland		Other		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Fair value of schemes' assets	**15.7**	17.1	**–**	–	**13.8**	12.5	**0.8**	0.8	**30.3**	30.4
Present value of funded schemes' liabilities	**(12.1)**	(10.8)	**–**	–	**(20.4)**	(19.6)	**(1.4)**	(1.5)	**(33.9)**	(31.9)
Surplus/(deficit) in the funded schemes	**3.6**	6.3	**–**	–	**(6.6)**	(7.1)	**(0.6)**	(0.7)	**(3.6)**	(1.5)
Present value of unfunded schemes' liabilities	**–**	–	**(12.8)**	(10.9)	**–**	–	**(3.1)**	(2.7)	**(15.9)**	(13.6)
Restrict recognition of asset	**(1.3)**	(6.3)	**–**	–	**–**	–	**–**	–	**(1.3)**	(6.3)
Net pension asset/(liability)	**2.3**	–	**(12.8)**	(10.9)	**(6.6)**	(7.1)	**(3.7)**	(3.4)	**(20.8)**	(21.4)
Recognised within Consolidated Statement of Financial Position:										
Defined benefit asset (Note 10)									**2.3**	–
Defined benefit obligations (Note 11)									**(23.1)**	(21.4)

The weighted average duration of the Group's defined benefit obligations at the end of the year is 20 years (2019: 20 years).

Fair value of assets and present value of the liabilities of the plan

The amount included in the Consolidated Statement of Financial Position arising from its obligations in respect of its defined benefit plans was as follows:

	Assets $m	Liabilities $m	Total $m
At 1 January 2019	23.6	(33.0)	(9.4)
Current service cost	–	(2.3)	(2.3)
Past service cost	–	0.6	0.6
Interest income/(expense)	0.5	(0.6)	(0.1)
Remeasurement gain/(loss)	3.0	(6.1)	(3.1)
Contributions by employer	0.8	–	0.8
Contributions by members	0.7	(0.7)	–
Net benefits	1.0	(1.0)	–
Experience loss	–	(1.9)	(1.9)
Foreign exchange	0.8	(0.5)	0.3
At 31 December 2019	**30.4**	**(45.5)**	**(15.1)**
Current service cost	**–**	**(2.4)**	**(2.4)**
Interest income/(expense)	**0.3**	**(0.4)**	**(0.1)**
Remeasurement loss	**(1.3)**	**(0.9)**	**(2.2)**
Contributions by employer	**0.8**	**–**	**0.8**
Contributions by members	**0.7**	**(0.7)**	**–**
Net benefits	**(1.8)**	**2.1**	**0.3**
Experience gain	**–**	**1.8**	**1.8**
Expenses paid related to UK buy-in	**(0.4)**	**–**	**(0.4)**
Foreign exchange	**1.6**	**(3.8)**	**(2.2)**
At 31 December 2020	**30.3**	**(49.8)**	**(19.5)**

Plan assets

The fair value of defined benefit plan assets at 31 December, which has been determined in accordance with IFRS 13, *Fair Value Measurements*, is analysed below. All assets have a quoted market price and are categorised as a Level 1 measurement in the fair value hierarchy.

	UK		Germany		Switzerland		Other		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Equity instruments	**–**	–	**–**	–	**3.7**	3.4	**–**	–	**3.7**	3.4
Debt instruments	**3.9**	16.9	**–**	–	**5.2**	4.7	**–**	–	**9.1**	21.6
Property	**–**	–	**–**	–	**1.8**	1.7	**–**	–	**1.8**	1.7
Qualifying insurance policies	**11.8**	–	**–**	–	**–**	–	**0.8**	0.8	**12.6**	0.8
Other	**–**	0.2	**–**	–	**3.1**	2.7	**–**	–	**3.1**	2.9
Plan assets	**15.7**	17.1	**–**	–	**13.8**	12.5	**0.8**	0.8	**30.3**	30.4

13. Post-employment benefits (continued)

Actuarial assumptions

The Group makes certain key assumptions in order to value the plan obligations, and the approach to how these are set was as follows:

	Approach taken
Discount rate	Calculated by reference to the yields on high-quality corporate bonds which match expected cash flows in each territory in which a defined benefit plan is present.
Inflation	Calculated using the difference on yields between fixed and index-linked government bonds.
Future salary increases	Based on historical expectations and known future increases, including expected inflation rates.
Mortality	Based on mortality tables derived from assessments performed by national governments and based upon recommendations by plan actuaries.

The principal actuarial assumptions for each defined benefit arrangement used at 31 December were as follows:

	UK		Germany		Switzerland		Other	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate[(a)]	**1.32%**	2.00%	**1.26%**	1.39%	**0.20%**	0.10%	**-0.05% to 1.15%**	0.31% to 1.10%
Rate of price inflation	**2.50%**	2.25%	**N/A**	N/A	**0.50%**	0.50%	**1.00% to 2.00%**	1.00% to 2.00%
Future salary increases	**N/A**	N/A	**2.00%**	2.39%	**1.75%**	1.75%	**0.00% to 3.00%**	3.00%

(a) The discount rate in Italy of -0.05% is based on Eurozone AA bonds with a duration of 7 to 10 years consistent with the expected duration of the obligation.

The current mortality assumptions underlying the values of the obligations in the defined benefit plans were as follows:

	UK		Germany		Switzerland		Other	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Life expectancy at age 65								
Male	**22.8 years**	22.7 years	**16.7 years**	17.0 years	**21.8 years**	21.7 years	**20.4 years**	20.1 years
Female	**23.9 years**	23.8 years	**20.7 years**	20.6 years	**24.9 years**	24.6 years	**24.0 years**	23.6 years
Life expectancy at age 65 in 20 years' time								
Male	**24.2 years**	24.0 years	**19.3 years**	19.8 years	**23.5 years**	23.3 years	**21.6 years**	21.3 years
Female	**25.5 years**	25.3 years	**23.2 years**	22.8 years	**26.4 years**	26.3 years	**25.1 years**	24.7 years

Sensitivity analysis

The effect of movements in the key actuarial assumptions related to the UK, Germany and Switzerland plans at 31 December 2020 would be an (increase)/decrease to the defined benefit asset/liabilities as follows:

	UK		Germany		Switzerland	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	**0.8**	**(0.8)**	**1.4**	**(1.7)**	**2.0**	**(2.2)**
Inflation	**(0.6)**	**0.6**	**N/A**	**N/A**	**(0.7)**	**0.7**
Future salary increases	**N/A**	**N/A**	**N/A**	**N/A**	**(0.4)**	**0.5**

	1 year increase	1 year decrease	1 year increase	1 year decrease	1 year increase	1 year decrease
Life expectancy	**(0.6)**	**0.6**	**(0.5)**	**0.5**	**(0.4)**	**0.4**

Future funding

Payments expected to be made by the Group to its defined benefit pension plans in the year ended 31 December 2021 are as follows:

	UK $m	Germany $m	Switzerland $m	Other $m	Total $m
Expected payments	**–**	**0.1**	**0.9**	**–**	**1.0**

Capital structure and financial costs

The Group ensures that all entities within the Group have sufficient funding to deliver the Group's strategy while maximising the return to shareholders through the debt and equity balance. The capital structure of the Group consists of debt (which includes borrowings less cash and cash equivalents and excluding lease liabilities) and equity of the Group, comprising issued capital, reserves and earnings as disclosed in the Consolidated Statement of Changes in Equity.

14. Capital structure and net debt

The capital structure of the Group was as follows:

	2020 $m	2019 $m
Borrowings (Note 19)	1,456.4	1,486.1
Less: Cash and cash equivalents (Note 20)	565.4	385.8
Net debt	891.0	1,100.3
Equity	1,670.7	1,561.0
Total capital	2,561.7	2,661.3

The Group's capital structure is managed to provide ongoing returns to shareholders and service debt obligations whilst maintaining maximum operational flexibility. Refer to pages 66 to 67 in the Financial review for discussion of the Group's sources and uses of cash.

15. Share capital and reserves

Share capital
Called up share capital is the total number of shares in issue at their par value. The rights attaching to the ordinary shares are uniform in all respects. They form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Group. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds, net of tax.

Repurchased shares are classified as own shares and are presented in the own shares reserve.

Share premium
The share premium represents amounts received in excess of the nominal value of the ordinary shares.

Own shares
Own shares are ordinary shares in the Group purchased and held by an Employee Benefit Trust to satisfy obligations under the Group's employee share ownership programmes.

When any Group company purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable costs and the related tax effects, is recognised in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Merger reserve
In 2016, the Consolidated 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 led to differences on consolidation between issued share capital 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.

Other reserves
Includes changes in the effective portion of cash flow hedges, remeasurement of defined benefit plans and the share-based payment reserve.

15. Share capital and reserves (continued)

Share capital

Shares were allotted during the year in relation to the Group's scrip dividend offering. The movements in ordinary shares in issue of 10p each were as follows:

Issued and fully paid or credited as fully paid	Ordinary shares number	Share capital $m	Share premium $m
1 January 2019	1,966,155,724	240.7	39.8
Issue of new shares for Scrip Scheme – 2018 final dividend	11,198,285	1.5	18.5
Issue of new shares for Scrip Scheme – 2019 interim dividend	6,159,842	0.7	12.4
	17,358,127	2.2	30.9
31 December 2019	**1,983,513,851**	**242.9**	**70.7**
Issue of new shares for Scrip Scheme – 2019 final dividend	**16,991,621**	**2.1**	**35.7**
Issue of new shares for Scrip Scheme – 2020 interim dividend	**3,841,666**	**0.5**	**8.9**
	20,833,287	**2.6**	**44.6**
31 December 2020	**2,004,347,138**	**245.5**	**115.3**

At 31 December 2020, 2,401,898 shares (2019: 4,848,579 shares) were held in the Employee Benefit Trust. The market value of own shares at 31 December 2020 was $6.5 million (2019: $12.8 million). During the year the Employee Benefit Trust purchased 2,000,000 shares for $5.6 million (2019: 6,386,097 shares for $14.0 million) to satisfy requirements of anticipated future obligations under the Group's employee share ownership programmes.

Other reserves includes the share-based payment reserve of $121.8 million (2019: $118.3 million), partially offset by the measurement of defined benefit obligations of $8.2 million (2019: $13.0 million) and the effective portion of cash flow hedges of $4.5 million (2019: $0.8 million debit). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equates to the retained surplus of ConvaTec Group Plc as set out in the Company Financial Statements on page 195. At 31 December 2020, the retained surplus of the Company was $1,653.1 million (2019: $1,528.5 million). The capacity of the Company to make dividend payments is primarily determined by the availability of these retained and realised distributable reserves and the Group's cash resources.

16. Dividends

The Group ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholder dividends, and the purchase of shares for employee share scheme incentives. The Company principally derives distributable reserves from dividends paid by subsidiary companies.

In determining the level of dividend in the year, the Board considers the following factors and risks that may influence the proposed dividend:
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments, in line with the Group's strategic plan; and
- Principal risks of the Group (as disclosed on pages 76 to 79).

The Board paid the 2019 final dividend in May 2020 and the interim dividend in October 2020. The Board has taken into consideration balancing the return to shareholders, the potential effects of COVID-19 and the additional investment in transformation in the period. The decision to maintain the dividend reflects the Board's confidence in the future performance of the Group, our resilience during the COVID-19 pandemic and the underlying financial strength, distributable reserves position and cash generation of the Group when assessing cash flow forecasts for the next two years from the date of the dividend payment. Further details of the Group's considerations and rationale for its policy in respect of the dividend distribution are given in the Directors' report on page 139.

Accounting policy

Dividends paid are included in the Group Consolidated Financial Statements at the earlier of payment of the dividends or in respect of the Company's final dividend for the year, on approval by shareholders.

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

16. Dividends (continued)

Dividends paid and proposed were as follows:

	pence per share	cents per share	Total $m	Settled in cash $m	Settled via scrip $m	No of scrip shares issued
Final dividend 2018	3.097	3.983	79.1	59.1	20.0	11,198,285
Interim dividend 2019	1.404	1.717	33.9	20.8	13.1	6,159,842
Paid in 2019	4.501	5.700	113.0	79.9	33.1	17,358,127
Final dividend 2019	**3.095**	**3.983**	**75.8**	**38.0**	**37.8**	**16,991,621**
Interim dividend 2020	**1.306**	**1.717**	**34.3**	**24.9**	**9.4**	**3,841,666**
Paid in 2020	**4.401**	**5.700**	**110.1**	**62.9**	**47.2**	**20,833,287**
Final dividend 2020 proposed	**2.845**	**3.983**	**79.9**			

The final dividend proposed for 2020, to be distributed on 13 May 2021 to shareholders registered at the close of business on 6 April 2021, is based upon the issued and fully paid share capital as at 31 December 2020 and is subject to shareholder approval at our Annual General Meeting on 7 May 2021. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.400/£1.00 determined on 4 March 2021. A scrip dividend alternative will be offered allowing shareholders to elect by 22 April 2021 to receive their dividend in the form of new ordinary shares.

The interim and final dividends for 2020 give a total dividend for the year of 5.700 cents per share (2019: 5.700 cents per share).

17. Share-based payments

The Group operates a number of plans used to award shares to Executive Directors and other senior employees as part of their remuneration package. A charge is recognised over the vesting period in the Consolidated Income Statement to record the cost of these, based on the fair value of the award at the grant date.

The Group's share-based payment schemes in place are as follows:

Long-Term Incentive Plan ("LTIP")
Provides Performance Share Plan ("PSP") awards subject to Group performance and market conditions and Restricted Stock Units ("RSU") subject only to remaining employed up to the vesting date. Details on share-based payments in relation to Executive Directors is set out on pages 124 and 125.

Deferred Bonus Plan ("DBP")
Provides for the grant of share awards to defer a portion of the participant's bonus as determined by the Remuneration Committee. The awards vest subject only to remaining employed up to the vesting date.

Share Plan/Matching Share Plan ("SP/MSP")
Provides for the grant of discretionary share awards. The awards granted in 2020 are subject to the completion of the Group's Transformation Initiative. Awards granted in 2019 were subject only to remaining employed up to the vesting date.

The Group also operates Employee Plans which provide eligible employees the opportunity to save up to £500 per month (or local currency equivalent) with an option to acquire shares using these savings at a 15% discount to the market price at date of grant. The Employee Plans are available to employees under the following schemes:
- *Save-As-You-Earn ("SAYE")* – Available to all employees in the UK employed by participating Group companies.
- *Employee Stock Purchase Plan ("ESPP")* – Available to all employees in the US.
- *International Share Save Plan* – Available to all employees in the rest of the world.

Accounting policy

Equity-settled share-based payment awards are measured at the fair value of the award on the grant date, excluding the effect of non-market-based vesting conditions. The fair value of the awards at the date of the grant is expensed to general and administrative expenses in the Consolidated Income Statement over the vesting period on a straight-line basis.

Appropriate adjustments are made to reflect expected and actual forfeitures during the vesting period due to uncertainties in satisfying service conditions or non-market performance conditions. The corresponding credit is to other reserves in the Consolidated Statement of Financial Position.

All share-based payment expenses were equity-settled and recognised in the Consolidated Income Statement as follows:

	2020 $m	2019 $m
LTIP	**9.2**	11.6
SP/MSP	**1.4**	0.5
DBP	**0.6**	–
Employee Plans	**1.2**	2.1
	12.4	14.2

17. Share-based payments (continued)

Awards outstanding

The movements in the number of share and share option awards and the weighted average exercise price of share options are detailed below:

	2020		2019	
	Number of shares/ options 000's	Weighted average exercise price of options £ per share	Number of shares/ options 000's	Weighted average exercise price £ per share
Outstanding at 1 January	**29,503**	**0.57**	25,301	1.04
Granted	**11,513**	**0.26**	19,383	0.42
Forfeited	**(6,250)**	**0.67**	(10,830)	1.46
Exercised	**(4,294)**	**0.03**	(4,351)	–
Outstanding at 31 December	**30,472**	**0.51**	29,503	0.57
Exercisable at 31 December	**937**	**2.49**	1,600	2.28
Weighted average fair value of awards granted (£ per share)	**–**	**1.19**	–	0.79

The average share price during 2020 was £1.96 (2019: £1.59). The share price of the Company at 31 December 2020 was £1.99.

The range of exercise prices and the weighted average remaining contractual life of options outstanding at 31 December were as follows:

Range of prices	2020 Number of shares/ options 000's	2019 Number of shares/ options 000's
Nil	**20,637**	19,119
1.21	**5,993**	6,532
1.76	**1,635**	–
1.84	**1,270**	1,532
2.49	**937**	1,540
2.78	**–**	780
	30,472	29,503
Weighted average remaining contractual life of options outstanding	**2.0 years**	2.4 years

Valuation assumptions

All share awards granted are valued directly by reference to the share price at date of grant except:

- PSP shares awarded under the LTIP and MSP shares are subject to a relative Total Shareholder Return ("TSR") performance condition and are valued using a Monte Carlo simulation.
- Options granted under the Employee Plans which are valued using the Black-Scholes model.

The principal assumptions used in these valuations were:

	2020				2019		
	LTIP March 2020	LTIP May 2020	SAYE & International Share Save Plan	ESPP	LTIP	SAYE & International Share Save Plan	ESPP
Share price at date of grant	**£1.85**	**£2.07**	**£1.89**	**£2.07**	£1.37	£1.74	£1.42
Exercise price	**nil**	**nil**	**£1.76**	**£1.76**	nil	£1.21	£1.21
Expected life	**3.0 years**	**3.0 years**	**3.6 years**	**2.0 years**	3.0 years	3.6 years	2.0 years
Expected volatility(a)	**43.9%**	**46.1%**	**46.1%**	**46.1%**	45.0%	45.0%	45.0%
Risk free rate	**0.1%**	**0.1%**	**0.1%**	**0.1%**	0.8%	0.8%	0.8%
Dividend yield	**2.4%**	**2.2%**	**2.2%**	**2.2%**	3.2%	3.2%	3.2%
Fair value	**£1.13**	**£1.51**	**£0.28**	**£0.30**	£0.65	£0.33	£0.20

(a) The expected volatility was determined by calculating the observed historical volatility of share prices of peer group companies (including the Company) over the expected life of the share award.

18. Financial risk management

The Group's treasury policy seeks to minimise the Group's principal financial risks. No trading or speculative transactions in financial instruments are undertaken. This note presents information about the Group's exposure to financial risks and the Group's objectives, policies and processes for measuring and managing risks.

Financial risk management objectives

Based on the global operations of the Group, management consider the key financial risks to be liquidity, foreign exchange, interest rate and counterparty credit. The management of counterparty credit risk is discussed in Note 10 – Trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group manages and minimises liquidity risk by using global cash management solutions and actively monitoring both actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due and have headroom to provide against unforeseen obligations. As at 31 December 2020, the Group held cash and cash equivalents of $565.4 million (2019: $385.8 million), of which 85% was held centrally, and had access to a $200.0 million multicurrency revolving credit facility, available until October 2024, which was undrawn and has remained undrawn.

Medium and long-term borrowing requirements are met through committed bank facilities as detailed in Note 19 – Borrowings. Short-term borrowing requirements, if necessary, may be met from drawings under the multicurrency revolving credit facility.

In response to COVID-19, the Group has undertaken regular detailed reviews of both the potential short-term effects of the pandemic on working capital and the longer-term forecast liquidity position. Cash collections have remained strong and the Group has not taken advantage of any governmental COVID-19 support programmes available or needed to utilise its revolving credit facility to manage short-term liquidity requirements. Longer term, the Group has assessed its liquidity forecast as part of the viability assessment and its ability to continue trading as a going concern. For further detail on the Group's assessment of liquidity risk refer to the Viability statement on pages 80 and 81.

Foreign exchange risk

As a result of the global nature of operations, the Group is exposed to market risk arising from changes in foreign currency exchange rates.

Where possible, the Group manages foreign exchange risk by matching same currency revenues and expenses. It will also denominate debt in certain currencies and use foreign exchange forward contracts and swap contracts to further minimise both translation and transactional foreign exchange risk. Certain currency pairings are designated as cash flow hedges; refer to Note 21 – Financial instruments for details. 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.

The following exchange rates have been applied for the principal currencies:

Currency	Average rate/ Closing rate	2020	2019
EUR/USD	Average	**1.14**	1.12
	Closing	**1.22**	1.12
GBP/USD	Average	**1.28**	1.28
	Closing	**1.37**	1.33
DKK/USD	Average	**0.15**	0.15
	Closing	**0.16**	0.15

Sensitivity analysis on foreign exchange risk

The sensitivity analysis below assumes a 10% strengthening of the US dollar against the principal currencies to highlight the sensitivity of profit before income taxes and total equity to foreign exchange risk as at 31 December, with all other variables held constant.

Currency	Sensitivity	2020 $m	2019 $m
Increase/(decrease) in profit before income taxes			
GBP/USD	+10%	**1.7**	(2.8)
EUR/USD	+10%	**(31.6)**	(24.5)
DKK/USD	+10%	**(10.0)**	(9.1)
Decrease/(increase) in total equity			
GBP/USD	+10%	**(92.6)**	(84.8)
EUR/USD	+10%	**(3.8)**	(17.9)
DKK/USD	+10%	**(34.6)**	(26.0)

Interest rate risk

The Group's principal exposure to interest rate risk is in relation to interest expense on borrowings made under the Group's credit agreement which attract interest at floating rates plus a fixed margin. Floating rate borrowings expose the Group to interest rate cash flow and expense risk. The Group manages this exposure on a net basis within Board approved policy parameters, including the use of interest rate swaps designated as cash flow hedges to maintain an appropriate mix between fixed and floating rate borrowings.

18. Financial risk management (continued)

Sensitivity analysis on interest rate risk

Based on the composition and the terms of the Group's borrowings as at 31 December 2020, including application of the interest rate floor and before the effect of interest rate swaps, if interest rates were to increase or decrease by 100 basis points, the interest expense on borrowings would increase by $12.4 million (2019: $13.2 million) or decrease by $2.1 million (2019: $10.5 million) assuming that all other variables remain constant and excluding any effect of tax.

IBOR Reform

The transition away from LIBOR, and other IBORs (together "IBOR Reform") will remove certain IBOR as an interest rate benchmark for financial instruments. The Group's credit agreement is multicurrency, allowing drawings to be made in different currencies. As at 31 December 2020, the Group's borrowings are denominated in USD and EUR, exposing the Group to floating USD LIBOR and EURIBOR. Refer to Note 19 – Borrowings for further details of the Group's credit agreement. The Group maintains USD interest rate swaps of $275.0 million, with exposure to USD LIBOR as a reference rate; refer to Note 21 – Financial instruments for details.

The Group is closely monitoring the market and the output from the various industry working groups and authorities managing the transition to new benchmark interest rates, including ICE Benchmark Association (ICE), Financial Conduct Authority (FCA) and International Swap Dealers Association (ISDA). In addition, the Group has opened discussions with certain syndicate banks who lend under the credit agreement to consider and evaluate the relevant commercial points and switch mechanics.

The Group will continue to closely monitor the ongoing consultation on a clear end-date for transition and continue discussions with syndicate banks in 2021 with an intention to updating all relevant contracts and agreements when appropriate, and in advance of the transition deadline. The Group does not believe that these changes will impact its ability to continue managing its interest rate risk.

19. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from bank term loans together with a committed revolving credit facility. In October 2019, the Group voluntarily prepaid and discharged all outstanding contractual obligations under its previous credit agreement and refinanced under a new credit agreement that matures in October 2024.

Accounting policy

Borrowings are recognised at fair value less directly attributable costs on the date that they are entered into and subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating the 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.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

The Group derecognises borrowings when its contractual obligations are discharged, terminated or expired.

The Group's consolidated borrowings as at 31 December were as follows:

	Currency	Year of maturity	**2020 Face value $m**	2019 Face value $m
Revolving Credit Facilities	Multicurrency	2024	**–**	–
Term Loan Facility A[(a)]	USD/Euro	2024	**560.1**	600.9
Term Loan Facility B[(b)]	USD/Euro	2024	**908.2**	901.4
Total interest-bearing borrowings			**1,468.3**	1,502.3
Financing fees			**(11.9)**	(16.2)
Total carrying value of borrowings from credit facilities			**1,456.4**	1,486.1
Less: current portion of borrowings			**86.6**	40.8
Total non-current borrowings			**1,369.8**	1,445.3

(a) Included within Term Loan Facility A is €140.4 million ($171.6 million), and €161.3 million ($180.9 million) at 31 December 2020 and 2019 respectively, denominated in Euros. This represents 31% (2019: 30%) denominated in Euros and 69% (2019: 70%) denominated in US dollars.
(b) Included within Term Loan Facility B is €227.8 million ($278.2 million), and €242.0 million ($271.4 million) at 31 December 2020 and 2019 respectively, denominated in Euros. This represents 31% (2019: 30%) denominated in Euros and 69% (2019: 70%) denominated in US dollars.

19. Borrowings (continued)

Credit agreement

The credit agreement held by the Group is committed and available for the refinancing of certain existing financial indebtedness and general corporate purposes. Provided by a group of financial institutions and maturing in October 2024, it consists of two 5-year multicurrency term loans totalling $1.5 billion and a $200.0 million multicurrency revolving credit facility. Of the $1.5 billion term loan debt, $600.0 million is amortising, requiring scheduled annual repayments of the principal. The remaining $900.0 million is repayable in full at the maturity of the term loan. The multicurrency revolving credit facility has an option to increase its amount by up to 50% ($100.0 million) subject to certain conditions. The multicurrency revolving credit facility was undrawn as at 31 December 2020.

The credit agreement is secured by way of a share pledge and contains various provisions, covenants and representations that are customary for such a facility. The principal financial covenants are based on a permitted net debt to adjusted EBITDA ratio and interest cover test as defined in the credit agreement. Testing is required on a semi-annual basis, at June and December, based on the last 12 months' financial performance. At 31 December 2020, the permitted net debt to adjusted EBITDA ratio was a maximum of 3.75 times (reducing to 3.50 times for testing periods from 31 December 2021 inclusive) and the interest cover a minimum of 3.50 times (no change in 2021), terms as defined by the credit agreement. In accordance with the agreement, net debt to adjusted EBITDA ratio can increase to a maximum 4.00 times for permitted acquisitions or investments. The Group was in compliance with all financial and non-financial covenants in the credit agreement at 31 December 2020 and 2019, with significant available headroom on the financial covenants (c.$840 million debt headroom on net debt to adjusted EBITDA).

Excluding the impact of interest rate swaps, the weighted average interest rate on borrowings for the year ended 31 December 2020 was 2.6% (2019: 3.8%).

Borrowings not measured at fair value

At 31 December 2020, the estimated fair value of the Group's borrowings, excluding leases obligations, approximated $1,473.7 million (2019: $1,513.2 million). The fair value of the Group's borrowings is based on discounted cash flows using a current borrowing rate and are categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13, *Fair Value Measurements.*

Maturity of financial liabilities

The contractual undiscounted future cash flows, including contractual interest payments, related to the Group's financial liabilities were as follows:

	Contractual cash flows							
	Within 1 year or on demand $m	1 to 2 years $m	2 to 3 years $m	3 to 4 years $m	4 to 5 years $m	More than 5 years $m	Total $m	Carrying amount $m
At 31 December 2020								
Borrowings	**122.8**	**181.6**	**178.8**	**1,099.3**	**–**	**–**	**1,582.5**	**1,456.4**
Lease obligations	**23.3**	**18.6**	**15.3**	**11.3**	**8.1**	**32.4**	**109.0**	**92.1**
Trade and other payables	**341.8**	**–**	**–**	**–**	**–**	**–**	**341.8**	**341.8**
Derivative financial instruments								
Derivative financial instruments payable	**971.1**	**3.7**	**0.9**	**–**	**–**	**–**	**975.7**	**15.4**
Derivative financial instruments receivable	**(967.6)**	**–**	**–**	**–**	**–**	**–**	**(967.6)**	**(8.1)**
At 31 December 2019								
Borrowings	100.2	143.6	200.6	195.5	1,106.9	–	1,746.8	1,486.1
Lease obligations	21.7	17.6	13.1	10.5	7.8	35.7	106.4	88.5
Trade and other payables	289.3	–	–	–	–	–	289.3	289.3
Derivative financial instruments								
Derivative financial instruments payable	266.7	–	–	–	–	–	266.7	2.2
Derivative financial instruments receivable	(265.5)	(0.6)	(0.3)	(0.1)	–	–	(266.5)	(2.0)

Reconciliation of movement in borrowings

	2020 $m	2019 $m
Borrowings at 1 January	**1,486.1**	1,620.8
Repayment of borrowings[(a)]	**(73.0)**	(1,618.7)
Proceeds of new borrowings, net of financing fees	**–**	1,481.0
Foreign exchange	**39.0**	(11.5)
Non-cash movements[(b)]	**4.3**	14.5
Borrowings at 31 December	**1,456.4**	1,486.1

(a) In the year ended 31 December 2020, repayment of borrowings include the scheduled repayment instalment on Term Loan Facility A of $45.0 million and an additional payment of $28.0 million on Euro denominated borrowings triggered by the movement in the Euro to USD exchange rate exceeding 5%.

(b) Non-cash movements relate to the amortisation of deferred financing fees associated with the credit agreement. For the year ended 31 December 2019, non-cash movements also included deferred financing fees recognised upon early termination of the Group's previous credit agreement.

20. Cash and cash equivalents

Cash held at bank is used for the Group's day-to-day operations. The Group utilises bank deposits or money market funds which have a maturity of three months or less as liquid investments that enable short-term liquidity requirements to be met.

Accounting policy

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. All liquid investments, including term deposits and money market funds, have original maturities of three months or less, are subject to insignificant risk of changes in value and are repayable within one business day with no significant loss of interest, resulting in classification as cash equivalents.

Cash at bank earns interest at rates based on daily bank deposit rates. Term deposits and money market funds earn interest at the respective short-term deposit rate.

Cash and cash equivalents at 31 December 2020 included $42.2 million (2019: $44.5 million) of cash held in territories where there are restrictions related to repatriation. The amounts meet the definition of cash and cash equivalents but are not deemed to be readily available for general use by the wider Group.

Statement of cash flows

Under certain circumstances, the Group utilises bank overdrafts to manage temporary fluctuations in cash positions. The bank overdrafts are repayable on demand, used as part of the Group's overall cash management strategy and form part of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. The Group had no bank overdrafts as at 31 December 2020 or 31 December 2019.

The Group reports cash flows from operating activities using the indirect method in accordance with IAS 7, *Statement of Cash Flows*. The Group has elected to classify net interest paid (including interest on lease liabilities) as cash flows from operating activities. Short-term lease payments and payments for leases of low-value assets are presented within cash flows from operating activities.

Changes in working capital assets and liabilities as reported in cash flows from operating activities reflect the changes in the Consolidated Statement of Financial Position between the current and previous financial year end, including adjustments for amounts relating to acquisitions and disposals (when necessary), as well as currency translation adjustments.

Cash payments for the principal portion of lease liabilities is included within cash flows from financing activities.

Acquisition of property, plant and equipment, and intangible assets reflects additions to the related assets, including adjustments for changes in capital accruals. Acquisition of intangible assets relates to capitalised software, development and product-related licences. Refer to Note 8 – Intangible assets and goodwill for further details.

The adjustment for non-operating expense, net in the Consolidated Statement of Cash Flows excludes the gains and losses realised on cash-settled derivative financial instruments. Refer to Note 4 – Non operating income/expense, net.

	2020 $m	2019 $m
Cash at bank and in hand	**105.0**	183.7
Money market funds and bank deposits	**460.4**	202.1
Cash and cash equivalents	**565.4**	385.8

21. Financial instruments

A derivative financial instrument is a contract that derives its value from the performance of an underlying variable, such as foreign exchange rates or interest rates. The Group uses derivative financial instruments to manage foreign exchange and interest rate risk arising from its operations and financing. Derivative financial instruments used by the Group are foreign exchange forwards and swaps and interest rate swaps.

The Group utilises interest rate swap agreements, designated as cash flow hedges, to manage its exposure to variability in expected future cash outflows attributable to the changes in interest rates on the Group's borrowing facilities.

In the final quarter of 2020 the Group designated certain foreign currency pairings of forecast third-party transactions as cash flow hedges in accordance with its risk management policy. Details of the financial instruments held at year end and their respective fair values are provided within the note below.

Accounting policy

Derivative financial instruments are initially recognised at fair value on the derivative contract date and are remeasured at their fair value at subsequent reporting dates. Derivative financial instruments are classified at fair value through profit or loss ("FVTPL") unless they are designated and qualify as an effective cash flow hedge. The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate from third parties at the reporting date.

Hedge accounting

The Group has elected to apply the IFRS 9, *Financial Instruments* hedge accounting requirements. Changes in the fair values of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent the hedges are effective. The fair value is the estimated amount that the Group would receive or pay to terminate the forward or swap at the reporting date, taking into account current market rates, the Group's current creditworthiness, as well as that of the financial instrument counterparties.

The cumulative gain or loss is then reclassified to the Consolidated Income Statement in the same period when the relevant hedged transaction is realised. Any ineffectiveness on hedging instruments is recognised in the Consolidated Income Statement 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.

The Group maintains USD interest rate swaps of $275.0 million, with exposure to USD LIBOR as a reference rate (as detailed below). As at 31 December 2020 there remains uncertainty as to the timing and the methods of transition for replacing existing USD LIBOR benchmark rates with alternative rates that the Group continues to closely monitor, refer to Note 18 – Financial risk management for further details. In assessing hedge effectiveness on a prospective basis for this relationship, the Group has assumed that the USD LIBOR-related interest cash flows on the swap are not altered by IBOR reform and the hedge continues to be highly effective. Furthermore, hedge accounting did not need to be discontinued during the period of IBOR-related uncertainty as the Group has taken the relief available in Phase 1 to separately identify the risk component at the initial hedge designation and not on an ongoing basis. The impact of IBOR reform on the Group is assessed as being limited but the Group will continue to monitor developments of IBOR Reform throughout 2021.

Right to offset

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.

Fair value measurement

Financial instruments are classified as Level 2 in the fair value hierarchy in accordance with IFRS 13, *Fair Value Measurements*, 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).

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar denominated debt, in accordance with the Group's risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

In accordance with Group policy, the Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions for up to one year. When a commitment is entered into a layered approach is taken when hedging the currency exposure, ensuring that no more than 100% of the transaction exposure is covered. The principal currencies hedged by forward foreign exchange contracts are US dollars, Euro and Danish Krone.

The Group further utilises foreign exchange contracts and swaps classified as FVTPL to manage short-term foreign exchange exposure.

21. Financial instruments (continued)

Cash flow hedges

The fair values are based on market values of equivalent instruments at 31 December. The following table presents the Group's outstanding cash flow hedges at 31 December:

			2020		2019	
	Effective date	Maturity date	**Notional amount $m**	**Fair value[(a)] assets/ (liabilities) $m**	Notional amount $m	Fair value[(a)] assets $m
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	**275.0**	**(7.7)**	275.0	1.0
Foreign currency forward exchange contracts		15 Nov 2021	**98.3**	**1.7**	–	–
			373.3	**(6.0)**	275.0	1.0
Recognised in other comprehensive income:						
Effective portion of changes in fair value of cash flow hedges				**(6.7)**		(9.5)
Costs of hedging				**(0.1)**		–
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement				**(0.2)**		(0.8)
Total				**(7.0)**		(10.3)

(a) The fair values of the interest rate swaps are shown in derivative financial liabilities in the Consolidated Statement of Financial Position (2019: derivative financial assets). The fair values of the foreign exchange forward contracts are included within trade and other receivables. Finance expenses in the Consolidated Income Statement includes the negligible ineffective impact of the interest rate swaps.

The reduction in fair value of the interest rate swaps follows a reduction in US interest rates in response to COVID-19.

During the year ended 31 December 2020, the Group reclassified a $0.2 million gain (2019: $nil) on foreign exchange cash flow hedges that has been recognised in non-operating income/expenses, net, in the Consolidated Income Statement.

Foreign exchange forward contracts

The following table presents the Group's outstanding foreign exchange forward contracts at 31 December:

			2020		2019	
	Term	Financial Statement line item	**Notional amount $m**	**Fair value $m**	Notional amount $m	Fair value $m
Foreign exchange contracts	28 days	Trade and other receivables (Note 10)	**512.5**	**6.4**	130.7	1.0
Foreign exchange contracts	28 days	Trade and other payables (Note 11)	**355.3**	**(7.7)**	136.0	(2.2)
			867.8	**(1.3)**	266.7	(1.2)

During the year ended 31 December 2020, the Group realised a net gain of $21.7 million (2019: $0.9 million gain) on foreign exchange forward contracts designated as FVTPL in non-operating income/expenses, net, in the Consolidated Income Statement.

22. Leases

The Group principally leases real estate and vehicles. Leases are recognised as a right-of-use asset with a corresponding liability recorded at the date at which the leased asset is available for use by the Group.

Accounting policy

The lease liability is measured at the present value of future lease payments discounted using the rate implicit in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Options such as lease extensions or terminations on lease contracts are considered on a case-by-case basis by regular management assessment.

Each lease payment is allocated between amounts paid for principal and interest. The interest cost is charged to the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less and low-value leases comprise of leases with an underlying asset value of less than $5,000. Expenses recognised for these short-term and low-value leases for the year ended 31 December 2020 were $3.9 million (2019: $3.3 million).

The movements in right-of-use assets were as follows:

	Real estate and other $m	Vehicles $m	Total $m
As at 1 January 2019	51.1	14.7	65.8
Reclassification from PP&E[(a)]	20.9	0.2	21.1
Lease additions	12.0	9.9	21.9
Leases terminated	(0.9)	(0.7)	(1.6)
Depreciation of right-of-use assets	(14.2)	(8.2)	(22.4)
Foreign exchange	(0.3)	–	(0.3)
As at 31 December 2019	68.6	15.9	84.5
Lease additions	**14.5**	**8.4**	**22.9**
Leases terminated	**(1.1)**	**(0.9)**	**(2.0)**
Depreciation of right-of-use assets	**(14.1)**	**(8.3)**	**(22.4)**
Foreign exchange	**2.4**	**0.4**	**2.8**
As at 31 December 2020	**70.3**	**15.5**	**85.8**

(a) Amounts previously recognised as finance lease assets within PP&E have been reclassified to right-of-use assets upon transition to IFRS 16, *Leases* on 1 January 2019.

22. Leases (continued)

Movements in the lease liabilities were as follows:

	2020 $m	2019 $m
Lease liabilities as at 1 January	**88.5**	89.5
Lease additions	**22.9**	21.9
Payment of lease liabilities	**(20.6)**	(20.9)
Leases terminated	**(1.9)**	(1.6)
Interest expense on lease liabilities (Note 23)	**3.8**	3.6
Interest paid on lease liabilities	**(3.8)**	(3.6)
Foreign exchange	**3.2**	(0.4)
Lease liabilities as at 31 December	**92.1**	88.5

Total cash outflow of lease liabilities including interest for the year ended 31 December 2020 was $24.4 million (2019: $24.5 million).

Lease liabilities by category at 31 December were as follows:

	2020			2019		
	Real estate and other $m	Vehicles $m	Total $m	Real estate and other $m	Vehicles $m	Total $m
Current	**12.4**	**7.4**	**19.8**	11.4	7.0	18.4
Non-current	**64.1**	**8.2**	**72.3**	61.0	9.1	70.1
Total	**76.5**	**15.6**	**92.1**	72.4	16.1	88.5

The maturity of lease liabilities at 31 December were as follows:

	2020			2019		
	Real estate and other $m	Vehicles $m	Total $m	Real estate and other $m	Vehicles $m	Total $m
Within 1 year	**12.5**	**7.3**	**19.8**	11.4	7.0	18.4
1 to 2 years	**10.8**	**4.9**	**15.7**	9.7	5.1	14.8
2 to 3 years	**10.4**	**2.5**	**12.9**	7.9	2.8	10.7
3 to 4 years	**8.7**	**0.7**	**9.4**	7.5	1.0	8.5
4 to 5 years	**6.3**	**0.2**	**6.5**	6.0	0.2	6.2
5 to 10 years	**22.9**	**–**	**22.9**	20.6	–	20.6
More than 10 years	**4.9**	**–**	**4.9**	9.3	–	9.3
Total	**76.5**	**15.6**	**92.1**	72.4	16.1	88.5
Of which:						
Principal	**60.1**	**14.9**	**75.0**	55.3	15.1	70.4
Interest	**16.4**	**0.7**	**17.1**	17.1	1.0	18.1

23. Finance income and expense

Finance expenses arise from interest on the Group's borrowings from credit facilities and lease liabilities. Finance income arises from interest earned on investment of surplus cash.

Accounting policy

Finance expenses, including the transaction costs for borrowings and any discount or premium on issue, are recognised in the Consolidated Income Statement using the effective interest rate method.

When existing debt is derecognised in the financial statements any transaction costs not amortised are recognised immediately in the Consolidated Income Statement.

Upon derecognition of financial liabilities, any unamortised financing fees are recognised immediately in the Consolidated Income Statement.

Interest related to qualifying assets under construction included within PP&E is capitalised (refer to Note 7 – Property, plant and equipment).

Refer to Note 22 – Leases for accounting policy on interest expense on lease liabilities.

Interest arising from interest rate swaps is recorded as either interest income or expense over the term of the agreement. When a hedging instrument expires, is sold or terminated or no longer meets the requirements for hedge accounting, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the Consolidated Income Statement.

Finance costs, net for the year ended 31 December were as follows:

	2020 $m	2019 $m
Finance income		
Interest income on interest rate derivatives	**–**	6.0
Interest income on cash and cash equivalents	**1.9**	1.8
Total finance income	**1.9**	7.8
Finance expense		
Interest expense on borrowings[a]	**(39.2)**	(60.7)
Other financing-related fees[b]	**(5.9)**	(17.2)
Interest expense on interest rate derivatives	**(1.8)**	–
Interest expense on lease liabilities	**(3.8)**	(3.6)
Capitalised interest[c]	**0.7**	0.6
Other finance costs	**(0.3)**	(0.5)
Total finance expense	**(50.3)**	(81.4)
Finance costs, net	**(48.4)**	(73.6)

(a) Interest expense relates to amounts payable on the Group's borrowings which incorporates Term Loan Facility A and Term Loan Facility B. Refer to Note 19 – Borrowings for further details.
(b) Other financing-related fees include amortisation of deferred financing fees and revolving credit facility fees associated with the credit agreement. For the year ended 31 December 2019, $11.2 million of deferred financing fees were recognised upon the early termination of the Group's previous credit agreement.
(c) Capitalised interest was calculated using the Group's weighted average interest rate over the year of 2.6% (2019: 3.8%).

24. Commitments and contingencies

Commitments represent the Group's future capital expenditure which is not recognised as a liability in the Consolidated Financial Statements but represents a non-cancellable commitment.

A contingent liability is a possible liability that is not sufficiently certain to qualify for recognition as a provision because the amount cannot be measured reliably or because settlement is not considered probable.

Capital commitments

At 31 December 2020, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $29.6 million (2019: $12.4 million).

Contingent liabilities

Liability claims

On 31 May 2019, ConvaTec Inc. filed a lawsuit against Scapa Group plc (trading as Scapa Tapes North America LLC) and Webtec Converting LLC seeking a declaration that the company was within its rights to terminate a contract between the parties. On 10 July 2019, the defendants filed a motion seeking dismissal of the declaratory judgement action, and Scapa Tapes North America LLC filed a separate complaint seeking damages of $83.8 million against ConvaTec Inc. in relation to the contract cancellation. ConvaTec Inc., in turn, has asserted a claim for damages against Scapa Tapes North America LLC and Scapa Group plc. All claims are being litigated before the Connecticut state court in the United States, discovery in the case is progressing, and the trial is presently scheduled for July 2022. The Group's Board, in conjunction with its legal advisers, do not believe the claim has merit and no provision is recognised as at 31 December 2020.

25. Related party transactions

The Directors have not identified any related parties to the Group, other than the key management personnel. The Group considers key management personnel as defined in IAS 24, *Related Party Disclosures* to be the members of the CELT as set out on page 9 and the Non-Executive Directors as set out on pages 90 and 91.

Key management personnel compensation

Key management personnel compensation for the year ended 31 December was as follows:

	2020 $m	2019 $m
Short-term employee benefits	**15.9**	12.9
Share-based payment expense	**6.8**	10.2
Post-employment benefits	**0.5**	0.4
Termination benefits	**1.8**	–
Total	**25.0**	23.5

Further details of short-term employee benefits, share-based payment expense and post-employment benefits for the Executive Directors are shown on page 122. Details of the Non-Executive Directors' fees, included in the table above, are provided on page 125.

The Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel had or was to have a direct or indirect material interest.

26. Subsequent events

The Group has evaluated subsequent events through 4 March 2021, the date the Consolidated Financial Statements were approved by the Board of Directors.

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the full impact of these proposed changes.

Details of the proposed final dividend are disclosed in Note 16 – Dividends.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. These measures include adjusted cost of sales, adjusted gross margin, adjusted selling and distribution costs, adjusted general and administrative expenses, adjusted research and development costs, adjusted other operating expenses, adjusted operating profit ("adjusted EBIT"), adjusted EBITDA, adjusted profit before tax, adjusted finance costs, adjusted non-operating expense, net, adjusted net profit, adjusted earnings per share, adjusted working capital, adjusted cash conversion, free cash flow and net debt. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that the Board believes are not related to the underlying performance of the Group. Reconciliations for these adjusted measures determined under IFRS are shown on pages 191 to 194. The definitions of adjusted measures are as calculated within the reconciliation tables.

In management's and the Board's view, the APMs reflect the underlying performance of the business and provide a meaningful supplement to the reported numbers to explain how the business is managed and measured on a day-to-day basis. Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods. Adjusted measures also form the basis for performance measures for remuneration, e.g. adjusted EBIT. For further information see pages 123 and 124. The Group has made no adjustments to the Group's reported results related to COVID-19.

In determining whether an item should be presented as an 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 an allowable adjustment to IFRS measures, it must initially meet at least one of the following criteria:

- It is a significant item, which may cross more than one accounting period.
- It has been directly incurred as a result of either an acquisition, divestiture, or arises from termination benefits without condition of continuing employment related to a major business change or restructuring programme.
- It is unusual in nature, e.g. outside the normal course of business.

If an item meets at least one of the criteria, the Board, through the Audit and Risk Committee, then exercises judgement as to whether the item should be classified as an allowable adjustment to IFRS performance measures.

Key adjustments for adjusted EBIT (also referred to as adjusted operating profit) are termination benefits arising exclusively from major change programmes, together with CEO-related compensation not subject to continuing employment. Further adjustments, which include amortisation of pre-2018 acquisition intangibles and impairments to intangible and fixed assets are also made in arriving at adjusted EBIT. The tax effect of the adjustments is reflected in the adjusted tax expense to remove their effect from adjusted net profit and adjusted earnings per share.

Adjusted EBITDA, which is used to calculate our metric of adjusted cash conversion and the effective use of our working capital, is calculated by adding back CEO-related compensation not subject to continuing employment, share-based payment expenses, together with termination benefits and related costs to our reported EBITDA.

Adjusted items, excluding the impact of tax, for the years ended 31 December 2020 and 2019 include the following credits or costs that are reflected in the reported measures:

- Amortisation of intangible assets relating to acquisitions pre 1 January 2018 (ongoing) ($125.3 million and $140.2 million respectively).
- Impairment of assets as a result of transformation or an unusual circumstance (loss of $1.7 million and $105.2 million respectively).
- Divestiture activities (gain of $16.5 million for the year ended 31 December 2020).
- Termination benefits in relation to major change programmes ($12.2 million and $5.8 million respectively).
- CEO buy-out costs reflecting non-performance-related compensation for the loss of incentive awards from previous employment, not subject to continuing employment ($6.2 million for the year ended 31 December 2019).

These items are excluded from the adjusted measures to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically gains or losses/costs arising from events that are not considered part of the core operations of the business or are considered to be significant in nature. They may cross several accounting periods. We also adjust for the tax effect of these items.

Acquisition-related amortisation of intangible assets
The Board, through the Audit and Risk Committee, continuously reviews the Group's APM policy to ensure that it remains appropriate and represents the way in which the performance of the Group is managed. Since 2018, the Group has made two small acquisitions, each for a consideration of less than $15 million, for which the amortisation charge on acquisition intangibles was immaterial. Given the Group's strategy to be more active and pursue larger acquisitions which strengthen our position in key geographies and/or business categories or which provide access to new technology, we believe that a refinement and clarification of the policy is required under which the Group will adjust for amortisation of intangible assets in relation to future acquisitions together with associated acquisition-related expenses. This refinement better reflects the underlying performance of the business and aids year-on-year comparability.

Impairment of assets
Impairments, write-offs and gains and losses from the disposal of fixed assets are adjusted when management consider the circumstances surrounding the event are not reflective of our core business or when the transactions relate to acquisition-related intangible assets.

Divestiture activities
These include significant assets which are disposed of or divested as a result of a sale, major business change or restructuring programme, including gains and losses resulting from classification of assets as held for sale.

Termination benefits and related costs
Termination benefits and related costs arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to termination benefits (including retention) without condition of continuing employment in respect of major Group-wide change programmes. Where discrete qualifying items are identified these costs are highlighted and excluded from the calculation of our adjusted measures. Restructuring-related costs not related to termination benefits are reported in the normal course of business. No termination benefits or related costs have arisen related to COVID-19.

CEO buy-out costs
The Group incurred costs following the commencement of employment of Karim Bitar as CEO of ConvaTec Group Plc on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with ConvaTec Group Plc, have no future performance requirements and did not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

Other discrete tax items
Other discrete tax items relate to the recognition in 2019 of the best estimate of the deferred tax asset related to the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019, and the subsequent reassessment of the deferred tax asset as a result of a change in the basis of estimate in 2020. The deferred tax asset arose due to grandfathering provisions that the Swiss tax reform had introduced with effect from 31 December 2019 to alleviate the higher Swiss tax rates that apply from 1 January 2020. The deferred tax associated with the Swiss tax reform is adjusted as it is a significant tax item which does not reflect the underlying performance of the business.

Reconciliation of reported earnings to adjusted earnings for the year ended 31 December 2020

Year ended 31 December 2020	Revenue $m	Gross margin $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $m
Reported	1,894.3	1,018.8	(807.8)	211.0	(48.4)	12.1	174.7	(62.2)	112.5
Amortisation of pre-2018 acquisition intangibles	–	106.7	18.6	125.3	–	–	125.3	(10.2)	115.1
Divestiture activities	–	–	–	–	–	(16.5)	(16.5)	–	(16.5)
Impairment of assets	–	–	1.7	1.7	–	–	1.7	–	1.7
Termination benefits and other related costs	–	1.3	10.9	12.2	–	–	12.2	(2.1)	10.1
Total adjustments and their tax effect	–	108.0	31.2	139.2	–	(16.5)	122.7	(12.3)	110.4
Other discrete tax items	–	–	–	–	–	–	–	17.6	17.6
Adjusted	1,894.3	1,126.8	(776.6)	350.2	(48.4)	(4.4)	297.4	(56.9)	240.5
Software and R&D amortisation				9.4					
Post-2017 acquisition amortisation				2.1					
Depreciation				60.9					
Impairment/write-off of assets				10.0					
Share-based payments				12.4					
Adjusted EBITDA				445.0					

Termination benefits and other related costs relate to the Transformation Initiative and amounted to $12.2 million, pre-tax, in the year ended 31 December 2020. The Transformation Initiative is a global multi-year transformation programme which commenced in 2019 and will simplify the way in which the business operates. We expect to incur c.$10-15 million of severance and associated retention costs during 2021. No termination benefits or related costs recognised by the Group are related to COVID-19.

Divestiture activities relate to the gain on the divestiture of the trade and assets of the US Skincare product line, a limited product range within Advanced Wound Care. Further details of the transaction and the calculation for the gain on divestiture are provided in Note 8.3 – Divestiture.

Other discrete tax items arose following a reassessment of the estimate of the deferred tax asset recognised in the prior year related to the Swiss tax reform. The revised estimate is based on the Discounted Cash Flow method, which reflects the Group's transformation changes and the anticipated role of the Swiss-based operations in the Group. For further details on deferred taxation see Note 5 – Income Taxes to the Consolidated Financial Statements.

Reconciliation of reported earnings to adjusted earnings for the year ended 31 December 2019

Year ended 31 December 2019	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $m
Reported	1,827.2	955.6	(858.7)	96.9	(73.6)	(4.4)	18.9	(9.1)	9.8
Amortisation of pre-2018 acquisition intangibles	–	122.6	17.6	140.2	–	–	140.2	(10.1)	130.1
Impairment of assets	–	–	105.2	105.2	–	–	105.2	–	105.2
Termination benefits and other related costs	–	–	5.8	5.8	–	–	5.8	(0.9)	4.9
CEO buy-out costs	–	–	6.2	6.2	–	–	6.2	(1.2)	5.0
Total adjustments and their tax effect	–	122.6	134.8	257.4	–	–	257.4	(12.2)	245.2
Other discrete tax items	–	–	–	–	–	–	–	(23.0)	(23.0)
Adjusted	1,827.2	1,078.2	(723.9)	354.3	(73.6)	(4.4)	276.3	(44.3)	232.0
Software and R&D amortisation				10.4					
Post-2017 acquisition amortisation				1.3					
Depreciation				57.9					
Impairment/write-off of assets				9.1					
Share-based payments				10.1					
Adjusted EBITDA				443.1					

Impairment of assets of $105.2 million is predominantly related to a review of the product portfolio which had been undertaken as part of the Transformation Initiative which resulted in the identification of impairment triggers in 2019 in relation to certain of the Group's intangible assets.

Termination benefits and other related costs were $5.8 million, pre-tax, in the year ended 31 December 2019, comprising $1.5 million for programmes commenced in 2018 and completed in 2019, and $4.3 million in relation to the Transformation Initiative.

CEO buy-out costs were $6.2 million, pre-tax, in the year ended 31 December 2019 and related to cash paid of $2.1 million and equity-based incentive awards of $4.1 million granted to the CEO upon commencement of employment with ConvaTec Group Plc on 30 September 2019. These awards were not subject to continuing employment or performance conditions.

Other discrete tax items were a result of the Swiss tax reform which was substantively enacted on 4 October 2019 and was effective on 31 December 2019. As a result, ConvaTec International Services GmbH, was subject to a significant change in effective tax rate. The Swiss effective rate, which will increase over a ten-year period to 1 January 2030, is alleviated by grandfathering provisions which resulted in the estimation and recognition of a deferred tax asset. The value of the 2019 deferred tax asset of $23.0 million was estimated using the Swiss Practitioners method as permitted under Swiss law.

Reconciliation of reported and adjusted operating costs for the years ended 31 December 2020 and 31 December 2019

	2020				2019				
	S&D[(a)] $m	G&A[(b)] $m	R&D[(c)] $m	Operating costs $m	S&D[(a)] $m	G&A[(b)] $m	R&D[(c)] $m	Other[(d)] $m	Operating costs $m
Reported[(e)]	**(463.3)**	**(262.1)**	**(82.4)**	**(807.8)**	(458.9)	(240.5)	(53.8)	(105.5)	(858.7)
Amortisation of pre-2018 acquisition intangibles	**–**	**18.6**	**–**	**18.6**	–	17.6	–	–	17.6
Impairment of assets	**–**	**1.7**	**–**	**1.7**	–	–	–	105.2	105.2
Termination benefits and other related costs	**0.7**	**9.0**	**1.2**	**10.9**	1.7	4.1	–	–	5.8
CEO buy-out costs	**–**	**–**	**–**	**–**	–	6.2	–	–	6.2
Adjusted	**(462.6)**	**(232.8)**	**(81.2)**	**(776.6)**	(457.2)	(212.6)	(53.8)	(0.3)	(723.9)

(a) "S&D" represents selling and distribution expenses.
(b) "G&A" represents general and administrative expenses.
(c) "R&D" represents research and development expenses.
(d) "Other" represents other operating expenses.
(e) Following a review of cost allocations, general and administrative expenses of $30.5 million (2019: $25.9 million), principally relating to employee costs and insurance, have been reclassified to selling and distribution expenses to better reflect the nature of the costs. The comparatives have been restated to reflect the revised classification.

Reconciliation of basic and diluted reported earnings per share to adjusted earnings per share for the years ended 31 December 2020 and 31 December 2019

	Reported 2020 $m	Adjusted 2020 $m	Reported 2019 $m	Adjusted 2019 $m
Net profit attributable to the shareholders of the Group	**112.5**	**240.5**	9.8	232.0
		Number		Number
Basic weighted average ordinary shares in issue[(a)]		**1,991,596,105**		1,971,014,011
Diluted weighted average ordinary shares in issue[(a)]		**2,006,590,463**		1,976,156,374
	cents per share	**cents per share**	cents per share	cents per share
Basic earnings per share	**5.7**	**12.1**	0.5	11.8
Diluted earnings per share	**5.6**	**12.0**	0.5	11.7

(a) See Note 6 – Earnings per share to the Consolidated Financial Statements.

Net debt

Net debt is calculated as the carrying value of current and non-current borrowings on the face of the Consolidated Statement of Financial Position (Note 19 – Borrowings), net of cash and cash equivalents (Note 20 – Cash and cash equivalents) and excluding lease liabilities.

	Reported 2020 $m	Reported 2019 $m
Borrowings	**1,456.4**	1,486.1
Lease liabilities	**92.1**	88.5
Total interest-bearing borrowings	**1,548.5**	1,574.6
Cash and cash equivalents	**(565.4)**	(385.8)
Net debt (including lease liabilities)	**983.1**	1,188.8
Net debt	**891.0**	1,100.3
Net debt/adjusted EBITDA	**2.0**	2.5

Cash conversion for the years ended 31 December 2020 and 31 December 2019

	2020 $m	2019 $m
Reported Operating profit/EBIT	**211.0**	96.9
Depreciation of property, plant and equipment	**38.5**	35.5
Depreciation of right-of-use assets	**22.4**	22.4
Amortisation	**136.8**	151.9
Impairment/write-off of intangible assets and property, plant and equipment	**11.7**	114.3
Reported EBITDA	**420.4**	421.0
Non-cash items in EBITDA		
Share-based payment expense	**12.4**	14.2
	12.4	14.2
Working capital movement	**47.8**	51.6
Gain on foreign exchange derivatives	**21.9**	–
Capital expenditure	**(86.2)**	(61.4)
Reported net cash for cash conversion	**416.3**	425.4
Less: tax paid	**(54.5)**	(37.0)
Reported free cash flow	**361.8**	388.4

Reconciliation of Adjusted EBITDA, Adjusted Non-Cash Items, Adjusted Working Capital and Adjusted Net Cash (for Adjusted Cash Conversion measurement)

	2020 $m	2019 $m
Reported EBITDA	**420.4**	421.0
Share-based payment expense	**12.4**	14.2
CEO buy-out costs	**–**	2.1
Termination benefits and other related costs	**12.2**	5.8
Total adjustments (a)	**24.6**	22.1
Adjusted EBITDA	**445.0**	443.1
Reported non-cash items	**12.4**	14.2
Share-based payment expense	**(12.4)**	(14.2)
Total adjustments (b)	**(12.4)**	(14.2)
Adjusted non-cash items	**–**	–
Reported working capital movement	**47.8**	51.6
(Increase)/decrease in severance provision	**(4.9)**	0.3
Decrease in accruals for share-based payment associated costs	**–**	0.1
Decrease in liability for pre-IPO MIP	**–**	0.1
Total adjustments (c)	**(4.9)**	0.5
Adjusted working capital movement	**42.9**	52.1
Reported net cash for cash conversion	**416.3**	425.4
Non-operating gain on foreign exchange forward contracts	**(21.7)**	–
Total adjustments above (a), (b), (c)	**7.3**	8.4
Adjusted net cash for cash conversion	**401.9**	433.8
Less: tax paid	**(54.5)**	(37.0)
Adjusted free cash flow	**347.4**	396.8
Reported cash conversion	**99.0%**	101.0%
Adjusted cash conversion	**90.3%**	97.9%

Company Statement of Financial Position

As at 31 December 2020

	Notes	2020 $m	2019 $m
Assets			
Non-current assets			
Investment in subsidiaries	3	**4,305.9**	4,046.9
Deferred tax assets	4	**2.7**	2.0
		4,308.6	4,048.9
Current assets			
Other receivables	5	**27.3**	20.7
Cash and bank balances		**–**	0.1
		27.3	20.8
Total assets		**4,335.9**	4,069.7
Equity and liabilities			
Current liabilities			
Trade and other payables	6	**4.7**	41.1
		4.7	41.1
Total liabilities		**4.7**	41.1
Equity			
Share capital	7	**245.5**	242.9
Share premium	7	**115.3**	70.7
Own shares	7	**(6.7)**	(10.8)
Retained surplus		**1,653.1**	1,528.5
Merger reserve		**1,765.6**	1,765.6
Cumulative translation reserve		**499.8**	376.3
Other reserves		**58.6**	55.4
Total equity		**4,331.2**	4,028.6
Total equity and liabilities		**4,335.9**	4,069.7

The Company reported a net profit for the year ended 31 December 2020 of $234.7 million (2019: $66.8 million).

The Financial Statements of ConvaTec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 4 March 2021. They were signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Company Statement of Changes in Equity

As at 31 December 2020

	Share capital $m	Share premium $m	Own shares $m	Retained surplus $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2019	240.7	39.8	(6.8)	1,574.7	1,765.6	221.2	51.0	3,886.2
Net profit	–	–	–	66.8	–	–	–	66.8
Foreign currency translation adjustment	–	–	–	–	–	155.1	–	155.1
Total comprehensive income	–	–	–	66.8	–	155.1	–	221.9
Dividends paid	–	–	–	(79.9)	–	–	–	(79.9)
Scrip dividend	2.2	30.9	–	(33.1)	–	–	–	–
Share-based payments	–	–	–	–	–	–	14.2	14.2
Share awards vested	–	–	10.0	–	–	–	(10.0)	–
Excess tax benefits for share-based payments	–	–	–	–	–	–	0.2	0.2
Purchase of own shares	–	–	(14.0)	–	–	–	–	(14.0)
At 31 December 2019	**242.9**	**70.7**	**(10.8)**	**1,528.5**	**1,765.6**	**376.3**	**55.4**	**4,028.6**
Net profit	**–**	**–**	**–**	**234.7**	**–**	**–**	**–**	**234.7**
Foreign currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**123.5**	**–**	**123.5**
Total comprehensive income	**–**	**–**	**–**	**234.7**	**–**	**123.5**	**–**	**358.2**
Dividends paid	**–**	**–**	**–**	**(62.9)**	**–**	**–**	**–**	**(62.9)**
Scrip dividend	**2.6**	**44.6**	**–**	**(47.2)**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**12.4**	**12.4**
Share awards vested	**–**	**–**	**9.7**	**–**	**–**	**–**	**(9.7)**	**–**
Excess tax benefits for share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Purchase of own shares	**–**	**–**	**(5.6)**	**–**	**–**	**–**	**–**	**(5.6)**
At 31 December 2020	**245.5**	**115.3**	**(6.7)**	**1,653.1**	**1,765.6**	**499.8**	**58.6**	**4,331.2**

For further information on share-based payments, refer to Note 17 – Share-based payments, and for dividends refer to Note 16 – Dividends to the Consolidated Financial Statements.

Notes to the Company Financial Statements

1. Basis of preparation

This section describes the Company's significant accounting policies that relate to the Company Financial Statements and explains the basis of preparation of the Company Financial Statements and any critical accounting judgements and estimates identified by management. Specific accounting policies relating to the Notes to the Company Financial Statements are described within that note.

1.1 General information

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council ("FRC"). Accordingly, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the current or prior year. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The auditor's remuneration for audit and other services is disclosed in Note 3.3 – Auditor's remuneration to the Consolidated Financial Statements.

1.2 Significant accounting policies

Basis of accounting

The Financial Statements have been prepared on the historical cost basis, except for certain financial instruments where fair value has been applied. The principal accounting policies adopted are the same as those set out in the Consolidated Financial Statements except as noted below.

Foreign currencies

The functional currency of the Company is Sterling, being the currency of the primary economic environment in which it operates.

The Company has adopted US dollars as the presentation currency for its Financial Statements, in line with the presentation currency for the Consolidated Financial Statements. For the purpose of presenting individual company financial statements, assets and liabilities of the Company are translated into US dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the cumulative translation reserve, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Share-based payments

The Company has implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to issue its shares to employees of its subsidiary undertakings under an equity-settled arrangement and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as a cost of investment in the subsidiary and credits equity with an equal amount.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's Financial Statements in accordance with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that there are no critical accounting judgements and key sources of estimation uncertainty that could result in a material adjustment in the next 12 months. Further, no areas of critical accounting judgement or key sources of estimation uncertainty have been identified in relation to Brexit or COVID-19.

2. Staff costs

The Executive Directors of the ConvaTec Plc Group are the only employees of the Company. The remuneration of the Executive Directors is set out on pages 122 to 129 within the Remuneration Committee report.

Their aggregate remuneration comprised:

	2020 $m	2019 $m
Wages and salaries[(a)(b)]	**6.1**	9.5
Social security costs	**0.8**	1.3
Pension-related costs	**0.3**	0.2
Total	**7.2**	11.0

(a) Included within wages and salaries are share-based payment charges of $2.8 million (2019: $4.9 million).
(b) In 2019, CEO buy-out costs of $6.2 million are included within wages and salaries.

Average monthly number of employees (including Executive Directors) was 2 (2019: 2), classified as general and administrative employees.

3. Investments in subsidiaries

Investments in subsidiaries represent the cost of the Company's investment in its subsidiary undertakings, net of any impairment charges. Refer to pages 201 to 203 for details of all the Company's direct and indirect holdings.

Accounting policy

Investments in Group undertakings are stated at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the investment is less than the carrying amount of the investment, the investment is considered to be impaired and is written down to its recoverable amount.

Any impairment loss is offset against the merger reserve in the first instance. If the merger reserve is not sufficient to cover an impairment loss the excess impairment is recognised immediately in the Income Statement.

	Cost $m	Impairment $m	Net book value $m
At 1 January 2019	5,503.7	(1,616.3)	3,887.4
Capital contributions arising from share-based payments to employees of subsidiaries	11.5	–	11.5
Reduction due to reimbursement upon exercised awards	(5.3)	–	(5.3)
Foreign exchange	217.0	(63.7)	153.3
At 31 December 2019	**5,726.9**	**(1,680.0)**	**4,046.9**
Additions	**127.5**	**–**	**127.5**
Capital contributions arising from share-based payments to employees of subsidiaries	**8.7**	**–**	**8.7**
Reduction due to reimbursement upon exercised awards	**(5.9)**	**–**	**(5.9)**
Foreign exchange	**181.0**	**(52.3)**	**128.7**
At 31 December 2020	**6,038.2**	**(1,732.3)**	**4,305.9**

A cash contribution of $127.5 million was made to ConvaTec Finance Holdings Limited in the form of a capital contribution in the financial year.

An impairment assessment was performed on the investments in subsidiaries at 31 December 2020 with no impairment identified. The share price at 31 December 2020 was £1.99 (2019: £1.99).

The following UK subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006:

Name	Company registration number
ConvaTec Group Holdings Limited	12698069
ConvaTec International U.K. Limited	06622355

4. Deferred tax assets

Deferred tax assets mainly arise in relation to timing differences on the exercise of share-based awards, and taxable losses arising in the normal course of business.

	$m
At 1 January 2019	2.6
Movement in Income Statement	(0.9)
Movement in Statement of Other Comprehensive Income	0.2
Transfer to Group companies	0.1
At 31 December 2019	**2.0**
Movement in Income Statement	**0.1**
Movement in Statement of Other Comprehensive Income	**0.5**
Foreign exchange	**0.1**
At 31 December 2020	**2.7**

The deferred tax asset consists of deferred tax on the following items:

	2020 $m	2019 $m
Share-based payments	**1.0**	0.5
Tax losses	**1.7**	1.5
At 31 December	**2.7**	2.0

The deferred tax asset is recognised on the basis of an expectation of sufficient future profits in the short term against which the future reversal of the timing difference may be deducted.

5. Other receivables

Other receivables consist of amounts due from Group undertakings, other receivables and prepaid insurance.

	2020 $m	2019 $m
Amounts falling due within one year:		
Amounts owed by Group undertakings	**26.4**	12.3
Other receivables	**0.2**	7.5
Prepayments	**0.7**	0.9
	27.3	20.7

Included in the amounts owed from Group undertakings at 31 December 2020 are intercompany loans of $17.4 million (2019: $6.8 million) with a variable interest rate of one-year LIBOR plus 1.64%. The loans are unsecured and are repayable on demand.

6. Trade and other payables

Trade payables consist of amounts payable to third parties related predominantly to the Company being listed on the London Stock Exchange.

Other payables represent amounts owed to Group undertakings, accruals and other taxation and social security.

	2020 $m	2019 $m
Amounts falling due within one year:		
Trade payables	**0.6**	0.2
Amounts owed to Group undertakings	**–**	36.3
Other taxation and social security	**2.6**	1.7
Accruals	**1.5**	2.9
	4.7	41.1

7. Reserves

All reserve balances explained within this note are components of Equity and are non-distributable.

Share capital, share premium and own shares
Details of the Company's share capital, share premium and own shares are detailed in Note 15 – Share capital and reserves to the Consolidated Financial Statements.

Merger reserve
The merger reserve represents the fair value in excess of the par value of shares issued as part of a share exchange upon incorporation.

Currency translation reserve
The currency translation reserve is the exchange differences arising on the translation of the assets and liabilities of the Company into US dollars at the prevailing balance sheet rate and income and expense items being translated at the average exchange rates for the period.

Other reserves
Other reserves relates to movements on equity-settled share-based payments.

8. Distributable reserves

As the Company is a holding company with no direct operations the capacity of the Company to make dividend payments is primarily derived from dividends received from subsidiary companies.

Retained and realised distributable reserves equates to the retained surplus of the Company. The distributable reserves of the Company at 31 December 2020 are $1,653.1 million (2019: $1,528.5 million).

Details of the considerations and rationale for the distribution of dividends are given in the Directors' report on page 139.

9. Subsequent events

On 4 March 2021, the Board proposed the final dividend in respect of 2020 subject to shareholder approval at the Annual General Meeting on 7 May 2021, to be distributed on 13 May 2021. See Note 16 – Dividends to the Consolidated Financial Statements for further details.

Subsidiary and related undertakings

Details of the Company's subsidiaries and associated undertakings at 31 December 2020 are as follows:

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Akers & Dickinson Limited[1]	United Kingdom	100%	100%
Allied Medical (UK) Services Limited[1]	United Kingdom	100%	100%
Alpha-Med (Medical & Surgical) Limited[1]	United Kingdom	100%	100%
Amcare Limited[1]	United Kingdom	100%	100%
Arthur Wood Limited[1]	United Kingdom	100%	100%
B.C.A. Direct Limited[1]	United Kingdom	100%	100%
Bradgate-Unitech Limited[1]	United Kingdom	100%	100%
ConvaTec Accessories Limited[1]	United Kingdom	100%	100%
ConvaTec Holdings U.K. Limited[1]	United Kingdom	100%	100%
ConvaTec Speciality Fibres Limited[1]	United Kingdom	100%	100%
ConvaTec International U.K. Limited[1]	United Kingdom	100%	100%
ConvaTec Limited[1]	United Kingdom	100%	100%
Farnhurst Medical Limited[1]	United Kingdom	100%	100%
Lance Blades Limited[1]	United Kingdom	100%	100%
M.S.B. Limited[1]	United Kingdom	100%	100%
Needle Industries (Sheffield) Limited[1]	United Kingdom	100%	100%
Nottingham Medical Equipment Limited[1]	United Kingdom	100%	100%
Novacare UK Limited[1]	United Kingdom	100%	100%
Pharma-Plast Limited[1]	United Kingdom	100%	100%
Resus Positive Limited[1]	United Kingdom	100%	100%
Rotax Razor Company Limited[1]	United Kingdom	100%	100%
Shrimpton & Fletcher Limited[1]	United Kingdom	100%	100%
Steriseal Limited[1]	United Kingdom	100%	100%
SureCalm Healthcare Holdings Limited[1]	United Kingdom	100%	100%
SureCalm Healthcare Ltd[1]	United Kingdom	100%	100%
SureCalm Pharmacy Limited[1]	United Kingdom	100%	100%
Unomedical Developments Limited[1]	United Kingdom	100%	100%
Unomedical Holdings Limited[1]	United Kingdom	100%	100%
Unomedical Limited[1]	United Kingdom	100%	100%
Unoplast (U.K.) Limited[1]	United Kingdom	100%	100%
ConvaTec Finance Holdings Limited*[2]	United Kingdom	100%	100%
ConvaTec Management Holdings Limited*[2]	United Kingdom	100%	100%
ConvaTec Group Holdings Limited*[2]	United Kingdom	100%	100%
ConvaTec Services Limited[2]	United Kingdom	100%	100%
Cidron Healthcare Limited*[3]	Jersey	100%	100%
ConvaTec Healthcare Ireland Limited[4]	Ireland	100%	100%
ConvaTec France Holdings SAS[5]	France	100%	100%
Laboratoires ConvaTec SAS[5]	France	100%	100%
ConvaTec Healthcare D S.à.r.l.[6]	Luxembourg	100%	100%
ConvaTec Spain Holdings, S.L.[7]	Spain	100%	100%
ConvaTec Spain S.L.[7]	Spain	100%	100%
CVT Business Services, Unipessoal Lda.[8]	Portugal	100%	100%
KVTech Portugal – Produtos Medicos Unipessoal Ltda[9]	Portugal	100%	100%
ConvaTec OY[10]	Finland	100%	100%
ConvaTec (Switzerland) GmbH[11]	Switzerland	100%	100%
ConvaTec International Services GmbH[12]	Switzerland	100%	100%
ConvaTec (Austria) GmbH[13]	Austria	100%	100%
ConvaTec Italia S.r.l.[14]	Italy	100%	100%
ConvaTec Hellas Medical Products S.A.[15]	Greece	100%	100%
ConvaTec Polska Sp. Z.o.o[16]	Poland	100%	100%
ConvaTec Ceska Republika s.r.o.[17]	Czech Republic	100%	100%
ConvaTec (Australia) PTY Limited[18]	Australia	100%	100%
ConvaTec (New Zealand) Limited[19]	New Zealand	100%	100%
FE Unomedical Limited[20]	Belarus	99%	99%

Subsidiary and related undertakings (continued)

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
ConvaTec Sağlik Ürünleri Limited Şirketi[21]	Turkey	100%	100%
ConvaTec (Sweden) AB[22]	Sweden	100%	100%
ConvaTec Norway AS[23]	Norway	100%	100%
ConvaTec (Germany) GmbH[24]	Germany	100%	100%
EuroTec GmbH[25]	Germany	100%	100%
Unomedical s.r.o.[26]	Slovakia	100%	100%
EuroTec B.V.[27]	Netherlands	100%	100%
EuroTec Beheer B.V.[27]	Netherlands	100%	100%
ConvaTec Nederland B.V.[28]	Netherlands	100%	100%
ConvaTec Belgium BVBA[29]	Belgium	100%	100%
EuroTec BV (Belgium Branch)[30]	Belgium	100%	N/A
Papyro-Tex A/S[31]	Denmark	100%	100%
ConvaTec Denmark A/S[32]	Denmark	100%	100%
Unomedical A/S[33]	Denmark	100%	100%
ConvaTec South Africa (PTY) Limited[34]	South Africa	100%	100%
ConvaCare Medical South Africa (PTY) Ltd[34]	South Africa	100%	100%
ConvaTec Middle East & Africa LLC[35]	Egypt	100%	100%
ConvaTec Middle East FZ-LLC[36]	United Arab Emirates	100%	100%
ConvaTec (Singapore) PTE Limited[37]	Singapore	100%	100%
ConvaCare Medical Singapore Pte Ltd[37]	Singapore	100%	100%
ConvaTec Malaysia Sdn Bhd[38]	Malaysia	100%	100%
ConvaTec China Limited (Beijing Branch)[39]	China	100%	N/A
ConvaTec China Limited (Guang Zhou Branch)[40]	China	100%	N/A
ConvaTec China Limited[41]	China	100%	100%
ConvaTec Dominican Republic Inc.[42]	Dominican Republic	100%	100%
Boston Medical Device Dominicana S.R.L.[43]	Dominican Republic	100%	100%
ConvaTec Hong Kong Limited[44]	Hong Kong	100%	100%
ConvaTec Japan KK[45]	Japan	100%	100%
ConvaTec (Singapore) PTE Limited (Taiwan Branch)[46]	Taiwan	100%	N/A
ZAO ConvaTec[47]	Russia	100%	100%
ConvaTec (Thailand) Co. Limited[48]	Thailand	100%	100%
ConvaTec Korea, Ltd[49]	Korea	100%	100%
ConvaTec Argentina SRL[50]	Argentina	100%	100%
ConvaTec Canada Limited[51]	Canada	100%	100%
Unomedical S.A de C.V.[52]	Mexico	100%	100%
Boston Medical Care, S. de R.L. de C.V.[53]	Mexico	100%	100%
Boston Medical Device de México, S. de R.L. de C.V.[53]	Mexico	100%	100%
Unomedical Devices S.A. de C.V.[54]	Mexico	100%	100%
ConvaTec Peru S.A.C.[55]	Peru	100%	100%
BMD Comércio de Produtos Médicos Ltda.[56]	Brazil	100%	100%
ConvaTec Medical Care Assistência a Paciente Ltda[56]	Brazil	100%	100%
Boston Medical Devices Colombia Ltda.[57]	Colombia	100%	100%
Boston Medical Care S.A.S IPS[58]	Colombia	100%	100%
Boston Medical Care de Chile S.P.A[59]	Chile	100%	100%
Boston Medical Device de Chile S.A.[59]	Chile	100%	100%
Boston Medical Device Ecuador S.A.[60]	Ecuador	100%	100%
Boston Medical Device de Venezuela, C.A.[61]	Venezuela	100%	100%
ConvaTec India Private Limited[62]	India	100%	100%
180 Medical Acquisition Inc.[63]	US	100%	100%
180 Medical Holdings Inc.[63]	US	100%	100%
180 Medical Inc.[63]	US	100%	100%
AbViser Medical, LLC[64]	US	100%	100%
Boston Medical Device, Inc.[64]	US	100%	100%
Boston Medical Devices LLC[64]	US	100%	100%
ConvaTec Inc.[64]	US	100%	100%
Boston Medical Device International, LLC[65]	US	100%	100%

Subsidiary and related undertakings (continued)

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Cidron Healthcare GP, Inc.[66]	US	100%	100%
ConvaTec Technologies Inc.[67]	US	100%	100%
Personally Delivered, Inc.[68]	US	100%	100%
Woodbury Holdings, Inc.[68]	US	100%	100%
WPI Acquisition Corporation[68]	US	100%	100%
WPI Holdings Corporation[68]	US	100%	100%
Wilmington Medical Supply, Inc.[69]	US	100%	100%
PRN Medical Services, LLC[70]	US	100%	100%
PRNMS Investments LLC[70]	US	100%	100%
Symbius Medical Inc.[70]	US	100%	100%
South Shore Medical Supply, Inc.[71]	US	100%	100%
Unomedical America, Inc.[72]	US	100%	100%
Unomedical, Inc.[72]	US	100%	100%
J&R Medical, LLC[73]	US	100%	100%
In-Home Products, Inc.[74]	US	100%	100%

1 GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire, CH5 2NU, UK
2 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, UK
3 44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
4 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland
5 90, Boulevard National, La Garenne Colombes, F-92250, Paris, France
6 12C, rue Guillaume Kroll, L-1882, Luxembourg
7 Constitucion 1, 3ªPlanta, 08960 Sant Just Desvern, Barcelona, Spain
8 Avenida da Liberdade, 249-1, 1250-143 Lisbon, Portugal
9 Avenida da Liberdade, 144, 7º 1250-146, Lisbon, Portugal
10 Life Science Center, Keilaranta 16 B, 02150 Espoo, Finland
11 Mühlentalstrasse 38, 8200 Schaffhausen, Switzerland
12 Mühlentalstrasse 36/38, 8200 Schaffhausen, Switzerland
13 Schubertring 6, 1010 Wien, Austria
14 Via della Sierra Nevada, 60-00144 Rome, Italy
15 392A Mesogeion Avenue, Ag. Paraskevi, 15341, Athens, Greece
16 Al. Armii Ludowej 26, 00-609 Warszawa, Poland
17 Olivova 2096/4, Prague 1, 110 00, Praha 1, Czech Republic
18 Level 2 Building 5, Brandon Office Park, 530-540 Springvale Road, Glen Waverley VIC 3150, Australia
19 Crowe Horwath, Level 29, 188 Quay Street, Auckland 1010, New Zealand
20 Zavodskaya Street, 50, 222750, Fanipol, Dzerzhinsk region, Minsk district, Republic of Belarus
21 Şehit İlknur Keles Sokak, Hüseyin Bağdatlioğlu Plaza 7/3, Kozyatagi, Istanbul, Turkey 34742
22 Gårdsfogdevägen 18B, 168 67 Bromma, Sweden
23 Nils Hansen vei 2, 0667 Oslo, Norway
24 Gisela-Stein-Strasse 6, 81671 Munich, Germany
25 Solinger Strasse 93 40764 Langenfeld, Germany
26 Priemyselný Park 3, 071 01 Michalovce, Slovakia
27 Schotsbossenstraat 8, 4705AG Roosendaal, Netherlands
28 Houttuinlaan 5F, 3447 GM Woerden, Netherlands
29 Parc d'Alliance, Boulevard de France 9, B-1420 Braine l'Alleud, Belgium
30 Stationsstraat 35, 2950 Kapellen, Belgium
31 c/o ConvaTec Harlev Skinderskovvej 32-36, 2730, Herlev, Denmark
32 Lautruphøj 1 DK-2750 Ballerup, Denmark
33 Åholmvej 1-3, 4320 Lejre, Denmark
34 Workshop 17 Office 1-4, 16 Baker Street, Rosebank, Johannesburg, Gauteng 2196, South Africa
35 22 Kamal El Din Hussein St, 3rd Floor, Heliopolis Sheraton, Post Code 11977, Cairo, Egypt
36 Customer Services Counter, Building N. 02, First Floor, Dubai Studio City, UAE
37 456 Alexandra Road, Fragrance Empire Building #18-01/02, Singapore 119962
38 10th floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
39 Unit 805, 8F Jinbao Tower, No.89 Jinbao Street Dongcheng District, Beijing 100005, P.R.C.
40 Unit 808, Level 8, Fortune Plaza, No.116 Ti Yu Dong Road, Tianhe District, Guangzhou City, Guangdong Province, 510620, P.R.C.
41 Unit 1105-1106, Crystal Plaza Office Tower 1, No.1359 Yaolong Road, Pudong District, Shanghai 200124, P.R.C
42 Carretera Sanchez km 18 ½, Parque Industrial Itabo, Haina, San Cristóbal, Dominican Republic
43 Avenida Winston Churchill ES1. 27 de Febrero, Apto Plaza Central, Tercer Nivel, del Sector PIANTINI de la Ciudad de Santo Domingo de Guzman, Suite A-368, Dominican Republic
44 Unit 1901 Yue Xiu Bldg 160–174, Lockhart Road, Wan Chai, Hong Kong
45 1-1-7 Choraku, Bunkyo-ku, Tokyo 112-0004, Japan
46 5F.-4, No. 57, Fuxing N. Rd, Songshan Dist., Taipei City, Taiwan (Post code: 10595)
47 Kosmodamianskaya nab. 52, building 1, 9th floor, 115054, Moscow, Russia
48 No. 87, 9th Floor M Thai Tower All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok, Thailand
49 4F, American Standard B/D, Yeongdongdaero 112gil 66, Gangnam-Gu, Seoul, Republic of Korea 06083
50 CERRITO 1070 Piso:3 Dpto:71, 1010-CIUDAD AUTONOMA BUENOS AIRES, Argentina
51 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 2N2, Canada
52 Avenida Industrial Falcón, L7, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
53 Avenida Insurgentes sur 619, 3° Piso, CIUDAD DE MEXICO, Nápoles, 03810, Mexico
54 Av. Fomento Industrial L9 M3, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
55 Av. La Encalada 1010 of. 806, Santiago de Surco, Lima 15023, Perú
56 Rua Alexandre Dumas, 2100,15º. Andar, Ed Corporate Plaza, Conj 151 e 152, – Chácará Stº Antonio – São Paulo, Brazil Cep: 04717-913
57 Torre los Nogales, Calle 76 # 11-17, Fifth and Second Floor, Bogotá, Colombia
58 Calle 82 # 18-31, Bogotá, Colombia
59 Av Suecia 0181, Providencia, Santiago, Chile
60 Robles E4-136 y Av. Amazonas, Edificio Proinco Calisto, piso 12, Quito, Ecuador EC170526
61 Av. Sorocaima, Libertador con Venezuela, Edif Atrium. Piso 3, Oficina 3G, Urb El Rosal, Municipio Chacao, Edo, Miranda, Venezuela
62 Next Logistics, No. 217, Soukya Road (Next to Scania warehouse), Korallur Village, Hoskote Taluk, Bangalore KA 560067, India
63 8516 Northwest Expressway, Oklahoma City, OK 73162, US
64 1160 Route 22 East, Suite 304, Bridgewater, NJ 08807, US
65 2315 NW 107th Avenue Suite A30, Doral, Florida 33172, US
66 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, US
67 3993 Howard Hughes Parkway Suite 250, Las Vagas, Nevada 89169-6754, US
68 725 Primera Blvd, Suite 230, Lake Mary, FL 32746-2127, US
69 1206 N. 23rd Street, Wilmington, NC 28405-1810, US
70 20333 N. 19th Avenue, Suite 101, Phoenix, AZ 85027-3627, US
71 58 Norfolk Avenue, Unit 2, South Easton, MA 02375-1907, US
72 5701-1 S Ware RD, McAllen, TX 78504, US
73 4635 Southwest Freeway, Suite 800, Houston, TX 77027-7105, US
74 14330 Midway Road, Building 1, Suite 100, Farmers Branch, TX 75244-3513, US

* Directly held investment by ConvaTec Group Plc

Independent auditor's report

to the members of ConvaTec Group Plc

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of ConvaTec Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 26 of the Consolidated Financial Statements and Notes 1 to 9 of the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Revenue recognition – focusing on whether sales are valid in certain US and UK components, with increased risk in the recording of revenue for sales and, or shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. – Taxation – focusing on the recognition of deferred tax assets in the US. – Taxation – focusing on the uncertain tax positions in connection with transfer pricing. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group Financial Statements was $6.7m which was determined on the basis of 4.2% of pre-tax profit, adjusted for certain non-recurring items.
Scoping	We performed full scope audit procedures on fourteen components, as well as the Parent Company, covering a total of nine countries. In addition, we have performed specified audit procedures in nine components across eight countries. Together, these accounted for 82% of revenue, 91% of profit before tax and 85% of net assets.
Significant changes in our approach	In the prior year, we identified the impairment of certain finite-lived intangible assets, focusing on the judgements over the remaining useful life of the assets and the extent of inclusion of benefits from the Transformation Initiatives in management's forecasts, to be a key audit matter. There have been no triggering events in the current year to indicate the risk of further indicators of impairment to the carrying value of these assets and as such, we no longer consider it to be a key audit matter. There have been no other significant changes to our audit approach for the period.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities;
- Evaluating the linkage to the business model and medium-term risks;
- Comparing forecasted sales to recent historical financial information to assess forecasting accuracy;
- Testing the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecast; and
- Evaluating the Group's disclosures on going concern against the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition

Key audit matter description	We have identified the risk of revenue recognition as a key audit matter. The risk is specifically focused on whether sales are valid in certain US and UK components with increased risk in the area of recording revenue for sales/ shipments that either did not occur, or did not occur at the level recorded by management, or for which performance obligations have not been satisfied. The risk is higher in these US and UK components based on the amount of revenue generated and the level of complexity in recognising the revenue relative to other Group components. The revenue earned in the US and UK in 2020 was \$815.5 million (2019: \$802.1 million). The associated disclosure by category and geographical region is included within Note 2. For specific detail on the Group's accounting policy, please see Note 2.
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we performed a risk assessment across the Group to identify specific areas of risk, focusing our testing accordingly. Our audit response consisted of several procedures including those summarised below. The specific combination of procedures performed varied by location. We performed walkthroughs of the revenue cycle at full scope components to gain an understanding of when the revenue should be recognised, to map out the relevant controls and the end-to-end processes in place. Our component teams that performed full scope audits obtained an understanding of, and our significant component teams for the US and UK, tested the operating effectiveness, of relevant controls addressing the risk relating to the occurrence of revenue. We performed detailed transaction testing on a sample basis, agreeing sales through to invoice, final sales contracts or purchase orders. We compared invoice prices to Group's price lists on a sample basis to validate levels of discounting, agreeing the net revenue amount recorded by management to underlying accounting records and remittance. We performed analytical reviews in certain components to identify any unusual sales trends and obtained an explanation for any such movements. We also reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue. We held interviews with a selection of sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. We held bi-annual review calls with category and geographic market leaders to identify changes in customer demand and new product introductions that might impact sales patterns. The procedures performed allowed us to obtain an understanding of the revenue cycle with a variety of procedures performed to address the risk associated to potential fraud.
Key observations	Based on the procedures we have performed, we were satisfied that revenue is appropriately recognised, specifically with regard to the occurrence of sales in certain US and UK entities.

5.2. Taxation – recognition of US deferred tax assets (US DTAs)

Key audit matter description	There is management judgement in the recognition of deferred tax assets (DTAs) in the US, as the recognition of these assets is based on management's assessment of their recoverability. Total recognised US DTAs at 31 December 2020 were $88.7 million (2019: $75.9 million). At 31 December 2020, management assessed that unrecognised temporary differences for US federal tax purposes of $152.0 million (2019: $171.0 million) relating to the US were irrecoverable as management did not anticipate probable future taxable income in the entities giving rise to this balance, therefore no DTA was recognised for these tax attributes. The associated disclosure is included within Note 5. The Audit and Risk Committee has included their assessment of this risk on page 108. For specific detail on the Group's accounting policy, please see Note 5.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the relevant controls that are involved in assessing whether the US DTAs can be recognised. With the involvement of our internal tax audit specialists, we have reviewed and challenged management's judgements regarding the recoverability of temporary differences. We have obtained and challenged management's forecasts showing the expected utilisation of key unrecognised temporary differences in order to further assess their recoverability. We have challenged management's assessment of the appropriateness of offsetting DTAs and deferred tax liabilities (DTLs). We assessed the appropriateness of the related Financial Statement disclosures.
Key observations	Based on the work we have performed, we concurred with the treatment adopted by management for both recognised and unrecognised DTAs in the US.

5.3. Taxation – uncertain tax positions (UTPs) in connection with transfer pricing arrangements

Key audit matter description	At 31 December 2020, within the current tax payable balance of $55.6 million (2019: $44.6 million), there were provisions for uncertain tax positions (UTPs) held related to transfer pricing arrangements. There are a number of tax judgements inherent in the calculation of the tax charge which result in the existence of UTPs. Transfer pricing is the primary area of taxation uncertainty, driven largely by the global nature of the Group and the historical business model. The operating model is pivoting to focus more on business performance at the category level, rather than on geographical markets. Changes to the business model increase management judgement, and hence risk, in relation to the impact on transfer pricing and related UTPs. The associated disclosure is included within Note 5. The Audit and Risk Committee has included their assessment of this risk on page 108. For specific detail on the Group's accounting policy, please see Note 5.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls that are involved in assessing whether management is appropriately identifying and quantifying UTPs. With involvement of our internal tax audit specialists, including internal transfer pricing specialists, we have challenged management's judgements regarding the identification and quantification of uncertain tax treatments in relation to transfer pricing, including the judgements as to whether they will lead to a probable economic outflow. We obtained management's technical support for the source of the estimation uncertainty in order to challenge their assessment of the probability that the tax positions will ultimately be accepted by the tax authorities. The support included management's analysis, supported by external professional advice, of the evolution in locations of the creation of value across the Group including the location of key strategic management roles and where taxable profits arise, which is a key judgement in assessing transfer pricing risk. We challenged management's approach to determine whether the methodology for assessing provisions is consistent with IFRIC 23, *Uncertainty over Income Tax Treatments* including identification, where applicable, of any significant changes in facts and circumstances as required by IFRIC 23. We assessed the appropriateness of the related Financial Statement disclosures.
Key observations	Based on the work we have performed, we are satisfied that management have appropriately considered the risk of a transfer pricing challenge and have appropriately determined the extent to which UTPs relating to transfer pricing are required.

6. Our application of materiality

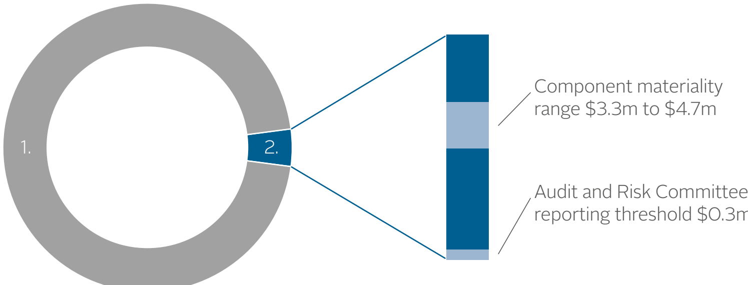
6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Materiality	$6.7m (2019: $6.9m)	$4.7m (2019: $5.2m)
Basis for determining materiality	4.2% (2019: 5.3%) of pre-tax profit, adjusted for the gain on the divestiture of the US Skincare product line.	Parent Company materiality equates to 0.3% (2019: 0.3%) of net assets, which is capped at 70% of Group materiality.
Rationale for the benchmark applied	In determining our materiality benchmark, we considered the focus of the users of the Financial Statements. Pre-tax profit is the base from which key performance measures are calculated as well as key metrics used in providing trading updates. We have adjusted pre-tax profit for certain non-recurring items as summarised above.	In determining our materiality, based on professional judgement, we have considered net assets as the appropriate benchmark given the Parent Company is primarily a holding company for the Group. We then capped materiality at the highest component materiality for the Group.

1. PBT adjusted for certain items: $158.0m
2. Group materiality: $6.7m



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
Performance materiality	70% (2019: 70%) of Group materiality	70% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – our risk assessment, including our understanding of the entity and its environment; – an assessment of the impact of COVID-19 on the Group's overall control environment; and – our cumulative experience from prior year audits, which has indicated a low number of corrected and uncorrected misstatements identified.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $0.3m (2019: $0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and risk committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. We have also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

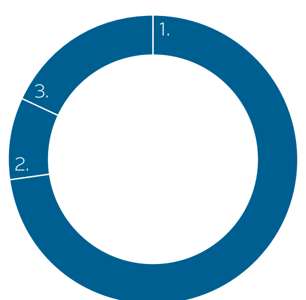
Based on this assessment, we focused our work on fourteen (2019: fourteen) components covering nine (2019: eight) countries, 73% (2019: 73%) of revenue, 87% (2019: 89%) of profit before tax and 81% (2019: 81%) of net assets. All fourteen (2019: fourteen) components were subject to a full scope audit. The fourteen (2019: fourteen) components are located in: the United States of America, the United Kingdom, Switzerland, Denmark, Germany, Italy, France, Japan and Australia, which include the principal operating units of the Group.

In addition, we have performed specified audit procedures in nine (2019: nine) components covering eight (2019: nine) countries, 9% (2019: 9%) of revenue, 4% (2019: 2%) of profit before tax, and 4% (2019: 6%) of net assets. The nine (2019: nine) components are located in: the United States of America, the United Kingdom, Denmark, Spain, Canada, Brazil, the Dominican Republic and Slovakia.

We also performed testing at a Group level. This included testing the consolidation process and carrying out analytical review procedures on those entities other than those noted above. Any movements in account balances, which did not corroborate our initial risk assessment, were investigated further. This testing confirmed our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified procedures.

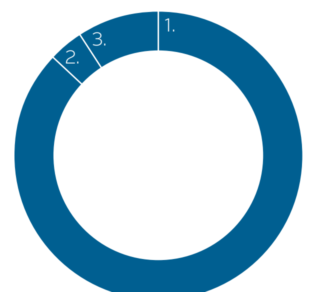
Revenue %

1. Full audit scope: 73%
2. Specified audit procedures: 9%
3. Review at Group level 18%



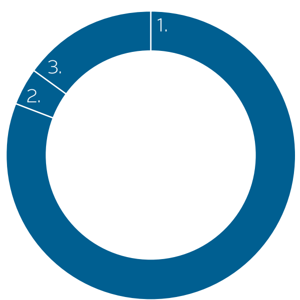
Profit before tax %

1. Full audit scope: 87%
2. Specified audit procedures: 4%
3. Review at Group level 9%



Net assets %

1. Full audit scope: 81%
2. Specified audit procedures: 4%
3. Review at Group level 15%



7.2. Our consideration of the control environment

We tested the relevant manual and automated controls in the revenue process (focusing on the key audit matter relating to revenue) within the entities designated as full scope audits. Our component audit teams within these entities tested the related relevant manual controls and we involved IT specialists to test the general IT controls over key financial reporting systems.

7.3. Working with other auditors

As part of our oversight of the component teams, planning meetings were held with key component audit teams. The purpose of these planning meetings was to determine whether the component teams had sufficient understanding of the Group's businesses, its core strategy and significant risks.

We sent our component teams detailed instructions, included them in our team briefings and discussed their risk assessment. We also provided direction in response to enquiries made by the component auditors through online and telephone conversations. All the findings noted were discussed with the component auditors in detail and instructions to perform further procedures were issued where relevant.

In response to the COVID-19 pandemic, which limited our ability to make component visits, more frequent calls were held between the Group and component teams and remote access to relevant documents was provided. Given the pandemic, the majority of our year-end audit was performed in a remote working environment. Throughout this time, we increased the frequency of interactions with management. Other than two locations where we needed to perform virtual stock counts, we were able to perform our procedures without needing to make substantial changes to our planned approach.

8. Other information

The other information comprises the information included in the Annual Report including the Overview, Strategic report and Governance sections, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, Internal Audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including component audit teams and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: revenue recognition regarding the validity of the sales and/or shipments in certain US and UK components. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition regarding the occurrence of the sales and/or shipments in certain US and UK components as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:
- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing Internal Audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and all component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:
- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 142;
- the Directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 80;
- the Directors' statement on fair, balanced and understandable set out on page 142;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 72; and
- the section describing the work of the Audit and Risk Committee set out on page 105.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 31 December 2016 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Mullins FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2021

2019 CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

For the year ended 31 December 2019

	Notes	**2019 $m**	2018 $m
Revenue	2	**1,827.2**	1,832.1
Cost of sales		**(871.6)**	(858.3)
Gross profit		**955.6**	973.8
Selling and distribution expenses		**(433.0)**	(418.0)
General and administrative expenses		**(266.4)**	(238.2)
Research and development expenses		**(53.8)**	(49.9)
Other operating expenses	3	**(105.5)**	–
Operating profit	3	**96.9**	267.7
Finance costs, net	23	**(73.6)**	(65.2)
Non-operating expense, net	4	**(4.4)**	(1.3)
Profit before income taxes		**18.9**	201.2
Income tax (expense)/benefit	5	**(9.1)**	20.4
Net profit		**9.8**	221.6
Earnings per share			
Basic and diluted earnings per share ($ per share)	6	**$0.00**	$0.11

The accounting policies and notes on pages 143 to 181 form an integral part of the Consolidated Financial Statements. All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019 $m**	2018 $m
Net profit		**9.8**	221.6
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to Consolidated Income Statement			
Remeasurement of defined benefit obligation, net of tax	13	**(3.5)**	(1.0)
Recognition of the pension assets restriction	13	**(0.6)**	0.4
Items that may be reclassified subsequently to Consolidated Income Statement			
Exchange differences on translation of foreign operations		**25.1**	(66.6)
Effective portion of changes in fair value of cash flow hedges	21	**(9.5)**	3.9
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement	21	**(0.8)**	–
Income tax relating to items that may be reclassified		**2.8**	(1.3)
Other comprehensive income/(loss)		**13.5**	(64.6)
Total comprehensive income		**23.3**	157.0

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	**2019 $m**	2018 $m
Assets			
Non-current assets			
Property, plant and equipment	7	**321.6**	330.7
Right-of-use assets	1, 22	**84.5**	–
Intangible assets and goodwill	8	**2,166.9**	2,377.5
Deferred tax assets	5	**55.0**	22.9
Derivative financial assets	21	**1.0**	11.3
Restricted cash	20	**3.6**	2.4
Other non-current receivables		**8.9**	12.4
		2,641.5	2,757.2
Current assets			
Inventories	9	**281.8**	303.3
Trade and other receivables	10	**300.7**	284.3
Cash and cash equivalents	20	**385.8**	315.6
		968.3	903.2
Total assets		**3,609.8**	3,660.4
Equity and liabilities			
Current liabilities			
Trade and other payables	11	**289.3**	221.5
Borrowings	19	**40.8**	63.0
Lease liabilities	1, 22	**18.4**	–
Current tax payable		**44.6**	41.9
Provisions	12	**4.2**	4.5
		397.3	330.9
Non-current liabilities			
Borrowings	19	**1,445.3**	1,581.5
Lease liabilities	1, 22	**70.1**	–
Deferred tax liabilities	5	**107.8**	107.1
Provisions	12	**1.7**	1.5
Other non-current payables	11	**26.6**	22.2
		1,651.5	1,712.3
Total liabilities		**2,048.8**	2,043.2
Net assets		**1,561.0**	1,617.2
Equity			
Share capital	15	**242.9**	240.7
Share premium	15	**70.7**	39.8
Own shares		**(10.8)**	(6.8)
Retained deficit		**(847.7)**	(744.5)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(99.1)**	(124.2)
Other reserves		**106.1**	113.3
Total equity		**1,561.0**	1,617.2
Total equity and liabilities		**3,609.8**	3,660.4

The Consolidated Financial Statements of ConvaTec Group Plc, company number 10361298, were approved by the Board of Directors and authorised for issue on 27 February 2020 and signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2018		238.8	1.3	(8.1)	(850.0)	2,098.9	(58.4)	101.3	1,523.8
Net profit		–	–	–	221.6	–	–	–	221.6
Other comprehensive loss:									
Foreign currency translation adjustment, net of tax		–	–	–	(0.8)	–	(65.8)	–	(66.6)
Remeasurement of defined benefit obligation, net of tax	13	–	–	–	–	–	–	(1.0)	(1.0)
Recognition of pension assets restriction	13	–	–	–	–	–	–	0.4	0.4
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	–	2.6	2.6
Other comprehensive loss		–	–	–	(0.8)	–	(65.8)	2.0	(64.6)
Total comprehensive income		–	–	–	220.8	–	(65.8)	2.0	157.0
Dividends paid	16	–	–	–	(74.9)	–	–	–	(74.9)
Scrip dividend	15, 16	1.9	38.5	–	(40.4)	–	–	–	–
Share-based payments	17	–	–	–	–	–	–	11.2	11.2
Share awards vested		–	–	1.3	–	–	–	(1.3)	–
Excess tax benefits from share-based payments		–	–	–	–	–	–	0.1	0.1
At 31 December 2018		240.7	39.8	(6.8)	(744.5)	2,098.9	(124.2)	113.3	1,617.2
Net profit		**–**	**–**	**–**	**9.8**	**–**	**–**	**–**	**9.8**
Other comprehensive income:									
Foreign currency translation adjustment, net of tax		**–**	**–**	**–**	**–**	**–**	**25.1**	**–**	**25.1**
Remeasurement of defined benefit obligation, net of tax	13	**–**	**–**	**–**	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Recognition of pension assets restriction	13	**–**	**–**	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**
Effective portion of changes in fair value of cash flow hedges, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**(7.5)**	**(7.5)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**25.1**	**(11.6)**	**13.5**
Total comprehensive income		**–**	**–**	**–**	**9.8**	**–**	**25.1**	**(11.6)**	**23.3**
Dividends paid	16	**–**	**–**	**–**	**(79.9)**	**–**	**–**	**–**	**(79.9)**
Scrip dividend	15, 16	**2.2**	**30.9**	**–**	**(33.1)**	**–**	**–**	**–**	**–**
Share-based payments	17	**–**	**–**	**–**	**–**	**–**	**–**	**14.2**	**14.2**
Share awards vested		**–**	**–**	**10.0**	**–**	**–**	**–**	**(10.0)**	**–**
Excess tax benefits from share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Purchase of own shares	15	**–**	**–**	**(14.0)**	**–**	**–**	**–**	**–**	**(14.0)**
At 31 December 2019		**242.9**	**70.7**	**(10.8)**	**(847.7)**	**2,098.9**	**(99.1)**	**106.1**	**1,561.0**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	**2019 $m**	2018 $m
Cash flows from operating activities			
Net profit		**9.8**	221.6
Adjustments for			
Depreciation of property, plant and equipment	7	**35.5**	37.4
Depreciation of right-of-use assets	1, 22	**22.4**	–
Amortisation	8	**151.9**	152.6
Income tax expense/(benefit)	5	**9.1**	(20.4)
Non-operating expense, net	4	**4.4**	1.3
Finance costs, net	23	**73.6**	65.2
Share-based payment	17	**14.2**	11.2
Impairment/write-off of intangible assets	3, 8	**105.5**	–
Write-off of property, plant and equipment	7	**8.8**	–
Disposal of assets		**–**	3.4
Changes in assets and liabilities:			
Inventories		**20.4**	(33.1)
Trade and other receivables		**(13.9)**	6.7
Other non-current receivables		**1.8**	(1.6)
Trade and other payables		**43.8**	2.3
Other non-current payables		**(0.5)**	2.5
Net cash generated from operations		**486.8**	449.1
Interest paid		**(48.0)**	(61.3)
Income taxes paid		**(37.0)**	(35.8)
Net cash generated from operating activities		**401.8**	352.0
Cash flows from investing activities			
Acquisition of property, plant and equipment, capitalised software and development		**(61.4)**	(72.1)
Proceeds from sale of property, plant and equipment and other assets		**0.1**	4.3
Acquisitions, net of cash acquired	8	**(12.3)**	(14.4)
Change in restricted cash	20	**0.8**	1.3
Net cash used in investing activities		**(72.8)**	(80.9)
Cash flows from financing activities			
Repayment of borrowings	19	**(1,618.7)**	(153.7)
Proceeds from borrowings	19	**1,481.0**	–
Payment of lease liabilities[(a)]	1, 22	**(20.9)**	(0.8)
Purchase of own shares	15	**(14.0)**	–
Dividend paid	16	**(79.9)**	(74.9)
Net cash used in financing activities		**(252.5)**	(229.4)
Net change in cash and cash equivalents		**76.5**	41.7
Cash and cash equivalents at beginning of the year		**315.6**	289.3
Effect of exchange rate changes on cash and cash equivalents		**(6.3)**	(15.4)
Cash and cash equivalents at end of the year		**385.8**	315.6

(a) Payment of lease liabilities for the year ended 31 December 2019 includes $20.1 million of payments in respect of new leases recognised upon adoption of IFRS 16, *Leases*. In the year ended 31 December 2018, these payments were classified as operating leases and included in cash flows from operating activities. Payment of lease liabilities for the year ended 31 December 2018 relates to amounts previously classified as finance leases. Refer to Note 22 – Leases for further details.

Notes to the Consolidated Financial Statements

1. Basis of preparation

This section describes the Group's significant accounting policies that relate to the Consolidated Financial Statements and explains critical accounting judgements and estimates that management has identified as having a potentially material impact to the Group. Specific accounting policies relating to the Notes to the Consolidated Financial Statements are described within that note.

1.1 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 is 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, United Kingdom.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and therefore comply with Article 4 of the EU International Accounting Standards ("IAS") Regulations.

The Consolidated Financial Statements are presented in US dollars ("USD"), reflecting the profile of the Company and its subsidiaries' (collectively, the "Group") revenue and operating profit, which are primarily generated in US dollars and US dollar-linked currencies. All values are rounded to $0.1 million except where otherwise indicated.

Pages 2 and 3 provide further detail of the Group's principal activities and nature of its operations.

1.2 Significant accounting policies

The following significant accounting policies apply to the Consolidated Financial Statements as a whole:

Basis of accounting

The consolidated financial information has been prepared on a historical cost basis, except for certain financial instruments 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.

Basis of consolidation

The Consolidated 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 Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial information of the Company's subsidiaries is included within the Group's Consolidated Financial Statements from the date that control commences until the date that control ceases and is prepared for the same year end date using consistent accounting policies.

Going concern

The Directors have, at the time of approving these Consolidated Financial Statements, a reasonable expectation that the Group and the Company have adequate liquid resources to meet its liabilities as they become due and will be able to sustain its business model and operational strategy and remain solvent for a period of at least 12 months from 27 February 2020. In October 2019, the Group refinanced its entire debt facilities to ensure adequate resources are secured to support the Group's future business, strategy and Transformation Initiative, therefore, the Directors continue to adopt the going concern basis in preparing these Consolidated Financial Statements.

Foreign currency translation and transactions

Assets and liabilities of subsidiaries whose functional currency is not US dollars are translated into US dollars at the rate of exchange at the period end. Income and expenses are translated into US dollars at the average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the translation of subsidiaries into US dollars are recognised in the Consolidated Statement of Other Comprehensive Income. Exchange differences arising from the translation of the net investment in foreign operations are taken to the cumulative translation reserve within equity. They are recycled and recognised in the Consolidated Income Statement 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 reporting 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 Income Statement.

Hyperinflation accounting

During the year ended 31 December 2019 and 31 December 2018, hyperinflation accounting was required for foreign operations with a functional currency of the Argentine peso as the conditions of IAS 29, *Financial Reporting in Hyperinflationary Economies* ("IAS 29") had been met. ConvaTec Argentina SRL is a subsidiary that has a functional currency of Argentine peso. However, the impact of adopting hyperinflation accounting is deemed immaterial for the Group and adjustments relating to IAS 29 have not been recognised.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. In preparing these Consolidated Financial Statements, two key sources of estimation uncertainty have been identified that could potentially have a material adjustment to the carrying amounts of assets and liabilities within the next financial year. No critical accounting judgements have been identified. No areas of critical accounting judgement or key sources of estimation uncertainty have been identified in relation to Brexit.

1. Basis of preparation (continued)

Impairment of finite-lived assets

As part of the Transformation Initiative, a product portfolio review has been undertaken which has resulted in the identification of impairment triggers in 2019 in relation to certain of the Group's intangible assets. As a result of these activities, an impairment review was performed in accordance with IAS 36, *Impairment of Assets*. This resulted in the Group recognising an impairment of $103.6 million for product-related intangible assets.

The impairment testing of finite-lived assets requires an assessment of the recoverable amount, which the Group determined to be fair value less costs to sell. The approach uses an excess earnings methodology where estimated future cash flows are discounted to their present value. A post-tax discount rate was based on the Group's weighted average cost of capital, adjusted to reflect the territory of the assets and risk and opportunity factors specific to the business model.

Management considers that the methodologies are robust and assumptions adopted in the valuation are supportable and reasonable. There are inherent sources of estimation uncertainty due to the inclusion of future cash flows in the valuation. IAS 1, *Presentation of Financial Statements,* requires disclosure of major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment in the next financial year.

The cash flows within the fair value model include benefits from the ongoing Transformation Initiative. Whilst management are confident in delivery of the transformation benefits, the fair value model includes an assessment of the value of the Transformation Initiative to a theoretical market participant at the valuation date. Given the early stage of the transformation, there is a reasonably possible outcome that the impact on the fair value associated with transformation activities could change in the next twelve months leading to an increase in the impairment charge of $13.0 million.

The cash flows within the fair value model also include estimates of future trading of the products related to the intangible assets. Management has assessed that there are reasonably possible increases in margin headwinds, which could negatively impact the recoverable amount and could lead to an increase in the impairment charge of $9.0 million.

Recognition of deferred tax assets

At 31 December 2019 the Group has recognised a deferred tax asset of $23.0 million following the Swiss tax reform, which was substantively enacted on 4 October 2019. The value of the deferred tax asset of $23.0 million has been calculated on a best estimate basis using a specific methodology that is permitted under Swiss law. Given the anticipated future transformative changes in the business, there is uncertainty in the calculation of the deferred tax position and this remains subject to review as a key source of estimation uncertainty. For further details on the estimation uncertainty with respect to the deferred tax asset recognised refer to Note 5.4 – Movement in deferred tax assets and liabilities.

1.4 Accounting standards

New standards and interpretations applied for the first time

On 1 January 2019, the Group adopted the following new or amended IFRS and interpretations issued by the IASB:
- IFRS 16, *Leases*
- IAS 19, *Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)*
- IFRIC 23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements of IFRS standards 2015-2017 Cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)*

Their adoption has not had a material impact on the Consolidated Financial Statements, with the exception of IFRS 16, *Leases* ("IFRS 16"). Apart from these changes, the accounting policies set out in the Notes have been applied consistently to both years presented in these Consolidated Financial Statements.

IFRS 16

The Group adopted IFRS 16 on 1 January 2019, which introduced changes to lessee accounting by removing the distinction between operating and finance leases, and required the recognition of a right-of-use asset and a lease liability at the lease commencement for most leases.

The Group's operating leases impacted by IFRS 16 principally relate to real estate and vehicles.

Finance leases existing at the date of adoption continue to be treated as finance leases and have been reclassified from borrowings to lease liabilities in the Consolidated Statement of Financial Position. For operating leases existing at the date of adoption, the Group has applied the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability and therefore comparative information has not been restated. Upon transition the Group also applied the following practical expedients:
- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Exclude initial direct costs from the right-of-use assets;
- Use hindsight when assessing the lease term; and
- Not to reassess whether a contract is or contains a lease.

The Group has elected to apply the recognition exemptions to all:
- Leases with a term of 12 months or less and containing no purchase options ("short-term leases"); and
- Leases where the underlying asset has a value of less than $5,000 ("low-value leases").

The lease liability was initially measured at the present value of the lease payments that were not paid at the transition date, discounted by using the rate implicit in the lease. If this rate could not be readily determined, the Group has used its incremental borrowing rate, which was 3.1% at the date of transition. Generally, the Group uses its incremental borrowing rate as the discount rate. Options such as lease extensions or terminations on lease contracts are considered on a case-by-case basis by regular management assessment. The right-of-use asset is being depreciated on a straight-line basis.

1. Basis of preparation (continued)

The following tables set out the reconciliation from operating lease commitments disclosed in the 2018 Consolidated Financial Statements and the financial impact of adopting IFRS 16 for the year ended 31 December 2019:

Reconciliation of lease liabilities

	$m
Operating lease commitments disclosed as at 31 December 2018	61.9
Add: changes in minimum lease term to expected lease term	15.7
Less: discounting using the lessees' incremental borrowing rate at the date of initial application	(11.8)
Lease liabilities recognised on adoption of IFRS 16	**65.8**
Add: finance leases recognised in borrowings as at 31 December 2018	23.7
Lease liabilities as at 1 January 2019	**89.5**
Lease additions	**21.9**
Payment of lease liabilities	**(20.9)**
Leases terminated	**(1.6)**
Interest expense on lease liabilities (Note 23)	**3.6**
Interest paid on lease liabilities	**(3.6)**
Foreign exchange	**(0.4)**
Lease liabilities as at 31 December 2019	**88.5**
Of which:	
Current lease liabilities	18.4
Non-current lease liabilities	70.1

Reconciliation of right-of-use assets

	$m
Right-of-use assets recognised on adoption of IFRS 16	65.8
Add: net book value of assets relating to finance leases recognised in PP&E as at 31 December 2018	21.1
Right-of-use assets as at 1 January 2019	**86.9**
Lease additions	**21.9**
Leases terminated	**(1.6)**
Depreciation of right-of-use assets	**(22.4)**
Foreign exchange	**(0.3)**
Right-of-use assets as at 31 December 2019	**84.5**
Of which:	
Real estate and other	68.6
Vehicles	15.9

Upon adoption of IFRS 16 at 1 January 2019, there was an increase in both deferred tax assets and deferred tax liabilities of $15.2 million.

For the year ended 31 December 2019, expenses related to short-term leases and low-value leases of $3.3 million were recognised in the Consolidated Income Statement.

The Group's Consolidated Income Statement for the year ended 31 December 2019 includes a net expense of $0.6 million as a result of adopting IFRS 16. Total cash outflow of lease liabilities including interest for the year ended 31 December 2019 was $24.5 million.

Refer to Note 22 – Leases for disclosure on the impact of IFRS 16 for the year ended 31 December 2019.

New standards and interpretations not yet applied

At the date of authorisation of these Consolidated Financial Statements, there were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially relevant for the Group and which have not yet been applied.

Results of operations

This section includes disclosures explaining the Group's performance for the year, including segmental information, operating costs, other expenses, taxation and earnings per share.

2. Revenue and segmental information

2.1 Revenue recognition

The Group sells a broad range of products to a wide range of customers, including healthcare providers, patients and manufacturers. This note provides further information about how the Group generates revenue and when it is recognised in the Consolidated Income Statement.

Accounting policy

Revenue recognition

The Group measures revenue for goods sold based on the consideration specified in a contract with a customer, net of discounts, chargeback allowances and sales-related taxes. Revenue is recognised when control over a product or service is transferred to a customer, distributor or wholesaler, which is generally when goods have been delivered, as most products are insured to delivery. Due to the short-term nature of the receivables from sale of goods, the Group measures them at the original transaction price invoiced without discounting. The transaction price is the amount the Group expects to receive at that date.

Nature of goods and services

Advanced Wound Care, Ostomy Care, and Continence and Critical Care ("CCC") products are sold to pharmacies, hospitals and other acute and post-acute healthcare service providers directly or through distributors and wholesalers. Products are also sold directly to end customers through the Group's home delivery and home services entities. Infusion Care primarily serves business-to-business customers, consisting of the leading insulin pump manufacturers. A small proportion of its revenue is derived from business-to-business urology product sales.

In 2019 and 2018, no single customer generated more than 10% of the Group's revenue.

Nature, timing of satisfaction of performance obligations

Principally the Group's contracts with customers contain a single performance obligation, that is the delivery of products to customers. Revenue is typically recognised when the customer receives the product but is subject to the shipping terms in each individual contract. Where non-standard shipping arrangements exist, revenue is recognised when the goods have transferred control. Allowances for returns, where the contract specifies these terms, are made at the point of sale.

For sales to distributors, revenue is recognised when title is transferred to the distributor and the distributor has assumed control, the timing of which depends on the contractual terms with each distributor. Chargeback allowances or contractual deductions relating to end customer agreements, which may differ from distributor contracts, are made at the point of title transfer to the distributor.

A chargeback is derived when distributors buy products from ConvaTec at a contract price and sell these products to end customers at a price agreed with ConvaTec which is lower than the distributors' list price. The difference between the two contract prices is called a chargeback and a claim is submitted to ConvaTec by the distributor to keep the distributor whole. The provision for chargebacks is based on expected sell-through levels by the Group's wholesale customers to contracted customers, as well as estimated wholesaler inventory levels. Retrospective claims are reviewed against estimations to ensure provision levels are regularly updated.

Volume discounts

The Group offers certain prospective volume discounts to customers who achieve a specified volume amount or value of purchases in any given year. Volume discounts that meet the definition of a material right are recognised as a separate performance obligation. Material rights are the option to purchase additional products at a discount which would not have been given had the contract not been entered into and are incremental to the range of discounts typically given for those goods to that class of customer.

The stand-alone selling price of these volume discounts is based on the discount that the customer would obtain when exercising the option, adjusted for any discount the customer could receive without exercising the option and the likelihood that the option will be exercised. The revenue allocated to volume discounts is short-term in nature and recognised proportionally to the pattern of options exercised by the customer or when the option expires.

2. Revenue and segmental information (continued)

Contract costs

Incremental costs related to obtaining a contract with a customer principally relate to commissions paid by the Group to its sales representatives. Costs to fulfil contracts with customers are capitalised as an asset to the extent they directly relate to a specific contract, are used to generate or enhance resources used in satisfying performance obligations and are expected to be recovered.

The amortisation period for commissions can differ according to the contract term. Renewals of milestones in the contract are taken into account when determining the amortisation period. For each contract that has sales commissions paid, the Group has determined an appropriate amortisation period that is consistent with the transfer of control to the customer.

These capitalised costs amounted to $4.5 million at 31 December 2019 (2018: $3.3 million). In the year ended 31 December 2019, the amount of amortisation expense was $2.8 million (2018: $1.1 million). There was no impairment loss in relation to the costs capitalised.

Contract balances

The Group has contract liabilities that primarily relate to any advance consideration received from customers prior to transfer of the related products and material rights offered to customers for options to purchase additional goods. The contract liability balance at 31 December 2019 was $1.1 million (2018: $1.1 million).

2.2 Segment information

The Group's management considers its business to be a single segment entity engaged in the development, manufacture and sale of medical products and technologies. R&D, manufacturing and central support functions are managed globally for the Group. Revenues are managed both on a franchise and regional basis. This note presents management's view of the performance and activities of the Group as a single segment.

Pages 47 to 54 of the Strategic report provide further detail of franchise revenue.

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 evaluates profitability and associated investment on an enterprise-wide basis due to shared geographic infrastructures and support functions between the franchises. Financial information relating to revenues provided to the CEO for decision-making purposes is made on both a franchise and regional basis, however profitability measures are presented and resources allocated on a Group-wide basis.

Revenue by franchise

The Group generates revenue across four major franchises.

The following chart sets out the Group's revenue for the year ended 31 December by franchise:

Revenue by franchise ($m)

2019 **$1,827.2**
2018 $1,832.1

	2019	2018
Advanced wound care	**2019: $569.9m**	2018: $587.5m
Ostomy Care	**2019: $525.0m**	2018: $533.3m
Continence & Critical Care	**2019: $456.7m**	2018: $443.0m
Infusion Care	**2019: $275.6m**	2018: $268.3m

Geographic information

Geographic markets

The following chart sets out the Group's revenue in each geographic market in which customers are located:

Revenue by region ($m)

2019 **$1,827.2**
2018 $1,832.1

	2019	2018
EMEA	**2019: $724.1m**	2018: $747.4m
Americas	**2019: $959.8m**	2018: $945.3m
APAC	**2019: $143.3m**	2018: $139.4m

Geographic information (continued)

Geographic regions

The following table sets out the Group's revenue on the basis of geographic regions where the legal entity resides, including countries representing over 10% of Group revenue and the UK, where the Group is domiciled:

	2019 $m	2018 $m
Geographic regions		
US	**643.9**	643.4
UK	**158.2**	166.1
Denmark	**271.9**	270.0
Other[(a)]	**753.2**	752.6
	1,827.2	1,832.1

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

2. Revenue and segmental information (continued)

The following table sets out the Group's non-current assets by country:

	2019 $m	2018 $m
Long-lived assets[(a)]		
US	**1,176.7**	1,355.0
UK	**829.9**	820.9
Denmark	**249.7**	252.8
Other[(b)]	**316.7**	279.5
Total long-lived assets	**2,573.0**	2,708.2

(a) Long-lived assets consist of property, plant and equipment, right-of-use assets, intangible assets and goodwill.
(b) Other consists primarily of countries in Europe and Latin America.

3. Operating costs

The Group incurs operating costs associated with the day-to-day operation of the business. These operating costs are deducted from revenue to arrive at operating profit.

3.1 Operating profit

Operating profit is stated after deducting from revenue:

	Note	2019 $m	2018 $m
Depreciation:			
Property, plant and equipment	7	**35.5**	37.4
Right-of-use assets	22	**22.4**	–
Amortisation	8	**151.9**	152.6
Net loss on disposal of property, plant and equipment		**–**	3.4
Impairment/write-off of property, plant and equipment	7	**8.8**	–
Impairment/write-off of intangible assets[(a)]	8	**105.5**	–
Amounts related to inventory included in cost of sales		**714.9**	699.4
Adjustments to write-down inventory[(b)]		**17.1**	22.8
Lease expenses[(c)]	22	**3.3**	24.8
Staff costs:			
Wages and salaries		**420.9**	386.2
Share-based compensation expense	17	**14.2**	11.2
Social security costs		**55.3**	51.1
Defined contribution plan costs		**16.6**	16.3
Defined benefit plan costs	13	**1.8**	2.5
Recruitment and other employment-related fees		**6.1**	5.9
Total staff costs		**514.9**	473.2

(a) Other operating expenses, as disclosed in the Consolidated Income Statement represents impairment in relation to certain intangible assets of $105.5 million (Note 8 – Intangible assets and goodwill).
(b) Relates to adjustments to write down inventory to its net realisable value and is included in cost of sales.
(c) For the year ended 31 December 2019 lease expenses represent low-value leases and short-term leases. These expenses are permitted recognition exemptions in accordance with IFRS 16 and are defined in Note 1 – Basis of preparation. For the year ended 31 December 2018 this represents rentals payable under operating leases in accordance with IAS 17, *Operating Leases*.

The remuneration of the Executive Directors which is set out on pages 124 to 131, has been audited and forms part of these Consolidated Financial Statements.

3. Operating costs (continued)

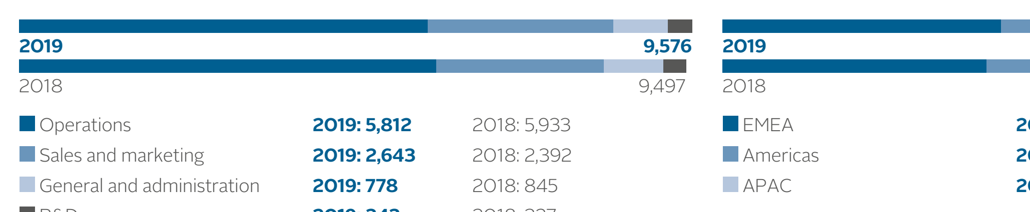
3.2 Employee numbers

The average number of the Group's employees by function:

Employees by function

The average number of the Group's employees by location:

Employees by location



3.3 Auditor's remuneration

The total remuneration of the Group's auditor, Deloitte LLP, for services provided to the Group during the year ended 31 December is analysed as below:

	2019 $m	2018 $m
Fees for audit services		
Group	**0.9**	2.2
Subsidiaries	**3.0**	1.4
Total fees for audit services	**3.9**	3.6
Fees for non-audit services		
Audit-related assurance services	**0.2**	0.5
Other non-audit services	**–**	0.1
Total fees for non-audit services	**0.2**	0.6
Total auditor remuneration	**4.1**	4.2

A description of the work performed by the Audit and Risk Committee in order to safeguard auditor independence when non-audit services are provided is set out in the Audit and Risk Committee report on pages 95 to 109.

4. Non-operating expense, net

Non-operating expense, net was as follows:

	2019 $m	2018 $m
Foreign exchange losses[(a)]	**4.3**	2.9
Other expense/(gain)	**0.1**	(1.6)
Non-operating expense, net	**4.4**	1.3

(a) The foreign exchange losses in 2019 primarily relate to the translation of Euro denominated borrowings (refer to Note 19 – Borrowings). In 2018 foreign exchange losses relate to the foreign exchange impact on intercompany transactions, including loans transacted in non-functional currencies.

5. Income taxes

The note below sets out the current and deferred tax charges, which together comprise the total tax expense/benefit in the Consolidated Income Statement. The deferred tax section of the note also provides information on expected future tax charges or benefits and sets out the deferred tax assets and liabilities held across the Group.

Accounting policy

The tax expense/benefit represents the sum of current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit 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. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period.

Deferred tax

Deferred tax is recognised using the balance sheet liability method for 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 temporary differences:

- on 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;
- arising on the initial recognition of goodwill;
- on investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are 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 the asset 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 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 tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax 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.

Tax provisions

The Group is subject to income taxes in numerous tax jurisdictions. Judgement is sometimes required in determining the worldwide provision for income taxes. There may be transactions for which the ultimate tax determination is uncertain and may be challenged by the tax authorities. The Group recognises liabilities for anticipated or actual tax audit issues based on estimates of whether additional taxes will be due. Where an outflow of funds to a tax authority is considered probable and the Group can make a reliable estimate of the outcome of the issue, management calculates the provision for the best estimate of the liability. In assessing its uncertain tax provisions, management takes into account the specific facts of each issue, the likelihood of settlement and the input of professional advice where required. The Group assumes that where a tax authority has a right to examine amounts reported to it, they will do so and will have full knowledge of all relevant information. Where the ultimate liability in result of an issue varies from the amounts provided, such differences could impact the current and deferred tax assets and liabilities in the period in which the dispute is concluded.

5. Income taxes (continued)

5.1 Taxation

The Group's income tax expense/(benefit) is the sum of the total current and deferred tax expense.

	2019 $m	2018 $m
Current tax		
UK corporation tax	–	–
Overseas taxation	38.4	56.2
Adjustment to prior years	(1.5)	(1.4)
Total current tax expense	36.9	54.8
Deferred tax		
Origination and reversal of temporary differences	(26.4)	(44.8)
Change in tax rates	(4.0)	(1.1)
Adjustment to prior years	2.6	(29.3)
Total deferred tax benefit	(27.8)	(75.2)
Income tax expense/(benefit)	9.1	(20.4)

The deferred tax benefit in 2019 relates predominantly to $23.0 million in relation to the tax impact following the enactment of the Swiss tax reform on 4 October 2019 which is effective from 31 December 2019. The change in tax rate relates mainly to changes in UK and Swiss tax rates in accordance with legislation that was substantially enacted on 31 December 2019. In 2018 the deferred tax benefit consisted of the recognition of previously unrecognised deferred tax assets in the US of $35.0 million following the enactment of the US Tax Cuts and Jobs Act on 22 December 2017, a release of a $30.4 million deferred tax liability in respect of unremitted earnings related to the Dominican Republic and a $10.2 million benefit in relation to the amortisation of pre-2018 intangibles.

5.2 Reconciliation of effective tax rate

The effective tax rate for the year ended 31 December 2019 was an expense of 48.1%, as compared with a benefit of 10.1% for the year ended 31 December 2018.

Tax reconciliation to UK statutory rate

The table below reconciles the UK statutory tax expense to the Group's total income tax expense/(benefit):

	2019 $m		2018 $m	
Profit before income taxes	18.9		201.2	
Profit before income taxes multiplied by rate of corporation tax in the UK of 19.0% (2018: 19.0%)	3.6		38.2	
Difference between UK and overseas tax rates[a]	(13.6)		(6.8)	
Non-deductible/non-taxable items	2.6		5.1	
Tax impact of impairment of certain intangibles assets	24.6		—	
Movement in unrecognised losses and other assets	17.7		(39.7)	
Tax amortisation of indefinite-life intangibles	0.9		5.2	
Taxes on unremitted earnings[b]	0.6		(30.4)	
Uncertain tax (benefit)/expense	(5.3)		10.5	
Deferred impact of the Swiss tax reform	(23.0)		—	
Other	1.0		(2.5)	
Income tax expense/(benefit) reported in the Consolidated Income Statement at the effective tax rate	9.1	48.1%	(20.4)	(10.1)%

(a) Includes changes in tax rates based on substantively enacted legislation across various tax jurisdictions as of 31 December 2019.
(b) The 2018 benefit relates predominately to the deferred tax liability release in respect of unremitted earnings related to the Dominican Republic.

The Group has worldwide operations and therefore is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different tax jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms.

The calculation of the Group's tax expense therefore involves a degree of estimation in respect of certain items for which the tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. In 2019, the Group provisions for uncertain tax positions relate mainly to transfer pricing positions and withholding tax liabilities. The net decrease in provisions during 2019 was driven by the reassessment of estimates and settlement of open tax issues with tax authorities in various jurisdictions.

The Group's effective tax rate in 2019 has also been influenced by a deferred tax benefit of $23.0 million arising from the Swiss tax reform, $17.7 million relating to tax losses where no deferred tax asset has been recognised and a tax expense of $24.6 million relating to the impairment of certain intangibles in the Group where no tax relief for the costs has been taken (refer to Note 8.1 – Intangible assets). In 2018, the Group's effective tax rate was mainly driven by the deferred tax benefits of $35.0 million in the US and $30.4 million in respect of unremitted earnings related to the Dominican Republic, both of which were non-recurring items.

5. Income taxes (continued)

5.3 Deferred tax

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

	2019 $m	2018 $m
Deferred tax assets	**55.0**	22.9
Deferred tax liabilities	**(107.8)**	(107.1)
Net position at the end of the period	**(52.8)**	(84.2)

The movement in deferred tax assets is principally due to $23.0 million of deferred tax asset recognised on the Swiss tax reform and $9.1 million relating to intra-group profits eliminated on inter-company inventory and other temporary differences.

5.4 Movement in deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rates enacted or substantively enacted at the reporting date. The UK corporation tax rate will reduce from 19.0% to 17.0% effective 1 April 2020 (in accordance with substantively enacted legislation). The movements in the deferred tax assets and liabilities were as follows:

	Inventory $m	Losses $m	PP&E $m	Intangibles $m	Unremitted earnings $m	Interest $m	Other $m	Total $m
At 1 January 2018	11.0	–	(9.0)	(134.6)	(30.6)	–	0.6	(162.6)
Movement in Income Statement[(a)]	2.0	53.1	6.2	(41.7)	30.4	14.5	10.7	75.2
Movement in other comprehensive income	–	–	–	–	–	–	(1.4)	(1.4)
Other	0.6	–	(2.1)	(2.7)	(0.4)	–	4.2	(0.4)
Foreign exchange	(0.5)	0.1	0.4	5.1	–	–	(0.1)	5.0
At 31 December 2018	**13.1**	**53.2**	**(4.5)**	**(173.9)**	**(0.6)**	**14.5**	**14.0**	**(84.2)**
Movement in Income Statement	**1.3**	**(5.7)**	**0.2**	**34.2**	**(0.6)**	**5.6**	**(7.2)**	**27.8**
Movement in other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**4.3**	**4.3**
Other	**(0.6)**	**–**	**–**	**(2.6)**	**–**	**–**	**3.4**	**0.2**
Foreign exchange	**0.1**	**–**	**0.3**	**(0.7)**	**–**	**–**	**(0.6)**	**(0.9)**
At 31 December 2019	**13.9**	**47.5**	**(4.0)**	**(143.0)**	**(1.2)**	**20.1**	**13.9**	**(52.8)**

(a) The 2018 balance includes previously unrecognised US deferred tax assets of $35.0 million and $30.6 million relates to prior year adjustment.

The net movement in deferred tax liability in relation to intangible assets in 2019 mainly relates to the impairment and amortisation in the year, and a deferred tax asset of $23.0 million recognised following the enactment of the Swiss tax reform. This deferred tax asset arises due to grandfathering provisions, which gives rise to future deductible amortisation on the step up of an intangible tax basis that the Swiss tax reform has introduced, with effect from 31 December 2019, to alleviate the higher Swiss tax rates that will apply from 1 January 2020. The $23.0 million deferred tax asset recognised represents management's best estimate of the impact of Swiss tax reform based on the information currently available. Given the future anticipated transformative changes in the business, there is significant estimation uncertainty in the appropriate valuation method and underlying assumptions and estimates that should be applied to calculate the deferred tax asset. The value of the asset recognised of $23.0 million has been calculated using a specific methodology that is permitted under Swiss law. This remains subject to review as a key source of estimation uncertainty and, therefore, to revaluation once the impact to the Swiss operations, as a result of the Group's Transformation Initiative, has been determined. It is not possible to provide numerical sensitivity disclosures or quantify ranges of potential outcomes; however, it is reasonably possible that outcomes within the next financial year could be different from the assumptions made at 31 December 2019 and could require a material adjustment to the carrying value of the asset.

Deferred tax on inventory predominantly relates to a deferred tax asset recognised on intra-group profits arising on inter-company inventory which are eliminated within the Consolidated Financial Statements. As intra-group profits are not eliminated from the individual entities' tax returns, a temporary difference arises that will reverse when inventory is sold externally.

Other net temporary differences include accrued expenses, employee costs and pensions for which a tax deduction is only available on a paid basis, and share-based payments.

To the extent that dividends remitted from overseas subsidiaries and branches are expected to result in additional taxes, appropriate amounts have been provided for. Deferred tax is not provided on temporary differences of $313.1 million (2018: $300.5 million) arising on unremitted earnings as management has the ability to control any future reversal and does not consider such a reversal to be probable.

5. Income taxes (continued)

5.5 Tax losses carried forward

The following table shows the total recognised and unrecognised tax losses carried forward, including expiration:

	2019			2018		
Country	**Indefinite**	**1 to 20 years**	**Total**	Indefinite	1 to 20 years	Total
UK	**39.6**	**–**	**39.6**	34.5	–	34.5
Luxembourg	**1,530.8**	**–**	**1,530.8**	1,565.5	–	1,565.5
US State Taxes	**23.2**	**213.4**	**236.6**	8.2	213.5	221.7
US Federal Tax	**35.5**	**337.0**	**372.5**	34.5	337.0	371.5
Other overseas	**6.0**	**52.0**	**58.0**	5.7	44.8	50.5
Total	**1,635.1**	**602.4**	**2,237.5**	1,648.4	595.3	2,243.7

In 2019, the movement in Luxembourg tax losses is mainly attributable to foreign exchange gains as the tax losses are Euro denominated.

Deferred tax assets are only recognised where it is probable that future taxable profit will be available to utilise the tax losses. Of the Group's total losses of $2,237.5 million, deferred tax assets have not been recognised on $1,917.2 million (2018: $1,984.9 million) of these losses.

6. Earnings per share

Basic earnings per share is calculated based on the Group's net profit for the year attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is net of shares purchased by the Group and held as own shares.

Diluted earnings per share take into account the dilutive effect of all outstanding share options priced below the market price in arriving at the number of shares used in its calculation.

	2019	2018
Net profit attributable to the shareholders of the Group ($m)	**9.8**	221.6
Basic weighted average ordinary shares in issue (number)	**1,971,014,011**	1,956,085,112
Dilutive impact of share awards (number)	**5,142,363**	1,993,650
Diluted weighted average ordinary shares in issue (number)	**1,976,156,374**	1,958,078,762
Basic and diluted earnings per share	**$0.00 per share**	$0.11 per share

The calculation of diluted earnings per share excludes 10,066,660 (2018: 11,407,025) share options that were non-dilutive for the year because the exercise price exceeded the average market price of the Group's ordinary shares during the year.

Operating assets and liabilities

This section set outs the assets and liabilities that the Group holds in order to operate the business on a day-to-day basis, including long-term assets which generate future revenues and profits for the Group.

Liabilities relating to the Group's financing activities are addressed in "Capital structure and financial costs".

7. Property, plant and equipment

The Group invests in buildings, equipment and manufacturing machinery to operate the business and to generate revenue and profits. Assets are depreciated over their estimated useful economic life reflecting the reduction in value of the asset due, in particular, to wear and tear.

Accounting policy

Property, plant and equipment ("PP&E") are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset including subsequent additions and improvements when it is probable that future economic benefit associated with the item will flow to the Group and the cost can be reliably measured.

Depreciation is provided on a straight-line basis from the point an asset becomes available for use. Depreciation is calculated to reduce the asset's cost to its residual value over the asset's estimated useful economic life. Assets are depreciated as follows:

Land	– not depreciated
Land improvements	– 15 to 40 years
Leasehold improvements	– shorter of useful life or lease tenure
Buildings	– 15 to 50 years
Machinery, equipment and fixtures	– 3 to 20 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the Consolidated Income Statement.

Assets under construction reflects the cost of construction or improvement of items of PP&E that are not yet available for use. Finance costs incurred in the construction of assets that take more than one year to complete are capitalised using the Group's weighted average borrowing cost during the period in which the asset is under construction. Capitalisation of finance costs ceases when the asset becomes available for use.

Consideration of useful economic lives

The assets' residual values, depreciation methods and useful economic lives are reviewed annually and adjusted if appropriate.

Impairment of assets

The carrying values of PP&E are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows ("value in use"). When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

7. Property, plant and equipment (continued)

The movement in the carrying value of each major category of PP&E is as follows:

	Land & land improvements $m	Building, building equipment and leasehold improvements $m	Machinery, equipment and fixtures $m	Assets under construction $m	Total $m
PP&E at cost					
1 January 2018	16.8	141.2	382.9	75.6	616.5
Additions	–	0.2	1.2	50.3	51.7
Disposals	(1.2)	(10.8)	(15.9)	(2.9)	(30.8)
Transfers	–	6.9	48.9	(55.8)	–
Foreign exchange	(0.7)	(4.8)	(14.4)	(3.4)	(23.3)
31 December 2018	**14.9**	**132.7**	**402.7**	**63.8**	**614.1**
Reclassification of right-of-use assets[(a)]	**–**	**(24.9)**	**(0.6)**	**–**	**(25.5)**
Additions	**–**	**0.4**	**1.5**	**52.7**	**54.6**
Disposals[(b)]	**–**	**(2.1)**	**(7.4)**	**(8.4)**	**(17.9)**
Transfers	**–**	**13.1**	**40.5**	**(53.6)**	**–**
Foreign exchange	**0.1**	**2.2**	**0.1**	**0.3**	**2.7**
31 December 2019	**15.0**	**121.4**	**436.8**	**54.8**	**628.0**
Accumulated depreciation					
1 January 2018	0.8	51.4	230.3	–	282.5
Depreciation	0.1	6.7	30.6	–	37.4
Disposals	(0.2)	(10.7)	(14.7)	–	(25.6)
Foreign exchange	(0.1)	(1.7)	(9.1)	–	(10.9)
31 December 2018	**0.6**	**45.7**	**237.1**	**–**	**283.4**
Reclassification of right-of-use assets[(a)]	**–**	**(4.0)**	**(0.4)**	**–**	**(4.4)**
Depreciation[(c)]	**0.1**	**5.5**	**29.9**	**–**	**35.5**
Disposals[(b)]	**–**	**(2.0)**	**(7.1)**	**–**	**(9.1)**
Foreign exchange	**0.1**	**0.8**	**0.1**	**–**	**1.0**
31 December 2019	**0.8**	**46.0**	**259.6**	**–**	**306.4**
Net carrying amount					
31 December 2018	14.3	87.0	165.6	63.8	330.7
31 December 2019	**14.2**	**75.4**	**177.2**	**54.8**	**321.6**

(a) Amounts previously recognised as finance lease assets have been reclassified to right-of-use assets upon transition to IFRS 16 on 1 January 2019. Refer to Note 22 – Leases for further details.
(b) Included within disposals is asset write-offs of $8.8 million following a reassessment by management of the ongoing value of certain projects.
(c) During the year, a review of the useful economic life of certain of the Group's manufacturing lines was undertaken resulting in an extension to the useful economic lives of some of the Group's manufacturing lines. The extension resulted in a decrease of $4.0 million in the depreciation charge in the year and is expected to decrease the depreciation charge by $3.4 million and $2.6 million in FY 2020 and FY 2021 respectively.

8. Intangible assets and goodwill

The split of intangible assets and goodwill is as follows:

	Note	2019 $m	2018 $m
Intangible assets	8.1	**1,101.3**	1,334.5
Goodwill	8.2	**1,065.6**	1,043.0
Intangible assets and goodwill		**2,166.9**	2,377.5

8.1 Intangible assets

The Group's intangible assets are those that have been recognised at fair value as part of business combinations, investment in product development and software purchased to support business operations. These are assets that are not physical in nature but can be sold separately or arise from legal rights.

During the year as part of the Transformation Initiative a review of the product portfolio has been undertaken which has resulted in the discontinuation of some product lines as well as the realignment of future investment. The review triggered a number of indicators for potential impairment of certain finite-lived assets held and has resulted in an impairment of $103.6 million. A further $1.9 million impairment charge has been recognised on trade names which ceased to be used in the year.

In addition, the Group has reviewed its intangible asset categorisations and presented an aggregation of categories which better reflect the complementary nature of the assets.

Accounting policy

Recognition

Measurement on initial recognition of intangible assets is determined at cost for assets acquired by the Group and at fair value at the date of acquisition if acquired in business combinations. 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 are capitalised as intangible assets. Software that is integral to purchased computer hardware is capitalised as PP&E.

R&D

R&D expenses are comprised of all activities relating to investigative, technical, and regulatory processes related to obtaining appropriate approvals to market our products. Costs include payroll, clinical manufacturing and pre-launch clinical trial costs, manufacturing development and scale-up costs, product development, regulatory costs including costs incurred to comply with legislative changes, contract services and other outside contractors costs, research license fees, depreciation and amortisation of laboratory facilities, and laboratory supplies.

Research costs are expensed as incurred. Development costs 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. Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses. Upgrades and enhancements are capitalised to the extent they will result in added functionality and probable future economic benefits.

Amortisation

Intangible assets with an indefinite life are not amortised. Amortisation of finite-lived intangible assets is calculated using the straight-line method based on the following estimated useful lives:

New asset category	Useful life	As previously reported
Product-related	3 to 20 years	Patents, trademarks and licences (3 to 20 years) Technology (10 to 18 years)
Capitalised software	3 to 10 years	
Customer relationships and non-compete agreements	2 to 20 years	
Trade names – finite	10 years	
Trade names – indefinite	indefinite	
Development costs	5 years	

Assets under construction reflects the cost of construction or improvement of intangible assets that are not yet available for use.

Impairment of assets

Finite-lived intangible assets are reviewed for indicators of impairment at each reporting period or when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of an asset's fair value less costs to sell and the net present value of its expected pre-tax future cash flows ("value in use").

When an asset's recoverable amount falls below its carrying value, an impairment is charged to the Consolidated Income Statement.

Refer to Note 8.4 – CGU impairment review for consideration of impairment of indefinite-lived intangible assets.

8. Intangible assets and goodwill (continued)

The movement in the carrying value of each major category of intangible assets is as follows:

	Product-related[(a)] $m	Capitalised software[(b)] $m	Customer relationships and non-compete agreements $m	Trade names $m	Development costs[(c)] $m	Assets under construction $m	Total $m
Intangibles at cost							
1 January 2018	2,135.9	87.9	298.3	259.7	10.8	8.4	2,801.0
Additions	0.1	3.3	0.4	–	–	9.6	13.4
Acquisitions	–	–	7.5	0.3	–	–	7.8
Disposals	–	–	(3.1)	–	–	–	(3.1)
Transfers	–	6.8	–	–	–	(6.8)	–
Foreign exchange[(d)]	(42.4)	–	(5.4)	(0.8)	(0.6)	(0.3)	(49.5)
31 December 2018	**2,093.6**	**98.0**	**297.7**	**259.2**	**10.2**	**10.9**	**2,769.6**
Additions	**–**	**5.0**	**0.1**	**–**	**–**	**8.2**	**13.3**
Acquisitions	**–**	**–**	**2.7**	**–**	**–**	**–**	**2.7**
Disposals	**–**	**(2.3)**	**(2.1)**	**–**	**(0.5)**	**–**	**(4.9)**
Transfers	**–**	**6.7**	**–**	**–**	**2.0**	**(8.7)**	**–**
Foreign exchange[(d)]	**24.3**	**0.2**	**(1.7)**	**(0.4)**	**(0.3)**	**–**	**22.1**
31 December 2019	**2,117.9**	**107.6**	**296.7**	**258.8**	**11.4**	**10.4**	**2,802.8**
Accumulated amortisation							
1 January 2018	1,116.8	68.6	119.9	2.6	5.8	–	1,313.7
Amortisation	120.7	8.2	22.1	0.5	1.1	–	152.6
Disposals	–	–	(3.0)	–	–	–	(3.0)
Foreign exchange[(d)]	(24.3)	(0.1)	(3.5)	(0.1)	(0.2)	–	(28.2)
31 December 2018	**1,213.2**	**76.7**	**135.5**	**3.0**	**6.7**	**–**	**1,435.1**
Amortisation	**118.4**	**9.4**	**22.0**	**1.1**	**1.0**	**–**	**151.9**
Disposals	**–**	**(2.3)**	**(2.1)**	**–**	**(0.5)**	**–**	**(4.9)**
Impairment	**103.6**	**–**	**–**	**1.9**	**–**	**–**	**105.5**
Foreign exchange[(d)]	**15.3**	**–**	**(1.2)**	**–**	**(0.2)**	**–**	**13.9**
31 December 2019	**1,450.5**	**83.8**	**154.2**	**6.0**	**7.0**	**–**	**1,701.5**
Net carrying amount							
31 December 2018	880.4	21.3	162.2	256.2	3.5	10.9	1,334.5
31 December 2019	**667.4**	**23.8**	**142.5**	**252.8**	**4.4**	**10.4**	**1,101.3**

(a) Product-related intangible assets are primarily comprised of patents, trademarks, licences and technological expertise that were acquired as a result of business combinations. The presentation of product-related intangible assets has been revised during the year ended 31 December 2019 to aggregate amounts that were previously presented separately as: Technology; and Patents, trademarks and licences. The revised presentation better reflects that these product-related intangible assets are complementary intangible assets with similar useful economic lives, which can be treated as single assets under IAS 38, *Intangible Assets*.
(b) Capitalised software relates to purchased software and internally generated software.
(c) Relates to internally generated development costs which have met the requirements of being in the development phase as defined in the Group accounting policy.
(d) Primarily relates to intangible assets denominated in Sterling.

As part of the Transformation Initiative a product portfolio review has been undertaken which has resulted in the identification of impairment triggers in relation to a number of the Group's intangible assets. As a result, the Group has identified an impairment indicator in respect of certain product-related intangible assets acquired as part of historical business combinations (previously disclosed as patents).

In accordance with the Group's impairment policy, the recoverable amount of the product-related intangible assets was assessed based on fair value less costs to sell. The fair value measurements are categorised as Level 3 in accordance with IFRS 13, *Fair Value Measurements*. Fair value was assessed using an income approach, reflecting the current market expectation over their remaining useful expected life. The approach uses estimated future cash flows deemed attributable to the asset, discounted to their present value using a post-tax discount rate that was based on the Group's weighted average cost of capital adjusted to reflect the territory of the assets. The post-tax discount rate used in the fair value calculation was 11.0%.

The Group has recognised an impairment of $103.6 million during the year ended 31 December 2019. Where a diminutive value was determined, the useful economic life ("UEL") was reviewed. No factors were deemed present for which to reassess the UEL.

8. Intangible assets and goodwill (continued)

During the year ended 31 December 2019, the Group refreshed the strategy of the HSG business by starting the transition to marketing through 180 Medical as a single trade name. As a result, trade names which ceased to be used during the year, with a net carrying amount of $1.9 million at 1 July 2019, were impaired (and written off). A further trade name was assessed to have a remaining useful economic life of two years under the revised strategy and was changed from indefinite-lived effective from 1 July 2019, resulting in an amortisation charge of $0.6 million in the year. A further $1.3 million of amortisation will be recognised in the year ended 31 December 2020.

Amortisation expenses related to finite-lived intangible assets for the year ended 31 December were as follows:

	2019 $m	2018 $m
Cost of sales	**122.6**	125.2
General and administrative expenses	**28.3**	26.3
Research and development expenses	**1.0**	1.1
Total amortisation expense	**151.9**	152.6

The carrying amount of indefinite-lived trade names at 31 December 2019 was $249.6 million (2018: $254.3 million). Each of these remaining trade names is considered to have an indefinite life, given the strength and durability of the current trade name and the level of marketing support. The trade names are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the trade names is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit their useful lives.

Individual intangible assets with a carrying value in excess of 10% of the total intangible asset carrying value were as follows:

	2019 $m	2018 $m	Remaining life
Trade names			
ConvaTec trade name	**234.6**	234.6	Indefinite
Product-related[(a)]			
Aquacel® including Hydrofibre®	**241.5**	267.8	6.6 years
Stoma care	**208.6**	277.2	6.6 years
Flexi-Seal™	**85.6**	148.1	6.6 years

(a) The presentation of product-related assets has been revised during the year ended 31 December 2019 to aggregate amounts that were previously presented separately as: Technology; and Patents, trademarks and licences. The revised presentation better reflects that these product-related intangible assets are complementary intangible assets with similar useful economic lives, which can be treated as single assets under IAS 38, *Intangible Assets*. Comparatives have been restated to reflect the revised presentation.

8.2 Goodwill

The Group recognises goodwill resulting from business combinations where there are future economic benefits from assets which cannot be individually separated and recognised. Goodwill represents the amount paid in excess of the fair value of the net assets of the acquired business.

Accounting policy

Refer to Note 8.3 – Acquisition for the Group accounting policy in relation to the initial valuation and recognition of goodwill.

Goodwill is not subject to amortisation but is tested for impairment annually or when events or changes in circumstances indicate the carrying value may be impaired. Refer to Note 8.4 – CGU impairment review for consideration of impairment of goodwill.

Goodwill is denominated in the functional currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

8. Intangible assets and goodwill (continued)

The changes in the carrying value of goodwill as at 31 December were as follows:

	Total $m
I January 2018	1,072.2
Additions	7.1
Foreign exchange	(36.3)
31 December 2018	**1,043.0**
Additions (Note 8.3)	**9.6**
Foreign exchange	**13.0**
31 December 2019	**1,065.6**

8.3 Acquisition

During the year, the Group completed the acquisition of the trade and assets of Southlake Medical Supplies Inc. ("Southlake"), an independent distributor of catheter-related supplies based in Texas. This note provides details of the transaction and the acquisition accounting that has been recorded to reflect the fair value of assets acquired and liabilities assumed as well as the intangible assets and goodwill recognised upon acquisition.

Accounting policy

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Consideration transferred in respect of an 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. If the fair value of the identifiable net assets acquired is greater than the fair value of the consideration given, the excess is recognised immediately in the Consolidated Income Statement as a bargain purchase gain. Acquisition-related costs are expensed as incurred.

The operating results of the acquired business are reflected in the Group's Consolidated Financial Statements from the date of acquisition.

On 1 October 2019, the Group acquired the trade and assets of Southlake for cash consideration of $12.3 million, no deferred consideration is payable. The Group incurred $0.6 million of transaction costs directly related to the Southlake acquisition through to 31 December 2019, which includes expenditure for advisory, legal, valuation, accounting and other similar services. These costs have been expensed as acquisition-related costs.

Identifiable assets acquired and liabilities assumed

The fair value of identifiable assets acquired and liabilities assumed were as follows:

	$m
Intangible assets	2.7
Fair value of assets acquired and liabilities assumed	–
Net identifiable assets acquired	2.7
Goodwill	9.6
Total purchase consideration	12.3

The amounts and useful lives assigned to intangible assets were as follows:

	Useful lives (years)	Provisional amounts recognised as of acquisition date $m
Finite-lived intangible assets:		
Customer relationship	3 years	2.7
Total intangible assets		2.7

If new information obtained within one year of the date of acquisition, regarding the facts and circumstances that existed at the date of acquisition, identifies adjustments to the above amounts then the accounting for the acquisition will be revised.

8. Intangible assets and goodwill (continued)

The goodwill recorded represents the cost savings, operating synergies and future growth opportunities expected to result from combining the operations of Southlake with those of the Group and intangible assets that do not qualify for separate recognition. The provisional amount of goodwill has been allocated to the HSG CGU.

Southlake contributed revenue of $1.0 million and operating profit of $0.4 million for the period between the date of acquisition and 31 December 2019. If the acquisition had taken place at 1 January 2019, reported Group revenue would have been $4.0 million higher, with a $1.8 million increase in operating profit for the year ended 31 December 2019 (excluding any potential synergies that would have been realised during the period).

8.4 Cash generating unit ("CGU") impairment review

An impairment assessment is required to be performed annually for goodwill and indefinite-lived intangibles or when events or changes in circumstances indicate the carrying value may be impaired. An impairment is a reduction in the recoverable amount of an asset compared to the carrying value of the asset. Recoverable amount is the higher of value in use and fair value less costs to sell.

This note provides details of the annual impairment assessment that has been performed.

Accounting policy

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Additionally, goodwill arising from a business combination is allocated to a CGU 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.

The recoverable amounts of the CGUs are determined based on value in use calculations, which reflect the estimated future cash flows of each CGU discounted by an estimated weighted average cost of capital that represents the rate of return an outside investor would expect to earn. This discount rate is based on the weighted average cost of capital for comparable public companies and is adjusted for risks specific to the CGU including differences in risk due to its size, geographic concentration and trading history.

Future cash flows are determined using the latest available Board approved forecasts and strategic plans. These forecasts and strategic plans are based on specific assumptions for each CGU during the five-year planning period with respect to revenue, results of operations, working capital, capital investments and other general assumptions for the projected period. The forecast assumptions that derive the future cash flows are based on the historical results of each CGU combined with external market information and defined strategic initiatives.

If identified, impairment losses are recognised in the Consolidated Income Statement. 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 pro-rated 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 2019 or 2018.

The Group has identified six CGUs in applying the provisions of IAS 36, *Impairment of Assets:* (i) Americas, (ii) HSG, (iii) EMEA, (iv) APAC, (v) Infusion Care, and (vi) Industrial Sales.

Goodwill and indefinite-lived intangible assets are allocated to the Group's CGUs as follows:

	Goodwill		Indefinite-lived intangible assets	
	2019 $m	2018 $m	**2019 $m**	2018 $m
CGUs				
Americas	**15.3**	15.3	**234.6**	234.6
HSG	**330.6**	321.1	**–**	4.4
EMEA	**632.3**	616.4	**–**	–
Infusion Care	**48.6**	51.1	**13.3**	13.5
Industrial Sales	**38.8**	39.1	**1.7**	1.8
Total	**1,065.6**	1,043.0	**249.6**	254.3

Impairment reviews were performed for each individual CGU during the year ended 31 December 2019.

8. Intangible assets and goodwill (continued)

Determining the estimated recoverable amount of a CGU is judgmental in nature. The key assumptions used in the estimation of value in use as at 31 December were as follows:

Discount rate (pre-tax)	2019 %	2018 %
CGUs		
Americas	**12.0**	12.0
HSG	**10.0**	11.0
EMEA	**12.0**	12.0
Infusion Care	**11.0**	12.0
Industrial Sales	**12.0**	12.0
Terminal value growth rate[a]	**2.0**	2.0

(a) The estimated terminal value growth rate for the CGUs is based on expectations concerning the growth trends of the CGUs taking into account global gross domestic product growth, general long-term inflation and population expectations.

In 2019 and 2018, the Group performed its annual goodwill and indefinite-lived intangible impairment test and determined that there was no impairment of goodwill or indefinite-lived intangible assets. Sensitivity testing identified no reasonably possible changes in key assumptions that would cause the carrying amount of any CGU to exceed its recoverable amount taking into account areas of estimation uncertainty in the underlying assumptions.

9. Inventories

Inventories are the products manufactured or purchased to be sold by the Group in the ordinary course of business. Inventories include finished goods, goods which are in the process of being manufactured (work in progress) and raw materials and supplies awaiting use in production.

Accounting policy

Inventories are valued 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 overheads. Production overhead comprises 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 inventories that (i) do not meet the Group's specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving. 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.

The components of inventories at 31 December were as follows:

	2019 $m	2018 $m
Raw and packaging materials	**74.4**	77.4
Work in progress	**39.3**	33.0
Finished goods	**168.1**	192.9
Inventories	**281.8**	303.3

Inventories are stated net of a provision of $23.4 million (2018: $23.1 million). Adjustments to write-down inventory to its net realisable value are provided in Note 3 – Operating costs.

10. Trade and other receivables

Trade receivables consist of amounts billed and currently due from customers. Gross trade receivables are presented before allowances for bad and doubtful debts, sales discounts and chargeback allowances. Credit risk with respect to trade receivables is generally diversified due to the large dispersion and type of customers across many different geographies.

Other receivables include amounts due from third parties not related to revenue, restricted cash and prepaid expenses.

Accounting policy

Credit is extended to customers based on the evaluation of the customer's financial condition. Creditworthiness of customers is evaluated on a regular basis. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures.

An allowance for doubtful accounts is maintained for expected lifetime credit losses that result from the failure or inability of customers to make required payments. It is not necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected lifetime credit losses and changes in those expected lifetime credit losses. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors, incorporating forward-looking information and adjustments for customers who represent a lower risk of default, which includes public or private medical insurance customers and customers guaranteed by local government. The amount of expected credit losses, if any, are required to be updated at each reporting date.

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.

Trade and other receivables are not collateralised or factored and the Group does not charge interest on past due amounts. Refer to Note 2.1 for details on the accounting policy related to chargeback allowances.

Trade and other receivables at 31 December were as follows:

	2019 $m	2018 $m
Trade receivables	**290.2**	283.4
Less: allowance for bad and doubtful debts	**(11.6)**	(12.3)
Less: sales discounts and chargebacks	**(31.5)**	(25.5)
Other receivables	**18.0**	8.1
Prepayments	**35.6**	30.6
Trade and other receivables	**300.7**	284.3

The aged analysis of trade receivables at 31 December was as follows:

	2019 $m	2018 $m
Current	**211.6**	212.8
Past due 1 to 30 days	**28.0**	27.1
Past due 31 to 90 days	**15.6**	3.7
Past due 91 to 180 days	**6.4**	9.0
Past due by more than 180 days	**28.6**	30.8
	290.2	283.4

10. Trade and other receivables (continued)

At 31 December, the unimpaired amounts that are past due are aged as follows:

	2019 $m	2018 $m
Past due 1 to 30 days	**27.6**	27.0
Past due 31 to 90 days	**14.5**	3.6
Past due 91 to 180 days	**6.0**	8.4
Past due by more than 180 days	**18.9**	19.3
	67.0	58.3

The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk.

Movements in the allowance for bad and doubtful debts for the years ended 31 December were as follows:

	2019 $m	2018 $m
At the beginning of the period	**(12.3)**	(17.1)
Charges	**(7.8)**	(9.6)
Utilisation of provision	**8.4**	13.9
Foreign exchange	**0.1**	0.5
At the end of the period	**(11.6)**	(12.3)

11. Trade and other payables

Trade payables consist of amounts owed to third-party suppliers and represent a contractual obligation to deliver cash in the future.

Other payables include taxes and social security, accruals and liabilities for other employee-related benefits.

Accounting policy

Trade payables are recognised at the value of the invoice received from the supplier and are not interest bearing. The carrying amount of trade and other payables is considered to approximate fair value, due to their short-term maturities.

The components of trade and other payables at 31 December were as follows:

	2019 $m	2018 $m
Included within current liabilities:		
Trade payables	**90.5**	89.1
Taxes and social security	**28.4**	17.6
Other employee-related liabilities	**72.5**	40.2
Accruals and other payables	**97.9**	74.6
Trade and other payables	**289.3**	221.5
Included within non-current liabilities:		
Defined benefit obligation (Note 13)	**21.4**	15.1
Other employee-related liabilities	**4.4**	4.1
Accruals and other payables	**0.8**	3.0
Other non-current liabilities	**26.6**	22.2

12. Provisions

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group primarily relate to restructuring, decommissioning and dilapidation.

Accounting policy

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and that obligation can be measured reliably. Provisions are measured at the best estimate of the expenditure required to settle the obligation and are discounted to present value if the effect is material. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognised.

When the timing of a settlement is uncertain or expected to be more than twelve months from the reporting date, amounts are classified as non-current.

The movements in provisions are as follows:

	Restructuring provisions $m	Decommissioning and dilapidation provisions $m	Total $m
1 January 2018	2.2	1.6	3.8
Charges	7.9	—	7.9
Utilisation	(5.3)	(0.1)	(5.4)
Changes in estimate	(0.3)	—	(0.3)
Foreign exchange	—	—	—
31 December 2018	**4.5**	**1.5**	**6.0**
Charges	**4.9**	**0.4**	**5.3**
Utilisation	**(4.6)**	**(0.2)**	**(4.8)**
Changes in estimate	**(0.6)**	**—**	**(0.6)**
Foreign exchange	**—**	**—**	**—**
31 December 2019	**4.2**	**1.7**	**5.9**

Provisions have been analysed between current and non-current as follows:

	2019		2018	
	Current	**Non-current**	Current	Non-current
Restructuring provisions	**4.2**	**–**	4.5	–
Decommissioning and dilapidation provisions	**–**	**1.7**	–	1.5
Total	**4.2**	**1.7**	4.5	1.5

Restructuring provisions

Restructuring provisions relate to employee termination benefits for involuntary workforce reduction relating to major change programmes and the Group's Transformation Initiative.

Decommissioning and dilapidation provisions

Decommissioning provisions are recognised when an item is purchased to represent the estimated costs of dismantling and removing PP&E and restoring the site on which it was located. Dilapidation provisions relate to legal obligations to return leased properties to the conditions which are specified in the individual leases.

13. Post-employment benefits

The Group has over 9,500 employees globally and operates a number of defined benefit and defined contribution pension plans for its employees. Each individual plan is subject to the applicable laws and regulations of the country in which the plan operates.

Defined contribution arrangements are where the Group pays fixed payments as they fall due into a separate fund on behalf of employees participating in the plan and has no further legal or constructive obligations. The cost of Group contributions to defined contribution arrangements during the year is provided in Note 3 – Operating costs.

A defined benefit plan is a pension or other post-employment benefit plan under which the Group has an obligation to provide agreed benefits to current and former employees. The Group bears the risk that its obligation may increase or that the value of the assets in the pension fund may decline. The benefit payable in the future by the Group is discounted to the present value and then the fair value of plan assets is deducted to measure the defined benefit pension position recorded by the Group.

The Group has defined benefit plans in six European countries. The most significant plans are: the UK, which is closed to new entrants and future benefit accruals; Switzerland, a state mandated plan that remains open to all Swiss employees; and Germany, with one unfunded plan, that remains open to German employees but closed to new entrants, and a funded plan put in place from April 2019. The value of the new plan in Germany is not material to the Group. The Group's other defined benefit plans are located in Austria, France and Italy (referred to as "Other" in the tables below).

For plans in the UK, Switzerland, Germany and Austria asset funds for each country are being accumulated to meet the accruing liabilities. The value of plan assets in Germany at 31 December 2019 is negligible. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets. Surplus assets held in the UK are restricted to the extent that they are considered to be recoverable.

Accounting policy

Defined contribution pension plans

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

Defined benefit pension plans

The Group records an asset or liability related to its defined benefit pension plans as the difference between the fair value of the plan assets and the present value of the plan liabilities. The obligations of the plans are calculated using the Projected Unit Credit Method, with actuarial valuations being performed by an independent actuary at the end of each reporting period. The valuation requires estimates and judgements to be made to calculate the Group's liabilities, and results in actuarial gains and losses being recorded.

Actuarial gains and losses, movements in the return on plan assets (excluding interest) and the impact of the asset ceiling (if applicable) are recognised immediately in the Consolidated Statement of Financial Position with a charge or credit to the Consolidated Statement of Other Comprehensive Income. Remeasurements recorded in the Consolidated Statement of Other Comprehensive Income are not subsequently reclassified to the Consolidated Income Statement.

Past service cost is recognised in the Consolidated Income Statement in the period of plan amendment, where relevant. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The assets of the plans are held at fair value which is equal to market value, and are held in separate trustee-administered funds or similar structures in the countries concerned. Surplus assets within the plan are only recognised to the extent that they are recoverable in accordance with IFRIC Interpretation 14 – *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* ("IFRIC 14").

13. Post-employment benefits (continued)

Risks

The defined benefit plans typically expose the Group to risks. The most significant risks impacting the Group as a result of these plans are as follows:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the Group's plans invest primarily in debt instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Amounts recorded in the Consolidated Financial Statements

Consolidated Income Statement

The aggregate expense for all post-employment defined benefit plans recognised in the Consolidated Income Statement for the year ended 31 December was as follows:

	2019 $m	2018 $m
Defined benefit plans:		
Current service cost	**2.3**	2.3
Past service cost	**(0.6)**	0.1
Interest income on plan assets	**(0.5)**	(0.5)
Interest expense on defined benefit obligation	**0.6**	0.6
Total expense	**1.8**	2.5

Consolidated Statement of Comprehensive Income

Aggregate actuarial gains and losses for all defined benefit plans recognised in the Consolidated Statement of Comprehensive Income for the year ended 31 December were as follows:

	2019 $m	2018 $m
Remeasurement effect recognised in other comprehensive income:		
Actuarial loss on liabilities due to experience	**(1.9)**	(2.1)
Actuarial (loss)/gain arising from changes in financial assumptions	**(6.2)**	1.7
Actuarial gain arising from changes in demographic assumptions	**0.1**	–
Actuarial gain/(loss) on assets	**3.0**	(0.5)
Remeasurement loss recognised in other comprehensive income	**(5.0)**	(0.9)
Deferred tax on remeasurement gain/(loss) recognised in other comprehensive income	**1.5**	(0.1)
Recognition of pension assets restriction	**(0.6)**	0.4
Foreign exchange	**–**	–
Total amount recognised in other comprehensive income	**(4.1)**	(0.6)

Consolidated Statement of Financial Position

The amount recognised for each defined benefit arrangement in the Consolidated Statement of Financial Position at 31 December was as follows:

	UK		Germany		Switzerland		Other		Total	
	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m
Fair value of schemes' assets	**17.1**	15.6	**–**	–	**12.5**	8.0	**0.8**	–	**30.4**	23.6
Present value of funded schemes' liabilities	**(10.8)**	(9.9)	**–**	–	**(19.6)**	(12.1)	**(1.5)**	–	**(31.9)**	(22.0)
Surplus/(deficit) in the funded schemes	**6.3**	5.7	**–**	–	**(7.1)**	(4.1)	**(0.7)**	–	**(1.5)**	1.6
Present value of unfunded schemes' liabilities	**–**	–	**(10.9)**	(8.3)	**–**	–	**(2.7)**	(2.7)	**(13.6)**	(11.0)
Restrict recognition of asset	**(6.3)**	(5.7)	**–**	–	**–**	–	**–**	–	**(6.3)**	(5.7)
Net pension asset/(liability)	**–**	–	**(10.9)**	(8.3)	**(7.1)**	(4.1)	**(3.4)**	(2.7)	**(21.4)**	(15.1)

The weighted average duration of the Group's defined benefit obligation at the end of the year is 20 years (2018: 16 years).

13. Post-employment benefits (continued)

Fair value of assets and present value of the liabilities of the plan

The amount included in the Statement of Financial Position arising from its obligations in respect of its defined benefit plans was as follows:

	Assets $m	Liabilities $m	Total $m
At 1 January 2018	24.5	(31.6)	(7.1)
Current service cost	–	(2.3)	(2.3)
Past service cost	–	(0.1)	(0.1)
Interest income/(expense)	0.5	(0.6)	(0.1)
Remeasurement (loss)/gain	(0.5)	1.7	1.2
Contributions by employer	0.7	–	0.7
Contributions by members	0.7	(0.7)	–
Net benefits	(1.1)	1.3	0.2
Experience loss	–	(2.1)	(2.1)
Foreign exchange	(1.2)	1.4	0.2
At 31 December 2018	**23.6**	**(33.0)**	**(9.4)**
Current service cost	**–**	**(2.3)**	**(2.3)**
Past service cost	**–**	**0.6**	**0.6**
Interest income/(expense)	**0.5**	**(0.6)**	**(0.1)**
Remeasurement gain/(loss)	**3.0**	**(6.1)**	**(3.1)**
Contributions by employer	**0.8**	**–**	**0.8**
Contributions by members	**0.7**	**(0.7)**	**–**
Net benefits	**1.0**	**(1.0)**	**–**
Experience loss	**–**	**(1.9)**	**(1.9)**
Foreign exchange	**0.8**	**(0.5)**	**0.3**
At 31 December 2019	**30.4**	**(45.5)**	**(15.1)**

Plan assets

The fair value of defined benefit plan assets at 31 December, which has been determined in accordance with IFRS 13, *Fair Value Measurements*, is analysed below. All assets have a quoted market price and are categorised as a Level 1 measurement in the fair value hierarchy.

	UK		Germany		Switzerland		Other		Total	
	2019 $m	2018 $m	**2019 $m**	2018 $m	**2019 $m**	2018 $m	**2019 $m**	2018 $m	**2019 $m**	2018 $m
Equity instruments	**–**	–	**–**	–	**3.4**	2.1	**–**	–	**3.4**	2.1
Debt instruments	**16.9**	15.6	**–**	–	**4.7**	3.4	**–**	–	**21.6**	19.0
Property	**–**	–	**–**	–	**1.7**	0.8	**–**	–	**1.7**	0.8
Qualifying insurance policies	**–**	–	**–**	–	**–**	–	**0.8**	–	**0.8**	–
Other	**0.2**	–	**–**	–	**2.7**	1.7	**–**	–	**2.9**	1.7
Plan assets	**17.1**	15.6	**–**	–	**12.5**	8.0	**0.8**	–	**30.4**	23.6

Actuarial assumptions

The Group makes certain key assumptions in order to value the plan obligations, and the approach to how these are set was as follows:

	Approach taken
Discount rate	Calculated by reference to the yields on high-quality corporate bonds which match expected cash flows in each territory in which a defined benefit plan is present.
Inflation	Calculated using the difference on yields between fixed and index-linked Government bonds.
Future salary increases	Based on historical expectations and known future increases, including expected inflation rates.
Mortality	Based on mortality tables derived from assessments performed by national governments and based upon recommendations by plan actuaries.

The principal actuarial assumptions for each defined benefit arrangement used at 31 December were as follows:

	UK		Germany		Switzerland		Other	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Discount rate	**2.00%**	2.75%	**1.39%**	2.39%	**0.10%**	1.00%	**0.31% to 1.10%**	1.50% to 2.10%
Rate of price inflation	**2.25%**	2.45%	**N/A**	N/A	**0.50%**	0.50%	**1.00% to 2.00%**	2.00%
Future salary increases	**N/A**	N/A	**2.39%**	2.00%	**1.75%**	1.75%	**3.00%**	3.00%

13. Post-employment benefits (continued)

The current mortality assumptions underlying the values of the obligations in the defined benefit plans were as follows:

	UK		Germany		Switzerland		Other	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Life expectancy at Plan retirement age								
Male	**22.7 years**	23.3 years	**20.0 years**	20.0 years	**22.7 years**	22.6 years	**22.9 years**	20.7 years
Female	**23.8 years**	24.3 years	**23.6 years**	23.6 years	**25.6 years**	25.6 years	**26.4 years**	24.3 years
Life expectancy at Plan retirement age in 20 years' time								
Male	**24.0 years**	24.7 years	**22.8 years**	22.8 years	**24.3 years**	24.3 years	**24.1 years**	23.1 years
Female	**25.3 years**	25.8 years	**25.8 years**	25.8 years	**27.3 years**	27.3 years	**27.5 years**	26.2 years

Sensitivity analysis

The effect of movements in the key actuarial assumptions related to the UK, Germany and Switzerland plans at 31 December 2019 would be an (increase)/decrease to the defined benefit obligations as follows:

	UK $m		Germany $m		Switzerland $m	
	Increase 0.5%	**Decrease 0.5%**	**Increase 0.5%**	**Decrease 0.5%**	**Increase 0.5%**	**Decrease 0.5%**
Discount rate	**0.8**	**(0.8)**	**1.2**	**(1.4)**	**2.0**	**(2.2)**
Inflation	**(0.5)**	**0.5**	**N/A**	**N/A**	**(0.7)**	**0.7**
Future salary increases	**N/A**	**N/A**	**N/A**	**N/A**	**(0.5)**	**0.5**
	1 year increase	**1 year decrease**	**1 year increase**	**1 year decrease**	**1 year increase**	**1 year decrease**
Life expectancy	**(0.5)**	**0.5**	**(0.4)**	**0.4**	**(0.4)**	**0.4**

Future funding

Payments expected to be made by the Group to its defined benefit pension plans in the year ended 31 December 2020 are as follows:

	UK $m	Germany $m	Switzerland $m	Other $m	**Total $m**
Expected payments	–	0.1	0.8	–	**0.9**

Capital structure and financial costs

The Group ensures that all entities within the Group have sufficient funding to deliver the Group's strategy while maximising the return to shareholders through the debt and equity balance. The capital structure of the Group consists of debt (which includes borrowings less cash and cash equivalents) and equity of the Group, comprising issued capital, reserves and earnings as disclosed in the Consolidated Statement of Changes in Equity.

14. Capital structure and net debt

The capital structure of the Group was as follows:

	2019 $m	2018 $m
Borrowings (Note 19)	**1,486.1**	1,620.8
Less: Cash and cash equivalents (Note 20)	**385.8**	315.6
Net debt	**1,100.3**	1,305.2
Equity	**1,561.0**	1,617.2
Total capital	**2,661.3**	2,922.4

The Group's capital structure is managed to provide ongoing returns to shareholders and service debt obligations whilst maintaining maximum operational flexibility. Refer to pages 65 to 67 for discussion of the Group's sources and uses of cash.

15. Share capital and reserves

Share capital

Called up share capital is the total number of shares in issue at their par value. The rights attaching to the ordinary shares are uniform in all respects. They form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Group. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds, net of tax.

Repurchased shares are classified as own shares and are presented in the own shares reserve.

Share premium

The share premium represents amounts received in excess of the nominal value of the ordinary shares.

Own shares

Own shares are ordinary shares in the Group purchased and held by an Employee Benefit Trust to satisfy obligations under the Group's employee share ownership programmes.

Where any Group company purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable costs and the related tax effects, is recognised in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Merger reserve

In 2016, the Consolidated 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 led to differences on consolidation between issued share capital 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.

Other reserves

Includes changes in effective portion of cash flow hedges, remeasurement of defined benefit obligations and share-based payment reserve.

Share capital

Shares were allotted during the year in relation to the Group's scrip dividend offering. The movements in ordinary shares in issue of 10p each were as follows:

Issued and fully paid or credited as fully paid	Ordinary shares number	Share capital $m	Share premium $m
1 January 2018	1,951,850,599	238.8	1.3
Issue of new shares for Scrip Scheme – 2017 final dividend	9,623,305	1.3	25.1
Issue of new shares for Scrip Scheme – 2018 interim dividend	4,681,820	0.6	13.4
31 December 2018	**1,966,155,724**	**240.7**	**39.8**
Issue of new shares for Scrip Scheme – 2018 final dividend	**11,198,285**	**1.5**	**18.5**
Issue of new shares for Scrip Scheme – 2019 interim dividend	**6,159,842**	**0.7**	**12.4**
31 December 2019	**1,983,513,851**	**242.9**	**70.7**

15. Share capital and reserves (continued)

At 31 December 2019, 4,848,579 shares (2018: 2,531,339 shares) were held in the Employee Benefit Trust. The market value of own shares at 31 December 2019 was $12.8 million (2018: $4.5 million). During the year the Employee Benefit Trust purchased 6,386,097 shares for $14.0 million (2018: $nil) to satisfy requirements of the CEO buy-out and anticipated future obligations under the Group's employee share ownership programmes. Refer to page 125 for details on CEO buy-out costs.

Other reserves includes the effective portion of cash flow hedges of $0.8 million (2018: $88.3 million) and share-based payment reserve of $118.3 million (2018: $113.9 million), partially offset by remeasurement of defined benefit obligations of $13.0 million (2018: $8.9 million). A reconciliation of movements in all reserves is provided in the Consolidated Statement of Changes in Equity.

Distributable reserves

Retained and realised distributable reserves equates to the retained surplus of ConvaTec Group Plc as set out in the Company only Financial Statements on page 193. At 31 December 2019, the retained surplus of ConvaTec Group Plc (the Company) was $1,528.5 million (2018: $1,574.7 million). The capacity of the Company to make dividend payments is primarily determined by the availability of these retained and realised distributable reserves and the Group's cash resources.

16. Dividends

The Group ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholder dividends, and the purchase of shares for employee share scheme incentives. The Company principally derives distributable reserves from dividends paid by subsidiary companies.

In determining the level of dividend in the year, the Board considers the following factors and risks that may influence the proposed dividend:
- Availability of realised distributable reserves;
- Available cash resources and commitments;
- Strategic opportunities and investments, in line with the Group's Strategic Plan; and
- Principal risks of the Group (as disclosed on pages 28 to 33).

Details of the Group's considerations and rationale for its policy in respect of the dividend distribution are given in the Directors' report on page 132.

Accounting policy

Dividends paid are included in the Group Consolidated Financial Statements at the earlier of payment of the dividends or in respect of the Company's final dividend for the year, on approval by shareholders.

The Company operates a scrip dividend scheme allowing shareholders to elect to receive their dividend in the form of new fully paid ordinary shares. For any particular dividend, the Directors may decide whether or not to make the scrip offer available.

Dividends paid and proposed were as follows:

	pence per share	cents per share	Total $m	Settled in cash $m	Settled via scrip $m	No of scrip shares issued
Final dividend 2017	3.094	4.300	81.7	55.3	26.4	9,623,305
Interim dividend 2018	1.309	1.717	33.6	19.6	14.0	4,681,820
Paid in 2018	4.403	6.017	115.3	74.9	40.4	14,305,125
Final dividend 2018	**3.097**	**3.983**	**79.1**	**59.1**	**20.0**	**11,198,285**
Interim dividend 2019	**1.404**	**1.717**	**33.9**	**20.8**	**13.1**	**6,159,842**
Paid in 2019	**4.501**	**5.700**	**113.0**	**79.9**	**33.1**	**17,358,127**
Final dividend 2019 proposed	**3.095**	**3.983**	**79.0**			

The final dividend proposed for 2019, to be distributed on 14 May 2020 to shareholders registered at the close of business on 3 April 2020, is based upon the issued and fully paid share capital as at 31 December 2019 and is subject to shareholder approval at our Annual General Meeting on 7 May 2020. The dividend will be declared in US dollars and will be paid in Sterling at the chosen exchange rate of $1.287/£1.00 determined on 27 February 2020. A scrip dividend alternative will be offered allowing shareholders to elect by 21 April 2020 to receive their dividend in the form of new ordinary shares.

The interim and final dividends for 2019 give a total dividend for the year of 5.700 cents per share (2018: 5.700 cents per share).

17. Share-based payments

The Group operates a number of plans used to award shares to Executive Directors and other senior employees as part of their remuneration package. A charge is recognised over the vesting period in the Consolidated Income Statement to record the cost of these, based on the fair value of the award at the grant date.

The Group's share-based payment schemes in place are as follows:

Long Term Incentive Plan ("LTIP")
Provides Performance Share Plan ("PSP") awards subject to Group performance and market conditions and Restricted Stock Units ("RSU") subject only to remaining employed up to the vesting date.

Deferred Bonus Plan ("DBP")
Provides for the grant of share awards to defer a portion of the participant's bonus as determined by the Remuneration Committee. The awards vest subject only to remaining employed up to the vesting date.

Matching Share Plan ("MSP")
Provides for the grant of discretionary share awards calculated as a proportion of the participant's bonus. The awards granted in 2019 and 2018 are subject to Group performance and market performance conditions.

Transition Awards
The Transition Awards were made on a one-off basis after listing in 2016 and consisted of market value options and restricted shares. The final tranche vested in November 2019 subject to the participant remaining employed up to the vesting date.

The Group also operates Employee Plans which provide eligible employees the opportunity to save up to £500 per month (or local currency equivalent) with an option to acquire shares using these savings at a 15% discount to the market price at date of grant. The Employee Plans are available to employees under the following schemes:
- *Save-As-You-Earn ("SAYE")* – Available to all employees in the UK employed by participating Group companies.
- *Employee Stock Purchase Plan ("ESPP")* – Available to all employees in the US.
- *International Share Save Plan* – Available to all employees in the rest of the world.

Accounting policy

Equity-settled share-based payment awards are measured at the fair value of the award on the grant date, excluding the effect of non-market-based vesting conditions. The fair value of the awards at the date of the grant is expensed to general and administrative expenses in the Consolidated Income Statement over the vesting period on a straight-line basis.

Appropriate adjustments are made to reflect expected and actual forfeitures during the vesting period due to uncertainties in satisfying service conditions or non-market performance conditions. The corresponding credit is to other reserves in the Consolidated Statement of Financial Position.

All share-based compensation expenses were equity-settled and recognised in the Consolidated Income Statement as follows:

	2019 $m	2018 $m
MEP[(a)]	**–**	5.9
LTIP	**11.6**	2.5
DBP	**–**	0.1
MSP	**0.5**	1.1
Employee Plans	**2.1**	1.6
	14.2	11.2

(a) Management Executive Plan ("MEP") relates to awards granted before the listing in 2016, which became fully vested in 2018.

17. Share-based payments (continued)

Awards outstanding

The movements in the number of share and share option awards and the weighted average exercise price of share options are detailed below:

	2019		2018	
	Number of shares/ options 000's	Weighted average exercise price of options £ per share	Number of shares/ options 000's	Weighted average exercise price £ per share
Outstanding at 1 January	**25,301**	**1.04**	14,413	1.46
Granted	**19,383**	**0.42**	15,771	0.65
Forfeited	**(10,830)**	**1.46**	(4,406)	1.22
Exercised	**(4,351)**	**–**	(477)	–
Outstanding at 31 December	**29,503**	**0.57**	25,301	1.04
Exercisable at 31 December	**1,600**	**2.28**	1,702	2.09
Weighted average fair value of awards granted (£ per share)	**–**	**0.79**	–	0.86

The average share price during 2019 was £1.59 (2018: £1.99). The share price of the Company at 31 December 2019 was £1.99.

The range of exercise prices and the weighted average remaining contractual life of options outstanding at 31 December were as follows:

Range of prices	2019 Number of shares/ options 000's	2018 Number of shares/ options 000's
Nil	**19,119**	13,894
1.21	**6,532**	–
1.84	**1,532**	5,266
2.49	**1,540**	2,067
2.78	**780**	4,074
	29,503	25,301
Weighted average remaining contractual life of options outstanding	**2.4 years**	1.9 years

Valuation assumptions

All share awards granted are valued directly by reference to the share price at date of grant except:
- PSP shares awarded under the LTIP and 2018 and 2019 MSP shares that are subject to a relative Total Shareholder Return ("TSR") performance condition and are valued using a Monte Carlo simulation.
- Options granted under the Employee Plans which are valued using the Black-Scholes model.

The principal assumptions used in these valuations were:

	2019			2018		
	LTIP and MSP with TSR condition	SAYE & International Share Save Plan	ESPP	LTIP with TSR condition	SAYE & International Share Save Plan	ESPP
Share price at date of grant	**£1.37**	**£1.74**	**£1.42**	£2.08	£2.09	£2.19
Exercise price	**nil**	**£1.21**	**£1.21**	nil	£1.84	£1.84
Expected life	**3.0 years**	**3.6 years**	**2.0 years**	2.8 years	3.6 years	2.0 years
Expected volatility[(a)]	**45.0%**	**45.0%**	**45.0%**	30.2%	31.6%	31.8%
Risk free rate	**0.8%**	**0.8%**	**0.8%**	0.8%	0.8%	0.6%
Dividend yield	**3.2%**	**3.2%**	**3.2%**	nil	1.9%	1.9%
Fair value	**£0.65**	**£0.33**	**£0.20**	£0.98	£0.26	£0.26

(a) The expected volatility was determined by calculating the observed historical volatility of share prices of peer group companies (including the Company) over the expected life of the share award.

18. Financial risk management

The Group's treasury policies seek to minimise the Group's principal financial risks. No trading or speculative transactions in financial instruments are undertaken. This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing risks.

Financial risk management objectives

Based on the global operations of the Group, management consider the key financial risks to be liquidity, foreign exchange, interest rate and counterparty credit. The management of counterparty credit risk is discussed in Note 10 – Trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting 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. As at 31 December 2019, the Group held cash and cash equivalents of $385.8 million and had access to a $200.0 million multicurrency revolving credit facility, which was undrawn.

For further detail on the Group's assessment of liquidity risk refer to the viability assessment pages 34 to 35.

Foreign exchange risk

As a result of the global nature of operations, the Group is exposed to market risk arising from changes in foreign currency exchange rates.

Where possible, the Group manages foreign exchange risk by matching same currency revenues and expenses. It will also denominate debt in certain currencies and use foreign exchange forward contracts to further minimise foreign exchange 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.

The following exchange rates have been applied for the principal currencies at 31 December:

Currency	Average rate/ Closing rate	2019	2018
EUR/USD	Average	**1.12**	1.18
	Closing	**1.12**	1.15
GBP/USD	Average	**1.28**	1.34
	Closing	**1.33**	1.28
DKK/USD	Average	**0.15**	0.16
	Closing	**0.15**	0.15

Sensitivity analysis on foreign exchange risk

The sensitivity analysis below assumes a 10% strengthening of the US dollar against the principal currencies to highlight the sensitivity of profit before income taxes and total equity to foreign exchange risk as at 31 December, with all other variables held constant.

Currency	Sensitivity	2019 $m	2018 $m
Increase/(decrease) in profit before income taxes			
GBP/USD	+10%	**(2.8)**	(1.5)
EUR/USD	+10%	**(24.5)**	(33.5)
DKK/USD	+10%	**(9.1)**	(9.4)
Decrease/(increase) in total equity			
GBP/USD	+10%	**(84.8)**	(84.2)
EUR/USD	+10%	**(17.9)**	(18.0)
DKK/USD	+10%	**(26.0)**	(17.2)

In 2019 the Group changed the method for assessing a 10% change in foreign currency exchange rates. The sensitivity is now calculated by dividing the non-US dollar balances by adjusted foreign rates. The 2018 comparative has been provided based on the adjusted methodology. There have been no other changes in the methods and assumptions used in preparing the sensitivity analysis.

Interest rate risk

The Group's principal exposure to interest rate risk is in relation to interest expense on borrowings made under the Group's credit agreement which attract interest at floating rates plus a fixed margin. Floating rate borrowings expose the Group to interest rate cash flow and expense risk. The Group manages this exposure by using interest rate swaps designated as cash flow hedges to maintain an appropriate mix between fixed and floating rate borrowings.

Sensitivity analysis on interest rate risk

Based on the composition of the Group's borrowings as at 31 December 2019 and before the effect of interest rate swaps, if interest rates were to increase or decrease by 100 basis points, the interest expense on borrowings would increase by $13.2 million (2018: $16.3 million) or decrease by $10.5 million (2018: $16.3 million) assuming that all other variables remain constant and excluding any effect of tax.

19. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from bank term loans together with a committed revolving credit facility. In October 2019, the Group voluntarily prepaid and discharged all outstanding contractual obligations under its previous credit agreement and refinanced under a new credit agreement.

Accounting policy

Borrowings are recognised at fair value less directly attributable costs on the date that they are entered into and subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating the 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.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

The Group derecognises borrowings when its contractual obligations are discharged, terminated or expired.

The Group's consolidated borrowings as at 31 December were as follows:

	2019 $m	2018 $m
Revolving credit facility	**–**	–
Term loans	**1,486.1**	1,620.8
Total borrowings from credit facilities	**1,486.1**	1,620.8
Finance lease liabilities[(a)]	**–**	23.7
Total borrowings	**1,486.1**	1,644.5
Less: current portion of borrowings	**40.8**	63.0
Total non-current borrowings	**1,445.3**	1,581.5

(a) Finance lease liabilities have been reclassified from borrowings to lease liabilities in the Consolidated Statement of Financial Position as a result of the adoption of IFRS 16 on 1 January 2019. Refer to Note 1 – Basis of preparation for further details.

Credit agreement

On 24 October 2019, the Group entered into a new credit agreement and voluntarily prepaid and discharged its contractual obligations under its previous credit agreement at that date, totalling $1,587.6 million. Unamortised deferred financing fees of $11.2 million associated with the previous credit agreement have been written off – refer to Note 23 – Finance costs, net for further details.

The new credit agreement entered into by the Group is committed and available for the refinancing of certain existing financial indebtedness and general corporate purposes. Provided by a group of financial institutions, it consists of two 5-year multicurrency term loans totalling $1.5 billion and a $200.0 million multicurrency revolving credit facility. Of the $1.5 billion term loan debt, $600.0 million is amortising requiring scheduled annual repayments of the principal. The remaining $900.0 million is repayable in full at the maturity of the term loan. The revolving credit facility has an option to increase its amount by up to 50% ($100.0 million) subject to certain conditions. The revolving credit facility was undrawn as at 31 December 2019.

The credit agreement is secured by way of a share pledge and contains various provisions, covenants and representations that are customary for such a facility. The principal financial covenants are based on a net leverage and an interest cover test. At 31 December 2019 and 2018, the Group was in compliance with all financial and non-financial covenants related to the relevant credit agreement in place.

Excluding the impact of interest rate swaps, the weighted average interest rate on borrowings for the year ended 31 December 2019 was 3.8% (2018: 3.5%).

19. Borrowings (continued)

The carrying amounts of total borrowings outstanding at 31 December were as follows:

	Currency	Year of maturity	2019 Face value $m	2018 Face value $m
New facilities				
Revolving Credit Facilities	Multicurrency	2024	**–**	–
Term Loan Facility A[(a)]	USD/Euro	2024	**600.9**	–
Term Loan Facility B[(b)]	USD/Euro	2024	**901.4**	–
Previous facilities				
US dollar Term A Loan Facility	USD	2021	**–**	712.3
Euro Term A Loan Facility[(c)]	Euro	2021	**–**	500.9
US dollar Term B Loan Facility	USD	2023	**–**	421.4
Total interest-bearing borrowings			**1,502.3**	1,634.6
Financing fees			**(16.2)**	(13.8)
Total carrying value of borrowings from credit facilities			**1,486.1**	1,620.8

(a) Included within Term Loan Facility A is €161.3 million ($180.9 million) denominated in Euros representing 30% of facility A borrowings denominated in Euros and 70% denominated in US dollars.
(b) Included within Term Loan Facility B is €242.0 million ($271.4 million) denominated in Euros representing 30% of facility B borrowings denominated in Euros and 70% denominated in US dollars.
(c) Total face value of the borrowings outstanding under the Euro Term A Loan Facility denominated in Euros was €436.8 million ($500.9 million) at 31 December 2018.

Borrowings not measured at fair value

At 31 December 2019, the estimated fair value of the Group's borrowings, excluding leases obligations, approximated $1,513.2 million (2018: $1,586.6 million). The fair value of the Group's borrowings is based on discounted cash flows using a current borrowing rate and are categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13, *Fair Value Measurements*.

Maturity of financial liabilities

The contractual undiscounted future cash flows, including contractual interest payments, related to the Group's financial liabilities were as follows:

	Contractual cash flows					
	Within 1 year or on demand $m	1 to 2 years $m	2 to 5 years $m	More than 5 years $m	Total $m	Carrying amount $m
At 31 December 2019						
Borrowings	**100.2**	**143.6**	**1,503.1**	**–**	**1,746.9**	**1,486.1**
Lease obligations[(a)]	**21.7**	**17.6**	**31.4**	**35.7**	**106.4**	**88.5**
Trade and other payables	**289.3**	**–**	**–**	**–**	**289.3**	**289.3**
Derivative financial instruments						
Forward foreign exchange contracts – outflow	**266.7**	**–**	**–**	**–**	**266.7**	**2.2**
Forward foreign exchange contracts – inflow	**(265.5)**	**–**	**–**	**–**	**(265.5)**	**(1.0)**
At 31 December 2018						
Borrowings	118.8	171.0	1,549.0	–	1,838.8	1,620.8
Finance lease obligations	2.7	2.8	8.5	23.0	37.0	23.7
Operating leases	20.7	15.7	19.1	6.4	61.9	–
Trade and other payables	116.0	–	–	–	116.0	116.0

(a) Lease obligations include right-of-use lease obligations recognised in accordance with IFRS 16 that was adopted 1 January 2019.

19. Borrowings (continued)

Reconciliation of movement in borrowings

	2019 $m	2018 $m
Borrowings at 1 January	**1,620.8**	1,797.3
Repayment of borrowings	**(1,618.7)**	(153.7)
Proceeds of new borrowings, net of financing fees	**1,481.0**	–
Foreign exchange	**(11.5)**	(27.1)
Non-cash movements[a]	**14.5**	4.3
Borrowings at 31 December	**1,486.1**	1,620.8

(a) Non-cash movements for the year ended 31 December 2019, includes deferred financing fees recognised upon early termination of the Group's previous credit agreement.

20. Cash and cash equivalents

Cash held at bank is used for the Group's day-to-day operations. The Group utilises bank deposits or money market funds which have a maturity of three months or less as liquid investments that enable short-term liquidity requirements to be met.

Accounting policy

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions. All liquid investments, including term deposits and money market funds, with original maturities of three months or less, subject to insignificant risk of changes in value and repayable within 24 hours with no loss of interest, are also considered cash equivalents.

	2019 $m	2018 $m
Cash at bank and in hand	**183.7**	313.4
Money market funds and bank deposits	**202.1**	2.2
Cash and cash equivalents	**385.8**	315.6

Restricted cash

Accounting policy

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/real estate leases by financial institutions on the Group's behalf.

	2019 $m	2018 $m
Current: classified as prepaid expenses and other current assets	**–**	2.0
Non-current: classified as restricted cash	**3.6**	2.4
Total restricted cash	**3.6**	4.4

21. Financial instruments

A derivative financial instrument is a contract that derives its value from the performance of an underlying variable, such as foreign exchange rates or interest rates. The Group uses derivative financial instruments to manage foreign exchange and interest rate risk arising from its operations and financing. Derivative financial instruments used by the Group are foreign exchange forwards and interest rate swaps.

The Group utilises interest rate swap agreements, designated as cash flow hedges, to manage its exposure to variability in expected future cash outflows attributable to the changes in interest rates on the Group's borrowing facilities.

Accounting policy

Derivative financial instruments are initially recognised at fair value on the derivative contract date and are remeasured at their fair value at subsequent reporting dates. Derivative financial instruments are classified at fair value through profit or loss ("FVTPL") unless they are designated and qualify as an effective cash flow hedge. The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate from third parties at the reporting date.

Hedge accounting

The Group has elected to apply the IFRS 9, *Financial Instruments* hedge accounting requirements. Changes in the fair values resulting from changes in market interest rates are recognised in other comprehensive income. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates, the Group's current creditworthiness, as well as that of the swap counterparties.

The cumulative gain or loss is then reclassified to the Consolidated Income Statement in the same period when the relevant hedged transaction is realised. Any ineffectiveness on hedging instruments is recognised in the Consolidated Income Statement within finance costs, net 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.

The transition away from LIBOR, and other IBORs (together "IBOR Reform") will remove IBOR as an interest rate benchmark for financial instruments including the interest rate swaps held by the Group (as detailed below) and floating rate debt (Note 19 – Borrowings). There is uncertainty as to the timing and the methods of transition for replacing existing IBOR benchmark rates with alternative rates. The Group has considered whether hedge accounting relationships continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected transition deadline. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019. The changes proposed are not considered to have an immediate impact on the Group and we will continue to monitor developments of IBOR Reform throughout 2020.

Right to offset

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.

Fair value measurement

Financial instruments are classified as Level 2 in the fair value hierarchy in accordance with IFRS 13, *Fair Value Measurements*, 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).

At 31 December 2018 the Group held interest rate swaps with a notional amount of $833.8 million. These interest rate swap agreements were settled on 24 October 2019 at the same time as the voluntary prepayment and cancellation of the Group's previous credit agreement. The early termination of the interest rate swap agreements resulted in a $0.8 million gain reclassified to finance costs, net, in the Consolidated Income Statement, in the year ended 31 December 2019.

On 5 December 2019 the Group entered into interest rate swap agreements to fix a proportion of variable interest on US dollar denominated debt, in accordance with the Group's risk management policy. The interest rate swaps were designated as hedging instruments in a cash flow hedging relationship.

21. Financial instruments (continued)

The fair values are based on market values of equivalent instruments at 31 December 2019. The following table presents the Group's outstanding interest rate swaps at 31 December:

			2019		2018	
	Effective date	Maturity date	Notional amount $m	Fair value[(a)] assets $m	Notional amount $m	Fair value[(a)] assets $m
3 Month LIBOR Float to Fixed Interest Rate Swap	30 Jun 2017	24 Oct 2019	—	–	833.8	11.3
3 Month LIBOR Float to Fixed Interest Rate Swap	24 Jan 2020	24 Jan 2023	275.0	1.0	–	–
			275.0	1.0	833.8	11.3
Recognised in other comprehensive income:						
Effective portion of changes in fair value of cash flow hedges				(9.5)		3.9
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement				(0.8)		–
Total				(10.3)		3.9

(a) The fair values of the interest rate swaps are shown in derivative financial assets in the Consolidated Statement of Financial Position. Finance costs, net in the Consolidated Income Statement includes the negligible ineffective impact of the interest rate swaps.

The following table presents the Group's outstanding foreign exchange forward contracts at 31 December:

			2019		2018	
	Term	Financial Statement line item	Notional amount $m	Fair value $m	Notional amount $m	Fair value $m
Foreign exchange contracts	30-45 days	Other receivables	130.7	1.0	–	–
Foreign exchange contracts	28 days	Accruals and other payables	136.0	(2.2)	–	–
			266.7	(1.2)	–	–

During the year ended 31 December 2019, the Group realised a net gain of $0.9 million (2018: $nil) on foreign exchange forward contracts in non-operating expenses, net, in the Consolidated Income Statement.

22. Leases

The Group principally leases real estate and vehicles. Leases are recognised as a right-of-use asset with a corresponding liability recorded at the date at which the leased asset is available for use by the Group.

Accounting policy

The lease liability is measured at the present value of future lease payments discounted using the rate implicit in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Options such as lease extensions or terminations on lease contracts are considered on a case-by-case basis by regular management assessment.

Each lease payment is allocated between amounts paid for principal and interest. The interest cost is charged to the Consolidated Income Statement over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less and low-value leases comprise of leases with an underlying asset value of less than $5,000. Expenses recognised for these short-term and low-value leases for the year ended 31 December 2019 were $3.3 million.

22. Leases (continued)

The movements in right-of-use assets were as follows:

	Real estate and other $m	Vehicles $m	Total $m
As at 1 January 2019	**51.1**	**14.7**	**65.8**
Reclassification from PP&E[a]	20.9	0.2	21.1
Lease additions	12.0	9.9	21.9
Leases terminated	(0.9)	(0.7)	(1.6)
Depreciation of right-of-use assets	(14.2)	(8.2)	(22.4)
Foreign exchange	(0.3)	–	(0.3)
As at 31 December 2019	**68.6**	**15.9**	**84.5**

(a) Amounts previously recognised as finance lease assets have been reclassified to right-of-use assets upon transition to IFRS 16 on 1 January 2019. Refer to Note 7 – Property, plant and equipment for further details.

Lease liabilities by category at 31 December 2019 were as follows:

	Real estate and other $m	Vehicles $m	Total $m
Current	11.4	7.0	18.4
Non-current	61.0	9.1	70.1
Total	**72.4**	**16.1**	**88.5**

The maturity of lease liabilities at 31 December were as follows:

	Real estate and other $m	Vehicles $m	Total $m
Within 1 year	11.4	7.0	18.4
1 to 5 years	31.0	9.1	40.1
More than 5 years	30.0	–	30.0
Total	**72.4**	**16.1**	**88.5**
Of which:			
Principal	55.3	15.1	70.4
Interest	17.1	1.0	18.1

23. Finance costs, net

Finance costs arise from interest on the Group's borrowings from credit facilities and lease liabilities. Finance income arises on the results of hedging transactions used to manage interest rate movements and interest earned on surplus cash balances.

Accounting policy

Finance costs, including the transaction costs for borrowings and any discount or premium on issue, are recognised in the Consolidated Income Statement using the effective interest rate method.

When existing debt is derecognised in the financial statements any transaction costs not amortised are recognised immediately in the Consolidated Income Statement.

Upon derecognition of financial liabilities, any unamortised financing fees are recognised immediately in the Consolidated Income Statement.

Interest related to qualifying assets under construction included within PP&E is capitalised (refer to Note 7 – Property, plant and equipment).

Refer to Note 22 – Leases for accounting policy on interest expense on lease liabilities.

Interest arising from interest rate swaps is recorded as either interest income or expense over the term of the agreement. When a hedging instrument expires, is sold or terminated or no longer meets the requirements for hedge accounting, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the Consolidated Income Statement.

23. Finance costs, net (continued)

Finance costs, net for the year ended 31 December were as follows:

	2019 $m	2018 $m
Interest expense on borrowings[(a)]	60.7	62.6
Other financing-related fees[(b)(c)]	17.2	5.9
Interest expense on lease liabilities[(d)]	3.6	1.8
Interest income on interest rate swaps	(6.0)	(4.0)
Interest income on money market funds and deposits	(1.8)	(0.9)
Capitalised interest[(e)]	(0.6)	(0.5)
Other expense	0.5	0.3
Finance costs, net	**73.6**	65.2

(a) Refer to Note 19 – Borrowings for further details.
(b) Other financing-related fees include amortisation of deferred financing fees and revolving credit facility fees associated with both the previous credit agreement and new credit agreement. The previous credit agreement also included original issue discount representing the discount from par value at the time that debt was issued.
(c) For the year ended 31 December 2019, $11.2 million of deferred financing fees were recognised upon early termination of the Group's previous credit agreement.
(d) Interest expense on lease liabilities for the year ended 31 December 2019 relates to interest on lease liabilities for right-of-use assets which have been classified as leases under IFRS 16. For the year ended 31 December 2018, the interest expense relates to the interest on finance leases. Refer to Note 22 – Leases for further details.
(e) Capitalised interest was calculated using the Group's weighted average interest rate over the year of 3.8% (2018: 3.5%).

24. Commitments and contingencies

Commitments represent the Group's future capital expenditure which is not recognised as a liability in the Consolidated Financial Statements but represents a non-cancellable commitment.

A contingent liability is a possible liability that is not sufficiently certain to qualify for recognition as a provision because the amount cannot be measured reliably or because settlement is not considered probable.

Capital commitments

The Group had the following non-cancellable commitments at 31 December:

	2019 $m	2018 $m
Property, plant and equipment, capitalised software and development	12.4	10.2
Total	**12.4**	10.2

Contingent liabilities

Liability claims

On 31 May 2019, ConvaTec Inc. filed a lawsuit against Scapa Group plc (trading as Scapa Tapes North America LLC) and Webtec Converting LLC seeking a declaration that the company was within its rights to terminate a contract between the parties. On 10 July 2019, the defendants filed a motion seeking dismissal of the declaratory judgement action, and Scapa Tapes North America LLC filed a separate complaint seeking damages of $83.8 million against ConvaTec Inc. in relation to the contract cancellation. The Group's Board, in conjunction with its legal advisors, do not believe the claim has merit and no provision is recognised as at 31 December 2019.

25. Related party transactions

The Directors have not identified any related parties to the Group, other than the key management personnel. The Group considers key management personnel as defined in IAS 24, *Related Party Disclosures* to be the members of the CELT as set out on page 6 and the Non-Executive Directors as set out on pages 76 to 77.

Key management personnel compensation

Key management personnel compensation for the year ended 31 December was as follows:

	2019 $m	2018 $m
Short-term employee benefits	**12.9**	7.8
Share-based expense	**10.2**	4.4
Post-employment benefits	**0.4**	0.6
Total	**23.5**	12.8

At 31 December 2018 an amount of $0.1 million was outstanding relating to a loan to the Group's former CEO, this has been repaid in full in 2019. Further details of short-term employee benefits, share-based expense, post-employment benefits and termination benefits for the Executive Directors are shown on page 125. Details of the Non-Executive Directors' fees, included in the table above, are provided on page 131.

The Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel had or was to have a direct or indirect material interest.

26. Subsequent events

The Group has evaluated subsequent events through 27 February 2020, the date the Consolidated Financial Statements were approved by the Board of Directors. No subsequent events requiring disclosure have been identified other than the proposed final dividend, details of which are disclosed in Note 16 – Dividends.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. These measures include adjusted cost of goods sold, adjusted gross margin, adjusted selling and distribution costs, adjusted general and administrative expenses, adjusted research and development costs, adjusted other operating expenses, adjusted operating profit ("adjusted EBIT"), adjusted EBITDA, adjusted profit before tax, adjusted finance costs, adjusted non-operating expense, net, adjusted net profit, adjusted earnings per share, adjusted working capital, adjusted cash conversion, free cash flow and net debt. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that Group management believe are not related to the underlying performance of the Group. Reconciliations for these adjusted measures determined under IFRS are shown on pages 184 to 187. The definitions of adjusted measures are as calculated within the reconciliation tables.

In management's and the Board's view, the APMs reflect the underlying performance of the business and provide a meaningful supplement to the reported numbers to support how the business is managed and measured on a day-to-day basis. Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods. Adjusted measures also form the basis for performance measures for remuneration, e.g. adjusted EBIT. For further information see pages 184 and 187.

In determining whether an item should be presented as an 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 an allowable adjustment to IFRS measures, it must initially meet at least one of the following criteria:

- It is a significant item, which may cross more than one accounting period.
- It has been directly incurred as a result of either an acquisition, divestiture, or arises from termination benefits without condition of continuing employment related to a major business change or restructuring programme.
- It is unusual in nature, e.g. outside the normal course of business.

If an item meets at least one of the criteria, the Board, through the Audit and Risk Committee, then exercises judgement as to whether the item should be classified as an allowable adjustment to IFRS performance measures.

Key adjustments for adjusted EBIT (also referred to as adjusted operating profit) are pre-IPO costs, CEO-related compensation not subject to continuing employment, together with termination benefits arising exclusively from major change programmes. Further adjustments, which include amortisation of pre-2018 acquisition intangibles and impairments to intangible and fixed assets are also made in arriving at adjusted EBIT. The tax effect of the adjustments is reflected in the adjusted tax expense to remove their effect from adjusted net profit and adjusted earnings per share.

Adjusted EBITDA, which is used to calculate our metric of adjusted cash conversion and the effective use of our working capital, is calculated by adding back pre-IPO costs, CEO-related compensation not subject to continuing employment, share-based payment expenses, together with termination benefits and related costs to our reported EBITDA.

Adjusted items, excluding the impact of tax, for the year ended 31 December 2019 and 2018 include the following credits or costs that are reflected in the reported measures:

- Amortisation of intangible assets relating to acquisitions pre 1 January 2018 (ongoing) ($140.2 million and $142.4 million respectively).
- Impairment of assets as a result of transformation or an unusual circumstance (loss of $105.2 million and $0.5 million respectively).
- Divestiture activities including assets held for sale (gain of $1.9 million for the year ended 31 December 2018).
- Termination benefits in relation to major change programmes ($5.8 million and $12.6 million respectively).
- CEO buy-out costs reflecting non-performance-related compensation for the loss of incentive awards from previous employment ($6.2 million), not subject to continuing employment.
- Share-based payment compensation expense arising from pre-IPO equity grants. This concluded in 2018 ($6.2 million for the year ended 31 December 2018).

These items are excluded from the adjusted measures to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically gains or losses/costs arising from events that are not considered part of the core operations of the business or are considered to be significant in nature. They may cross several accounting periods. We also adjust for the tax effect of these items.

Acquisition-related amortisation of intangible assets
Our adjusted measures exclude the amortisation of intangibles arising from acquisitions made before 1 January 2018. After 1 January 2018, amortisation in relation to incremental "bolt-on" acquisitions is not excluded as smaller acquisitions are part of our Group strategy and should be included in our reported and adjusted measures. Management will review significant acquisitions on a case-by-case basis to determine whether the exclusion of the amortisation of acquired intangibles would provide a more meaningful comparison of our results.

Impairment of assets
Impairments, write-offs and gains and losses from the disposal of fixed assets are adjusted when management consider the circumstances surrounding the adjustment are not reflective of our core business or when the adjustments relate to pre-2018 acquisition intangibles.

Divestiture activities
These include significant assets which are disposed of as a result of a sale, major business change or restructuring programme, including gains and losses resulting from classification of assets as held for sale.

Termination benefits and related costs
Termination benefits and related costs arise from Group-wide initiatives to reduce the recurring cost base and improve efficiency in the business. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to termination benefits (including retention) without condition of continuing employment in respect of major Group-wide change programmes. Where discreet qualifying items are identified these costs are highlighted and excluded from the calculation of our adjusted measures. Restructuring-related costs not related to termination benefits are reported in the normal course of business.

CEO buy-out costs
The Group has incurred costs following the commencement of employment of Karim Bitar as CEO of ConvaTec Group Plc on 30 September 2019 to compensate for the loss of incentive awards from his previous employment. These costs relate to past performance in a previous employment, were not contingent on continuing employment with ConvaTec Group Plc, have no future performance requirements and do not represent the underlying cost base or performance of the Group in 2019. Awards granted include both cash and equity-based payment components which vested immediately.

Pre-IPO share-based payment compensation
In order to provide greater comparability and reflecting the changes within the Group as a result of the IPO (October 2016), certain IPO related costs were excluded from adjusted measures. Final residual share-based costs were incurred in 2018.

Reconciliation of reported earnings to adjusted earnings for the years ended 31 December 2019 and 2018

Year ended 31 December 2019	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance costs $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $m
Reported	1,827.2	955.6	(858.7)	96.9	(73.6)	(4.4)	18.9	(9.1)	9.8
Amortisation of pre-2018 acquisition intangibles	–	122.6	17.6	140.2	–	–	140.2	(10.1)	130.1
Impairment of assets	–	–	105.2	105.2	–	–	105.2	–	105.2
Termination benefits and other related costs	–	–	5.8	5.8	–	–	5.8	(0.9)	4.9
CEO buy-out costs	–	–	6.2	6.2	–	–	6.2	(1.2)	5.0
Total adjustments and their tax effect	–	122.6	134.8	257.4	–	–	257.4	(12.2)	245.2
Other discrete tax items	–	–	–	–	–	–	–	(23.0)	(23.0)
Adjusted	1,827.2	1,078.2	(723.9)	354.3	(73.6)	(4.4)	276.3	(44.3)	232.0
Software and R&D amortisation				10.4					
Post-2017 acquisition amortisation				1.3					
Depreciation				57.9					
Impairment/write-off of assets				9.1					
Post-IPO share-based payment compensation				10.1					
Adjusted EBITDA				443.1					

Impairment of assets of $105.2 million is predominantly related to a review of the product portfolio which has been undertaken as part of the Transformation Initiative which has resulted in the identification of impairment triggers in 2019 in relation to certain of the Group's intangible assets.

Termination benefits and other related costs were $5.8 million, pre-tax, in the year ended 31 December 2019. All initiatives recognised in 2018 are considered complete, $1.5 million was recognised in the current year in respect of these programmes. The Transformation Initiative is a global multi-year transformation programme which will simplify the way in which the business operates. Costs incurred for the year ended 31 December 2019 were $4.3 million. We expect to incur between $31 million and $36 million of severance and associated retention costs over 2020 and 2021.

CEO buy-out costs were $6.2 million, pre-tax, in the year ended 31 December 2019 and relate to cash paid of $2.1 million and equity-based incentive awards of $4.1 million granted to the CEO upon commencement of employment with ConvaTec Group Plc on 30 September 2019. These awards were not subject to continuing employment or performance conditions.

Other discrete tax items are a result of the Swiss tax reform which was substantively enacted on 4 October 2019 and is effective on 31 December 2019. As a result, ConvaTec International Services GmbH, is subject to a significant change in effective tax rate. The Swiss effective rate, which will increase over a ten-year period to 1 January 2030, is alleviated by grandfathering provisions which results in the estimation and recognition of a deferred tax asset. The value of the deferred tax asset of $23.0 million has been calculated on a best estimate basis using a specific methodology that is permitted under Swiss law. Given the future anticipated transformative changes in the business, there is estimation uncertainty in the calculation of the deferred tax asset and this remains subject to review as a key source of estimation uncertainty. For further details on deferred taxation, see Note 5 – Income taxes to the Consolidated Financial Statements.

Year ended 31 December 2018	Revenue $m	Gross margin $m	Operating costs $m	Operating profit $m	Finance costs $m	Non-operating expense, net $m	PBT $m	Taxation $m	Net profit $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
Disposal of assets	–	0.4	0.1	0.5	–	–	0.5	–	0.5
Divestiture activities	–	–	–	–	–	(1.9)	(1.9)	–	(1.9)
Termination benefits and other related costs	–	2.9	9.7	12.6	–	–	12.6	(0.9)	11.7
Pre-IPO share-based payment expense	–	–	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-2017 acquisition amortisation				0.9					
Depreciation				37.4					
Post-IPO share-based payment compensation				5.4					
Adjusted EBITDA				482.4					

Disposal of assets relates to $0.5 million for the final write-off of certain manufacturing fixed assets following the closure of the Greensboro site in 2017. Divestiture activities of $1.9 million reflect a gain from the sale of the plant in Greensboro.

Termination benefits and other related costs were $12.6 million, pre-tax, in 2018 and related to three significant programmes including:
- $2.5 million in relation to the completion of the pre-IPO Margin Improvement 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 completed in 2019 with a total cost of $5.8 million.
- $5.4 million in relation to restructuring geographical sales teams. The programme completed in 2019 with a total cost of $6.9 million.

Other discrete items principally represent tax benefits of $30.4 million and $35.0 million 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.

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Reconciliation of basic and diluted reported earnings per share to adjusted earnings per share for the years ended 31 December 2019 and 31 December 2018

	Reported 2019 $m	**Adjusted 2019 $m**	Reported 2018 $m	Adjusted 2018 $m
Net profit attributable to the shareholders of the Group	**9.8**	**232.0**	221.6	304.5
		Number		Number
Basic weighted average ordinary shares in issue[a]		**1,971,014,011**		1,956,085,112
Diluted weighted average ordinary shares in issue[a]		**1,976,156,374**		1,958,078,762
	$ per share	**$ per share**	$ per share	$ per share
Basic and diluted earnings per share	**0.00**	**0.12**	0.11	0.16

(a) See Note 6 – Earnings per share to the Consolidated Financial Statements.

Reconciliation of reported and adjusted operating costs for the years ended 31 December 2019 and 31 December 2018

	2019					2018				
	S&D[a] $m	**G&A[b] $m**	**R&D[c] $m**	**Other[d] $m**	**Operating costs $m**	S&D[a] $m	G&A[b] $m	R&D[c] $m	Other[d] $m	Operating costs $m
Reported	**(433.0)**	**(266.4)**	**(53.8)**	**(105.5)**	**(858.7)**	(418.0)	(238.2)	(49.9)	–	(706.1)
Amortisation of pre-2018 acquisition intangibles	**–**	**17.6**	**–**	**–**	**17.6**	–	17.2	0.1	–	17.3
Impairment of assets	**–**	**–**	**–**	**105.2**	**105.2**	–	0.1	–	–	0.1
Termination benefits and other related costs	**1.7**	**4.1**	**–**	**–**	**5.8**	2.7	6.4	0.6	–	9.7
CEO buy-out costs	**–**	**6.2**	**–**	**–**	**6.2**	–	–	–	–	–
	1.7	**27.9**	**–**	**105.2**	**134.8**	2.7	23.7	0.7	–	27.1
IPO related costs										
Pre-IPO share-based payment expense and related costs	**–**	**–**	**–**	**–**	**–**	–	6.2	–	–	6.2
Total in relation to IPO	**–**	**–**	**–**	**–**	**–**	–	6.2	–	–	6.2
Adjusted	**(431.3)**	**(238.5)**	**(53.8)**	**(0.3)**	**(723.9)**	(415.3)	(208.3)	(49.2)	–	(672.8)

(a) "S&D" represents selling and distribution expenses.
(b) "G&A" represents general and administrative expenses.
(c) "R&D" represents research and development expenses.
(d) "Other" represents other operating expenses.

Net debt

Net debt, which is used to monitor the leverage of the business, is calculated as the carrying value of current and non-current borrowings on the face of the Consolidated Statement of Financial Position, net of cash and cash equivalents.

	2019 $m Reported	2018 $m Reported	2018 $m Applying IFRS 16 opening lease liabilities[a]
Borrowings	**1,486.1**	1,620.8	1,620.8
Finance leases	**–**	23.7	–
IFRS 16 lease liabilities	**88.5**	–	89.5
Total interest-bearing borrowings	**1,574.6**	1,644.5	1,710.3
Cash and cash equivalents	**(385.8)**	(315.6)	(315.6)
Net debt (including leases)	**1,188.8**	1,328.9	1,394.7
Net debt	**1,100.3**	1,305.2	1,305.2

(a) On adoption of IFRS 16, an opening lease liability of $89.5 million was recognised. To more readily understand the year-on-year movement in net debt, the net debt for the year ended 31 December 2018 is presented above on both a reported basis, which includes finance lease liabilities only, and using the IFRS 16 opening lease liability which includes all leases as defined by our IFRS 16 accounting policy. For further information see Note 1 – Basis of preparation to the Consolidated Financial Statements.

Cash conversion for the years ended 31 December 2019 and 31 December 2018

	2019 $m	2018 $m
Reported Operating profit/EBIT	**96.9**	267.7
Depreciation of property, plant and equipment	**35.5**	37.4
Depreciation of right-of-use assets	**22.4**	–
Amortisation	**151.9**	152.6
Impairment of intangible assets/write-off of property, plant and equipment	**114.3**	–
Reported EBITDA	**421.0**	457.7
Non-cash items in EBITDA		
Share-based payment expense	**14.2**	11.2
Disposals	**–**	3.4
	14.2	14.6
Working capital movement	**51.6**	(23.2)
Capital expenditure	**(61.4)**	(72.1)
Reported net cash for cash conversion	**425.4**	377.0
Less: tax paid	**(37.0)**	(35.8)
Reported free cash flow	**388.4**	341.2

Reconciliation of Adjusted EBITDA, Adjusted Non-Cash Items, Adjusted Working Capital and Adjusted Net Cash (for Adjusted Cash Conversion measurement)

	2019 $m	2018 $m
Reported EBITDA	**421.0**	457.7
Share-based payment expense	**14.2**	11.2
Pre-IPO share-based payment associated costs	**–**	0.4
CEO buy-out costs	**2.1**	–
Disposals	**–**	0.5
Termination benefits and other related costs	**5.8**	12.6
Total adjustments (a)	**22.1**	24.7
Adjusted EBITDA	**443.1**	482.4
Reported non-cash items	**14.2**	14.6
Share-based payment expense	**(14.2)**	(11.2)
Disposals	**–**	(0.5)
Total adjustments (b)	**(14.2)**	(11.7)
Adjusted non-cash items	**–**	2.9
Reported working capital movement	**51.6**	(23.2)
Decrease/(increase) in severance provision	**0.3**	(3.6)
Decrease in accruals for remediation costs, corporate development and IPO-related costs	**–**	2.3
Decrease/(increase) in accruals for share-based payment associated costs	**0.1**	(0.4)
Decrease in liability for pre-IPO MIP	**0.1**	0.3
Total adjustments (c)	**0.5**	(1.4)
Adjusted working capital movement	**52.1**	(24.6)
Reported net cash for cash conversion	**425.4**	377.0
Total adjustments above (a), (b), (c)	**8.4**	11.6
Adjusted net cash for cash conversion	**433.8**	388.6
Less: tax paid	**(37.0)**	(35.8)
Adjusted free cash flow	**396.8**	352.8
Reported cash conversion	**101.0%**	82.4%
Adjusted cash conversion	**97.9%**	80.6%

Company Statement of Financial Position

As at 31 December 2019

	Notes	2019 $m	2018 $m
Assets			
Non-current assets			
Investment in subsidiaries	3	**4,046.9**	3,887.4
Deferred tax assets	4	**2.0**	2.6
		4,048.9	3,890.0
Current assets			
Other receivables	5	**20.7**	1.9
Cash and bank balances		**0.1**	0.1
		20.8	2.0
Total assets		**4,069.7**	3,892.0
Equity and liabilities			
Current liabilities			
Trade and other payables	6	**41.1**	5.8
		41.1	5.8
Total liabilities		**41.1**	5.8
Equity			
Share capital	7	**242.9**	240.7
Share premium	7	**70.7**	39.8
Own shares	7	**(10.8)**	(6.8)
Retained surplus		**1,528.5**	1,574.7
Merger reserve		**1,765.6**	1,765.6
Cumulative translation reserve		**376.3**	221.2
Other reserve		**55.4**	51.0
Total equity		**4,028.6**	3,886.2
Total equity and liabilities		**4,069.7**	3,892.0

The Company reported a net profit for the year ended 31 December 2019 of $66.8 million (2018: $1,549.0 million net loss).

The Financial Statements of ConvaTec Group Plc (registered number 10361298) were approved by the Board of Directors and authorised for issue on 27 February 2020. They were signed on its behalf by:

Frank Schulkes
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital $m	Share premium $m	Own shares $m	Retained surplus $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total equity $m
At 1 January 2018	238.8	1.3	(8.1)	1,622.7	3,381.9	550.6	41.0	5,828.2
Net loss	–	–	–	(1,549.0)	–	–	–	(1,549.0)
Transfer impairment of investment	–	–	–	1,616.3	(1,616.3)	–	–	–
Foreign currency translation adjustment	–	–	–	–	–	(329.4)	–	(329.4)
Total comprehensive loss	–	–	–	67.3	(1,616.3)	(329.4)	–	(1,878.4)
Dividends paid	–	–	–	(74.9)	–	–	–	(74.9)
Scrip dividend	1.9	38.5	–	(40.4)	–	–	–	–
Share-based payments	–	–	–	–	–	–	11.2	11.2
Share awards vested	–	–	1.3	–	–	–	(1.3)	–
Excess tax benefits for share-based payments	–	–	–	–	–	–	0.1	0.1
At 31 December 2018	**240.7**	**39.8**	**(6.8)**	**1,574.7**	**1,765.6**	**221.2**	**51.0**	**3,886.2**
Net profit	**–**	**–**	**–**	**66.8**	**–**	**–**	**–**	**66.8**
Foreign currency translation adjustment	**–**	**–**	**–**	**–**	**–**	**155.1**	**–**	**155.1**
Total comprehensive income	**–**	**–**	**–**	**66.8**	**–**	**155.1**	**–**	**221.9**
Dividends paid	**–**	**–**	**–**	**(79.9)**	**–**	**–**	**–**	**(79.9)**
Scrip dividend	**2.2**	**30.9**	**–**	**(33.1)**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**14.2**	**14.2**
Share awards vested	**–**	**–**	**10.0**	**–**	**–**	**–**	**(10.0)**	**–**
Excess tax benefits for share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Purchase of own shares	**–**	**–**	**(14.0)**	**–**	**–**	**–**	**–**	**(14.0)**
At 31 December 2019	**242.9**	**70.7**	**(10.8)**	**1,528.5**	**1,765.6**	**376.3**	**55.4**	**4,028.6**

For further information on share-based payments, please see Note 17 – Share-based payments, and for dividends see Note 16 – Dividends to the Consolidated Financial Statements.

Notes to the Company Financial Statements

1. Basis of preparation

This section describes the Company's significant accounting policies that relate to the Company Financial Statements and explains the basis of preparation of the Company Financial Statements and any critical accounting judgements and estimates identified by management. Specific accounting policies relating to the Notes to the Company Financial Statements are described within that note.

1.1 General information

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council ("FRC"). Accordingly, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the current or prior year. The profit attributable to the Company is disclosed in the footnote to the Company's Statement of Financial Position.

Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The auditor's remuneration for audit and other services is disclosed in Note 3.3 – Auditor's remuneration to the Consolidated Financial Statements.

1.2 Significant accounting policies

Basis of accounting

The Financial Statements have been prepared on the historical cost basis, except for certain financial instruments where fair value has been applied. The principal accounting policies adopted are the same as those set out in the Consolidated Financial Statements except as noted below.

Foreign currencies

The functional currency of the Company is Sterling, being the currency of the primary economic environment in which it operates.

The Company has adopted US dollars as the presentation currency for its Financial Statements, in line with the presentation currency for the Consolidated Financial Statements. For the purpose of presenting individual company financial statements, assets and liabilities of the Company are translated into US dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, the cumulative translation reserve, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Share-based payments

The Company has implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to issue its shares to employees of its subsidiary undertakings under an equity-settled arrangement and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as a cost of investment in the subsidiary and credits equity with an equal amount.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's Financial Statements in accordance with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that the critical accounting and key sources of estimation uncertainty that were reported in the year ended 31 December 2018 would no longer result in a material adjustment in the next 12 months.

2. Staff costs

The Executive Directors of the ConvaTec Plc Group are employed by the Company. The remuneration of the Executive Directors' is set out on pages 124 to 131 within the Remuneration Committee report.

Their aggregate remuneration comprised:

	2019 $m	2018 $m
Wages and salaries[(a)(b)]	**9.5**	3.7
Social security costs	**1.3**	0.2
Pension-related costs	**0.2**	0.2
Total	**11.0**	4.1

(a) Included within wages and salaries are share-based payment charges of $4.9 million (2018: $1.8 million).
(b) CEO buy-out costs of $6.2 million are included within wages and salaries, refer to Directors Remuneration Report on page 125 for further details.

Average monthly number of employees (including Executive Directors) was 2 (2018: 2), classified as general and administrative employees.

3. Investments in subsidiaries

Investments in subsidiaries represent the cost of the Company's investment in its subsidiary undertakings, net of any impairment charges. Refer to pages 194 to 196 for details of all the Company's direct and indirect holdings.

Accounting policy

Investments in Group undertakings are stated at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the investment is less than the carrying amount of the investment, the investment is considered to be impaired and is written down to its recoverable amount.

Any impairment loss is offset against the merger reserve in the first instance. If the merger reserve is not sufficient to cover an impairment loss the excess impairment is recognised immediately in the Income statement.

	Cost $m	Impairment $m	Net book value $m
At 1 January 2018	5,827.4	–	5,827.4
Capital contributions arising from share-based payments to employees of subsidiaries	4.5	–	4.5
Reduction due to reimbursement upon exercised awards	(0.9)	–	(0.9)
Impairment	–	(1,616.3)	(1,616.3)
Foreign exchange	(327.3)	–	(327.3)
At 31 December 2018	**5,503.7**	**(1,616.3)**	**3,887.4**
Capital contributions arising from share-based payments to employees of subsidiaries	**11.5**	**–**	**11.5**
Reduction due to reimbursement upon exercised awards	**(5.3)**	**–**	**(5.3)**
Foreign exchange	**217.0**	**(63.7)**	**153.3**
At 31 December 2019	**5,726.9**	**(1,680.0)**	**4,046.9**

The assessment of the recoverable amount performed at 31 December 2018, triggered by a decrease in the share price in October 2018 and the continued valuation of shares at the depressed value, resulted in an impairment of $1,616.3 million in the year ended 31 December 2018. The recoverable amount was determined with reference to the methodology of IAS 36, *Impairment of Assets*, by assessing the value in use of the investments based on discounted cash flows. The impact on the retained earnings was offset by a transfer of the same amount from the merger reserve.

An assessment was performed of the recoverable amount of the investments in subsidiaries at 31 December 2019 with no further impairment identified. The share price at 31 December 2019 was £1.99 (2018: £1.39).

3. Investments in subsidiaries (continued)

The following UK subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006:

Name	Company registration number
SureCalm Healthcare Holdings Limited	07112438
SureCalm Healthcare Limited	07129736
Resus Positive Limited	02777441
B.C.A. Direct Limited	03244349
Alpha-Med (Medical & Surgical) Limited	02672844
ConvaTec International U.K. Limited	06622355

4. Deferred tax assets

Deferred tax assets mainly arise in relation to timing differences on the exercise of share-based awards, and taxable losses arising in the normal course of business.

	$m
At 1 January 2018	0.2
Movement in Income Statement	2.4
Movement in Statement of Other Comprehensive Income	0.1
Transfer to Group companies	(0.1)
At 31 December 2018	**2.6**
Movement in Income Statement	**(0.9)**
Movement in Statement of Other Comprehensive Income	**0.2**
Foreign exchange	**0.1**
At 31 December 2019	**2.0**

The deferred tax asset consists of deferred tax on the following items:

	2019 $m	2018 $m
Share-based payment expense	**0.5**	0.2
Tax losses	**1.5**	2.4
At 31 December	**2.0**	2.6

The deferred tax asset is recognised on the basis of an expectation of sufficient future profits in the short term against which the future reversal of the timing difference may be deducted.

5. Other receivables

Other receivables consist of amounts due from Group undertakings, other receivables and prepaid insurance.

	2019 $m	2018 $m
Amounts falling due within one year:		
Amounts owed by Group undertakings	**12.3**	0.8
Other receivables	**7.5**	0.4
Prepayments	**0.9**	0.7
	20.7	1.9

Included in the amounts owed from Group undertakings at 31 December 2019 are intercompany loans of $6.8 million (2018: $nil) with a variable interest rate of one-year LIBOR plus 1.64%. The loans are unsecured, and are repayable on demand.

6. Trade and other payables

Trade payables consist of amounts payable to third parties related predominantly to the Company being listed on the London Stock Exchange.

Other payables represent amounts owed to Group undertakings, accruals and other taxation and social security.

	2019 $m	2018 $m
Amounts falling due within one year:		
Trade payables	**0.2**	0.2
Amounts owed to Group undertakings	**36.3**	2.5
Other taxation and social security	**1.7**	1.1
Accruals	**2.9**	2.0
	41.1	5.8

7. Reserves

All reserve balances explained within this note are components of Equity and are non-distributable.

Share capital, share premium and own shares
Details of the Company's share capital, share premium and own shares are detailed in Note 15 – Share capital and reserves to the Consolidated Financial Statements.

Merger reserve
The merger reserve represents the fair value in excess of the par value of shares issued as part of a share exchange upon incorporation.

Currency translation reserve
The currency translation reserve is the exchange differences arising on the translation of the assets and liabilities of the Company into US dollars at the prevailing balance sheet rate and income and expense items being translated at the average exchange rates for the period.

Other reserves
Other reserves relates to movements on equity-settled share-based payments.

8. Distributable reserves

As the Company is a holding company with no direct operations the capacity of the Company to make dividend payments is primarily derived from dividends received from subsidiary companies.

Retained and realised distributable reserves equates to the retained surplus of the Company. The distributable reserves of the Company at 31 December 2019 are $1,528.5 million (2018: $1,574.7 million).

Details of the considerations and rationale for the distribution of dividend are given in the Directors' report on page 132.

9. Subsequent events

On 27 February 2020, the Board proposed the final dividend in respect of 2019 subject to shareholder approval at the Annual General Meeting on 7 May 2020, to be distributed on 14 May 2020. See Note 16 – Dividends to the Consolidated Financial Statements for further details.

Subsidiary and related undertakings

Details of the Company's subsidiaries and associated undertakings at 31 December 2019 are as follows:

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Directly held investments			
ConvaTec Management Holdings Limited[34]	United Kingdom	100%	100%
ConvaTec Finance Holdings Limited[34]	United Kingdom	100%	100%
Cidron Healthcare Limited[15]	Jersey	100%	100%
Indirectly held investments			
180 Medical Acquisition Inc.[1]	US	100%	100%
180 Medical Holdings Inc.[1]	US	100%	100%
180 Medical Inc.[1]	US	100%	100%
AbViser Medical, LLC[2]	US	100%	100%
Akers & Dickinson Limited[3]	United Kingdom	100%	100%
Allied Medical (UK) Services Limited[3]	United Kingdom	100%	100%
Alpha-Med (Medical & Surgical) Limited[3]	United Kingdom	100%	100%
Amcare Limited[3]	United Kingdom	100%	100%
Arthur Wood Limited[3]	United Kingdom	100%	100%
B.C.A. Direct Limited[3]	United Kingdom	100%	100%
BMD Comercio de Productos Medicos Ltda.[4]	Brazil	100%	100%
Boston Medical Care de Chile S.P.A[5]	Chile	100%	100%
Boston Medical Care, S. de R.L. de C.V.[6]	Mexico	100%	100%
Boston Medical Care S.A.S IPS[7]	Colombia	100%	100%
Boston Medical Device de Chile S.A.[5]	Chile	100%	100%
Boston Medical Device de México, S. de R.L. de C.V.[6]	Mexico	100%	100%
Boston Medical Device de Venezuela, C.A.[9]	Venezuela	100%	100%
Boston Medical Device Dominicana S.R.L.[10]	Dominican Republic	100%	100%
Boston Medical Device Ecuador S.A.[11]	Ecuador	100%	100%
Boston Medical Device, Inc.[2]	US	100%	100%
Boston Medical Device International, LLC[12]	US	100%	100%
Boston Medical Devices Columbia Ltda.[13]	Colombia	100%	100%
Boston Medical Devices LLC[2]	US	100%	100%
Bradgate-Unitech Limited[3]	United Kingdom	100%	100%
Cidron Healthcare GP, Inc.[14]	US	100%	100%
ConvaTec (Australia) PTY Limited[16]	Australia	100%	100%
ConvaTec (Austria) GmbH[17]	Austria	100%	100%
ConvaTec (Germany) GmbH[18]	Germany	100%	100%
ConvaTec (New Zealand) Limited[19]	New Zealand	100%	100%
ConvaTec (Singapore) PTE Limited[20]	Singapore	100%	100%
ConvaTec (Singapore) PTE Limited (Taiwan Branch)[21]	Taiwan	100%	Branch
ConvaTec (Sweden) AB[22]	Sweden	100%	100%
ConvaTec (Switzerland) GmbH[23]	Switzerland	100%	100%
ConvaTec (Thailand) Co. Limited[24]	Thailand	100%	100%
ConvaTec Accessories Limited[3]	United Kingdom	100%	100%
ConvaTec Argentina SRL[25]	Argentina	100%	100%
ConvaTec Belgium BVBA[26]	Belgium	100%	100%
ConvaTec Canada Limited[27]	Canada	100%	100%
ConvaTec Ceska Republika s.r.o.[28]	Czech Republic	100%	100%
ConvaTec China Limited[29]	China	100%	100%
Convatec China Limited (Bei Jing Branch)[30]	China	100%	Branch
Convatec China Limited (Guang Zhou Branch)[31]	China	100%	Branch
ConvaTec Denmark A/S[32]	Denmark	100%	100%
ConvaTec Dominican Republic Inc.[33]	Dominican Republic	100%	100%
ConvaTec France Holdings SAS[35]	France	100%	100%
ConvaTec Healthcare D S.à.r.l.[36]	Luxembourg	100%	100%
ConvaTec Healthcare Ireland Limited[37]	Ireland	100%	100%
ConvaTec Hellas Medical Products S.A.[38]	Greece	100%	100%

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
ConvaTec Holdings U.K. Limited[3]	United Kingdom	100%	100%
ConvaTec Hong Kong Limited[39]	Hong Kong	100%	100%
ConvaTec Inc.[2]	US	100%	100%
ConvaTec India Private Limited[40]	India	100%	100%
ConvaTec International Services GmbH[23]	Switzerland	100%	100%
ConvaTec International U.K. Limited[34]	United Kingdom	100%	100%
ConvaTec Italia S.r.l.[41]	Italy	100%	100%
ConvaTec Japan KK[42]	Japan	100%	100%
ConvaTec Korea, Ltd[43]	Korea	100%	100%
ConvaTec Limited[3]	United Kingdom	100%	100%
ConvaTec Malaysia Sdn Bhd[44]	Malaysia	100%	100%
ConvaTec Middle East & Africa LLC[45]	Egypt	100%	100%
ConvaTec Nederland B.V.[46]	Netherlands	100%	100%
ConvaTec Norway AS[47]	Norway	100%	100%
ConvaTec OY[48]	Finland	100%	100%
ConvaTec Peru S.A.C.[49]	Peru	100%	100%
ConvaTec Polska Sp. Z.o.o[50]	Poland	100%	100%
ConvaTec Spain S.L.[51]	Spain	100%	100%
ConvaTec Sağlik Ürünleri Limited Şirketi[52]	Turkey	100%	100%
ConvaTec South Africa (PTY) Limited[53]	South Africa	100%	100%
ConvaTec Spain Holdings, S.L.[51]	Spain	100%	100%
ConvaTec Speciality Fibres Limited[3]	United Kingdom	100%	100%
ConvaTec Technologies Inc.[54]	US	100%	100%
CVT Business Services, Unipessoal Lda.[55]	Portugal	100%	100%
EuroTec Beheer B.V.[56]	Netherlands	100%	100%
EuroTec B.V.[56]	Netherlands	100%	100%
EuroTec BV – Belgium Branch[57]	Belgium	100%	Branch
EuroTec GmbH[58]	Germany	100%	100%
Farnhurst Medical Limited[3]	United Kingdom	100%	100%
FE Unomedical Limited[59]	Belarus	99%	99%
In-Home Products, Inc.[60]	US	100%	100%
J&R Medical, LLC[61]	US	100%	100%
KVTech Portugal – Produtos Medicos Unipessoal Ltda[62]	Portugal	100%	100%
Laboratoires ConvaTec SAS[35]	France	100%	100%
Lance Blades Limited[3]	United Kingdom	100%	100%
M.S.B. Limited[3]	United Kingdom	100%	100%
Needle Industries (Sheffield) Limited[3]	United Kingdom	100%	100%
Nottingham Medical Equipment Limited[3]	United Kingdom	100%	100%
Novacare UK Limited[3]	United Kingdom	100%	100%
Papyro-Tex A/S[63]	Denmark	100%	100%
Personally Delivered, Inc.[64]	US	100%	100%
Pharma-Plast Limited[3]	United Kingdom	100%	100%
PRN Medical Services, LLC[65]	US	100%	100%
PRNMS Investments LLC[65]	US	100%	100%
Resus Positive Limited[3]	United Kingdom	100%	100%
Rotax Razor Company Limited[3]	United Kingdom	100%	100%
Shrimpton & Fletcher Limited[3]	United Kingdom	100%	100%
South Shore Medical Supply, Inc.[66]	US	100%	100%
Steriseal Limited[3]	United Kingdom	100%	100%
SureCalm Healthcare Holdings Limited[3]	United Kingdom	100%	100%
SureCalm Healthcare Ltd[3]	United Kingdom	100%	100%
SureCalm Pharmacy Limited[3]	United Kingdom	100%	100%
Symbius Medical Inc.[65]	US	100%	100%

Subsidiary and related undertakings (continued)

Name	Place of business and registered office	Portion of ownership interest %	Portion of voting power held %
Unomedical America, Inc.[67]	US	100%	100%
Unomedical A/S[68]	Denmark	100%	100%
Unomedical Developments Limited[3]	United Kingdom	100%	100%
Unomedical Devices S.A. de C.V.[69]	Mexico	100%	100%
Unomedical Holdings Limited[3]	United Kingdom	100%	100%
Unomedical, Inc.[67]	US	100%	100%
Unomedical Limited[3]	United Kingdom	100%	100%
Unomedical s.r.o.[70]	Slovakia	100%	100%
Unomedical S.A de C.V.[71]	Mexico	100%	100%
Unoplast (U.K.) Limited[3]	United Kingdom	100%	100%
Wilmington Medical Supply, Inc.[72]	US	100%	100%
Woodbury Holdings, Inc.[73]	US	100%	100%
WPI Acquisition Corporation[73]	US	100%	100%
WPI Holdings Corporation[73]	US	100%	100%
ZAO ConvaTec[74]	Russia	100%	100%

1 8516 Northwest Expressway, Oklahoma City, OK 73162, US
2 1160 Route 22 East, Suite 304, Bridgewater, NJ 08807, US
3 GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire CH5 2NU, UK
4 Rua Alexandre Dumas, 2100,15º. Andar, Ed Corporate Plaza, Conj 151 e 152, – Chácará Stº Antonio – São Paulo, Brazil Cep: 04717-913
5 Av Suecia 0181, Providencia, Santiago, Chile
6 Avenida Insurgentes sur 619, 3° Piso, CIUDAD DE MEXICO, Nápoles, 03810, MEXICO
7 Calle 82 # 18-31, Bogotá, Colombia
8 Av Andres Bello 2325, oficina 8, piso 2, Providencia, Santiago, Chile
9 Av. Sorocaima, Libertador con Venezuela, Edif Atrium. Piso 3, Oficina 3G, Urb El Rosal, Municipio Chacao, Edo, Miranda, Venezuela
10 Avenida Wiston Churchill ES1. 27 de Febrero, Apto Plaza Central, Tercer Nivel, del Sector PIANTINI de la Ciudad de Santo Domingo de Guzman, República Dominicana Suite A-368
11 Pedro Ponce Carrasco E8- 06 y Av. Diego de Almagro Piso 12 Of 1204
12 2315 NW 107th Avenue Suite A30, Doral, Florida 33172, US
13 Torre los Nogales, Calle 76 # 11-17, Fifth and Second Floor, Bogota, Colombia
14 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware 19801, US
15 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands
16 Level 2 Building 5, Brandon Office Park, 530-540 Springvale Road, Glen Waverley VIC 3150, Australia
17 Schubertring 6, 1010 Wien, Austria
18 Gisela-Stein-Strasse 6, 81671 Munich, Germany
19 Crowe Horwath, Level 29, 188 Quay Street, Auckland 1010, New Zealand
20 456 Alexandra Road, Fragrance Empire Building #18-01/02, Singapore 119962
21 5F.-4, No. 57, Fuxing N. Rd, Songshan Dist., Taipei City, Taiwan (Post code :10595)
22 Gårdsfogdevägen 18B, 168 67 Bromma, Sweden
23 Mühlentalstrasse 36/38, 8200 Schaffhausen, Switzerland
24 Unit 5, 9th Floor M. Thai Tower, All Seasons Place, No. 87 Wireless Road, Lumpini, Phatumwan, Bangkok 10330, Thailand
25 CERRITO 1070 Piso:3 Dpto:71, 1010-CIUDAD AUTONOMA BUENOS AIRES
26 Parc d'Alliance, Boulevard de France 9, B-1420 Braine l'Alleud, Belgium
27 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 2N2
28 Olivova 2096/4, Prague 1, 110 00, Praha 1, Czech Republic
29 Unit 1105-1106, Crystal Plaza Office Tower 1, No.1359 Yaolong Road, Pudong District, Shanghai 200124, P.R.C
30 Unit 805, 8F Jinbao Tower, No.89 Jinbao Street Dongcheng District, Beijing 100005, P.R.C.
31 Unit 808, Level 8, Fortune Plaza, No.116 Ti Yu Dong Road, Tianhe District, Guangzhou City, Guangdong Province, 510620, P.R.C.
32 Lautruphøj 1 DK-2750 Ballerup, Denmark
33 Carretera Sanchez km 18 ½, Parque Industrial Itabo, Haina, San Cristóbal, Dominican Republic
34 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH, UK
35 90, Boulevard National, La Garenne Colombes, F-92250, Paris, France
36 12C, rue Guillaume Kroll, L-1882 Luxembourg
37 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland
38 392A Mesogeion Avenue, Ag. Paraskevi, 15341, Athens, Greece
39 Unit 1901 Yue Xiu Bldg 160–174, Lockhart Road, Wan Chai, Hong Kong
40 S – 604, 6th Floor, Brigade Gateway, World Trade Center, Dr Raj Kumar Road, Malleswaram, Yeshwantpur, Bangalore-560055, India
41 Via della Sierra Nevada, 60-00144 Rome, Italy
42 8–7, Roppongi 1-chome, Minato-ku, Tokyo 106-0032, Japan
43 4F, American Standard B/D, Yeongdongdaero 112gil 66, Gangnam-Gu, Seoul, Republic of Korea 06083
44 10th floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
45 22 Kamal El Din Hussein St, 3rd Floor, Heliopolis Sheraton, Post Code 11977, Cairo, Egypt
46 Houttuinlaan 5F, 3447 GM Woerden, Netherlands
47 Nils Hansen vei 2, 0667 Oslo, Norway
48 Life Science Center, Keilaranta 16 B, 02150 Espoo, Finland
49 Av. La Encalada 1010 of. 806, Santiago de Surco, Lima 15023, Perú
50 Al. Armii Ludowej 26, 00-609 Warszawa, Poland
51 Constitucion 1, 3ªPlanta, 08960 Sant Just Desvern, Barcelona, Spain
52 Şehit İlknur Keles Sokak, Hüseyin Bağdatlioğlu Plaza 7/3, Kozyatagi, Istanbul, Turkey 34742
53 Workshop 17 Office 1-4, 16 Baker Street, Rosebank, Johannesburg, Gauteng 2196, Republic of South Africa
54 3993 Howard Hughes Parkway Suite 250, Las Vagas, Nevada 89169-6754, US
55 Avenida da Liberdade, 249 -1, 1250-143 Lisbon, Portugal
56 Schotsbossenstraat 8, 4705AG Roosendaal, Nederland
57 Stationsstraat 35, 2950 Kapellen, Belgium
58 Solinger Strasse 93 40764 Langenfeld, Germany
59 Zavodskaya Street., 50, 222750, Fanipol, Dzerzhinsk region., Minsk district, Republic of Belarus
60 14330 Midway Road, Building 1, Suite 100, Farmers Branch, TX 75244-3513, US (*Company in liquidation)
61 4635 Southwest Freeway, Suite 800, Houston, TX 77027-7105, US
62 Avenida da Libertade, 144, 7º 1250-146, Lisbon, Portugal
63 c/o ConvaTec Harlev Skinderskovvej 32-36, 2730 Herlev, Denmark
64 725 Primera Blvd, Suite 230, Lake Mary, FL 32746-2127, US
65 20333 N. 19th Avenue, Suite 101, Phoenix, AZ 85027-3627, US
66 58 Norfolk Avenue, Unit 2, South Easton, MA 02375-1907, US
67 5701-1 S Ware RD, McAllen, TX 78504, US
68 Åholmvej 1-3, 4320 Lejre, Denmark
69 Av. Fomento Industrial L9 M3, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
70 Priemyselný Park 3, 071 01 Michalovce, Slovakia
71 Avenida Industrial Falcón, L7, Parque Industrial del Norte, Reynosa Tamps, Mexico C.P. 88736
72 1206 N. 23rd Street, Wilmington, NC 28405-1810, US
73 725 Primera Blvd., Suite 200, Lake Mary, FL 32746-2127, US
74 Kosmodamianskaya nab. 52, building 1, 9th floor, 115054, Moscow, Russia

Independent auditor's report

to the members of ConvaTec Group Plc

Report on the audit of the Financial Statements

1. Opinion

In our opinion:
- the Financial Statements of ConvaTec Group plc (the "Parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101, *Reduced Disclosure Framework*; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements which comprise:
- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related Notes 1 to 26 of the Consolidated Financial Statements and Notes 1 to 9 of the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101, *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Revenue recognition – focusing on whether sales are valid in certain US and UK components, with increased risk in the recording of revenue for sales and, or shipments that either did not occur, or did not occur at the level recorded by management, or for which the risks and rewards have not passed to the customer. – Taxation – focusing on the recognition of deferred tax assets in a US component and the related impact on taxation charge and balance sheet amounts. – Taxation – focusing on the uncertain tax positions in connection with transfer pricing. – Impairment of certain finite-lived intangible assets – focusing on the judgements over the remaining useful life of the products and the extent of inclusion of benefits from the Transformation Initiatives in management's forecasts. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $6.9 million which was determined on the basis of 5.3% of an adjusted pre-tax profit measure.
Scoping	We performed full scope audit procedures on fourteen components, as well as the Parent Company, covering a total of eight countries. In addition, we have performed specified audit procedures in nine components across nine countries. Together, these accounted for 82% of revenue, 91% of profit before tax and 87% of net assets.

3. Summary of our audit approach (continued)

Significant changes in our approach	During the 2018 audit, we identified a key audit matter relating to the recoverability of the Parent Company's investments in its subsidiaries. This was driven by the October 2018 trading update following which the ConvaTec Group Plc share price fell substantially. The share price has since recovered and therefore, the risk of further indicators of impairment to the carrying value of the investment in subsidiary undertakings has reduced. As such, we no longer consider this to be a key audit matter. In the current year, we have identified two additional key audit matters. The first additional key audit matter relates to taxation focusing on uncertain tax positions in connection with transfer pricing. This is driven by a change in the Group's operating model to focus more on business performance at the franchise level, rather than on geographical markets. The second additional key audit matter relates to the impairment of certain finite-lived intangible assets related to acquired product technology. During 2019, as part of the Group's Transformation Initiative, a product portfolio review has been undertaken which has resulted in the identification of impairment triggers in relation to a number of the Group's intangible assets.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in Note 1 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the potential impacts of Brexit and COVID-19, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 24 to 33 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 72 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on pages 34 to 35 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition	
Key audit matter description	We have identified the risk of revenue recognition, specifically focused on the risk as to whether sales are valid in certain US and UK components with increased risk in the area of recording revenue for sales/shipments that either did not occur, or did not occur at the level recorded by management, or for which performance obligations have not been satisfied. The risk is higher in these US and UK components based on the amount of revenue generated and the level of complexity in recognising the revenue relative to other Group components. The revenue earned in the US and UK in 2019 was $802.1 million (2018: $809.5 million). Following the October 2018 trading update we reconsidered our assessment of risk on revenue recognition. Whilst the risk of misstatement is reduced through the Group achieving its amended revenue target in 2018 and meeting its original revenue guidance for 2019, we continue to believe that there is a risk, whether due to fraud or error, revenue could be recognised before a performance obligation is satisfied in order to meet investor expectations on revenue. Therefore we consider this to be a key audit matter. *The associated disclosure by franchise and geographical region is included within Note 2. The Audit and Risk Committee has included their assessment of this risk on page 99. For specific detail on the Group's accounting policy, please see Note 2.*
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we performed a risk assessment across the Group to identify specific areas of risk, focusing our testing accordingly. Our audit response consisted of several procedures including those summarised below. The specific combination of procedures performed varied by location. We performed walkthroughs of the revenue cycle at full scope components to gain an understanding of when the revenue should be recognised, to map out the relevant controls and the end-to-end processes in place. We performed detailed transaction testing on a sample basis, agreeing sales through to invoice, final sales contracts or purchase orders. We compared invoice prices to Company price lists on a sample basis to validate levels of discounting, agreeing the net revenue amount recorded by management to underlying accounting records and remittance. We performed analytical reviews in certain components to identify any unusual sales trends and obtained an explanation for any such movements. We also reviewed a sample of distributor contracts to assess the terms of sale and to support recalculation of rebates and chargebacks associated with the revenue. We held interviews with a selection of sales personnel to determine the existence of any side agreements or unusual arrangements which may impact when revenue can be recognised. We held quarterly review calls with franchise and geographic market leaders to identify changes in customer demand and new product introductions that might impact sales patterns. The procedures performed allowed us to gain a thorough understanding of the revenue cycle with a variety of procedures performed to minimise the risk associated to potential fraud.
Key observations	Based on the procedures we have performed, we were satisfied that revenue is appropriately recognised, specifically with regard to the validity of sales in certain US and UK entities. We noted no instances above our reporting threshold to the Audit Committee of inappropriate revenue recognition arising from our testing.

5.2. Taxation – recognition of US deferred tax assets (US DTAs)

Key audit matter description	There is management judgement in the recognition of deferred tax assets (DTAs) in a US component, as the recognition of these assets is based on management's assessment of their recoverability. This is further complicated by the fact that the Group trades across multiple tax jurisdictions, which makes management's judgements subject to challenge by various local tax authorities. Total recognised US DTAs at 31 December 2019 were $76.9 million (2018: $109 million). At 31 December 2019 management assessed that unrecognised temporary differences of $372.5 million (2018: $371.5 million) relating to the US were irrecoverable as management did not anticipate future taxable income in the regions giving rise to this balance, therefore no DTA was recognised for these tax attributes. *The associated disclosure is included within Note 5. The Audit and Risk Committee has included their assessment of this risk on page 102. For specific detail on the Group's accounting policy, please see Note 5.*
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the key controls and evaluated the design and implementation of relevant key controls that are involved in assessing whether DTAs can be recognised. With the involvement of our internal tax audit specialists, we have reviewed and challenged management's judgements regarding the recoverability of temporary deferred tax differences. We have obtained and challenged management's forecasts showing the expected utilisation of key unrecognised temporary differences in order to further assess their recoverability. We have challenged management's assessment of the appropriateness of offsetting DTAs and deferred tax liabilities (DTLs). We assessed the appropriateness of the related Financial Statement disclosures.
Key observations	Based on the work we have performed, we concurred with the treatment adopted by management for both recognised and unrecognised DTAs.

5.3. Taxation – uncertain tax positions (UTPs) in connection with transfer pricing arrangements

Key audit matter description	At 31 December 2019, within the current tax payable balance of $44.6 million (2018: $41.9 million), there were provisions for uncertain tax positions (UTPs) held related to transfer pricing arrangements. There are a number of tax judgements inherent in the calculation of the tax charge which result in the existence of UTPs. Transfer pricing is the primary area of taxation uncertainty, driven largely by the global nature of the Group and the historical business model. The operating model is changing to focus more on business performance at the franchise level, rather than on geographical markets. Changes to the business model increase management judgement, and hence risk, in relation to the impact on transfer pricing and related uncertain tax positions. *The associated disclosure is included within Note 5. The Audit and Risk Committee has included their assessment of this risk on page 100. For specific detail on the Group's accounting policy, please see Note 5.*
How the scope of our audit responded to the key audit matter	We obtained an understanding of the key controls and have evaluated the design and implementation of relevant key controls that are involved in assessing whether management is appropriately identifying and quantifying UTPs. With involvement of our internal tax audit specialists, including internal transfer pricing specialists, we have reviewed and challenged management's judgements regarding the identification and quantification of uncertain tax treatments in relation to transfer pricing that they consider will lead to a probable economic outflow. We obtained management's technical support for the source of the estimation uncertainty in order to challenge their assessment of the probability that the tax positions will ultimately be accepted by the tax authorities. The support included value chain analysis of the creation of value across the group and where taxable profits arise which is a key judgement in assessing transfer pricing risk. We challenged management's approach to determine whether the methodology for assessing provisions is consistent with IFRIC 23, *Uncertainty over Income Tax Treatments*. We assessed the appropriateness of the related Financial Statement disclosures.
Key observations	Based on the work we have performed, we are satisfied that management have appropriately considered the risk of a transfer pricing challenge.

5.4. Impairment of certain finite-lived intangible assets

Key audit matter description	The Group holds finite-lived intangible assets related to acquired product technology valued at $667.4 million at 31 December 2019 (31 December 2018: $880 million). During 2019, as part of the Group's Transformation Initiative, a product portfolio review has been undertaken. Through this review, management identified a triggering event that the carrying value of certain assets could be impaired. Management performed an impairment review and determined that an impairment charge of $103.6 million should be recorded in 2019. $92.1 million of this impairment reflects the partial impairment of composite product assets within the CCC and Ostomy portfolios. Based on our analysis of the review, we have determined that the judgements over the remaining useful life of the products and the extent of inclusion of benefits from the ongoing Transformation Initiative in management's forecasts, to be a significant audit risk. *The associated disclosure is included within Note 8. The Audit and Risk Committee has included their assessment of this risk on page 101. For specific detail on the Group's accounting policy, please see Note 8.*
How the scope of our audit responded to the key audit matter	Our procedures for challenging management's impairment valuation methodology and assumptions included the following: We have obtained an understanding of the key controls and evaluated the design and implementation of the controls and governance over the Annual Operating Plan and Strategic Plan and challenged the assumptions in the Strategic Plan. We considered triggers for impairment with reference to business developments in 2019. We also considered the appropriateness of the fair value less cost to sell model used in the valuation and the aggregation of intangible assets into product groups. We agreed the base cashflows in the model to the Annual Operating Plan and Strategic Plan. With the involvement of our valuation specialists, we reviewed the application of the impairment valuation methodology and prepared independent estimates for key market observable assumptions, including life of equivalent products, functional returns, discount rate and cost to sell. We challenged the judgements in the fair value model over the extent of recognition of planned benefit from the Transformation Initiative with reference to the current state of and the governance over those programs. We challenged the adequacy of disclosures around sensitivity to management's estimates and the consistency of that disclosure with the findings from our work.
Key observations	Based on the work performed, we consider the key assumptions applied by management, including the useful economic lives and the benefit of the Transformation Initiative, to be within an acceptable range and when taken in aggregate, to be reasonable and supportable. We are satisfied that the impairment charge represents an appropriate assessment of the fair value less costs to sell for the affected assets.

6. Our application of materiality

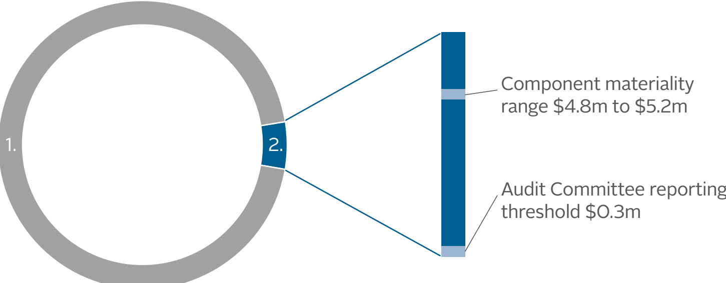
6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$6.9m (2018: $12.3m)	$5.2m (2018: $9.2m)
Basis for determining materiality	5.3% (2018: 5.9%) of pre-tax profit, adjusted for costs associated with impairment charges and the remuneration of the newly appointed CEO.	Parent Company materiality equates to 0.3% (2018: 0.2%) of net assets, which is capped at 75% of Group materiality.
Rationale for the benchmark applied	In determining our materiality benchmark, we considered the focus of the users of the financial statements. Pre-tax profit is the base from which key performance measures are calculated as well as key metrics used in providing trading updates. We have adjusted pre-tax profit for certain non-recurring items as summarised above.	In determining our materiality, based on professional judgement, we have considered net assets as the appropriate benchmark given the Parent Company is primarily a holding company for the Group. We then capped materiality at the highest component materiality for the Group.

1. Adjusted PBT: $130.3m
2. Group materiality: $6.9m



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered factors such as our risk assessment, including our assessment of the Company's overall control environment.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $0.3m (2018: $0.6m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. We have also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

Based on this assessment, we focused our work on fourteen (2018: twelve) components covering eight (2018: eight) countries, 73% (2018: 70%) of revenue, 89% (2018: 84%) of profit before tax and 81% (2018: 73%) of net assets. All fourteen (2018: twelve) components were subject to a full scope audit. The fourteen (2018: twelve) components are located in: the United States of America, the United Kingdom, Switzerland, Denmark, Germany, Italy, France, and Japan, representing the principal operating units of the Group.

In addition, we have performed specified audit procedures in nine (2018: ten) components covering nine (2018: eight) countries, 9% (2018: 11%) of revenue, 2% (2018: 4%) of PBT, and 6% (2018: 6%) of net assets. The nine (2018: ten) components are located in: the United States of America, the United Kingdom, Denmark, Spain, Canada, Brazil, the Dominican Republic, Australia, and Slovakia.

The difference in the number of components subject to full scope audit procedures and specified audit procedures between 2019 and 2018 is as a result of two United Kingdom entities being legally combined into one, and therefore being subject to full scope procedures rather than specified audit procedures. We also performed full scope audit procedures on a new United Kingdom entity introduced into the Group to hold the Group's external debt and intra-group balances.

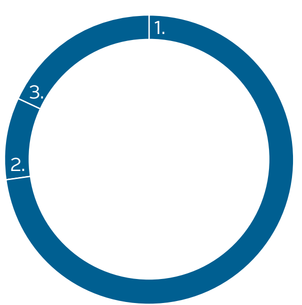
We performed testing at a Group level at the head office, based in Reading, United Kingdom. This included testing the consolidation process and carrying out analytical review procedures on those entities other than those noted above. Any movements in account balances, which did not corroborate our initial risk assessment, were investigated further. This testing confirmed our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified procedures.

7.2. Working with other auditors

As part of our audit, a senior member of the Group audit team visited a number of the most significant components of the Group, including the United Kingdom, the United States of America, Denmark and Switzerland. These locations were also visited during our prior year audit. They encompass 55% (2018: 55%) of the Group's revenue. As part of these visits, meetings were held with both component management and the component audit team. In addition to our visits, we issued detailed instructions to all our component audit teams, included them in our team briefings and reviewed audit workpapers to the extent deemed necessary.

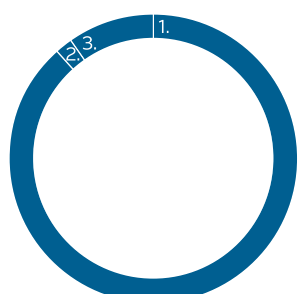
Revenue %

1. Full audit scope: 73%
2. Specified audit procedures: 9%
3. Review at Group level 18%



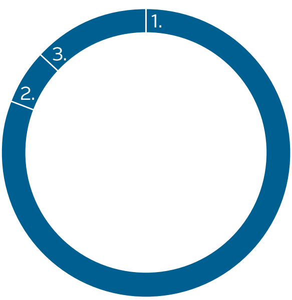
Profit before tax %

1. Full audit scope: 89%
2. Specified audit procedures: 2%
3. Review at Group level 9%



Net assets %

1. Full audit scope: 81%
2. Specified audit procedures: 6%
3. Review at Group level 13%



8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report including the Overview, Strategic report and Governance sections, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud
We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:
- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams in the UK, Denmark, USA and Switzerland and involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: revenue recognition regarding the validity of the sales and/or shipments in certain US and UK components. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the group's operating licence.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition regarding the validity of the sales and/or shipments in certain US and UK components as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

Our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and all component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company Financial Statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
13.2. Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed to audit the Financial Statements for the year ended 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ended 31 December 2016 to 31 December 2019.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Mullins FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory auditor
London, United Kingdom
27 February 2020

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As to French law:
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As to Italian law:
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As to Swiss law:
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30 September 2021

OFFERING MEMORANDUM