Unomedical A/S

Åholmvej 1 - 3, DK-4320 Lejre

Annual Report for 1 January - 31 December 2018

CVR No 64 15 33 15

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 20/05 2019

Rina Jantzen
Chairman

Contents

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Unomedical A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Lejre, 20 May 2019

Executive Board

John Magnus Lindskog

Supervisory Board

Anders Arvai Chairman	Helle Bak Nielsen	John Magnus Lindskog

Independent Auditor's Report

To the Shareholder of Unomedical A/S

Opinion

We have audited the Financial Statements of Unomedical A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is responsible for assessing the 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 in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 20 May 2019
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant
mne10944

Christian Dahlstrøm
State Authorised Public Accountant
mne35660

Company Information

The Company	Unomedical A/S Åholmvej 1 - 3 DK-4320 Lejre CVR No: 64 15 33 15 Financial period: 1 January - 31 December Municipality of reg. office: Lejre
Supervisory Board	Anders Arvai, Chairman Helle Bak Nielsen John Magnus Lindskog
Executive Board	John Magnus Lindskog
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-0900 København C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	1.598.330	1.742.656	1.690.686	1.627.565	1.387.420
Gross profit/loss	829.350	954.776	919.609	871.382	674.322
Operating profit/loss	668.511	798.297	765.388	741.644	512.420
Net financials	47.197	-15.600	55.792	-61.785	14.252
Net profit/loss for the year	562.395	608.070	637.358	486.557	391.091
Balance sheet					
Balance sheet total	2.913.147	2.846.312	2.973.545	3.052.857	2.439.711
Equity	1.558.456	1.376.749	1.466.255	1.528.072	1.741.515
Investment in property, plant and equipment	110.741	89.386	67.310	31.815	23.241
Average number of employees	307	286	255	240	225
Ratios					
Gross margin	51,9%	54,8%	54,4%	53,5%	48,6%
Profit margin	41,8%	45,8%	45,3%	45,6%	36,9%
Return on assets	22,9%	28,0%	25,7%	24,3%	21,0%
Solvency ratio	53,5%	48,4%	49,3%	50,1%	71,4%
Return on equity	38,3%	42,8%	42,6%	29,8%	25,3%
Revenue per employee	5.206	6.093	6.630	6.782	6.166

The ratios have been prepared in accordance with the recommendations and guidelines issued by the CFA Society Denmark. For definitions, see under accounting policies.

Management's Review

Main activity

Unomedical A/S is part of the Unomedical group of companies owned by the UK-based ConvaTec Group PLC.

Unomedical A/S holds a leading position as a supplier of medical disposable products for the healthcare sector worldwide. Unomedical works constantly, in an innovative manner, to improve the quality of life for millions of people around the world. The object of these products is to improve the lives of the people we touch. We drive for excellence in all we do – anticipating and addressing our customers' needs with advanced technologies and best in class products and services.

Unomedical A/S consists of two main divisions: Infusion Devices (IFD) and Industrial Sales (IS).

Infusion Devices are primarily infusion sets used within diabetes care for subcutaneous infusion of insulin and secondary infusion set used for subcutaneous drug delivery. Industrial Sales is disposable hospital products which are essential for providing basic nursing needs for hospital and homecare use. These products are characterized by having a long life cycle, but there is a constant demand for new product updates and innovative solutions.

Development in the year

Net sales for 2018 measured in DKK decreased by 8.3% to TDKK 1,598,329 compared to TDKK 1,742,656 in 2017. The main reason is a one time unexpected change in inventory policy by our largest customer.

EBIT amounts to TDKK 668,512, which is a decrease of 16.3% compared to 2017, where EBIT was TDKK 798,297.

The development in net sales and EBIT is not in line with expectations drawn up in the 2017 annual report. Due to circumstance outside company control, the result is based on this considered satisfying

EBT shows a result of TDKK 715,709 compared to TDKK 782,697 in 2017. The main reason for the variance being net FX losses in 2018 compared to net FX gains in 2017. The decrease in EBT in 2018 compared to 2017 is not in line with expectations drawn up in the 2017 Annual Report, which anticipated an increase in EBT, but is mainly due to circumstances outside Company control as described under net sales.

The income statement of the Company for 2018 shows a profit of TDKK 562,395, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 1,558,456.

At year-end 2018, the solvency ratio is 47.2% compared to 48.4% at year-end 2017.

Unomedical A/S and Unomedical Holding A/S merged as per january 1. 2018. With Unomedical A/S as the continuing entity, where the merger accounting method were applied. The accounting effect of the merger has affected equity by a total decrease of TDKK 382,755.

Management's Review

Special risks - operating risks and financial risks

Operating risks

The main commercial risk of Unomedical A/S relates to the ability of sustaining its strong market position. Therefore, the Company seeks to be at the cutting edge when it comes to technological development within our business areas and activities.

Foreign exchange risks

Unomedical A/S has considerable sales in foreign currencies, and accordingly, the Company is exposed to changes in currency exchange rates. These financial risks are monitored and managed in close cooperation with the Parent, ConvaTec Group, which follows a low risk policy.

Targets and expectations for the year ahead

In 2019, the IFD Division is continuously expected to be the key pillar in the future development.

In 2019, market growth in Europe and in the US market is expected to be in the level of 3-5%. There is still prospect of continued low financial growth and general pressure on the health sector.

In 2019, focus will be maintained on optimizing expenditure for which reason positive earnings performance is expected as well as focus on developing new products to drive the future business.

Net sales and EBIT for 2019 is expected to be 3-5 % above 2018.

Research and development

The Company has continuously been focusing on improving the quality and functionality of existing products and developing new product features to meet our customers' future demands and to improve the lives of the people we touch with our products.

Research and development spend are in the level of 2,5% of revenue and on top of this we have invested a significant double digit MDKK amount in tangible assets related to new products. R&D is focused on infusion sets used within diabetes care, infusion set used for subcutaneous drug delivery in general and of disposable hospital products for hospital and homecare use. We expect to introduce new product every year.

Intellectual capital resources

Being part of a very knowledge based industry, where product development is important, makes Unomedical A/S dependent on deeply engaged employees and leaders. Our ambition of being a market leader within our field means that we constantly keep focus on developing the skills of our employees. Based on this, we will be able to adapt to a constantly changing market place and extend our activities.

Management's Review

Statutory statement of corporate social responsibility

Information about Unomedical A/S general business model, is mentioned in paragraph "Main activities.

We work systematically to create a working environment based on core values such as Caring for People, Driving Innovation and Excellence and Earning Trust, and we continuously have focus on optimizing the organization and improving the efficiency of our internal processes and procedures.

Unomedical A/S emphasizes being a responsible and reliable business partner externally and internally as well as equal opportunities for everyone, regardless of gender, age, ethnicity and political or religious orientation. As part of the ConvaTec Group, Unomedical A/S is subject to the Group's CSR policies. They can be found at: http://www.convatecgroup.com/media/1557/corporate-responsibility-report. Complying consistently with these principles has secured the Company a solid position as the preferred BtB business partner within the Company's business area worldwide. No specific targets have so far been set for Denmark.

Employees and human rights

The primary risk is work related accidents, and respecting the human rights of our workforce in relation to e.g. fair working hours and diversity and anti-discrimination, which may impact our ability to retain and attract employees.

Our policy related to E&H and human rights is that we on an annual basis make surveys of the Work Environment and Engagement and in addition to this an Organization Health index is performed. Based on the results of the surveys action plans are made to ensure continuous improvement of engagement and motivation and how we treat human rights of our workforce. We have followed our Human rights guidelines in 2018.

Unomedical A/S is committed to ensuring a sound working environment and being a responsible player in the environments we operate in. Efforts are constantly made to enhance safety in all processes. Injuries and accidents are reported regularly and followed up on. In 2018, a total of zero serious injuries were reported (zero in 2017). The company has been certified with a green smiley from the Danish Working Environment Authorities.

Sickness absence for 2018 have been reduced compared to 2017 and is at the same level or below when comparing with comparable companies dependent on staff groups. We are working continuously on reduction of absence through talks, focus on health and gradual return after long term sick leave. Because of increasing production of new products several new employees were recruited for the Company and, therefore, new competencies have been added to the Company.

Unomedical A/S finds it positive to contribute to bringing people, who for some reason have fallen out of the job market, back in it. Against that background, Unomedical A/S has assisted its surrounding local governments in providing work ability testing, traineeships etc. In 2018, several candidates have completed traineeships, work ability testing and to assimilation of refugees into the Danish job market, the Company has supported these activities.

Management's Review

We strive for a versatile and non discriminatory workplace and forbid any use of child labor.

Quality

The primary risk is a potential recall due to Patient safety related Preventive actions which cause the Patient challenges. No cases were initiated in 2018.

The quality of the Company is governed by a general quality policy which lays down processes and procedures, in which staff are trained on a continual basis. Staff skills are also maintained based on internal and external courses and on the job training. Previously, several specialists were identified in the organization, who have been assignes with the responsibility to follow and share knowledge about several special areas that are key to the Company's development. The result of this activity is increased product quality and reduced material wastage.

Anti-corruption

The primary risk is exposing Unomedical A/S to unintended influence of Key Opinion Leaders. This could lead to criticism of the company and may impact our reputation.

The external customer related cooperation and business ethics are governed on a general level by the Code of Conduct policies and observes the US legislation about the Foreign Corrupt Practices Act. Training in these policies is provided to relevant staff groups, and the Company's views in this respect are regularly communicated to staff and we have a zero-tolerance policy towards corruption and bribery. The follow up on compliance with these policies was also included in the normal coaching and the performance appraisals held between managers and staff. In the financial year 2018 Unomedical A/S has not experienced any anti corruption cases.

Environmental and climate impact

The primary risk is related to; during manufacturing of product, e.g. emission to air and waste generating. In the unlikely event of damage to the immediate environment it could lead to criticism from stakeholders and loss of business reputation

The object of the environmental policy is to reduce the Company's environmental and climate impact by, for instance, reducing packaging, energy consumption and production wastage which forms part of the daily focus. Unomedical A/S will continually seek solutions that impact positively on both the internal and external environment. As an example Unomedical A/S focused on product and packaging improvements through the development of green design guidelines.

In the financial year 2018 Unomedical A/S has not experienced any significant environmental issues and has not been cautioned or prosecuted for breaches of the environmental legislation.

Management's Review

Share of the underrepresented gender

Regarding both the Board of Directors and in general terms, Unomedical A/S will always strive to ensure that the best qualified person holds a given position. Accordingly, all employees' and managers' performance is appraised based on individual objectives. These appraisals form the basis of promotions and granting of increased responsibility, ensuring that performance and objective criteria form the basis in this respect.

Being an international company, Unomedical A/S aspires to promote diversity and create equal opportunities for everyone, regardless of gender, age, ethnicity and political or religious orientation. Ambition is firmly rooted in Unomedical A/S' Code of Conduct.

Unomedical A/S aims at the underrepresented gender's share of the members elected by the General Meeting represent more than 20%. At present, the underrepresented gender's share represents 33% (1 out of 3).

When recruiting for executive positions, moreover, Unomedical A/S will make sure that the share of female candidates on the shortlist corresponds to the share of female applicants for the position. When considering promotions to executive positions, Unomedical A/S will also make sure that at least one female candidate is discussed. When recruiting for positions in other management tiers, we will ensure diversity in the gender balance.

At management level, Unomedical A/S aims to have a composition of men and women that reflect the gender representation in the rest of the organization. The management consist of 30% women and 70% men.

In 2018, all recruited candidates account for 58% (63% in 2017) women and 42% (37% in 2017) men.

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue	1	**1.598.330**	**1.742.656**
Change in inventories of finished goods, work in progress and goods for resale		66.492	16.123
Other operating income	2	19.156	21.104
Expenses for raw materials and consumables		-735.026	-680.302
Other external expenses		-119.602	-144.805
Gross profit/loss		**829.350**	**954.776**
Staff expenses	3	-113.162	-121.670
Depreciation and amortisation of intangible assets and property, plant and equipment	4	-47.676	-34.809
Profit/loss before financial income and expenses		**668.512**	**798.297**
Income from investments in subsidiaries		15.768	23.971
Financial income	5	46.886	40.268
Financial expenses	6	-15.457	-79.839
Profit/loss before tax		**715.709**	**782.697**
Tax on profit/loss for the year	7	-153.314	-174.627
Net profit/loss for the year		**562.395**	**608.070**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		23.034	29.915
Acquired other similar rights		3.202	3.619
Development projects in progress		12.150	4.406
Intangible assets	8	**38.386**	**37.940**
Land and buildings		21.025	23.097
Plant and machinery		184.512	112.984
Other fixtures and fittings, tools and equipment		361	624
Property, plant and equipment in progress		54.707	94.607
Property, plant and equipment	9	**260.605**	**231.312**
Investments in subsidiaries	10	454.583	430.289
Receivables from group enterprises	11	1.396.306	1.368.653
Fixed asset investments		**1.850.889**	**1.798.942**
Fixed assets		**2.149.880**	**2.068.194**
Raw materials and consumables		83.209	74.750
Work in progress		27.534	21.584
Finished goods and goods for resale		114.406	53.864
Inventories		**225.149**	**150.198**
Trade receivables		102.811	125.633
Receivables from group enterprises		384.845	388.314
Other receivables		8.751	11.334
Corporation tax		2.392	0
Receivables		**498.799**	**525.281**
Cash at bank and in hand		**39.319**	**102.639**
Currents assets		**763.267**	**778.118**
Assets		**2.913.147**	**2.846.312**

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		126.000	126.000
Reserve for development costs		27.444	21.558
Retained earnings		1.405.012	1.229.191
Equity	12	**1.558.456**	**1.376.749**
Provision for deferred tax	14	43.475	34.369
Provisions		**43.475**	**34.369**
Payables to group enterprises		307.617	375.016
Long-term debt	15	**307.617**	**375.016**
Trade payables		30.097	52.551
Payables to group enterprises	15	907.976	778.166
Corporation tax		0	169.875
Other payables		65.526	59.586
Short-term debt		**1.003.599**	**1.060.178**
Debt		**1.311.216**	**1.435.194**
Liabilities and equity		**2.913.147**	**2.846.312**

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Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	126.000	21.558	1.229.191	1.376.749
Net effect from merger applying the uniting of interests method	0	0	-382.755	-382.755
Adjusted equity at 1 January	126.000	21.558	846.436	993.994
Share Based Payment	0	0	2.067	2.067
Development costs for the year	0	5.886	-5.886	0
Net profit/loss for the year	0	0	562.395	562.395
Equity at 31 December	**126.000**	**27.444**	**1.405.012**	**1.558.456**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
1	**Revenue**		
	Sale of goods	1.598.330	1.742.656
		1.598.330	**1.742.656**

For competitive reasons, the Company has not provided information on revenue distribution by business and geographic segments.

2 Other operating income

Other operating income comprise royalties and management fees received.

3 Staff expenses

	2018	2017
Wages and salaries	96.866	107.511
Pensions	13.532	11.919
Other social security expenses	2.764	2.240
	113.162	**121.670**
Average number of employees	**307**	**286**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

The Company have implemented different share-based compensation programs for the Executive Board, Management and eligible employees. Share-based compensation programs are granted on a yearly basis over a fixed period. Share-based compension programs entitle the Executive Board, Management and eligible employees to buy shares in the ConvaTec PLC per agreement at a pre-agreed price.

The total share-based compensation are valued using the Black-Scholes model and the expense is recognised in the income statement (staff expenses). A corresponding adjustment is reversed through equity (retained earnings).

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
4	**Depreciation and amortisation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	7.298	2.108
	Depreciation of property, plant and equipment	40.258	32.584
	Loss on disposal	120	117
		47.676	**34.809**
5	**Financial income**		
	Interest received from group enterprises	41.275	39.131
	Other financial income	88	1.137
	Exchange gains	5.523	0
		46.886	**40.268**
6	**Financial expenses**		
	Impairment losses on financial assets	34	34.971
	Interest paid to group enterprises	15.420	9.803
	Other financial expenses	3	141
	Exchange loss	0	34.924
		15.457	**79.839**
7	**Tax on profit/loss for the year**		
	Current tax for the year	146.327	169.875
	Deferred tax for the year	7.860	4.752
	Adjustment of tax concerning previous years	137	0
	Adjustment of deferred tax concerning previous years	-1.010	0
		153.314	**174.627**

Notes to the Financial Statements

8 Intangible assets

	Completed development projects	Acquired other similar rights	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	85.680	17.872	4.406
Additions for the year	0	0	7.744
Cost at 31 December	85.680	17.872	12.150
Amortisation at 1 January	55.765	14.253	0
Amortisation for the year	6.881	417	0
Amortisation at 31 December	62.646	14.670	0
Carrying amount at 31 December	**23.034**	**3.202**	**12.150**

9 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	61.145	490.025	3.722	94.607
Additions for the year	0	0	0	69.671
Disposals for the year	-640	-20.089	-118	0
Transfers for the year	148	109.423	0	-109.571
Cost at 31 December	60.653	579.359	3.604	54.707
Depreciation at 1 January	38.048	377.041	3.098	0
Depreciation for the year	2.191	37.804	263	0
Reversal of depreciation of sold assets	-611	-19.998	-118	0
Depreciation at 31 December	39.628	394.847	3.243	0
Carrying amount at 31 December	**21.025**	**184.512**	**361**	**54.707**

Notes to the Financial Statements

10 Investments in subsidiaries

	2018	2017
	TDKK	TDKK
Cost at 1 January	828.143	777.834
Additions for the year	30.070	50.309
Cost at 31 December	858.213	828.143
Value adjustments at 1 January	-397.854	-362.883
Revaluations for the year, net	-5.776	-34.971
Value adjustments at 31 December	-403.630	-397.854
Carrying amount at 31 December	**454.583**	**430.289**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Pharma Plast Productors Medicos S.A.	Spain	100%
Unomedical Holdings Limited	England	100%
ConvaTec Oy	Finland	100%
Unomedical Sdn. Bhd.	Malaysia	75%
Unomedical Devices SA de CV.	Mexico	100%
ZAO ConvaTec	Russia	100%
Unomedical s.r.o.	Slovakia	100%
Unomedical America Inc.	USA	100%
Fe Unomedical Limited	Berarus	100%
Papyro-Tex A/S	Denmark	100%

11 Other fixed asset investments

	Receivables from group enterprises
	TDKK
Cost at 1 January	1.033.746
Additions for the year	362.560
Cost at 31 December	1.396.306
Carrying amount at 31 December	**1.396.306**

Notes to the Financial Statements

12 Equity

The share capital consists of 126,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

13 Distribution of profit

	2018 TDKK	2017 TDKK
Retained earnings	562.395	608.070
	562.395	**608.070**

14 Provision for deferred tax

	2018 TDKK	2017 TDKK
Provision for deferred tax at 1 January	34.369	29.617
Amounts recognised in the income statement for the year	6.849	4.752
Effect from merger	2.257	0
Provision for deferred tax at 31 December	**43.475**	**34.369**
Intangible assets	7.740	8.346
Property, plant and equipment	7.441	3.958
Inventories	10.306	5.599
Other	17.988	16.466
	43.475	**34.369**

15 Long-term debt

Payments due within 1 year are presented as short-term debt. Other debt is presented as long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

	2018 TDKK	2017 TDKK
Between 1 and 5 years	307.617	375.016
Long-term part	307.617	375.016
Short-term debt to group enterprises	907.976	778.166
	1.215.593	**1.153.182**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations

	2018	2017
	TDKK	TDKK

Charges and security

The Company assets have been placed as security with ConvaTec Healthcare B S.a.r.l. Intercompany loan agreement.

The Company has through its bank provided guarantees to third parties in connection with trade.

	2018	2017
The guarantee amounts to	1.151	1.089

Rental and lease obligations

	2018	2017
Rental and lease obligations until maturity	1.214	2.462

Other contingent liabilities

The Company is party to a national Danish joint taxation scheme with ConvaTec Denmark A/S as the management company. Consequently, the Company is jointly liable for corporation taxes for the jointly taxed companies. The Company is also jointly liable for any obligations to withhold tax at source on interest, royalties and dividens for the jointly taxed companies.

The Company is party to minor cases and disputes. The Company believes that these cases will not trigger claims in excess of what has already been provided for in the financial statements.

The Company has incurred contractual obligations in the normal course of operations with suppliers. The total amount of contractual obligations amount up to DKK 37.6m. at 31 december 2018.

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
ConvaTec Denmark A/S	Immediate parent
ConvaTec Group PLC	Ultimate parent

Transactions

Trade with related parties is based on market terms.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
ConvaTec Group PLC	UK

The Group Annual Report of ConvaTec Group PLC may be obtained at the following address:

3 Forbury Place, 23 Forbury Road, RG1 3 JH Reading, UK.

18 Fee to auditors appointed at the general meeting

	2018 TDKK	2017 TDKK
Audit fee to Deloitte	656	725
Other assurance engagements	164	115
	820	**840**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Unomedical A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in TDKK.

At 1 January 2018, the Company merged with its parent: Unomedical Holding A/S.

Classification of financial statement items regarding receivables and debt to group enterprises has been adjusted including adjustment of comparative figures.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of ConvaTec Group PLC, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of ConvaTec Group PLC, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Segment information on revenue

For competitive reasons, the Company has not provided information on revenue distribution by business and geographic segments.

Share-based payments

Equity-settled share-based payments to employees etc. are measured at the fair value of the award on the grant date. The fair value of the awards at the date of the grant, which is estimated to be equal to the market value, is expensed in the income statement (staff expenses) over the vesting period, with appropriate adjustments being made during the period to reflect expected and actual forfeitures. The corresponding adjustment is reversed through equity (retained earnings).

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary write-downs of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Notes to the Financial Statements

19 Accounting Policies (continued)

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation and depreciation

Amortisation and depreciation comprise amortisation and depreciation of intangible assets and property, plant and equipment.

Other operating income

Other operating income comprise items of a secondary nature to the main activities of the Company, primarily royalties and management fees received.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allo-

Notes to the Financial Statements

19 Accounting Policies (continued)

cated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis over five years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Notes to the Financial Statements

19 Accounting Policies (continued)

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	20-25 years
Plant and machinery	5-7 years
Other fixtures and fittings etc.	3-4 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of Receivables from group enterprises.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

Notes to the Financial Statements

19 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$