

# Annual report 2008/09

## Management's Report - Five-year financial highlights and key ratios

DKK million	2008/09	2007/08	2006/07	2005/06	2004/05 <sup>1)</sup>
<b>Income statement</b>					
Revenue	8,820	8,463	8,042	6,709	6,232
Research and development costs	-389	-415	-319	-244	-215
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	1,944	1,531	1,590	1,304	1,348
Operating profit before special items	1,475	1,154	1,061	939	1,026
Operating profit (EBIT)	1,395	994	749	879	1,000
Net financial income and expenses	-184	-2	-154	-222	-163
Profit before tax	1,211	992	595	657	837
Coloplast's share of profit for the year	883	715	837	614	553
<b>Revenue growth</b>					
Annual growth in revenue, %	4	5	20	8	8
Growth break down:					
Organic growth, %	6	7	10	8	8
Currency effect, %	-2	-4	-2	1	0
Acquired business, %	0	0	12	7	0
Contract manufacturing, %	0	2	0	0	0
Divested business, %	0	0	0	-8	0
<b>Balance sheet</b>					
Total assets	7,963	7,981	7,750	7,982	5,915
Invested capital	6,442	7,014	6,874	7,996	5,386
Net interest-bearing debt	2,297	3,428	3,181	3,069	867
Equity at year-end, Coloplast's share	2,850	2,290	2,398	2,804	2,512
<b>Cash flow and investments</b>					
Cash flow from operating activities	1,830	1,324	1,064	991	1,353
Cash flow from investing activities	-402	-671	35	-3,018	-434
Investment in property, plant and equipment, gross	487	718	745	415	399
Free cash flow	1,428	653	1,099	-2,027	919
Cash flow from financing activities	-723	-469	-1,423	782	-446
<b>Key figures</b>					
Average number of employees, FTEs	7,349	7,420	7,063	5,437	6,159
Operating margin, EBIT, %	16	12	9	13	16
Operating margin, EBITDA, %	22	18	20	19	22
<sup>2)</sup> Return on average invested capital before tax (ROIC), %	21	14	10	15	18
<sup>2)</sup> Return on average invested capital after tax (ROIC), %	15	10	6	10	12
Return on equity, %	34	31	30	23	23
Ratio of net debt to EBITDA	1.2	2.2	2.0	2.2	0.6
Interest cover	14	10	10	10	11
Equity ratio, %	36	29	31	35	42
Rate of debt to enterprise value, %	11	16	12	12	5
Net asset value per share, DKK	63	50	50	58	52
<b>Per share data</b>					
Share price	426	388	497	473	378
Share price/net asset value per share	7	8	10	8	7
Average number of outstanding shares, millions	43	44	46	46	47
PE, price/earnings ratio	21	25	27	36	32
PE, price/earnings ratio, excl. discontinued operations	21	25	61	43	32
<sup>3)</sup> Dividend per share, DKK	7.00	6.00	9.00	4.00	3.50
Pay-out ratio, %	34	36	47	31	29
Earnings per share (EPS)	21	16	8	11	12
Free cash flow per share	33	15	24	-42	19

1) Comparative figures are not restated for divestment of Breast Care.

2) The average invested capital for 2006/07 has been restated to reflect the divestment of Breast Care and Brachytherapy.

3) For 2008/09 the figure is the proposed dividend.

The key figures have been calculated and applied in accordance with "Recommendations & Financial Ratios 2005" issued by the Danish Society of Financial Analysts.

## Contents

	Side
Management's report	2
Corporate governance at Coloplast	12
Other board memberships	15
Management statement	16
Independent auditors' report	17
Income statement	19
Balance sheet	20
Statement of changes in equity and comprehensive income	22
Cash flow statement	23
Overview of notes	25
Shareholder information	59
Annual report of the parent company, Coloplast A/S	61

## Management's report

### Core business activity

Coloplast develops and markets products and services that make life easier for people with medical conditions that are deeply private and personal. Coloplast works closely with users to develop solutions that meet their special needs. We call this intimate healthcare.

Coloplast operates in these business areas:

- Ostomy care products for people whose intestinal outlet has been rerouted through the abdominal wall
- Urology and continence care products for people suffering from diseases of the kidneys, the urinary system or the male reproductive system
- Dressings for the treatment of chronic wounds and skin care products for prevention and treatment.

We market and sell our products and services globally, and in most markets local healthcare authorities provide reimbursement for our products. We supply the products to hospitals, institutions as well as wholesalers and retailers. In selected markets, Coloplast is a direct supplier to consumers (homecare). We have our own sales subsidiaries in our principal markets and employ more than 7,000 people.

Since the beginning of 2009, Coloplast has pursued a strategy based on profitable growth. In other words, all business areas and geographical regions are required to contribute growth as well as a financial profit.

More specifically, Coloplast is focused on:

#### Ostomy & Continence Care

- enhancing growth as well as earnings in our core European markets
- making selective investments in countries outside of Europe

#### Urology, Wound & Skin Care

- strongly enhancing earnings through efficiency improvements and cost savings in order to invest in growth

The Group plans to generally reduce costs, among other things by continuing to relocate production to low-wage economies and on being strongly focused on maintaining cost-conscious behaviour.

### Financial highlights of 2008/09

The main focus in the 2008/09 financial year was on enhancing our consolidated profitability. We achieved our EBIT-margin target. Unfortunately, we did not reach our target for organic growth. The management considers the financial results for the year to be satisfactory, as we achieved the full-year profit target in spite of the lack of organic growth.

- Organic revenue growth was 6%. Changes in exchange rates reduced revenue growth by 2 percentage points. Revenue measured in Danish kroner was up by 4% to DKK 8,820m.
- Organic growth rates by business area: Ostomy Care 4%, Urology & Continence Care 9%, Wound & Skin Care 3%.
- Gross profit was up by 2% to DKK 5,103m, equal to a gross margin of 58%. Changes in exchange rates reduced the gross margin by 1 percentage point.
- EBIT was up by 40% to DKK 1,395m. Before special items, EBIT improved by 28%.
- The EBIT margin was 16% against 12% in 2007/08. Changes in exchange rates reduced the EBIT margin by 1 percentage point. The underlying EBIT margin was 17%.

- The free cash flow amounted to DKK 1,428m against DKK 653m last year.
- A share buy-back programme for DKK 1bn will be launched, scheduled to run in 2009/10 and 2010/11.
- The Board of Directors recommends that the shareholders attending the general meeting to be held on 1 December 2009 approve a dividend of DKK 7.00 per share, equal to a pay-out ratio of 34%, as compared with 36% last year.

## Financial guidance for 2009/10

Our financial guidance for the 2009/10 financial year is as follows:

- Organic revenue growth of 6–7%. Revenue growth measured in DKK is expected to be 4–5%.
- An EBIT margin of 17–18% at constant exchange rates and in DKK of 16-17%.
- Investments in property, plant and equipment of DKK 500–600m
- An effective tax rate of approximately 27%.

Coloplast's Board of Directors has reviewed the company's long-term financial guidance, which still calls for annual organic growth rates that are higher than the market growth and an EBIT margin of at least 20%.

The overall weighted market growth in Coloplast's markets is expected to be about 5%.

Our financial guidance is inherently subject to some degree of uncertainty. Significant changes in currency, business or macroeconomic conditions, including changes within healthcare, may impact the company's financial conditions. We evaluate our long-term guidance annually in connection with the presentation of our full-year financial statements.

## Markets and their development

### Business areas

Measured in DKK, revenue was up by 4% to DKK 8,820m. Organic growth was 6% and changes in exchange rates reduced revenue growth by 2 percentage points.

### Sales performance by business area

	DKK million		Growth composition		
	2008/09 12 mth	2007/08 12 mth	Organic growth	Exchange rates	Reported growth
Ostomy	3,621	3,569	4%	-3%	1%
Urology and Continence	3,699	3,444	9%	-2%	7%
Wound & Skin Care	1,500	1,450	3%	0%	3%
<b>Net revenue</b>	<b>8,820</b>	<b>8,463</b>	<b>6%</b>	<b>-2%</b>	<b>4%</b>

### Ostomy Care

Sales of ostomy care products amounted to DKK 3,621m, an increase of 1%. Measured in DKK, revenue growth was adversely affected by the weaker GBP, in particular. Organic growth was 4%, affected especially by the challenges in the German market. Coloplast has taken a number of initiatives with the aim of turning the trends, and these initiatives are expected to have the intended effect. Excluding our operations in the German market, organic growth was 7%. The SenSura® product portfolio continues to drive growth in sales of ostomy care products. The SenSura® URO, for patients with a urostomy, was launched in the second quarter and the product is now available in most European markets.

Holding 35–40% of the market, Coloplast retains its market-leading position in the global market for ostomy care products. The global ostomy care market is worth about DKK 10bn and market growth is estimated at 4%.

#### *Urology & Continence Care*

Our Urology & Continence Care revenue rose by 7% to DKK 3,699m on 9% organic growth. Revenue growth in Continence Care was driven by sales of intermittent catheters, as especially SpeediCath® and Selfcath® sales remained very satisfactory. Peristeen® and the Conveen® product series both also generated very satisfactory sales growth. Launched in the second quarter, SpeediCath® Control, a product designed for users with low dexterity, is now available in ten national markets.

SpeediBag™ for users of SpeediCath® Compact, Peristeen® Anal Irrigation catheters for children, and Exair™, a surgical single-use set for rebuilding the pelvic floor, were launched in Q4.

Urology products again generated satisfactory sales growth, and sales of penile implants in the North American market continue to drive growth.

The continence care market is worth about DKK 10bn and market growth is estimated at 5–7%. Coloplast remains the global market leader, with a market share of 30–35%.

The part of the urology market in which Coloplast operates is worth about DKK 10bn, and market growth is expected to be 7–9%. Coloplast holds a 5–10% share of the combined global urology product market.

#### *Wound & Skin Care*

Sales of wound and skin care products were up by 3% to DKK 1,500m, and organic growth for the year was also 3%. Growth continues to be impacted by the very competitive markets and the resulting price pressure in major European markets.

Growth in the global wound and skin care market in which we operate amounts to 5–7%, and the market is worth about DKK 14bn. Coloplast retains a market share of 5–10%.

### **Sales performance by region**

	<i>DKK million</i>		<i>Growth composition</i>		
	<i>2008/09 12 mth</i>	<i>2007/08 12 mth</i>	<i>Organic growth</i>	<i>Exchange rates</i>	<i>Reported growth</i>
Europe	6,746	6,705	4%	-3%	1%
Americas	1,380	1,155	12%	7%	19%
Rest of the world	694	603	8%	7%	15%
<b>Net revenue</b>	<b>8,820</b>	<b>8,463</b>	<b>6%</b>	<b>-2%</b>	<b>4%</b>

#### *Europe*

Revenue measured in DKK was DKK 6,746m, which translates into reported growth of 1% against organic growth of 4%. The annual growth rate was adversely affected by weaker sales of ostomy care products in Germany. Organic growth in Europe excluding Germany was 7% for the full year, which is considered to be satisfactory. Our Urology and Continence Care business generated growth in line with expectations, while the market for wound and skin care products remains very competitive.

#### *The Americas*

Revenue in the Americas rose by 19% to DKK 1,380m. Organic growth was 12%, whereas the higher USD/DKK exchange rate lifted growth by 7 percentage points. Overall growth for continence care products in the region was supported by improved reimbursement rules for intermittent catheters in the USA.

### *Rest of the World*

In the Rest of the World, revenue rose by 15% to DKK 694m on 8% organic growth. Developments in foreign exchange rates, especially JPY/DKK, added 7 percentage points to the growth performance. Ostomy Care accounts for most of the sales in this region, and growth fell short of expectations. In addition, the restructuring project in the Wound and Skin Care business had a negative impact on this business area.

## **Gross profit**

Gross profit rose by 2% to DKK 5,103m from DKK 4,998m last year.

The gross margin was 58%, against 59% last year. When adjusted for changes in exchange rates, the gross margin was 59%, which is in line with last year's figure. The gross margin remained affected by the increased price pressure, especially in the market for wound and skin care products, and by the growing proportion contributed by SenSura® and the new generation of Biatain® foam dressings, for which the production economy is not expected to improve until production is relocated to Hungary. In addition, we are not achieving full use from our production apparatus due to the lower-than-expected sales. This is being offset, however, by the improved production economy resulting from the relocation of production to Hungary and China.

## **Capacity Costs**

Distribution costs amounted to DKK 2,685m, equal to 30% of revenue, against 31% last year.

Administrative expenses amounted to DKK 614m, which equals 7% of revenue compared with 10% last year. The fall was mainly attributable to cost savings and efficiency-improving measures.

R&D costs were DKK 389m and accounted for 4% of revenue, against 5% last year.

Other operating income rose by DKK 18m to DKK 89m. Most of the increase was due to a DKK 47m profit recognised this year from the sale of a production facility in Kokkedal, Denmark, and other items, while a DKK 31m profit was recognised in 2007/08 from the sale of an office property in Kokkedal.

Special items amounted to DKK 80m, against DKK 160m last year. The amount consisted of costs related to reducing the number of employees working in production in Denmark and costs related to the organisational changes implemented in the Wound & Skin Care business and the DSU business.

## **Operating profit (EBIT)**

EBIT was DKK 1,395m against DKK 994m last year. The EBIT margin was 16% against 12% last year. The underlying EBIT margin excluding non-recurring items and at constant exchange rates was 17%, which is a 3 percentage point improvement on last year.

## **Financial items and tax**

Financial items amounted to a net expense of DKK 184m, against a net income of DKK 2m last year. The higher expenses were due to a combination of exchange rate adjustments and fair value adjustments of share options. Last year, we recognised large currency hedging gains on our main foreign exchange exposures, not least the pound sterling, whereas our positions this year were adversely affected by movements in Hungarian forint, in particular.

The higher price of Coloplast shares has resulted in a DKK 9m negative fair value adjustment of the value of cash-based share option programmes expiring during the period until 2013.

The effective tax rate was 27%, against 28% last year, for a tax expense of DKK 328m, as compared with DKK 277m last year.

## **Net profit for the year**

The net profit for the financial year was up by 23% to DKK 883m. Earnings per share (EPS) were DKK 21, up 31% on 2007/08.

## Cash flows and investments

### Cash flow from operating activities

The cash flow from operating activities was DKK 1,830m against DKK 1,324m last year. The increase was driven especially by an improvement in working capital and stronger earnings. This was partly offset by higher tax payments.

### Investments

We invested a gross amount of DKK 487m in property, plant and equipment in 2008/09, which was 32% lower than last year. The investments made were mainly for production equipment for the factories in Hungary and China and for the new US headquarters. Investments accounted for 6% of revenue against 8% last year.

### Free cash flow

The free cash flow was DKK 1,428m, against DKK 653m in 2007/08. The improvement was attributable to a combination of stronger earnings, an improvement in working capital and lower investments. In the last quarter of the year alone, the free cash flow amounted to DKK 680m, an increase of 64% on Q4 2007/08.

### Capital reserves

We have confirmed long-term credit facilities of DKK 5bn, of which DKK 2bn is unutilised.

## Balance sheet and equity

### Balance sheet

At DKK 7,963m, total assets were DKK 18m lower than at 30 September 2008. Property, plant and equipment amounted to DKK 2,635m, which was DKK 99m lower than last year. The reduction was mainly due to the sale of the production facility in Kokkedal, Denmark and changes in exchange rates, especially in Hungarian forint.

Current assets increased by DKK 199m to DKK 3,369m. The largest increases were in cash and bank balances, which were DKK 436m higher than last year, while inventories reduced the overall increase in current assets by DKK 238m.

Trade receivables fell by DKK 33m relative to 30 September 2008. Trade payables amounted to DKK 428m, against DKK 397m at 30 September 2008.

### Equity

Equity increased by DKK 559m to DKK 2,850m. The profit for the year of DKK 883m was partly offset by a DKK 54m foreign exchange loss taken directly to equity and by dividend payments of DKK 257m. The equity ratio rose to 36% from 29% at 30 September 2008.

### Net interest-bearing debt

Net interest-bearing debt fell by DKK 1,131m, or 33%, relative to 30 September 2008 to DKK 2,297m. This equals a ratio of net interest-bearing debt to EBITDA of 1.2. The change was due to the improvement of the free cash flow. About 86% of our total debt carries a fixed rate, and no significant loans are due for refinancing until 2013.

Our target is still to have a net interest-bearing debt of 1.5–2.5 times EBITDA.

## Share buy-backs and dividends

The Board of Directors recommends that the shareholders attending the general meeting to be held on 1 December 2009 approve a dividend of DKK 7.00 per share, equal to a pay-out ratio of 34%, as compared with 36% last year.

Considering the continuing stable developments in the financial markets and the strong cash flow, the Board of Directors has resolved to launch a share buy-back programme totalling up to DKK 1bn until the end of the financial year 2010/11. Implementation of the buy-back programme is subject to the shareholders in general meeting on 1 December 2009 adopting an authorisation to buy back shares for

up to 10% of the company's share capital. Should alternative opportunities arise during the period which are considered more beneficial for the shareholders, the authorisation may not be utilised.

## Other information

### Wound & Skin Care

The wound and skin care project is progressing to plan and aims to improve the earnings potential of the business area. The initiatives remain anchored in:

- Adapting and simplifying our global organisation
- Cost savings
- Increasing the use of distributors in small markets
- Improving the production economy of the Biatain® products
- Optimising the product offering

We expect to complete the initiatives by the end of H1 2009/10.

### Global Operations (GO)

On 20 October 2009, we laid off 143 employees at our Danish production sites. The lay-offs in Denmark were made due to a continuing relocation of volume production from Denmark to Hungary and China. Costs associated with the above-mentioned lay-offs are included in the income statement under special items. The positive financial effects expected from the plan are already reflected in our long-term financial guidance.

## Intellectual capital

At Coloplast, we develop our products and services in close interaction between our employees, users and healthcare professionals. The only way we can safeguard our position as a market leader is by retaining and developing the skills of our employees, enabling them to engage in this interaction.

### Research & development

In the 2008/09 financial year, Coloplast launched a number of new, improved products that were developed and marketed in accordance with the time schedule.

The time to market for new products has been reduced substantially during the past two years, largely due to the use of Lean principles in our innovation processes. Being able to develop new products faster than the competition has many benefits for Coloplast. For example, the Group is in a position to allow third-party input to the process, including via the Internet without the risk of the competition having sufficient time to capitalise on the open innovation process before we bring a product to market. Coloplast applies open innovation in our collaboration with users, healthcare professionals, sub-contractors, development houses and universities, all of which are important sources of inspiration for our in-house product developers.

### Human resources

At 30 September 2009, Coloplast had 7,130 employees, of whom 5,187 worked in international locations. During the financial year, the number of employees fell by 437.

## Corporate Social Responsibility

Coloplast aims to manufacture and sell products in a sustainable manner that both caters to our customers' needs and considers environmental concerns. At Coloplast, we assume a responsibility that goes substantially beyond regulatory requirements, including through our membership of the UN Global Compact.

In the 2008/09 financial year, Coloplast made progress in the following fields:

### Phthalates

Phthalates are plastic softeners used, among other things, in the production of catheters made from PVC. None of the new Coloplast products contain phthalates. By 2011, we intend for our customers to have phthalate-free alternatives to all our existing products. A systematic approach is used to develop

phthalate-free products for the some 40% of our products for which there is currently no phthalate-free alternative.

Coloplast is an active supporter of the EU's efforts to minimise the use of hormone-disrupting substances, including in particular classified phthalates and our company is an advocate of greater ambitions in this field, for example by promoting "green public procurement".

### **Employee safety**

The number of work-related accidents at Coloplast has dropped by about 40% during the last three years. During the 2008/09 financial year, two factories and a distribution centre were certified to OHSAS 18001, the international standard for occupational health and safety management. As a result, seven of Coloplast's ten factories and one of our three distribution centres are now certified. The remaining three factories and two distribution centres are in the process of being certified.

### **Code of Conduct**

Since 2005, Coloplast has complied with a code of conduct that sets out the Group's standards for business ethics. In the 2008/09 financial year, we worked to enhance employee awareness of this code of conduct. For example, Coloplast has developed an online course for employees based on realistic dilemmas.

### **Social Responsibility**

Three projects under the "Access to Healthcare" donation programme were initiated in 2008/09. The programme provides support to projects in developing countries that fall within Coloplast's business areas. For example, Coloplast supports a training programme for ostomy care nurses in Mexico and the development of national guidelines in China for the treatment of people who have had an ostomy operation.

### **Environmental issues**

Coloplast adopted a climate policy in February 2009. Our ambition is to lower our carbon dioxide emissions per unit produced. This year, we have succeeded in reducing the Group's travel activity by 20%, in part by introducing a more restrictive policy on business travel and by increasing the use of video and teleconferences. The lower travel activity has had a positive direct effect on the Group's carbon dioxide emissions.

We make an effort to recycle and recover waste. Each year, for example, the Group recovers 60 tonnes of plastic waste and recycles 240 tonnes of adhesive in the production of ostomy bags. All process waste containing silver is run through a recovery process, expected to result in the regeneration of about 600 kilos of pure silver per year.

In 2009, the factory in Nyirbator in Hungary was certified to ISO 14001, the international environmental management standard, and thus became the eighth of Coloplast's ten factories to achieve this certification.

### **Responsible supply chain management**

Coloplast reviews its suppliers of raw materials on a current basis to ensure that they comply with our standards for business ethics, environmental issues and safety at work. In that connection, Coloplast published a folder in the 2008/09 financial year that explains the standards and describes the monitoring system. We have also developed a special code of conduct for everyone at Coloplast involved in procurement.

*For more information on the Communication on Progress report for the Global Compact, go to the Coloplast website ([www.coloplast.com/about/ourcompany/responsibility/pages/responsibility.aspx](http://www.coloplast.com/about/ourcompany/responsibility/pages/responsibility.aspx))*

### **Risk management and internal control**

The management of each of Coloplast's individual business units and staff functions are responsible for identifying and managing risk factors in their specific parts of the organisation. The principal risks are reported to Corporate Risk Management on a quarterly basis. The reporting process and risk interviews form the basis of the quarterly risk update submitted to the Executive Management and the Board of Directors.

The Executive Management is responsible for Coloplast's overall risk profile and for aligning it with the overall strategies and policies. The Executive Management is also responsible for launching and validating projects and activities to cover the most significant risks.

The Board of Directors considers and approves, on a quarterly basis, the conclusions and recommendation submitted by the Executive Management.

*Additional information about risk management and major risk factors at Coloplast is available from our website*

*([www.coloplast.com/about/investorrelations/corporategovernance/pages/corporategovernance.aspx](http://www.coloplast.com/about/investorrelations/corporategovernance/pages/corporategovernance.aspx)).*

*Coloplast discloses the statutory information on corporate governance required under section 107b of the Danish Financial Statements Act, on the Coloplast website*

*([www.coloplast.com/about/investorrelations/annualreports/pages/internalcontrolandrisksystems.aspx](http://www.coloplast.com/about/investorrelations/annualreports/pages/internalcontrolandrisksystems.aspx)).*

## **Share classes and authorisations**

Coloplast has two share classes: A and B. Both share classes have a denomination of DKK 5 per share. There are 3.6 million class A shares (aggregate nominal value of DKK 18m), each of which entitles the holder to ten votes, and 41.4 million class B shares (aggregate nominal value of DKK 207m), each of which entitles the holder to one vote. The A shares are non-negotiable instruments. Coloplast's B shares are negotiable instruments and were listed on the Copenhagen Stock Exchange in 1983. Any change of ownership or pledging of class A shares requires the consent of the Board of Directors, whereas class B shares are freely negotiable.

The Board of Directors may increase the company's share capital by a nominal value of up to DKK 15m in one or more issues of class B shares. Moreover, the Board of Directors has been authorised to acquire treasury shares for up to 10% of the company's share capital. The highest and lowest amounts to be paid for the shares by the company is the price applicable at the time of purchase +/- 10%. These authorisations are valid until the annual general meeting to be held in 2009.

At general meetings, matters are decided by a simple majority of votes. Resolutions to amend the company's articles of association require that not less than half of the share capital is represented and that the resolution is adopted by not less than two-thirds of the votes cast as well as of the voting share capital represented at the general meeting. The resolution lapses if the above-mentioned share capital is not represented, or if a resolution is not adopted by two-thirds of the votes cast. If a resolution is adopted by two-thirds of the votes cast, the Board of Directors must convene a new extraordinary general meeting within two weeks. If at this meeting the resolution is adopted by not less than two-thirds of the votes cast and of the voting share capital represented, it will be passed without consideration to the size of the share capital represented at the meeting.

No important agreements are in place that would be affected in the event of a change of control of the company resulting from a takeover bid, and no special agreements have been made between the company, its management or employees if their positions are discontinued for the same reason. There are no special provisions governing the election of members to Coloplast's Board of Directors.

## **Ownership and shareholdings at 30 September 2009**

The company has 25,233 shareholders, which is 1,990 fewer than last year. Institutional investors based outside Denmark held 12.3% of Coloplast's shares at 30 September 2009, compared with 9.8% a year earlier. Registered shareholders represented 91.8% of the entire share capital. Pursuant to the company's articles of association, shares must be registered in the name of the holder in order to carry voting rights. Three shareholders have reported to the company, pursuant to section 28 (a) and (b) of the Danish Public Companies Act, that they hold 5% or more of the share capital or voting rights. These shareholders are: the estate of Mrs J. Louis-Hansen, Copenhagen, Mr N.P Louis-Hansen of Vedbæk and the Foundation of Aage and Johanne Louis-Hansens Fond of Nivå.

Coloplast A/S held 2,114,803 treasury shares at 30 September 2008, equivalent to 4.7% of the share capital.

### Coloplast's ownership structure

30 September 2009	A shares 1,000 units	B shares 1,000 units	Ownership %	Voting rights %
Holder of A shares and their families	3,600	17,831	47.6	69.5
Danish institutionals		7,189	16.0	9.3
Foreign institutionals		5,529	12.3	7.1
Coloplast A/S*		2,115	4.7	
Other shareholders		4,572	10.2	5.9
Non-registered shareholders		4,164	9.2	
<b>Total</b>	<b>3,600</b>	<b>41,400</b>	<b>100.0</b>	<b>91.8</b>

\* No voting rights

### Shareholdings

30 September 2009	A shares 1,000 units	B shares 1,000 units	Number of insiders
Board of Directors	2,457	1,492	10
- of which independent Board members		9	5
Executive Management		6	2
<b>Total</b>	<b>2,457</b>	<b>1,498</b>	<b>12</b>

### Corporate governance at Coloplast

At least once a year, Coloplast's Board of Directors and Executive Management review the principles of corporate governance originating from legislation, custom and recommendations.

The Board of Directors and the Executive Management assess the company's business processes, the definition and implementation of the mission, the organisation, stakeholder relations, strategy, risks, business objectives and controls.

The Board of Directors determines the Group's objectives, strategies and overall action plans. On behalf of the shareholders, the Board of Directors supervises the company's performance as well as its organisation and day-to-day management. The Board of Directors also sets guidelines for the Executive Management's execution of the day-to-day management of the company and for assigning tasks among the individual executives. No one person is a member of both the Coloplast Board of Directors and Executive Management, and no Board member is a former member of the Coloplast Executive Management.

### Recommendations for corporate governance in Denmark

On 6 October 2005, the NASDAQ OMX Copenhagen stock exchange published a decision to include 'Corporate governance recommendations' in the duty-to-disclose list of issues to be accounted for by listed companies. Coloplast's Board of Directors and Executive Management share in these views and began applying this practice in reporting on corporate governance at Coloplast as early as in the Annual Report 2004/05, which was prepared in accordance with the recommendation to divide reporting into main sections and subsections.

### Objective of the reporting

Coloplast will account for views and activities relating to corporate governance in its annual report at investor meetings and on the corporate website. The purpose is:

- to ensure that investors receive information
- to increase shareholder and employee insight into the company's strategy, objectives and risks
- to create stakeholder confidence in the company.

The following sections are extracts from the document 'Corporate governance at Coloplast' which is available in its full length from our corporate website ([www.coloplast.com/about/investorrelations/corporategovernance/pages/corporategovernance.aspx](http://www.coloplast.com/about/investorrelations/corporategovernance/pages/corporategovernance.aspx)).

*Additional information about risk management and major risk factors related to the financial reporting process at Coloplast is available from our website ([www.coloplast.com/about/investorrelations/annualreports/pages/internalcontrolandrisksystems.aspx](http://www.coloplast.com/about/investorrelations/annualreports/pages/internalcontrolandrisksystems.aspx)).*

## **Openness and transparency**

### *Investor relations*

A policy has been established for the communication of information to shareholders and investors. According to this policy the Executive Management and the Corporate Communications team are responsible for the flow of information pursuant to guidelines agreed with the Board of Directors. The communication of information complies with the rules laid down by the NASDAQ OMX Copenhagen, comprising:

- Full-year and interim financial statements and the annual report
- Replies to inquiries from equity analysts, investors and shareholders
- Site visits by investors and equity analysts
- Presentations to Danish and foreign investors
- Capital markets days for analysts and investors
- Conference calls in connection with the release of financial statements
- Special investor section at Coloplast's corporate website.

## **Duties and responsibilities of the Board of Directors**

### *Procedures*

A set of procedures governs the work of Coloplast's Board of Directors. These procedures are reviewed annually by the full Board to ensure that they match current needs. The procedures set out guidelines for the activities of the Board of Directors including the supervision of the company's organisation, day-to-day management and results.

## **Composition of the Board of Directors**

### *Board committees*

Following the 2009 Annual General Meeting, Coloplast's Board of Directors plans to set up an audit committee consisting of three Board members.

### *Assessment of the work performed by the Board of Directors*

At least every other year, the Board of Directors assesses its working procedures and method of approach. The practical assessment takes the form of a questionnaire which addresses issues like the Board's overall competencies. Based on this assessment, the organisation and efficiency of the Board of Directors' work are discussed at a Board meeting where any proposals for improvement are approved.

## **Remuneration of the Board of Directors and the Executive Management**

Section 69b of the Danish Public Companies Act provides that shareholders adopt, at the general meeting, general guidelines for incentive pay to members of a company's board of directors and its executive management before a specific agreement to this effect can be made. Coloplast adopted such guidelines at the annual general meeting held on 17 December 2008.

### *General guidelines for the company's remuneration of members of the Board of Directors and the Executive Management*

#### *Board of Directors*

Members of the Board of Directors receive a fixed annual fee. The chairman and deputy chairman of the Board of Directors receive a supplement to this fee. The amounts of fees and supplements are approved

by the shareholders and disclosed in the annual report. Fees are fixed based on a comparison with fees paid by other companies. Members of the Board of Directors receive no incentive pay.

#### *Executive Management*

The chairman and deputy chairman of the Board perform an annual review of the remuneration paid to members of the Executive Management.

The remuneration paid to members of the Executive Management consists of a fixed and a variable part. The fixed pay consists of a net salary, pension contribution and other benefits. The value of each of those components is disclosed in the annual report for each member of the Executive Management. As an element of the variable pay, members of the Executive Management may receive an annual bonus, subject to the achievement of certain benchmarks. The bonus proportion may vary among the members of the Executive Management, but is subject to a maximum of around 40% of the annual net salary. The actual bonus paid to each member of the Executive Management is disclosed in the Annual Report. At the date of adoption of these guidelines, the bonus benchmarks were based on value creation and profitability, but they may be changed by the Board of Directors. Any such change will be communicated in a stock exchange announcement.

Another element of the variable pay is made up of options and is intended to ensure that the Executive Management's incentive correlates with the creation of shareholder value. The option plan is revolving and not subject to the achievement of defined benchmarks.

Members of the Executive Management are awarded a number of options each year with a value equal to three months' net pay, calculated according to the Black & Scholes formula. Options are awarded with a strike price which is 15% higher than the market price at the award date, and members of the Executive Management pay 5% of the Black & Scholes value to the company as consideration for the options. The options have a term of five years and are exercisable after three years. For tax purposes, the terms of the 2008/09 award entailed that the gain is taxed as share income while the costs of the award are not tax-deductible for the company. The number of options awarded to each member of the Executive Management and their value is disclosed in the Annual Report. Options in the Executive Management share option plan are covered by the company's holding of treasury shares.

Specifically for 2008/09, the Board of Directors was authorised to award members of the Executive Management an extraordinary number of options corresponding to 3 months' net salary. The options were awarded at the beginning of January 2009 and on ordinary terms and conditions as set out above.

In addition, the chairman and deputy chairman of the Board perform an annual review of the remuneration paid to members of the Executive Management relative to the managements of other Danish companies.

#### *Severance schemes*

As at 30 September 2009, a provision of DKK 5m was made for a now discontinued post-service remuneration scheme for retired Board members. The scheme comprises 3 persons. When current executives leave the company, there will be no obligations other than two years' pay.

## Other board memberships

### Board of Directors

**Michael Pram Rasmussen (54)**

Chairman  
4 years on the Board

A.P. Møller - Mærsk A/S (C)  
Semler Holding (C)  
Topdanmark A/S (C)  
Danske Bank A/S (MBR)

**Niels Peter Louis-Hansen (62)**

Deputy Chairman  
41 years on the Board

Aage og Johanne Louis-Hansens Fond (C)

**Thomas Barfod (39)**

3 years on the Board

Elected by the employees

**Sven Håkan Björklund (53)**

3 years on the Board

Danisco A/S (DC)  
Atos AB (BM)

**Mads Boritz Grøn (42)**

3 years on the Board

Elected by the employees

**Per Magid (66)**

24 years on the Board

Højgaard Ejendomme A/S (C)  
Knud Højgaards Hus EA/S (C)

**Torsten E. Rasmussen (65)**

17 years on the Board

EVO Invest A/S (C)  
Outdoor Holding A/S (C)  
A/S Det Østasiatiske Kompagni (DC)  
TK Development A/S (DC)  
Vestas Wind Systems A/S (DC)  
Acadia Pharmaceuticals A/S (BM)  
Acadia Pharmaceuticals Inc. (BM)  
ECCO Sko A/S (BM)  
Schur International A/S (BM)  
Vola A/S (BM)  
Vola Holding A/S (BM)

**Jørgen Tang-Jensen (53)**

2 years on the Board

VELUX Danmark A/S (C)  
RoofLITE A/S (C)  
Gåsadal Bygningsindustri A/S (DC)  
Velserv A/S (DC)  
Østbirk Bygningsindustri A/S (DC)

**Ingrid Wiik (64)**

6 years on the Board

Algeta ASA (BM)  
Biotec Pharmacon ASA (BM)  
Human Care HC AB (BM)  
Norske Skogindustrier ASA (BM)

**Knud Øllgaard (48)**

19 years on the Board

Elected by the employees

### Executive Management

**Lars Rasmussen (50)**

President, CEO  
MT Højgaard A/S (BM)  
Højgaard Holding A/S (BM)

**Lene Skole (50)**

Executive Vice President, CFO  
DFDS A/S (BM)

Listed on this page are the board memberships of the members of the Board of Directors and the Executive Management of Coloplast A/S as reported by them on 5 November 2009.

The CVs of the individual board members and executives as well as additional details and information about the board members' and executives' other management duties are available from the Investors section of the Coloplast website

(C) Chairman  
(DC) Deputy Chairman  
(BM) Board member  
(MBR) Member of the Board of Representatives

## Management statement

The Board of Directors and Executive Management today considered and approved the Annual Report of Coloplast A/S for the financial year ended 30 September 2009.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed companies. We consider the accounting policies used to be appropriate and the accounting estimates reasonable. In our opinion, the annual report therefore gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2009 and of the results of the Group's and the parent company's operations and of the cash flows for the Group in accordance with the accounting policies applied.

In our opinion, the management's review includes a fair account of the development and performance of the Group and the parent company, the results for the year and of the financial position, together with a description of the principal risks and uncertainties that the Group and the parent company face.

We recommend that the Annual Report be submitted to the general meeting for approval.

Humblebæk, 5 November 2009.

Executive Management:

Lars Rasmussen  
President, CEO

Lene Skole  
Executive Vice President, CFO

Board of Directors:

Michael Pram Rasmussen

Niels Peter Louis-Hansen

Thomas Barfod  
Controller

Sven Håkan Björklund

Mads Boritz Grøn  
Senior SQA Engineer

Per Magid

Torsten Erik Rasmussen

Jørgen Tang-Jensen

Ingrid Wiik

Knud Øllgaard  
Project Manager

## Independent Auditor's Report

### To the Shareholders of Coloplast A/S

We have audited the Annual Report of Coloplast A/S for the financial year 2008/09, pages 1-55 and pages 57-69, which comprises Management's Statement, Management's Review, income statement, balance sheet, statement of changes in equity, statement of comprehensive income and notes including significant accounting policies for the Group as well as for the Parent Company and consolidated cash flow statement. The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Financial Statements of the Parent Company are prepared in accordance with the Danish Financial Statements Act. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements for listed companies. Our audit did not comprise note 37, quarterly income statement, page 56.

### *Management's Responsibility*

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements of the Parent Company in accordance with the above legislation and accounting standards and for the preparation of a management's review that gives a true and fair account in accordance with Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish and International Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of an annual report and for the preparation of a management's review that gives a true and fair account 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

### *Opinion*

In our opinion, the Annual Report gives a true and fair view of the financial position at 30 September 2009 of the Group and of the results of the Group's operations and consolidated cash flows for the financial year 2008/09 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. Moreover, in our opinion the Annual Report gives a true and fair view of the financial position at 30 September 2009 of the Parent Company and of the results of the Parent Company's operations for the financial year 2008/09 in accordance with the Danish Financial Statements Act and additional Danish disclosure requirements for listed companies, and Management's Review gives a true and fair account in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 5 November 2009

**PricewaterhouseCoopers**

Statsautoriseret Revisionsaktieselskab

Lars Holtug  
State Authorised Public Accountant

Mogens Nørgaard Mogensen  
State Authorised Public Accountant



**Income statement**

1 October - 30 September

		DKK million	
Note		2008/09	2007/08
3	Revenue	8,820	8,463
4,5	Cost of sales	-3,717	-3,465
	<b>Gross profit</b>	<b>5,103</b>	<b>4,998</b>
4,5	Distribution costs	-2,685	-2,589
4,5,6	Administrative expenses	-614	-882
4,5	Research and development costs	-389	-415
	Other operating income	89	71
5	Other operating expenses	-29	-29
	<b>Operating profit before special items</b>	<b>1,475</b>	<b>1,154</b>
5,7	Special items	-80	-160
	<b>Operating profit (EBIT)</b>	<b>1,395</b>	<b>994</b>
8	Financial income	61	201
9	Financial expenses	-245	-203
	<b>Profit before tax</b>	<b>1,211</b>	<b>992</b>
10	Tax on profit for the year	-328	-277
	<b>Net profit for the year</b>	<b>883</b>	<b>715</b>
	Allocated as follows:		
	Shareholders in Coloplast A/S	883	715
11	Minority interests	0	0
		<b>883</b>	<b>715</b>
12	Earnings per Share (EPS), continuing operations (A and B shares)	21	16
12	Earnings per Share (EPS), continuing operations (A and B shares), diluted	21	16
	<b>Profit distribution:</b>		
	Retained earnings	583	458
13	Proposed dividend for the year	300	257
	<b>Total</b>	<b>883</b>	<b>715</b>

## Balance sheet

At 30 September

		DKK million	
Note		2008/09	2007/08
14	Acquired patents and trademarks	1,012	1,134
14	Goodwill	629	641
14	Software	133	106
14	Prepayments and assets under development	34	46
	<b>Intangible assets</b>	<b>1,808</b>	<b>1,927</b>
15	Land and buildings	1,251	1,173
15	Plant and machinery	1,004	781
15	Other fixtures and fittings, tools and equipment	207	196
15	Prepayments and assets under construction	173	584
	<b>Property, plant and equipment</b>	<b>2,635</b>	<b>2,734</b>
16	Other investments	4	4
17	Deferred tax asset	147	146
	<b>Investments</b>	<b>151</b>	<b>150</b>
	<b>Non-current assets</b>	<b>4,594</b>	<b>4,811</b>
18	<b>Inventories</b>	<b>986</b>	<b>1,224</b>
19	Trade receivables	1,530	1,563
25	Income tax	31	11
	Other receivables	114	101
	Prepayments	78	77
	<b>Receivables</b>	<b>1,753</b>	<b>1,752</b>
20	<b>Marketable securities</b>	<b>1</b>	<b>1</b>
35	<b>Cash and bank balances</b>	<b>629</b>	<b>193</b>
	<b>Current assets</b>	<b>3,369</b>	<b>3,170</b>
	<b>Assets</b>	<b>7,963</b>	<b>7,981</b>

## Balance sheet

At 30 September

		DKK million	
Note		2008/09	2007/08
	Share capital	225	230
	Hedge reserve	-49	8
	Proposed dividend for the year	300	257
	Retained earnings and other reserves	2,374	1,795
21	<b>Equity before minority interests</b>	<b>2,850</b>	<b>2,290</b>
11	<b>Minority interests</b>	<b>0</b>	<b>1</b>
	<b>Equity</b>	<b>2,850</b>	<b>2,291</b>
22	Provision for pensions and similar liabilities	75	90
17	Provision for deferred tax	225	191
23	Other provisions	23	16
24	Mortgage debt	459	467
24	Other credit institutions	1,797	2,316
	Other payables	447	370
	Deferred income	100	70
	<b>Non-current liabilities</b>	<b>3,126</b>	<b>3,520</b>
22	Provision for pensions and similar liabilities	14	9
23	Other provisions	12	19
24	Mortgage debt	14	13
24	Other credit institutions	219	474
	Trade payables	428	397
25	Income tax	242	211
	Other payables	1,054	1,036
	Deferred income	4	11
	<b>Current liabilities</b>	<b>1,987</b>	<b>2,170</b>
	<b>Current and non-current liabilities</b>	<b>5,113</b>	<b>5,690</b>
	<b>Equity and liabilities</b>	<b>7,963</b>	<b>7,981</b>
26	Financial instruments		
27	Other liabilities		
28	Contingent items		
29	Related party transactions		
30	Public grants		
31	Fees to appointed auditors		
32	Events occurring after the balance sheet date		
37	Income statement, quarterly (unaudited)		

## Statement of changes in equity and comprehensive income

DKK million	Share capital		Exchange adjustment reserve	Hedge reserve	Proposed dividend	Retained earnings	Total equity
	A shares	B shares					
<b>2007/08</b>							
Balance at 1.10.2007 as reported in annual report	18	222	-18	4	396	1,776	2,398
Revaluation of hedging:							
Value adjustment for the year				68			68
Transferred to financial items				-63			-63
Tax effect of hedging				-1			-1
Net gain/loss not recognised in income statement	0	0	0	4	0	0	4
Exchange rate adjustment, assets in foreign currency						-8	-8
Exchange rate adjustment of opening balances and other adjustments relating to subsidiaries						41	41
Net gains recognised directly in equity	0	0	0	0	0	33	33
Profit for the year					257	458	715
Comprehensive income for the year	0	0	0	4	257	491	752
Treasury shares purchased and realised gain/loss from exercise of options						-510	-510
Treasury shares sold						26	26
Share-based payment						20	20
Capital reduction		-10				10	0
Dividend paid out in respect of 2006/07					-396		-396
<b>Balance at 30.9.2008</b>	<b>18</b>	<b>212</b>	<b>-18</b>	<b>8</b>	<b>257</b>	<b>1,813</b>	<b>2,290</b>
<b>2008/09</b>							
Balance at 1.10.2008 as reported in annual report	18	212	-18	8	257	1,813	2,290
Revaluation of hedging:							
Value adjustment for the year				-37			-37
Transferred to financial items				-40			-40
Tax effect of hedging				20			20
Net gain/loss not recognised in income statement	0	0	0	-57	0	0	-57
Exchange rate adjustment, assets in foreign currency						-16	-16
Exchange rate adjustment of opening balances and other adjustments relating to subsidiaries						-38	-38
Net gains recognised directly in equity	0	0	0	0	0	-54	-54
Profit for the year					300	583	883
Comprehensive income for the year	0	0	0	-57	300	529	772
Treasury shares purchased and realised gain/loss from exercise of options						-5	-5
Treasury shares sold						24	24
Share-based payment						26	26
Capital reduction		-5				5	0
Dividend paid out in respect of 2007/08					-257		-257
<b>Balance at 30.9.2009</b>	<b>18</b>	<b>207</b>	<b>-18</b>	<b>-49</b>	<b>300</b>	<b>2,392</b>	<b>2,850</b>
<b>Free float shares at 30.9.2009 (1,000 units):</b>	A shares	B shares					
Issued shares	3,600	41,400					
Holdings of treasury shares (note 21)	0	2,115					
<b>Free float shares</b>	<b>3,600</b>	<b>39,285</b>					
	2008/09		2007/08				
<b>Number of outstanding shares</b>	A shares	B shares	A shares	B shares			
Number of outstanding shares at the beginning of year	3,600	39,229	3,600	40,420			
Sale of treasury shares	0	56	0	51			
Shares bought back	0	0	0	-1,242			
<b>Number of outstanding shares at year end</b>	<b>3,600</b>	<b>39,285</b>	<b>3,600</b>	<b>39,229</b>			

Due to a capital decrease made in 2008/09, 1,000,000 shares with a total nominal value of DKK 5,000,000 have been cancelled. A capital decrease of 2,000,000 shares with a total nominal value of DKK 10,000,000 was made in 2007/08. There have been no other changes made to the share capital within the last five years.

Both share classes have a face value of DKK 5 per share. Class A shares carry ten votes each, while class B shares carry one vote each. The A shares are non-negotiable instruments. Any change of ownership or pledging of class A shares require the consent of the Board of Directors. The B shares are negotiable instruments, and no restrictions apply to their negotiability. No special dividend rights attach to either share class.

## Cash flow statement

1 October - 30 September

		DKK million	
Note		2008/09	2007/08
	Operating profit continuing operations	1,395	994
	Depreciation and amortisation	549	537
33	Adjustment for other non-cash operating items	-40	-34
34	Changes in working capital	320	-96
	Ingoing interest payments, etc.	32	206
	Outgoing interest payments, etc.	-156	-233
	Income tax paid	-270	-50
	<b>Cash flow from operating activities</b>	<b>1,830</b>	<b>1,324</b>
	Investments in intangible assets	-84	-36
	Investments in land and buildings	-132	-93
	Investments in plant and machinery	-201	-494
	Investments in non-current assets under construction	-154	-131
	Property, plant and equipment sold	169	86
	Acquired operations	0	-3
	<b>Cash flow from investing activities</b>	<b>-402</b>	<b>-671</b>
	<b>Free cash flow</b>	<b>1,428</b>	<b>653</b>
	Dividend to shareholders	-257	-396
	Net investment in treasury shares	19	-484
	Financing from shareholders	-238	-880
	Financing through long-term borrowing, debt funding	0	522
	Financing through long-term borrowing, instalments	-485	-111
	<b>Cash flow from financing activities</b>	<b>-723</b>	<b>-469</b>
	<b>Net cash flow for the year</b>	<b>705</b>	<b>184</b>
	Cash, cash equivalents and short term debt at 1.10.	-293	-452
	Value adjustment of cash and bank balances	-15	-25
	Net cash flow for the year	705	184
35	<b>Cash, cash equivalents and short term debt at 30.9.</b>	<b>397</b>	<b>-293</b>
35	Cash and cash equivalents	630	194
36	Unutilised credit facilities	3,608	2,493
	<b>Financial reserves at 30.9.</b>	<b>4,238</b>	<b>2,687</b>

The cash flow statement cannot be extracted directly from the financial statements.



## Notes to the financial statements

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Note 1	Accounting policies	Note 20	Marketable securities
Note 2	Significant estimates and judgments	Note 21	Treasury shares and share options
Note 3	Segment information	Note 22	Provisions for pensions and similar liabilities
Note 4	Depreciation, amortisation and impairment	Note 23	Other provisions
Note 5	Staff costs	Note 24	Credit institutions
Note 6	The Executive Management's and the Directors' remuneration, share options and shares	Note 25	Income tax
Note 7	Special items	Note 26	Financial instruments
Note 8	Financial income	Note 27	Other liabilities
Note 9	Financial expenses	Note 28	Contingent items
Note 10	Tax on profit for the year	Note 29	Related party transactions
Note 11	Minority interests	Note 30	Public grants
Note 12	Earnings per share (EPS)	Note 31	Fees to appointed auditors
Note 13	Dividend per share	Note 32	Events occurring after balance sheet date
Note 14	Intangible assets	Note 33	Adjustment for other non-cash operating items
Note 15	Property, plant and equipment	Note 34	Changes in working capital
Note 16	Investments	Note 35	Cash, cash equivalents and short term debt
Note 17	Deferred tax	Note 36	Unutilised credit facilities
Note 18	Inventories	Note 37	Income statement, quarterly (unaudited)
Note 19	Trade receivables	Note 38	Definitions of key ratios

## Notes

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Note

### 1. Accounting policies

#### Basis of preparation

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements applying to listed companies.

#### Accounting policy changes

Effective from the 2008/09 financial year, the Coloplast Group has implemented the revised IAS 39 "Financial instruments: Recognition and Measurement" and the revised IFRS 7 "Financial instruments: Disclosures and Presentation" as well as IFRIC 12-14, 16 and 18. The implementation of IAS 39, IFRS 7 and IFRIC 12-14, 16 and 18 did not affect the financial statements.

#### New financial reporting standards adopted

Other new or revised standards and interpretations, which are of relevance for the Group but have not yet been implemented, have not been included in this Annual Report. This applies to the newly revised IAS 1 "Presentation of Financial Statements", IAS 23 "Borrowing Costs", IAS 34 "Interim Financial Reporting", IFRS 2 "Share-based Payment" and the new IFRS 8 "Segment information", all of which have been adopted by the EU, as well as the following standards which have yet to be adopted by the EU: amendment to IAS 32 "Financial instruments: Disclosure" and IAS 39 "Financial instruments: Recognition and measurement" as well as IAS 18 "Revenue", IAS 21 "Foreign Currency Translation", IAS 27 "Consolidated and Separate Financial Statements" and IFRS 3 "Business Combinations". Nor have the IFRIC 15, 17 and 18 interpretations been implemented. All of the standards not yet in force will apply for 2009/10. None of these standards and interpretations are expected to have a material effect on the Group's financial statements.

#### General information

The annual report is prepared on the basis of the historical cost principle, modified in that certain financial assets and liabilities are measured at fair value. Subsequent to initial recognition, assets and liabilities are measured as described below in respect of each individual item.

#### Foreign currency

The financial statement items of individual Group entities are measured in the currency used in the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the Parent Company.

#### Foreign currency translation

Transactions denominated in foreign currencies are translated into an entity's functional currency at the exchange rate prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Exchange adjustments arising as the difference between the exchange rates at the balance sheet date, and the exchange rates at the transaction date of monetary items, are recognised in the income statement as financial income or expenses.

On translation of entities with a functional currency other than DKK balance sheet items are translated at the exchange rates at the balance sheet date and income statement items are translated at the exchange rates at the transaction date. The resulting exchange adjustments are taken directly to equity under the exchange adjustment reserve.

Foreign exchange adjustments of balances which in reality represent an addition to or a deduction from the subsidiary's equity are recognised in equity under the exchange adjustment reserve.

Foreign exchange adjustments of debt denominated in foreign currencies, which hedge the net investment in a foreign subsidiary, are recognised in equity under the exchange adjustment reserve.

On realisation of a net investment in a foreign subsidiary, exchange adjustments of the net investment and the hedge of the net investment, which have been taken to equity, are transferred to the income statement as part of the gain.

## Notes

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Note

### 1. Accounting policies, continued

#### **Consolidation, business combinations and associates**

The consolidated financial statements comprise Coloplast A/S (the Parent Company) and enterprises in which the Group holds more than 50% of the voting rights or otherwise exerts a controlling influence (subsidiaries).

The consolidated financial statements are prepared by aggregating the audited financial statements of the Parent Company and the individual subsidiaries, all of which are prepared in accordance with the Group's accounting policies. Intra-group transactions, balances, dividends and unrealised gains and losses on transactions between group enterprises are eliminated.

Enterprises, which are not subsidiaries but in which the Group holds at least 20% of the voting rights or otherwise exerts a significant influence, are regarded as associates. The Group's proportionate share of unrealised gains and losses on transactions between the Coloplast Group and associates is eliminated.

Enterprises recently acquired or divested are included in the consolidation in the period in which the Coloplast Group has control of the enterprise.

Comparative figures are not adjusted to reflect acquisitions. Divested activities are shown separately as discontinued operations.

Acquisitions are accounted for using the purchase method, according to which the assets and liabilities and contingent liabilities of enterprises acquired are measured at fair value at the date of acquisition.

The excess value/goodwill on acquisition of subsidiaries or associates is calculated as the difference between the cost of the acquired enterprise and the fair value of the group companies' proportionate share of identifiable assets less liabilities and contingent liabilities at the date of acquisition.

In cases where the fair value of identifiable acquired assets, liabilities or contingent liabilities subsequently turns out to differ from the values calculated at the date of acquisition, the excess value/goodwill is adjusted up to 12 months after the date of acquisition, if the conditions could have been known at the date of the acquisition. Goodwill arising in connection with the acquisition of a subsidiary is recognised in the balance sheet under intangible assets in the consolidated financial statements and tested annually for impairment. Goodwill arising in connection with acquisitions of subsidiaries before 1 October 2002 has been written off against equity.

#### **Public grants**

Public grants comprise grants for research, development and other investments. Grants for investments are recognised as deferred income, which is subsequently recognised as income as the investment is amortised, depreciated or written down. Other grants are recognised as income on a systematic basis, so that they are matched with the related costs which they compensate. Grants are recognised in the income statement from the date, when the conditions attaching to them are deemed to be complied with.

#### **Pensions**

In defined contribution plans, the Group makes regular payments of fixed contributions to independent pension funds and insurance companies. The Group is under no obligation to pay additional contributions.

Costs for defined contribution plans are recognised in the income statement as Coloplast assumes an obligation to make the payment.

In defined benefit plans, the Group is under an obligation to pay a defined benefit on retirement. The actuarially calculated present value less the fair value of any plan assets is recognised in the balance sheet under provision for pension and similar obligations or in pension assets in the balance sheet, and any changes can under certain circumstances be recognised in equity, and otherwise in the income statement. Changes in actuarial gains and losses, which do not exceed 10% of the present value of the net pension obligations, are not recognised. Changes representing more than 10% of the present value of the individual pension obligations are recognised over the expected average remaining working lives of the employees.

## Notes

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Note

### 1. Accounting policies, continued

#### Share-based payment

Share options are granted to Executive Management and executives.

For equity-settled schemes, the fair value of options is determined at the grant date. The option value is subsequently recognised over the vesting period as staff costs. For cash-settled schemes, the fair value of options vested during the period is recognised as staff costs, whereas the fair value adjustment of vested options from previous periods is recognised under financial items. Option schemes granted before 30 September 2005 are treated as cash-settled schemes.

#### Derivative financial instruments

Derivative financial instruments are recognised in the balance sheet under other receivables and other payables, respectively, and are adjusted in an ongoing process to fair value (repurchase value).

Adjustment of derivative financial instruments used to hedge expected future transactions (effective) is taken to the fair value reserve under equity. The reserve is recognised in the income statement on realisation of the hedged transactions. If a derivative financial instrument used to hedge expected future transactions expires, is sold or no longer qualifies for hedge accounting, any accumulated fair value reserve remains in equity until the hedged transaction is concluded. If the transaction is no longer expected to be concluded, any fair value reserve accumulated under equity is transferred to the income statement.

Adjustments of the fair value of other derivative financial instruments are recognised in financial income and expenses in the income statement as they occur.

#### Income statement

##### *Revenue*

Revenue comprises income from sales of goods and services after deduction of any price reductions, quantity discounts or cash discounts. Sales are recognised in the income statement in the year in which the risk related to the goods passes to the customer or in which the service is rendered, and the amounts can be reliably measured and are expected to be received.

##### *Cost of sales*

Cost of sales comprise the cost of goods and services sold during the year.

##### *Distribution costs*

Distribution costs comprise costs relating to the distribution and sales of goods and services, salaries of sales staff, advertising and exhibition expenses, depreciation of assets used for distribution purposes as well as other indirect costs incurred in connection with sales and distribution.

##### *Administrative expenses*

Administrative expenses comprise expenses relating to administrative staff and management, including office costs, salaries and depreciation of assets used for administrative purposes.

##### *Research and development costs*

Research and development costs comprise costs relating to the Group's research and development activities, including clinical studies, registration and maintenance of patents, depreciation and amortisation and salaries directly or indirectly attributable to the Group's research and development activities.

Research costs are recognised in the income statement as incurred.

Costs incurred in respect of development activities are recognised as intangible assets, if the criteria for capitalising development costs are met. The amortisation of such development projects is included in research and development costs or cost of sales.

## Notes

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Note

### 1. Accounting policies, continued

#### *Other operating income and expenses*

Other operating income comprise income of a secondary nature in relation to the Group's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other operating expenses comprise expenses of a secondary nature in relation to the Group's activities, including losses on the sale of intangible assets and property, plant and equipment.

#### *Special items*

Special items comprise major items of income and expense of a non-recurring nature. These items are presented separately to facilitate the comparability of the income statement and to provide a clearer picture of the operating results.

#### *Income from investments in associates*

Investments in associates are recognised according to the equity method, i.e. at the proportionate share of the net asset value of these companies calculated according to the Group's accounting policies.

#### *Financial income and expenses*

Financial income and expenses include interest, financing costs of finance leases, realised and unrealised foreign exchange adjustments, fair value adjustments of share options, fees, market value adjustments of securities and dividend received on shares recognised under securities.

#### *Tax*

Coloplast A/S is jointly taxed with wholly owned Danish subsidiaries. Full allocation is made of the joint taxable income. The jointly taxed Danish enterprises are covered by the Danish on-account tax scheme.

Additions, deductions and allowances relating to the on-account tax scheme are included in financial income and expenses.

Current tax on the net profit or loss for the year is recognised as an expense in the income statement together with any change in the provision for deferred tax. Tax on changes in equity is taken directly to equity.

Full provision is made for deferred tax on the basis of all temporary differences in accordance with the balance sheet liability method. The differences arise between the tax base of assets and liabilities and their carrying amounts.

No provision is made for the tax that would arise from the sale of investments in subsidiaries, if the investments are not expected to be disposed of within a short period of time.

Deferred tax is measured on the basis of the tax rates applicable at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future positive taxable income will be generated, against which the temporary differences and tax losses can be offset. Deferred tax assets are measured at expected net realisable values.

#### *Minority interests*

Minority interests comprise minority shareholders' share of the profit or loss for the year.

## Notes

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Note

### 1. Accounting policies, continued

#### Balance sheet

##### *Intangible assets*

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is made on a straight-line basis over the expected useful lives of the assets, which are:

Development projects	3-5 years
Software	3-5 years
Acquired patents and trademarks	7-15 years

No amortisation of goodwill is done, but instead goodwill is tested minimum once a year for impairment; see section below on impairment losses.

For other intangible assets, the amortisation period is determined on the basis of Management's best estimate of the expected economic lives of the assets. The expected economic lives are assessed at least annually, and the amortisation period is determined based on the latest assessment. For purposes of calculating amortisation, the residual value of the assets is nil, unless a third party has committed to purchasing the asset after its use or there is an active market for the asset. Except for goodwill all intangible assets has a definable life.

Gains or losses on the disposal of intangible assets are stated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal and are included in the income statement under other operating income or other operating expenses, respectively.

Development projects are recognised at the date when each individual project is expected to be exploited commercially. From this date, the directly associated costs will be recognised as an intangible asset in the balance sheet provided they can be measured reliably and there is sufficient certainty of the future earnings. Costs incurred earlier in the development phase are recognised under research and development costs in the income statement.

Borrowing costs are not included as part of cost.

##### *Property, plant and equipment*

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises the cost of acquisition and expenses directly attributable to the acquisition until the asset is ready for use. In the case of assets manufactured by the company, cost comprises materials, components, sub-supplier services, direct labour and costs directly attributable to the manufactured asset.

Borrowing costs are not included as part of cost.

Leases, under which substantially all risks and rewards of ownership of an asset are transferred, are classified as finance leases. Other leases are classified as operating leases. Assets held under a finance lease are measured in the balance sheet at fair value or at the present value of future minimum lease payments at the date of acquisition, if this is lower. The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised as an expense in the income statement as incurred. Assets held under finance leases are depreciated according to the same principles as the Group's other property, plant and equipment.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are:

Land	no depreciation
Buildings	25 years
Building installations	10 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-7 years

## Notes

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Note

### 1. Accounting policies, continued

At the balance sheet date, the residual values, remaining useful lives and depreciation pattern of the assets are assessed. Any changes to these are treated as changes to accounting estimates.

Gains and losses on the sale or scrapping of an item of property, plant and equipment are recognised in the income statement as other operating income and other operating expenses, respectively.

#### *Investments*

Investments in associates are recognised and measured at net asset value. Other equity investments and securities, mainly comprising unlisted equity investments and the like, are recognised and measured at fair value. If the fair value cannot be determined reliably, such items are measured at cost, however. Fair value adjustments are taken under equity. Any impairment loss is made based on an individual assessment of the expected future cash flow from the investment. Impairment losses of equity investments, measured at cost because the fair value cannot be determined reliably, are not reversed. Receivables held to maturity at initial recognition are measured at amortised cost. Receivables not held to maturity are measured at fair value.

#### *Impairment losses*

Goodwill is tested for impairment annually or whenever there is an indication of impairment, while the carrying amount of other intangible assets, property, plant and equipment and investments measured at cost or amortised cost are assessed, if there is an indication of impairment. If a write-down is required, the carrying amount is written down to the higher of net selling price or value in use. For the purpose of assessing impairment, assets are grouped in the smallest group of assets that generates identifiable cash inflows (cash-generating units). The cash-generating units are defined as the smallest identifiable group of assets, that generates cash inflows and which are largely independent of cash flows from other assets or groups of assets.

#### *Inventories*

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the FIFO principle. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overheads. Borrowing costs are not recognised. Net realisable value is the expected selling price less cost of completion and costs to sell.

#### *Receivables*

Receivables are mainly trade receivables and, in the Parent Company's case, current receivables from subsidiaries. On initial recognition, receivables are measured at fair value adjusted for acquisition costs, and subsequently they are measured at amortised cost. Receivables are written down on the basis of individual assessment.

#### *Prepayments*

Prepayments include costs paid relating to subsequent financial years and are measured at cost.

#### *Securities*

Securities recognised as current assets consist of trading portfolios, mainly comprising listed bonds, and are measured at fair value. Returns on and fair value adjustments of securities are recognised in the income statement under financial income and expenses.

#### *Cash and cash equivalents*

Cash and cash equivalents, recognised under current assets, comprise bank deposits and cash at hand and are measured at fair value.

#### *Equity*

Dividend is recognised in the balance sheet as a liability when adopted at the annual general meeting. Proposed dividend payments for the financial year are recognised in equity and disclosed in an income statement note to the financial statements. The purchase and selling price of and dividend on treasury shares are deducted from or added to equity, as the case may be. Hedge reserve relates to gains and losses from changes in the fair value of hedge instruments.

## Notes

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Note

### 1. Accounting policies, continued

#### *Other provisions*

Provisions are recognised when the Group has a legal or constructive obligation arising from a past event, and it is probable that an outflow of the Group's financial resources will be required to settle the obligation.

Provisions are measured as the Management's best estimate of the amount with which the liability is expected to be settled.

The Group recognises a provision for the replacement of products covered by warranties at the balance sheet date. This provision is calculated based on experience.

#### *Debt*

Debt is recognised at fair value less expenses paid and subsequently at amortised cost.

#### *Presentation of discontinued operations*

Discontinued operations comprise activities that form a substantial part of a business when its activities and cash flows can be clearly distinguished, operationally or for financial reporting purposes, from the rest of the entity and where the entity has either been disposed of or classified as held for sale and such sale pursuant to a formal plan is expected to take place within 12 months. Discontinued operations also comprise entities which in relation to an acquisition have been classified as "held for sale".

#### **Cash flow statement**

The consolidated cash flow statement, which is presented according to the indirect method, shows the Group's cash flow from operating, investing and financing activities as well as the Group's cash and cash equivalents and short-term debt to credit institutions at the beginning and end of the year. Cash and cash equivalents comprise cash, securities and debt to credit institutions recognised under current assets and current liabilities, respectively.

Cash flows from operating activities are calculated as Coloplast's share of the Group's results adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities comprise purchases and sales of intangible assets, property, plant and equipment, investments and payments in connection with acquisitions and divestments of enterprises. Cash flows from financing activities comprise financing from the company's shareholders and raising of loans, repayment of interest-bearing debt as well as payment of dividends.

#### **Segment information**

Information is provided about business segments and geographical segments as the primary and secondary segments, respectively.

The primary business segment comprises the following business areas: the Medical care division, which consists of the business areas Ostomy Care, Urology & Continence Care and Wound & Skin Care. The secondary segment is divided into sales in Europe, the Americas and the Rest of the World.

### 2. Significant estimates and judgments

In applying the accounting policies described, Management has made estimates regarding, among other items, non-current assets, inventories, provisions, deferred tax liabilities and deferred tax assets.

The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. In addition, the company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events.

## Notes

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Note

### 2. Significant estimates and judgments, continued

#### *Intangible assets*

The measurement of intangible assets, including goodwill, could be materially affected by significant changes in estimates and assumptions underlying the calculation of values. See note 14 for a more detailed description of impairment tests for intangible assets. The carrying amount of intangible assets was DKK 1,808 million as at 30 September 2009 (2007/08: DKK 1,927 million).

#### *Inventories*

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and production overheads. Production overheads comprise indirect material and labour costs as well as maintenance and depreciation of the machinery and production buildings used in the manufacturing process as well as costs of production administration and management.

Production overheads have been calculated using a standard cost method, which is reviewed regularly to ensure relevant assumptions concerning capacity utilisation, lead times and other relevant factors. Changes to the calculation method for production overheads, including levels of capacity utilisation, lead times, etc. could affect the gross margin and the overall valuation of inventories. The carrying amount of capitalised production overheads was DKK 320 million as at 30 September 2009 (2007/08: DKK 375 million).

#### *Deferred tax*

The recognition of deferred tax assets and deferred tax liabilities requires an assessment by Management. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised if Management estimates that the tax assets can be utilised within a foreseeable future by being offset against future positive taxable income. The assessment is made annually on the basis of budgets and business plans for the following years, including any scheduled business measures.

The carrying amount of deferred tax assets and deferred tax liabilities as at 30 September 2009 was DKK 147 million (2007/08: DKK 146 million) and DKK 235 million (2007/08: DKK 191 million), respectively. See note 17 for a further description of the Group's tax assets and tax liabilities.

## Notes

Note

### 3. Segment information

<b>Primary segment – business activities</b>						
DKK million	Medical care		Not allocated and eliminations		Total	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
<b>Revenue</b>	<b>8,820</b>	<b>8,463</b>	<b>0</b>	<b>0</b>	<b>8,820</b>	<b>8,463</b>
Operating profit for segment	2,106	1,539	-711	-545	1,395	994
Profit from ordinary activities before interest					1,395	994
Net financial expenses					-184	-2
<b>Profit before tax</b>					<b>1,211</b>	<b>992</b>
Tax on profit for the year					-328	-277
<b>Profit for the year</b>					<b>883</b>	<b>715</b>
Minority interests					0	0
<b>Coloplast's share of profit for the year</b>					<b>883</b>	<b>715</b>
Assets	6,759	7,168	1,204	813	7,963	7,981
<b>Total assets</b>					<b>7,963</b>	<b>7,981</b>
<b>Liabilities</b>	<b>1,495</b>	<b>1,452</b>	<b>3,618</b>	<b>4,238</b>	<b>5,113</b>	<b>5,690</b>
Non-current assets	4,114	4,274	480	537	4,594	4,811
Investment in fixed assets	474	657	97	97	571	754
Depreciation - property, plant and equipment	332	332	47	44	379	376
Amortisation and impairment - intangible assets	123	112	47	49	170	161
<b>Secondary segment - geographical areas</b>						
<b>2008/09</b>						
DKK million	Revenue	Non-current assets	Capital expenditure	Liabilities	Total	
					assets	
Europe	6,746	3,865	363	4,714		6,523
The Americas	1,380	542	157	135		942
Rest of the World	694	187	51	264		498
<b>Total</b>	<b>8,820</b>	<b>4,594</b>	<b>571</b>	<b>5,113</b>		<b>7,963</b>
<b>2007/08</b>						
DKK million	Revenue	Non-current assets	Capital expenditure	Liabilities	Total	
					assets	
Europe	6,705	4,197	548	5,284		6,688
The Americas	1,155	442	149	176		834
Rest of the World	603	172	57	230		459
<b>Total</b>	<b>8,463</b>	<b>4,811</b>	<b>754</b>	<b>5,690</b>		<b>7,981</b>

## Notes

Note	DKK million	
	2008/09	2007/08
<b>4. Depreciation, amortisation and impairment</b>		
Specification for the year:		
Acquired patents and trademarks	123	112
Software	47	49
<b>Total amortisation of intangible assets</b>	<b>170</b>	<b>161</b>
Land and buildings	97	88
Plant and machinery	215	219
Other fixtures and fittings, tools and equipment	67	69
<b>Total depreciation of property, plant and equipment</b>	<b>379</b>	<b>376</b>
<b>Total</b>	<b>549</b>	<b>537</b>
Depreciation, amortisation and impairment are allocated as follows:		
Cost of sales	432	416
Distribution costs	52	40
Administrative expenses	39	52
Research and development costs	26	29
<b>Total</b>	<b>549</b>	<b>537</b>
<b>5. Staff costs</b>		
Salaries, wages and directors' fees	2,481	2,703
Pension costs - defined contribution plans (note 22)	108	119
Pension costs - defined benefit plans (note 22)	7	7
Other social security costs	262	241
<b>Total</b>	<b>2,858</b>	<b>3,070</b>
Staff costs are allocated as follows:		
Cost of sales	827	981
Distribution costs	1,385	1,187
Administrative expenses	376	510
Research and development costs	193	213
Other operating expenses	0	19
Special items	77	160
<b>Total</b>	<b>2,858</b>	<b>3,070</b>
Average number of employees, full time equivalents	7,349	7,420
Number of employees at 30.9, full time equivalents	7,130	7,567

For information on Group Managements' remuneration and Directors' fees reference is made to note 6.

## Notes

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 Note

### 6. The Executive Management's and the Directors' remuneration, share options and shares

#### Remuneration

It is Coloplast policy that the remuneration of members of the Board of Directors and the Executive Management should be competitive relative to that of other major Danish companies. The principles applied for remuneration of members of the Executive Management are unchanged from previous years, with adjustments made only in terms of amounts. Share-based payments are made as unconditional allocations and with a percentage premium to the market price at the allocation date and cash payment for the share options. The value is calculated according to the Black & Scholes formula.

#### Board of Directors

Board members receive a fee of DKK 325,000 each (2007/08: DKK 325,000. The Chairman receives the basic board member fee plus 200% (2007/08: 200%), while the Deputy Chairman receives the basic fee plus 75% (2007/08: 75%). The Board of Directors is not comprised by option or bonus schemes. Specification of selected staff costs (see note 5 to the financial statements):

	DKK million	
	2008/09	2007/08
Directors' fees	5	5

#### Executive Management

The fixed remuneration paid to members of the Executive Management consists of the salary, pension contribution and other benefits. Members of the Executive Management are also eligible for an annual cash bonus based on individually agreed financial performance targets. The bonus proportion varies for each members of the Executive Management, but is subject to a maximum of 40% of their salary.

In addition, members of the Executive Management are granted share options at a value equal to 25% of their fixed annual salaries exclusive of pension contributions and other benefits. Specifically for 2008/09, members of the Executive Management are awarded additional options corresponding to 25% of their fixed salaries. Specification of selected staff costs (see note 5):

DKK million	Salaries	Pension	Other benefits	Cash bonus	Total	Share options <sup>3</sup>
<b>2008/09</b>						
Lars Rasmussen	4.7	1.2	0.2	1.6	7.7	2.3
Lene Skole	3.6	0.9	0.2	1.2	5.9	1.7
Former Executive Management members					0.0	1.2
<b>Group management total</b>	<b>8.3</b>	<b>2.1</b>	<b>0.4</b>	<b>2.8</b>	<b>13.6</b>	<b>5.2</b>

DKK million	Salaries	Pension	Other benefits	Cash bonus	Total	Share options <sup>3</sup>
<b>2007/08</b>						
Lars Rasmussen <sup>1</sup>	4.7	0.9	0.9		6.5	0.8
Lene Skole	2.7	0.7	0.1		3.5	0.7
Former Executive Management members <sup>2</sup>	4.7	1.6	0.2		6.5	2.4
<b>Group management total</b>	<b>12.1</b>	<b>3.2</b>	<b>1.2</b>	<b>0.0</b>	<b>16.5</b>	<b>3.9</b>

<sup>1</sup> The total remuneration in 2007/08 also reflects costs associated with Lars Rasmussen's secondment to the USA. Approximately 30% of the total remuneration relates to reimbursement of costs and attributable tax effects of secondment.

<sup>2</sup> Furthermore, DKK 22.7 million was expensed in 2007/08 in connection with a severance package to Sten Scheibye. The amount will be disbursed during 2008/09 and 2009/10.

<sup>3</sup> The amount expresses the Black & Scholes value of the options awarded during the financial year. Share options are charged to the income statement as staff costs over the vesting period. The amount recognised under staff costs includes a share of options granted during the financial year, includes a share of options granted in earlier financial years.

## Notes

Note

### 6. The Executive Managements' and the Directors' remuneration, share options and shares, continued

#### Share Options

The Executive Management's share options in Coloplast A/S amount to:

	Beginning of the year	Exercised in the year	Granted in the year	End of the year	Market value
	units	units	units	units	DKK million
<b>2008/09</b>					
Lars Rasmussen	35,265	0	59,920	95,185	8
Lene Skole	17,550	0	44,460	62,010	4
	52,815	0	104,380	157,195	12
Former Executive Management members	119,538	12,400	31,250	138,388	12
<b>Total</b>	<b>172,353</b>	<b>12,400</b>	<b>135,630</b>	<b>295,583</b>	<b>24</b>

#### Shareholdings

Coloplast's in-house rules permit members of the Executive Management and the Board of Directors to trade in Coloplast A/S shares during the four-week periods following the announcement of interim or full-year financial statements. Number of shares in Coloplast A/S held by members of the Board of Directors and the Executive Management:

	Beginning of the year	Bought in the year	Sold in the year	End of the year	Market value
	units	units	units	units	DKK million
<b>2008/09</b>					
Lars Rasmussen	4,675			4,675	2
Lene Skole	1,150	52		1,202	1
	5,825	52	0	5,877	3
Board of Directors, A shares	2,457,000			2,457,000	1,045
Board of Directors, B shares	1,491,712	156		1,491,868	635
<b>Total</b>	<b>3,954,537</b>	<b>208</b>	<b>0</b>	<b>3,954,745</b>	<b>1,683</b>

The end-of-year market values are based on the official share prices prevailing at 30 September. Members of the Executive Management hold only B shares in Coloplast A/S.

	DKK million	
	2008/09	2007/08
<b>7. Special items</b>		
Special items	-80	-160
<b>Total</b>	<b>-80</b>	<b>-160</b>

Special items in 2008/09 and 2007/08 represent costs associated with adjustments to the organisational structure and business procedures.

## Notes

Note	DKK million	
	2008/09	2007/08
<b>8. Financial income</b>		
Interest income	16	25
Exchange adjustments	0	35
Fair value adjustments, share options	0	75
Fair value adjustments on forward contracts transferred from equity	40	63
Other financial income and fees	5	3
<b>Total</b>	<b>61</b>	<b>201</b>
<b>9. Financial expenses</b>		
Interest expense	160	185
Exchange adjustments	56	0
Fair value adjustments, share options	9	0
Other financial expenses and fees	20	18
<b>Total</b>	<b>245</b>	<b>203</b>
<b>10. Tax on profit for the year</b>		
Tax on profit for the year	295	306
Change in deferred tax on profit for the year	23	-18
	<b>318</b>	<b>288</b>
Adjustment relating to prior years	10	-19
Effect of change in tax percentage	0	8
<b>Total</b>	<b>328</b>	<b>277</b>
Specification of tax:		
Tax on profit from ordinary activities	318	288
Adjustment of tax for prior years	10	-19
Effect of change in tax percentage	0	8
<b>Total</b>	<b>328</b>	<b>277</b>
<b>Tax on equity items</b>	<b>-20</b>	<b>0</b>
Reconciliation of tax rate differences:		
Danish tax rate, %	25	25
Deviation in foreign subsidiaries' tax percentage	2	1
Non-taxable income and non-deductible expenses, %	1	2
Adjustment of tax for prior years	1	-2
Impairment of deferred tax assets, recognition of previously written down deferred tax assets and recognition of tax credit, %	-3	1
Other taxes	1	0
Effect of change in tax percentage	0	1
<b>Effective tax rate, %</b>	<b>27</b>	<b>28</b>

## Notes

Note	DKK million				
	2008/09	2007/08			
<b>11. Minority interests</b>					
Minority interests at 1.10.	1	2			
Dividend paid	-1	-1			
<b>Minority interests at 30.9.</b>	<b>0</b>	<b>1</b>			
<b>12. Earnings per share (EPS)</b>					
Earnings per share reflects the ratio between profit for the year and the year's weighted average of issued, ordinary shares, excluding ordinary shares purchased by the Group and held as treasury shares (note 21).					
Profit for the year	883	715			
Weighted average of shares (million units)	42.6	43.6			
Earnings per share (DKK) (A and B shares)	21	16			
Earnings per share (DKK) (A and B shares), diluted	21	16			
<b>13. Dividend per share</b>					
The Board of Directors recommends a dividend for the financial year of DKK 7 per share of DKK 5 nominal value (2007/08: DKK 6), corresponding to an increase of 17% in ordinary dividend. This equals a pay-out ratio of 34%, equal to total dividends of DKK 300 million.					
<b>14. Intangible assets</b>					
<b>2008/09</b>					
DKK million	Goodwill	Acquired patents and trademarks	Software	Prepayments and assets under development	Total intangible assets
Total cost at 1.10.2008	934	1,420	384	46	2,784
Exchange rate and other adjustments	-13	-28	-4	0	-45
Purchases and improvements during the year	0	0	72	12	84
Reclassification	0	22	2	-24	0
Disposals during the year	-292	-7	-4	0	-303
<b>Total cost at 30.9.2009</b>	<b>629</b>	<b>1,407</b>	<b>450</b>	<b>34</b>	<b>2,520</b>
Total amortisation and impairment at 1.10.2008	293	286	278	0	857
Exchange rate and other adjustments	-1	-13	-4	0	-18
Amortisation and impairment for the year	0	123	47	0	170
Amortisation and impairment reversed on disposals during the year	-292	-1	-4	0	-297
<b>Total amortisation and impairment at 30.9.2009</b>	<b>0</b>	<b>395</b>	<b>317</b>	<b>0</b>	<b>712</b>
<b>Carrying amount at 30.9.2009</b>	<b>629</b>	<b>1,012</b>	<b>133</b>	<b>34</b>	<b>1,808</b>

## Notes

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 Note

### 14. Intangible assets, continued

Goodwill relates to the acquired urology business, the home care business in Germany and the acquired distribution company in Belgium. Disposal of goodwill for the year relates to the home care business in Germany, which has previously been written off. Goodwill from the acquired urology business has been allocated on the individual cash-generating units according to earnings at the date of acquisition. The allocation was made to the cash-generating units Urology and ContinenCare.

Pursuant to IAS 36, a goodwill impairment test is performed when there is an indication of impairment, but at least once a year. In the impairment test, the recoverable amount (value in use) of each cash-generating unit, calculated as the discounted expected future cash flows, is compared with the carrying amounts. Future cash flows are determined using forecasts, strategy plans, etc. which are based on specific assumptions for each cash-generating unit during the planning period with respect to sales, results of operations, working capital, capital investments and more general assumptions for the projected period.

The impairment tests performed for the urology business were based on the approved budget for 2009/10. For subsequent years, assumptions from our long-term strategy have been used indicating double-digit growth until the terminal period.

The most important parameters used to calculate the recoverable amounts are:

	Urology	ContinenCare	DMS
Revenue growth in the terminal period	2.0%	2.0%	5.0%
Tax percentage	37%	27%	34%
Carrying amount of goodwill, DKK million	223	397	9

Growth rates are expected not to exceed the long-term average growth rate for the business area as a whole. Synergies from integration and other ongoing efficiency improvements contribute to a rising EBIT margin and improved cash flows.

The invested capital has been projected using the same growth rate as that for revenue with the exception of special assets associated with the acquisition of the urology business.

Discounting is based on the cash-generating unit's weighted capital costs, which in the impairment test performed represent 7.3% before tax (Urology), 7.4% before tax (ContinenCare) and 8.8% before tax (DMS), corresponding to 6.8%, 6.3% and 6.8% after tax, respectively. Last year, the corresponding rates were 9.7%, 11.3% and 11.3% before tax and 7.5%, 9.0% and 9.0% after tax.

2007/08	Goodwill	Acquired patents and trademarks	Software	Prepayments and assets under development	Total intangible assets
DKK million					
Total cost at 1.10.2007	931	1,450	350	30	2,761
Exchange rate and other adjustments	-4	-8	-4	0	-16
Disposal through divestment	10	0	0	0	10
Purchases and improvements during the year	0	3	12	21	36
Reclassification	-3	-18	26	-5	0
Disposals during the year	0	-7	0	0	-7
<b>Total cost at 30.9.2008</b>	<b>934</b>	<b>1,420</b>	<b>384</b>	<b>46</b>	<b>2,784</b>
Total amortisation and impairment at 1.10.2007	292	175	230	0	697
Exchange rate and other adjustments	0	3	-1	0	2
Disposal through divestment	1	0	0	0	1
Amortisation and impairment for the year	0	112	49	0	161
Amortisation and impairment reversed on disposals dur	0	-4	0	0	-4
<b>Total amortisation and impairment at 30.9.2008</b>	<b>293</b>	<b>286</b>	<b>278</b>	<b>0</b>	<b>857</b>
<b>Carrying amount at 30.9.2008</b>	<b>641</b>	<b>1,134</b>	<b>106</b>	<b>46</b>	<b>1,927</b>

## Notes

Note

### 15. Property, plant and equipment

DKK million	Land and buildings	Production plant and machinery	Fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total property, plant and equipment
<b>2008/09</b>					
Total cost at 1.10.2008	1,939	2,610	641	584	5,774
Exchange rate and other adjustments	-70	-101	-8	5	-174
Reclassification	205	359	-5	-559	0
Purchases and improvements during the year	132	137	64	154	487
Disposals during the year	-180	-111	-75	-11	-377
<b>Total cost at 30.9.2009</b>	<b>2,026</b>	<b>2,894</b>	<b>617</b>	<b>173</b>	<b>5,710</b>
Total depreciation at 1.10.2008	766	1,829	445	0	3,040
Exchange rate and other adjustments	-12	-80	-6	0	-98
Reclassification	33	1	-34	0	0
Depreciation for the year	97	215	67	0	379
Depreciation reversed on disposals during the year	-109	-75	-62	0	-246
<b>Total depreciation at 30.9.2009</b>	<b>775</b>	<b>1,890</b>	<b>410</b>	<b>0</b>	<b>3,075</b>
<b>Carrying amount at 30.9.2009</b>	<b>1,251</b>	<b>1,004</b>	<b>207</b>	<b>173</b>	<b>2,635</b>
Additions during the year include finance leases amounting to	0	0	2	0	2
Gross amount, fully depreciated Property, plant and equipment	214	479	182	0	875

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery of DKK 56 million (2007/08: DKK 145 million). The Group's mortgage loans have been secured against land and buildings in the amount of DKK 498 million (2007/08: DKK 498 million).

DKK million	Land and buildings	Production plant and machinery	Fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total property, plant and equipment
<b>2007/08</b>					
Total cost at 1.10.2007	1,893	2,322	608	406	5,229
Exchange rate and other adjustments	17	30	0	10	57
Reclassification	62	246	27	-335	0
Purchases and improvements during the year	31	123	61	503	718
Disposals during the year	-64	-111	-55	0	-230
<b>Total cost at 30.9.2008</b>	<b>1,939</b>	<b>2,610</b>	<b>641</b>	<b>584</b>	<b>5,774</b>
Total depreciation at 1.10.2007	693	1,691	430	0	2,814
Exchange rate and other adjustments	1	25	-4	0	22
Depreciation for the year	88	219	69	0	376
Depreciation reversed on disposals during the year	-16	-106	-50	0	-172
<b>Total depreciation at 30.9.2008</b>	<b>766</b>	<b>1,829</b>	<b>445</b>	<b>0</b>	<b>3,040</b>
<b>Carrying amount at 30.9.2008</b>	<b>1,173</b>	<b>781</b>	<b>196</b>	<b>584</b>	<b>2,734</b>
Additions during the year include finance leases amounting to	0	0	3	0	3
Gross amount, fully depreciated Property, plant and equipment	110	640	241	0	991

## Notes

Note

### 16. Investments

2008/09		Other investments
DKK million		
Total cost at 1.10.2008		4
Capital investments during the year		0
<b>Total cost at 30.9.2009</b>		<b>4</b>
Revaluation at 1.10.2008		0
Divestment		0
<b>Total revaluation at 30.9.2009</b>		<b>0</b>
<b>Carrying amount at 30.9.2009</b>		<b>4</b>
<hr/>		
2007/08		Other investments
DKK million		
Total cost at 1.10.2007		13
Capital investments during the year		-9
<b>Total cost at 30.9.2008</b>		<b>4</b>
Revaluation at 1.10.2007		0
Divestment		0
<b>Total revaluation at 30.9.2008</b>		<b>0</b>
<b>Carrying amount at 30.9.2008</b>		<b>4</b>

#### Overview of Group companies

	Registered	% Owned		Registered	% Owned
<b>Parent company</b>					
Coloplast A/S	Danmark				
<b>Sales and/or manufacturing subsidiaries</b>					
Coloplast de Argentina S.A.	Argentina	100	Coloplast (NZ) Limited	New Zealand	100
Coloplast Pty. Ltd.	Australia	100	Coloplast Norge AS	Norway	100
Coloplast Belgium S.A.	Belgium	100	Coloplast Sp. zo.o.	Poland	100
Dumonceau Medical Services	Belgium	100	Coloplast Portugal Lda.	Portugal	100
Coloplast do Brasil Ltda.	Brazil	100	Coloplast OOO	Russia	100
Coloplast Canada Corporation	Canada	100	Coloplast AG	Switzerland	100
Coloplast Danmark A/S	Denmark	100	Coloplast Productos Médicos S.A.	Spain	100
Coloplast S.A.	France	100	Coloplast Limited	Great Britain	100
Coloplast Manufacturing			Coloplast Medical Limited	Great Britain	100
France S.A.S.	France	100	Charter Healthcare Limited	Great Britain	100
Coloplast B.V.	Holland	100	Porgés UK Limited	Great Britain	100
Coloplast S.p.A.	Italy	100	Coloplast AB	Sweden	100
Coloplast K.K.	Japan	100	Coloplast GmbH	Germany	100
Well Come Support Center Y.K.	Japan	100	Coloplast Distribution GmbH	Germany	100
Coloplast (China) Ltd.	China	100	Coloplast Hungary Kft.	Hungary	100
Coloplast (Beijing) Medical	China		Coloplast Corp.	USA	100
Devices Ltd.		100	Coloplast Manufacturing US, LLC	USA	100
Coloplast (Hong Kong) Ltd.	China	100	Coloplast Ges.m.b.H.	Austria	100
Coloplast Korea Limited	Korea	100			
<b>Other companies</b>					
Coloplast Ejendomme A/S	Denmark	100	<b>Representative offices and branches</b>		
CutiSense A/S	Denmark	50	Croatia	Mexico	
Ictalcare A/S	Denmark	33	Czech Rep.	Slovakia	
Coloplast Development			Egypt	Slovenia	
Limited Partnership	USA	54	Finland	South Africa	
			Hungary	Ukraine	
			Israel		

## Notes

Note	DKK million	
	2008/09	2007/08
<b>17. Deferred tax</b>		
Deferred tax, opening balance	45	57
Exchange rate adjustments	7	0
Effect of change in tax percentage	0	8
Restatement, previous years	4	4
Change in deferred tax - charged to equity	-1	-6
Change in deferred tax - charged to income statement	23	-18
	<b>78</b>	<b>45</b>
Of which, deferred tax asset	147	146
<b>Provision for deferred tax</b>	<b>225</b>	<b>191</b>
Calculation of deferred tax is based on the following items:		
Intangible assets	303	304
Property, plant and equipment	75	29
Indirect cost of sales	9	27
Unrealised gain from the intra-group sales of goods	-142	-138
Jointly taxed companies	16	16
Share options	-13	-12
Tax losses carried forward and tax credits	-77	-76
Other	-93	-105
<b>Total</b>	<b>78</b>	<b>45</b>

DKK 124 million of the deferred tax is expected to be set-of within the next 12 months (2007/08: DKK 61 million).

Taxable temporary differences regarding investments in subsidiaries, branches or associates are insignificant and no deferred tax has been provided, because the company controls the timing of the elimination of the temporary difference, and because it is probable that the temporary difference will not be eliminated in the foreseeable future.

The Group's tax losses expire as follows:

within 1 year	2	1
within 1 to 5 years	6	5
in more than 5 years	433	455
<b>Total</b>	<b>441</b>	<b>461</b>

The losses listed above include a recognised tax asset of DKK 98 million (2007/08: DKK 57 million).

In addition, the Group had unrecognised temporary differences and unused tax deductions of DKK 44 million (2007/08: DKK 58 million).

## Notes

Note	DKK million	
	2008/09	2007/08
<b>18. Inventories</b>		
Raw materials and consumables	126	204
Work in progress	226	281
Manufactured goods	634	739
<b>Inventories</b>	<b>986</b>	<b>1,224</b>
Inventory write-downs during period	70	45
Cost of goods sold for the year in the amount of DKK 2,046 million (2007/08: DKK 1,985 million) is included in cost of sales.		
<b>19. Trade receivables</b>		
Portion of receivables falling due after more than one year after the balance sheet date		
Other long-term receivables	5	8
Most of the long-term receivables fall due within three years of the balance sheet date. Interest accruing on receivables is 0%.		
Provisions for bad and doubtful debts:		
Provisions, beginning of year	106	69
Exchange adjustment	-1	-10
Change of provisions during the year	6	61
Losses realised during the year	-9	-14
<b>Provisions, end of year</b>	<b>102</b>	<b>106</b>
The provisions are generally due to customer bankruptcy or expected bankruptcy.		
Receivables due are specified as follows:		
Up to 30 days	179	224
Between 30 and 90 days	116	162
More than 90 days	213	229
<b>Total receivables due</b>	<b>508</b>	<b>615</b>
At 30 September, the Group had the following receivables:		
DKK	74	57
EUR	850	927
USD	166	165
Other currencies	440	414
<b>Total carrying amount</b>	<b>1,530</b>	<b>1,563</b>
<b>20. Marketable securities</b>		
Holdings of securities at 30.9.2009 consist mainly of Danish bonds with a duration of more than 3 (2007/08: more than 3) and an effective yield of 5% (2007/08: 5%).	1	1

## Notes

Note

### 21. Treasury shares and share options

Treasury shares	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
	Number of B shares		% of B share capital		Nominal value B shares	
Holdings of treasury shares 1.10.	3,171,332	3,980,272	7.66%	9.39%	15,856,660	19,901,360
Acquired during the year	0	1,241,645	0.00%	2.93%	0	6,208,225
Cancelled	-1,000,000	-2,000,000	-2.42%	-4.72%	-5,000,000	-10,000,000
Sold during the year	-56,529	-50,585	-0.14%	-0.12%	-282,645	-252,925
Holdings of treasury shares 30.9.	<b>2,114,803</b>	<b>3,171,332</b>	<b>5.11%</b>	<b>7.48%</b>	<b>10,574,015</b>	<b>15,856,660</b>

The Group does not hold A shares.

#### Share options

Nine share option programmes (B shares) have been set up for members of the Executive Management and senior managers.

Share options have effected the profit for the year as follows:	2008/09	2007/08
Employee costs - equity settled-programmes	26	19
Employee costs - cash settled-programmes	1	6
Financial costs - cash settled-programmes incl. exercised options	9	-75
<b>Total share option cost/income</b>	<b>36</b>	<b>-50</b>

Specification of outstanding options:	2008/09		2007/08	
	Number of options	Average exercise price	Number of options	Average exercise price
Outstanding options at beginning of the year	1,317,054		965,195	
Options vested	943,876		472,564	
Options lapsed	-54,525		-35,250	
Options exercised	-88,630		382	442
Outstanding options at the end of the year	<b>2,117,775</b>		<b>1,317,054</b>	

Issued in	Number of employees	Number of share options	Share options lapsed	Share options exercised	Outstanding at 30.9.2009	Exercise price	Exercisable from	Exercisable no later than
November 2001	137	117,050	15,150	101,900	0	269	November 2003	31.12.2008
November 2001	137	117,050	17,200	75,850	24,000	286	November 2004	31.12.2009
December 2002	181	289,800	39,000	136,450	114,350	260	November 2006	31.12.2011
December 2003	191	279,960	25,000	98,620	156,340	262	November 2007	31.12.2012
December 2004	215	199,240	22,090	43,290	133,860	280	November 2008	31.12.2013
December 2004	3	2,880	0	940	1,940	321	November 2008	31.12.2013
December 2005	209	177,625	13,950	14,900	148,775	328	November 2009	31.12.2014
December 2006	2	7,000	0	0	7,000	496	April 2009	01.01.2015
December 2006	210	200,330	15,085	0	185,245	506	November 2010	31.12.2015
December 2007	249	480,483	21,583	0	458,900	532	December 2010	31.12.2012
December 2008	263	939,676	52,311	0	887,365	385	December 2011	31.12.2013

In the period 2002-2006, options were awarded subject to the achievement of specific consolidated EP and EBIT margins targets. If only one of the targets was achieved, 50% of the options under the scheme were awarded. The value of options at the date of award equalled a maximum of two months' salary for each award recipient at the date of award, with the exception of the Executive Management.

Coloplast's holding of treasury shares fully covers the option programmes, so options exercised under the programme will not influence the Group's cash position by forcing it to buy up shares in the market.

At 30 September 2009, the carrying amount of the option programme was DKK 76 million (DKK 73 million at September 2008), while the fair value of the option schemes amounted to DKK 172 million (DKK 65 million at September 2008).

The following assumptions were applied in determining the fair value of outstanding share options at the date of award:

	2008	2007
Average share price (DKK)	335.03	461.75
Exercise price (DKK)	385.28	531.61
Expected dividend per share	1.79	1.08
Expected duration	4.00	4.00
Expected volatility	18.15	18.05
Risk-free interest	4.11	4.27

The value of the options was calculated using the Black & Scholes formula, in which the interest rate applied equalled that for Danish government securities. Volatility in the share is calculated as monthly movements (period-end to period-end) over five years. Options are assumed to be exercised on average one year into the exercise period.

## Notes

Note

### 22. Provisions for pensions and similar liabilities

#### Defined contribution plans

The Group offers pension plans to certain groups of employees in Denmark and abroad. Most of the pension plans are defined contribution plans. The Group funds the plans through regular payments of premiums to independent insurance companies responsible for the pension liabilities towards the beneficiaries. Once the pension payments for defined contribution plans have been made, the Group has no further liabilities towards existing or retired employees. Payments for defined contribution plans are recognised in the income statement when paid. In 2008/09, DKK 108 million (2007/08: DKK 119 million) was recognised.

#### Defined benefit plans

For certain groups of employees in foreign subsidiaries the Group has signed agreements to pay defined benefits, including pension payments. These liabilities are not or are only partly covered by insurance. Uncovered liabilities are recognised in the balance sheet and in the income statement as indicated below. The figures below include liabilities regarding the post-service remuneration scheme applicable to Board members prior to the amendment to the Articles of Association adopted at the Annual General Meeting in 2002.

	DKK million	
	2008/09	2007/08
The consolidated income statement includes recognition of the following:		
Defined contribution plans	108	119
Defined benefit plans	7	7
<b>Total</b>	<b>115</b>	<b>126</b>
The costs regarding defined benefit plans are recognised in the following income statement items:		
Cost of sales	0	4
Distribution costs	6	2
Administrative expenses	1	1
<b>Total</b>	<b>7</b>	<b>7</b>
Present value of funded defined benefit obligations	172	135
Present value of unfunded defined benefit obligations	67	67
Fair value of plan assets	-127	-121
Pension cost concerning prior years	-8	-8
Unrecognised actuarial gains/losses	-15	26
<b>Net liability recognised in the balance sheet</b>	<b>89</b>	<b>99</b>
Specification of present value of defined benefit obligation:		
Obligation at 1.10	202	227
Exchange adjustments	-15	-15
Pension costs concerning current financial year	8	11
Calculated interest on liability	13	15
Discontinued pension plans	-6	0
Actuarial gains/losses	42	-27
Pension costs concerning prior years	1	7
Pensions disbursed	-6	-16
<b>Present value of liability at 30.9</b>	<b>239</b>	<b>202</b>

## Notes

Note	DKK million				
	2008/09	2007/08			
<b>22. Provisions for pensions and similar liabilities, continued</b>					
Specification of fair value of pension assets					
Pension assets at 1.10	121	172			
Exchange adjustments	-14	-17			
Expected return on plan assets	8	11			
Actuarial gains/losses	3	-41			
Paid by the Coloplast Group	15	12			
Pensions disbursed	-6	-16			
<b>Pension assets at 30.9</b>	<b>127</b>	<b>121</b>			
Pension costs recognised in the income statement:					
Pension costs concerning current financial year	8	11			
Calculated interest on liability	13	15			
Expected return on plan assets	-8	-11			
Discontinued pension plans	-4	-8			
Recognised actuarial gains/losses for the year	-2	2			
Pension costs concerning prior years	0	-2			
<b>Total amount recognised for defined benefit plans</b>	<b>7</b>	<b>7</b>			
Specification of pension assets:					
Shares	84	83			
Bonds	19	9			
Real property	6	9			
Cash and similar assets	18	20			
<b>Pension assets at 30.9</b>	<b>127</b>	<b>121</b>			
Return on pension assets:					
Actual return on plan assets	-11	30			
Expected return on plan assets	-8	-11			
<b>Actuarial gain on plan assets</b>	<b>3</b>	<b>-41</b>			
The Group expects to pay DKK 14 million to the defined benefit plan in 2009/10.					
The assumptions of the actuarial calculations as at the balance sheet date (average) are as follows:					
Discount rate	5	6			
Expected return on plan assets	2	3			
Future salary increases	3	2			
The expected return on plan assets was determined on the basis of asset composition and general expectations for economic developments.					
The amounts for the present year and the previous four years for the Group's pension liabilities are set out below:					
	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>
Actuarial calculation of pension liabilities	239	202	227	283	204
Pension assets	-127	-121	-172	-154	-126
<b>Surplus/deficit</b>	<b>112</b>	<b>81</b>	<b>55</b>	<b>129</b>	<b>78</b>
Experience adjustments to liabilities	42	-27	-59	15	16
Experience adjustments to pension assets	-3	41	-5	-3	-9

## Notes

Note

### 23. Other provisions

<b>2008/09</b>			
DKK million	Legal claims	Others	Total
Provisions at 1.10.2008	15	20	35
Additional provisions	5	14	19
Unused amounts reversed	0	-6	-6
<b>Charged to the income statement</b>	<b>5</b>	<b>8</b>	<b>13</b>
Used during the year	-4	-9	-13
<b>Provisions at 30.09.2009</b>	<b>16</b>	<b>19</b>	<b>35</b>
Expected maturities:			
Current liabilities	7	5	12
Non-current liabilities	9	14	23
<b>Provisions at 30.09.2009</b>	<b>16</b>	<b>19</b>	<b>35</b>
<b>2007/08</b>			
DKK million	Legal claims	Others	Total
Provisions at 1.10.2007	7	12	19
Additional provisions	9	12	21
Unused amounts reversed	-1	-4	-5
<b>Charged to the income statement</b>	<b>8</b>	<b>8</b>	<b>16</b>
Used during the year	0	0	0
<b>Provisions at 30.09.2008</b>	<b>15</b>	<b>20</b>	<b>35</b>
Expected maturities:			
Current liabilities	8	11	19
Non-current liabilities	7	9	16
<b>Provisions at 30.09.2008</b>	<b>15</b>	<b>20</b>	<b>35</b>

#### Legal claims

The amounts are gross amounts relating to certain legal claims. Having consulted external legal experts, the management believes that any losses resulting from these legal claims will not exceed the provisions made.

#### Other

Other liabilities relate to provisions for expenses associated with the vacation of a lease and other non-legal claims.

## Notes

Note	DKK million	
	2008/09	2007/08
<b>24. Credit institutions</b>		
Payables to credit institutions are recognised in the balance sheet as follows:		
Non-current liabilities	233	487
Current liabilities	2,256	2,783
<b>Total</b>	<b>2,489</b>	<b>3,270</b>
Term to maturity:		
Within 1 year	315	623
1-5 years	2,059	2,837
Over 5 years	571	613
<b>Total</b>	<b>2,945</b>	<b>4,073</b>
DKK	373	458
EUR	1,752	2,556
USD	157	22
Other currencies	207	234
<b>Total carrying amount</b>	<b>2,489</b>	<b>3,270</b>

Mortgage loans have been secured against land and buildings in the amount of DKK 498 million.

**Net interest-bearing debt including swap facility at 30.9.**

Mortgage debt	473	480
Other credit institutions	2,016	2,790
Marketable securities	-1	-1
Bank balances	-628	-192
Other payables	437	351
<b>Total</b>	<b>2,297</b>	<b>3,428</b>

The fair value of net interest-bearing debt is DKK 2,310 million, of which DKK 2,297 million has been recognised in balance sheet. The fair value is calculated as the nominal value of debt of the market price prevailing at the balance sheet date. The difference in value is the difference between the market value of the mortgage and the outstanding debt. The Other payables item represents refinancing via a swap facility and employee bonds. The fair value of swaps are calculated using the interest rate and exchange rate prevailing at the balance sheet date.

**Specification of currency split and interest structure for net interest-bearing debt:**

**2008/09**

Principal in DKK million/ Effective interest rate p.a.		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Within 1 yr	Receivables	-50	0-1	-107	0-2	-273	0-4	-43	1-2	-155	0-7	-628
	Payables	4	1-2			7	1-4	15	2-5	208	0-9	234
	Swap											0
Total, Within 1 yr		-46		-107		-266		-28		53		-394
1 to 5 yrs	Receivables											0
	Payables	1,169	0-5			650	4-5	51	5	1	3	1,871
	Swap	-1,017	5			1,444	5					427
Total, 1 to 5 yrs		152		0		2,094		51		1		2,298
More than 5 yrs	Receivables											0
	Payables					78	5	315	5			393
	Swap											0
Total, more than 5 yrs		0		0		78		315		0		393
<b>Total</b>		<b>106</b>		<b>-107</b>		<b>1,906</b>		<b>338</b>		<b>54</b>		<b>2,297</b>

The parent company has a fixed-rate loan for USD 200 million in the form of a private placement with a term to maturity of 4 years and EUR 85 million of drawing rights under a Club facility with a term to maturity of 2 years. The loans have been converted via swaps with banks to a fixed interest rate in EUR. At the balance sheet date, 86% of the loans carry a fixed interest rate.

## Notes

Note

### 24. Credit Institutions, continued

#### 2007/08

Principal in DKK million/ Effective interest rate p.a.		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Within 1 yr	Receivables	-6	1-6	-73	5	-36	0-5	-7	1-4	-69	1-7	-191
	Payables	22	7	1	6	138	4-6	80	5	246	1-9	487
	Swap											0
Total, Within 1 yr		16		-72		102		73		177		296
1 to 5 yrs	Receivables											0
	Payables	1,043	5			1,288	5	36	5	1	6	2,368
	Swap	-1,056	5			1,407	5					351
Total, 1 to 5 yrs		-13		0		2,695		36		1		2,719
More than 5 yrs	Receivables									-2	4	-2
	Payables					85	5	330	5			415
	Swap											0
Total, more than 5 yrs		0		0		85		330		-2		413
Total		3		-72		2,882		439		176		3,428

### 25. Income tax

	DKK million	
	2008/09	2007/08
Income tax balance at 1.10.	200	-39
Exchange adjustment	-1	0
Adjustment, prior years	6	-23
Tax on profit for the year	295	306
Tax on equity items	-19	6
Tax paid during the year	-270	-50
	211	200
Of which receivable income tax	31	11
<b>Income tax balance at 30.9.</b>	<b>242</b>	<b>211</b>

### 26. Financial instruments

#### The Group's risk management policy

Financial risks are managed centrally and, accordingly, all derivative instruments are managed and controlled by the parent company. The framework is determined by the financial policy approved annually by the Board of Directors. The financial policy comprise policies for foreign exchange, funding, liquidity and financial counterparts. The core principle is for financial risk to be managed with a view to reducing significant risk.

#### Financial instruments by category 2008/09

	Assets at fair value			Total
	Loans and receivables	through the income statement	Derivatives used for hedging	
Assets				
Other securities	4			4
Trade receivables and other receivables	1,610		34	1,644
Cash and bank balances and marketable securities		630		630
<b>Total</b>	<b>1,614</b>	<b>630</b>	<b>34</b>	<b>2,278</b>

## Notes

Note

### 26. Financial instruments, continued

#### Financial instruments by category

	Liabilities at fair value through the income statement <sup>1)</sup>	Derivatives used for hedging	Other liabilities at amortised cost	Total
<i>Liabilities</i>				
Mortgage debt			473	473
Other credit institutions			2,016	2,016
Trade payables			428	428
Other payables		485	1,016	1,501
<b>Total</b>	<b>0</b>	<b>485</b>	<b>3,933</b>	<b>4,418</b>

#### Financial instruments by category 2007/08

	Loans and receivables	Assets at fair value through the income statement	Derivatives used for hedging	Total
<i>Assets</i>				
Other investments	4			4
Trade receivables and other receivables	1,649		15	1,664
Cash and bank balances and marketable securities		194		194
<b>Total</b>	<b>1,653</b>	<b>194</b>	<b>15</b>	<b>1,862</b>

	Liabilities at fair value through the income statement <sup>1)</sup>	Derivatives used for hedging	Other liabilities at amortised cost	Total
<i>Liabilities</i>				
Mortgage debt			480	480
Other credit institutions			2,790	2,790
Trade payables			397	397
Other payables		361	1,045	1,406
<b>Total</b>	<b>0</b>	<b>361</b>	<b>4,712</b>	<b>5,073</b>

<sup>1)</sup> Trading portfolio

#### Foreign exchange risk

The objective of the foreign exchange policy is to neutralise and delay the effect of exchange rate fluctuations in the income statement and in that way enhance the predictability of the financial results. This is done by hedging significant balance sheet items denominated in foreign currency and a part of the expected future cash flows. Currency hedging is achieved by means of forward contracts and options. As at 30 September 2009, an average of 100% of the first eleven months of net cash flows were hedged (2007/08: 100% of the first nine months of cash flows).

## Notes

Note

## 26. Financial instruments, continued

## Holdings of derivative financial instruments

2008/09	Amount of contract	Loss/gain when stated at mkt. value at 30.9.2009	Amount incl. in income statement for 2008/09	Transferred to fair value reserve	Expiry period
<b>Forward exchange contracts outstanding at 30.09.2009 to hedge future cash flows</b>					
USD	-108	-6	0	-6	Oct. 2009 - Nov. 2009
GBP	368	14	0	14	Oct. 2009 - Jun. 2010
JPY	92	1	0	1	Oct. 2009 - Jun. 2010
HUF	-281	13	0	13	Oct. 2009 - Jul. 2010
Others	428	-19	0	-19	Oct. 2009 - Jun. 2010
<b>Total</b>	<b>499</b>	<b>3</b>	<b>0</b>	<b>3</b>	
<b>Other forward exchange contracts outstanding at 30.9.2009</b>					
USD	334	8	8	0	Oct. 2009 - Mar. 2010
GBP	269	7	7	0	Oct. 2009 - Feb. 2010
JPY	90	-1	-1	0	Oct. 2009 - Feb. 2010
HUF	-2	-2	-2	0	Oct. 2009
Others	182	-6	-6	0	Oct. 2009 - Feb. 2010
<b>Total</b>	<b>873</b>	<b>6</b>	<b>6</b>	<b>0</b>	
<b>Currency and interest swaps at 30.9.2009 to hedge future cash flows</b>					
EUR interest rate swap	633	-27	0	-27	Aug. 2011
USD/EUR	1,017	-435	27	-41	Apr. 2013
<b>Total</b>	<b>1,650</b>	<b>-462</b>	<b>27</b>	<b>-68</b>	

## Holdings of derivative financial instruments

2007/08	Amount of contract	Loss/gain when stated at mkt. value at 30.9.2008	Amount incl. in income statement for 2007/08	Transferred to fair value reserve	Expiry period
<b>Forward exchange contracts outstanding at 30.9.2008 to hedge future cash flows</b>					
USD	34	3	1	2	Oct. 2008 - Feb. 2009
GBP	658	-5	0	-5	Oct. 2008 - Mar. 2009
EUR	100	-1	0	-1	Oct. 2008 - Nov. 2009
JPY	66	-3	1	-4	Oct. 2008 - June 2009
HUF	-228	2	4	-2	Jan. 2009 - Mar. 2009
Others	219	6	0	6	Oct. 2008 - Jan. 2009
<b>Total</b>	<b>849</b>	<b>2</b>	<b>6</b>	<b>-4</b>	
<b>Other forward exchange contracts outstanding at 30.9.2008</b>					
USD	325	-7	-7	0	Oct. 2008 - Jan. 2009
GBP	253	-2	-2	0	Oct. 2008 - Nov. 2009
JPY	76	-5	-5	0	Oct. 2008 - Sep. 2009
HUF	228	1	1	0	Jan. 2009 - Mar. 2009
Others	166	2	2	0	Oct. 2008 - Mar. 2009
<b>Total</b>	<b>1,048</b>	<b>-11</b>	<b>-11</b>	<b>0</b>	
<b>Currency and interest swaps at 30.9.2008 to hedge future cash flows</b>					
EUR interest rate swap	746	17	0	17	Aug. 2011
USD/EUR	1,043	-358	8	12	Apr. 2013
<b>Total</b>	<b>1,789</b>	<b>-341</b>	<b>8</b>	<b>29</b>	

## Notes

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Note

### 26. Financial instruments, continued

The fair value of derivative financial instruments is calculated on the basis of current market data and recognised valuation methods.

The Group had no material foreign exchange risks concerning debt in foreign currency as at 30 September 2009. The Group's receivables are to some extent affected by exchange rate fluctuations, and the Group's balance sheet is impacted to some degree by changes in the exchange rates prevailing at 30 September 2009.

Consolidated revenue is particularly exposed to developments in USD and GBP. Due to the Group's production in the USA, changes in the USD/DKK exchange rate only have a slight effect on EBIT, while changes in the GBP/DKK exchange rate feed through to EBIT unfiltered. The relocation of a large part of the production activities to Hungary means that costs will be affected by any fluctuations in the HUF/DKK exchange rate. A 10% depreciation of the GBP would, other things being equal, have had a negative impact on EBIT of DKK 75 million (2007/08: DKK 90 million), while a 10% depreciation of the HUF, other things being equal, would have a positive EBIT impact of DKK 40 million (2007/08: DKK 30 million). An increase in exchange rates would have had the opposite effect on the financial performance for the year.

#### Interest rate risk

It is Group policy that a part of the funding must be on fixed interest rate basis. The interest rate risk on the Group's other debt is hedged when the Group finds that the interest rate can be fixed on a satisfactory level.

As at 30 September 2009, the Group's loans predominantly carried a fixed interest rate or had been converted into a fixed rate by using interest rate swaps. The fair value of the interest rate swaps outstanding at the balance sheet date entered into to hedge foreign exchange and interest rate risks was negative in the amount of DKK 456m (2007/08: negative at DKK 336m).

In accordance with the Group's risk policy, the weighted average duration (fixed rate period) on the Group's loans at 30 September 2009 was 3.0 years (2007/08: 2.9 years) including the effect of interest rate swaps.

Based on the exposure at the balance sheet date, a one percentage point increase/fall in the level of interest rates would have impacted the profit for the year by minus/plus DKK 4 million (2007/08: DKK 8 million).

#### Liquidity risk

The funding policy aims to ensure adequate and cost-effective funding with due consideration to interest rates, currency, maturity, counter party and other factors. The aim is also to ensure that the Group maintains adequate capital reserves.

The cash policy stipulates that the Group must obtain a competitive return and high liquidity when investing its excess cash. One of the means to achieve effective management of the Group's cash is the use of cash pools.

The Group's cash reserve comprises cash and cash equivalents, securities and unutilised credit facilities.

#### Credit risk

Pursuant to the counter-party policy, transactions should only be made with financial institutions holding a satisfactory credit rating with international credit rating agencies.

The Group's credit risks relate partly to receivables and cash holdings, partly to derivative financial instruments with a positive fair value. The maximum credit risk related to financial assets equals the values recognised in the balance sheet.

The Group is not exposed to significant risks concerning individual customers or business partners. The Group's policy for undertaking credit risks involves an ongoing credit assessment of major customers and other key business partners.

## Notes

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 Note

### 26. Financial instruments, continued

#### Capital management

With its capital management, the Group aims to create the necessary room to perform its strategic development activities and to be able to provide a competitive return for its shareholders. Another aim is to reduce the cost of capital.

In general, the intention of the Board of Directors is to pay dividend of around 30% of the profit for the year. However, distribution of dividends will always be decided with due consideration for the Group's plans for growth and liquidity requirements.

The Group assesses the capital on the basis of the solvency ratio, which is calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts.

### 27. Other liabilities

Falling due in:	DKK million 2008/09				DKK million 2007/08			
	Other operating leases	Rent	Other	Total	Other operating leases	Rent	Other	Total
within 1 year	41	91	5	137	34	89	12	135
1 to 5 years	37	234	3	274	102	240	15	357
more than 5 years	0	28	27	55	0	66	36	102
<b>Total</b>	<b>78</b>	<b>353</b>	<b>35</b>	<b>466</b>	<b>136</b>	<b>395</b>	<b>63</b>	<b>594</b>

Operating lease payments included in the income statement account for DKK 48 million (2007/08: DKK 42 million).

Operating leases represent primarily leasing of cars. There are no purchasing rights attaching to assets held under operating leases.

Liabilities concerning rent and other operating leases are limited to the minimum lease payments.

### 28. Contingent items

The Coloplast Group is a party to a number of minor legal proceedings, which are not expected to influence the Group's future earnings.

### 29. Related party transactions

Related parties to the Coloplast Group include members of the Board of Directors and the Executive Management, main shareholders of the parent company, Coloplast A/S, and the Group's associates.

Information about remuneration of the Management is set out in note 6.

There has been no major transactions with related parties.

## Notes

Note	DKK million	
	2008/09	2007/08
<b>30. Public grants</b>		
In the financial year, the Group received DKK 2 million in public grants for research and development purposes (2007/08: DKK 2 million). The Group has received DKK 41 million (2007/08: DKK 62 million) for investments.		
<b>31. Fees to appointed auditors</b>		
Overall fees to PricewaterhouseCoopers	14	15
Of which:		
Statutory audit	9	9
Assurance engagements other than audits	1	2
Tax advice	3	3
Other services	1	1
<b>32. Events occurring after balance sheet date</b>		
No events have occurred after the balance sheet date which are deemed to have a material impact on the financial results or equity as of 30 September 2009.		
<b>33. Adjustment for other non-cash operating items</b>		
Net gain/loss on non-current assets	-34	-26
Change in other provisions	-6	-8
<b>Total</b>	<b>-40</b>	<b>-34</b>
<b>34. Changes in working capital</b>		
Inventories	236	-284
Trade receivables	4	38
Other receivables	-20	48
Trade and other payables etc.	100	102
<b>Total</b>	<b>320</b>	<b>-96</b>
<b>35. Cash, cash equivalents and short term debt</b>		
Marketable securities	1	1
Cash	1	1
Bank balances	628	192
Liquid resources	630	194
Short-term debt	-233	-487
<b>Total</b>	<b>397</b>	<b>-293</b>
<b>36. Unutilised credit facilities</b>		
Unutilised credit facilities	3,608	2,493
Of which long-term facilities with a duration of more than 1 year	2,155	1,247

## Notes

Note

## 37. Income statement, quarterly (unaudited)

DKK million	2008/09 Full year	2008/09 Q1	2008/09 Q2	2008/09 Q3	2008/09 Q4
Revenue	8,820	2,196	2,119	2,243	2,262
Cost of sales	-3,717	-895	-897	-942	-983
<b>Gross profit</b>	<b>5,103</b>	<b>1,301</b>	<b>1,222</b>	<b>1,301</b>	<b>1,279</b>
Distribution costs	-2,685	-664	-652	-704	-665
Administrative expenses	-614	-194	-160	-153	-107
Research and development costs	-389	-103	-99	-97	-90
Other operating income	89	11	54	10	14
Other operating expenses	-29	-12	-2	-10	-5
<b>Operating profit before special items</b>	<b>1,475</b>	<b>339</b>	<b>363</b>	<b>347</b>	<b>426</b>
Special items	-80	-5	-55	0	-20
<b>Operating profit (EBIT)</b>	<b>1,395</b>	<b>334</b>	<b>308</b>	<b>347</b>	<b>406</b>
Financial income	61	31	8	11	11
Financial expenses	-245	-84	-55	-51	-55
<b>Profit before tax</b>	<b>1,211</b>	<b>281</b>	<b>261</b>	<b>307</b>	<b>362</b>
Tax on profit for the period	-328	-79	-73	-86	-90
<b>Profit for the period</b>	<b>883</b>	<b>202</b>	<b>188</b>	<b>221</b>	<b>272</b>
Minority interests	0	0	0	0	0
<b>Coloplast's share of profit for the period</b>	<b>883</b>	<b>202</b>	<b>188</b>	<b>221</b>	<b>272</b>
Earnings per Share (EPS) (A and B shares)	21	5	4	5	7
Earnings per Share (EPS) (A and B shares), diluted	21	5	4	5	7
	2007/08 Full year	2007/08 Q1	2007/08 Q2	2007/08 Q3	2007/08 Q4
Revenue	8,463	2,113	2,040	2,154	2,156
Cost of sales	-3,465	-829	-871	-892	-873
<b>Gross profit</b>	<b>4,998</b>	<b>1,284</b>	<b>1,169</b>	<b>1,262</b>	<b>1,283</b>
Distribution costs	-2,589	-660	-651	-621	-657
Administrative expenses	-882	-235	-231	-203	-213
Research and development costs	-415	-78	-90	-100	-147
Other operating income	71	35	21	10	5
Other operating expenses	-29	-6	-6	-7	-10
<b>Operating profit before special items</b>	<b>1,154</b>	<b>340</b>	<b>212</b>	<b>341</b>	<b>261</b>
Special items	-160	0	0	0	-160
<b>Operating profit (EBIT)</b>	<b>994</b>	<b>340</b>	<b>212</b>	<b>341</b>	<b>101</b>
Financial income	201	36	55	68	42
Financial expenses	-203	-44	-72	-32	-55
<b>Profit before tax</b>	<b>992</b>	<b>332</b>	<b>195</b>	<b>377</b>	<b>88</b>
Tax on profit for the period	-277	-93	-55	-106	-23
<b>Profit for the period</b>	<b>715</b>	<b>239</b>	<b>140</b>	<b>271</b>	<b>65</b>
Minority interests	0	0	0	0	0
<b>Coloplast's share of profit for the period</b>	<b>715</b>	<b>239</b>	<b>140</b>	<b>271</b>	<b>65</b>
Earnings per Share (EPS) (A and B shares)	16	5	3	6	2
Earnings per Share (EPS) (A and B shares), diluted	16	5	3	6	2

## Definitions of key ratios

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 Note

### 38. Definitions of key ratios

EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Capital invested	Assets less cash, less marketable securities plus accumulated goodwill amortised before 1 October 2002 less non-interest bearing debt including provisions
Net interest-bearing debt	Non-current interest-bearing liabilities plus debt to credit institutions less cash less securities
EBIT margin (%)	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Return on average invested capital (ROIC), %	$\frac{\text{EBIT} \times 100}{\text{Capital invested (average of four quarters)}}$
Return on equity (%)	$\frac{\text{Profit for the year attributable to Coloplast} \times 100}{\text{Equity before minority interests (average of four quarters)}}$
Ratio of net debt to EBITDA	$\frac{\text{Net interest-bearing debt}}{\text{EBITDA}}$
Interest cover	$\frac{\text{EBITDA}}{\text{Net interest income and interest expenses}}$
Equity ratio, %	$\frac{\text{Total equity} \times 100}{\text{Total assets}}$
Ratio of debt to enterprise value, %	$\frac{\text{Net interest-bearing debt} \times 100}{\text{Net interest-bearing debt plus market value of equity}}$
Market value of equity (DKK)	Share quotation at year-end multiplied by unrestricted share capital (assuming same price valuation of A and B shares)
Net asset value per share (DKK)	$\frac{\text{Equity ex. minority interests}}{\text{Number of shares}}$
Share price/NAV	$\frac{\text{Share quotation}}{\text{Net asset value per share}}$
PE, price/earnings ratio	$\frac{\text{Share quotation}}{\text{Earnings per share (EPS)}}$
Pay-out ratio, %	$\frac{\text{Dividend declared} \times 100}{\text{Profit for the year attributable to Coloplast}}$
Earnings per share (EPS)	$\frac{\text{Profit for the year attributable to Coloplast}}{\text{Number of unrestricted shares (average of four quarters)}}$
Free cash flow per share	$\frac{\text{Free cash flow}}{\text{Number of unrestricted shares (average of four quarters)}}$

The ratios are calculated and applied in accordance with "Recommendations & Financial Ratios 2005" issued by the Danish Society of Financial Analysts. Key ratios are shown on page 2.



# Shareholder information

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## Announcements 2008/09

### 2008

19/11	21	Announcement of full-year financial results 2007/08
28/11	22	Annual General Meeting of Coloplast A/S Wednesday 17 December 2008
17/12	23	Annual General Meeting of Coloplast A/S
17/12	24	The Board of Directors of Coloplast A/S elected its own Chairman and Vice-Chairman
17/12	25	Articles of Association of Coloplast A/S

### 2009

19/01	1	Coloplast negotiates headcount reductions
3/2	2	Interim financial report, Q1 2008/09
13/3	3	ATP changes its holding of shares in Coloplast
1/4	4	British health care reform: Update
1/4	5	British health care reform: Final update
27/4	6	Coloplast reduces share capital
27/4	7	Articles of Association of Coloplast A/S
5/5	8	Interim financial report, H1 2008/09
14/8	9	Interim financial report, Q3 2008/09
18/9	10	Financial calendar for 2009/10
30/9	11	Capital Market Day

## Financial calendar 2009/10

### 2009

16/10	Closing period until 6 November
6/11	Financial Statements for the full year 2008/09 Annual Report 2008/09
1/12	Annual General Meeting
7/12	Payment of dividends for 2008/09

### 2010

7/1	Closing period until 28 January
28/1	Interim Financial Statements for Q1 2009/10
8/4	Closing period until 29 April
29/4	Interim Financial Statements for H1 2009/10
29/7	Closing period until 19 August
19/8	Interim Financial Statements for Q3 2009/10
13/10	Closing period until 3 November
3/11	Financial Statements for the full year 2009/10
1/12	Annual General Meeting
7/12	Payment of dividends for 2009/10

## Banks and stockbroking companies following Coloplast

ABG Sundal Collier	Goldman Sachs
Alm. Brand Markets	Handelsbanken Capital Markets
Barclays Capital	Jyske Bank A/S
Carnegie Bank A/S	Nordea Markets
CA Cheuvreux	Piper Jaffray Ltd.
Cazenove	SEB Enskilda
Danske Markets	Standard & Poor's
Deutsche Bank	Sydbank A/S

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**Annual report for the  
Parent company Coloplast A/S  
for 2008/09**

**Income statement**

1 October - 30 September

		DKK million	
Note		2008/09	2007/08
2	Revenue	6,322	5,914
3	Cost of sales	-4,043	-3,944
	<b>Gross profit</b>	<b>2,279</b>	<b>1,970</b>
3	Distribution costs	-616	-610
3,4	Administrative expenses	-298	-332
3	Research and development costs	-468	-373
3	Other operating income	104	82
3	Other operating expenses	-25	-31
5	Special items	-37	-97
	<b>Operating profit (EBIT)</b>	<b>939</b>	<b>609</b>
11	Profit after tax in subsidiaries	219	174
6	Financial income	125	224
7	Financial expenses	-210	-168
	<b>Profit before tax</b>	<b>1,073</b>	<b>839</b>
8	Tax on profit for the year	-236	-176
	<b>Profit for the year</b>	<b>837</b>	<b>663</b>
	<b>Profit distribution:</b>		
	Retained earnings	537	387
	Proposed dividend for the year	300	276
	<b>Total</b>	<b>837</b>	<b>663</b>

**Balance sheet**

30 September

		DKK million	
Note		2008/09	2007/08
	<b>Assets</b>		
9	Intangible assets	1,677	1,818
10	Property, plant and equipment	902	1,016
11	Financial assets	1,468	1,113
	<b>Non-current assets</b>	<b>4,047</b>	<b>3,947</b>
12	<b>Inventories</b>	<b>532</b>	<b>677</b>
	Trade receivables	228	185
	Receivables from Group enterprises	2,070	2,093
	Other receivables	47	49
	Prepayments	17	18
13	<b>Receivables</b>	<b>2,362</b>	<b>2,345</b>
	<b>Marketable securities</b>	<b>0</b>	<b>1</b>
	<b>Cash and bank balances</b>	<b>430</b>	<b>51</b>
	<b>Current assets</b>	<b>3,324</b>	<b>3,074</b>
	<b>Assets</b>	<b>7,371</b>	<b>7,021</b>
	<b>Equity and liabilities</b>		
	Share capital	225	230
	Fair value reserve	-49	9
	Proposed dividend for the year	300	257
	Retained earnings	2,421	1,877
14	<b>Total equity</b>	<b>2,897</b>	<b>2,373</b>
16	Provision for pensions and similar liabilities	5	6
15	Provision for deferred tax	372	348
	<b>Provisions</b>	<b>377</b>	<b>354</b>
17	Credit institutions	1,797	2,316
18	Other payables	445	366
	<b>Non-current liabilities</b>	<b>2,242</b>	<b>2,682</b>
16	Other provisions	5	5
17	Credit institutions	13	228
	Trade payables	200	191
	Payables to Group enterprises	968	596
	Income tax	191	161
	Other payables	478	431
	<b>Current liabilities</b>	<b>1,855</b>	<b>1,612</b>
	<b>Current and non-current liabilities</b>	<b>4,097</b>	<b>4,294</b>
	<b>Equity and liabilities</b>	<b>7,371</b>	<b>7,021</b>
19	Contingent items and other financial liabilities		
20	Related party transactions		

## Notes

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 Note

### 1. Accounting policies

#### Basis of preparation

The financial statements of the parent company are presented in accordance with the Danish Financial Statements Act (reporting class D enterprises) and with additional Danish disclosure requirements for listed companies.

The accounting policies of the parent company are the same as those of the Group, however, with the addition of the policies described below. The Group's accounting policies are set out in note 1 to the financial statements on page 26.

No changes were made to the accounting policies relative to last year.

#### Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful life, estimated at 10 years. This estimate was made on the basis of estimated useful lives of the other assets in the transaction.

#### Financial assets

In the parent company's financial statements, investments in subsidiaries and associates are recognised according to the equity method. The share of the results of subsidiaries less unrealised intra-group gains is recognised in the parent company's income statement. Net revaluation of investments in subsidiaries and associates exceeding the dividend declared by such enterprises is recognised in equity as reserve for net revaluation according to the equity method. Fair value adjustments of financial assets classified as 'realisable' are recognised in the parent company's income statement.

#### Tax

The parent company is taxed jointly with its domestic subsidiaries. The jointly taxed Danish enterprises are taxed under the Danish on-account tax scheme. Current tax for jointly taxed companies is recognised in each individual company.

#### Cash flow statement

No separate cash flow statement has been prepared for the parent company in accordance with the exemption clause of section 86.4 of the Danish Financial Statements Act. The Group's cash flow statement is set out on page 23.

	DKK million	
	2008/09	2007/08
<b>2. Revenue</b>		
<b>Business activities</b>		
Medical care	6,322	5,914
<b>Total</b>	<b>6,322</b>	<b>5,914</b>
<b>Geographical areas</b>		
Europe	4,807	4,945
The Americas	1,017	596
Rest of the world	498	373
<b>Total</b>	<b>6,322</b>	<b>5,914</b>

## Notes

Note	DKK million	
	2008/09	2007/08
<b>3. Staff costs</b>		
Salaries, wages and directors' fees	1,037	1,262
Pension costs	86	91
Other social security costs	23	25
<b>Total</b>	<b>1,146</b>	<b>1,378</b>
Average number of employees, full time equivalents	1,943	2,595
For information on Executive Managements' remuneration and Directors' fees reference is made to note 6 in the consolidated financial statements.		
<b>4. Fees for auditors appointed by AGM</b>		
Total fees to PricewaterhouseCoopers	4	5
Of which:		
Statutory audit	3	3
Assurance engagements other than audits	0	0
Tax advice	0	1
Other services	1	1
<b>5. Special items</b>		
Special items in 2008/09 represent costs associated with adjustments to the organisational structure and business procedures		
<b>6. Financial income</b>		
Interest income	10	16
Interest income from Group enterprises	75	72
Exchange rate adjustments	0	88
Fair value adjustments, share options	0	48
Fair value adjustments, forward contracts	40	0
<b>Total</b>	<b>125</b>	<b>224</b>
<b>7. Financial expenses</b>		
Interest expense	135	153
Interest expense to Group enterprises	12	15
Exchange rate adjustments	61	0
Fair value adjustments, share options	2	0
<b>Total</b>	<b>210</b>	<b>168</b>

## Notes

Note	DKK million					
	2008/09	2007/08				
<b>8. Tax on profit for the year</b>						
Tax on profit for the year	212	199				
Change in deferred tax on profit for the year	12	-18				
Adjustment relating to prior years	12	-5				
<b>Total</b>	<b>236</b>	<b>176</b>				
Specification of tax:						
Tax on profit from ordinary activities	231	170				
Tax on equity movements	5	6				
<b>Total</b>	<b>236</b>	<b>176</b>				
<b>9. Intangible assets</b>						
DKK million	Goodwill	Acquired patents and trademarks	Software	Prepayments and assets under construction	<b>2008/09 Total</b>	2007/08 Total
Total cost at 1.10.	522	1,602	277	46	<b>2,447</b>	2,415
Exchange rate and other adjustments	0	22	1	-23	<b>0</b>	0
Purchases and improvements during the year	0	0	72	12	<b>84</b>	40
Disposals during the year	0	0	-3	0	<b>-3</b>	-8
<b>Total cost at 30.9.</b>	<b>522</b>	<b>1,624</b>	<b>347</b>	<b>35</b>	<b>2,528</b>	<b>2,447</b>
Total amortisation and impairment at 1.10.	121	312	196	0	<b>629</b>	417
Amortisation and impairment for the year	53	136	36	0	<b>225</b>	217
Amortisation and impairment reversed on disposals during the year	0	0	-3	0	<b>-3</b>	-5
<b>Total amortisation and impairment at 30.9.</b>	<b>174</b>	<b>448</b>	<b>229</b>	<b>0</b>	<b>851</b>	<b>629</b>
<b>Carrying amount at 30.9.</b>	<b>348</b>	<b>1,176</b>	<b>118</b>	<b>35</b>	<b>1,677</b>	<b>1,818</b>
<b>10. Property, plant and equipment</b>						
DKK million		Production plant and machinery	Fixtures and fittings, tools and equipment	Prepayments and assets under construction	<b>2008/09 Total</b>	2007/08 Total
Total cost at 1.10.		1,374	334	345	<b>2,053</b>	2,004
Reclassification		296	31	-327	<b>0</b>	0
Purchases and improvements during the year		98	47	90	<b>235</b>	395
Disposals during the year		-402	-43	0	<b>-445</b>	-346
<b>Total cost at 30.9.</b>		<b>1,366</b>	<b>369</b>	<b>108</b>	<b>1,843</b>	<b>2,053</b>
Total depreciation at 1.10.		816	221	0	<b>1,037</b>	1,113
Reclassification		0	0	0	<b>0</b>	0
Depreciation for the year		118	43	0	<b>161</b>	181
Depreciation reversed on disposals during the year		-223	-34	0	<b>-257</b>	-257
<b>Total depreciation at 30.9.</b>		<b>711</b>	<b>230</b>	<b>0</b>	<b>941</b>	<b>1,037</b>
<b>Carrying amount at 30.9.</b>		<b>655</b>	<b>139</b>	<b>108</b>	<b>902</b>	<b>1,016</b>

## Notes

Note

### 11. Financial assets

DKK million	Investments	Receivables	Other	2008/09	2007/08
	in Group	from Group		Total	Total
	enterprises	enterprises	investments		
Total cost at 1.10.	2,270	407	4	<b>2,681</b>	2,724
Capital investments during the year	682	0	0	<b>682</b>	15
Divestments during the year	0	-201	0	<b>-201</b>	-58
<b>Total cost at 30.9.</b>	<b>2,952</b>	<b>206</b>	<b>4</b>	<b>3,162</b>	<b>2,681</b>
Value adjustments 1.10	-1,568	0	0	<b>-1,568</b>	-1,524
Profit/loss before tax	219	0	0	<b>219</b>	174
Dividends received	-314	0	0	<b>-314</b>	-257
Exchange adjustments	-57	0	0	<b>-57</b>	37
Other adjustments	26	0	0	<b>26</b>	2
<b>Value adjustments 30.9.</b>	<b>-1,694</b>	<b>0</b>	<b>0</b>	<b>-1,694</b>	<b>-1,568</b>
<b>Carrying amount at 30.9</b>	<b>1,258</b>	<b>206</b>	<b>4</b>	<b>1,468</b>	<b>1,113</b>

An overview of subsidiaries is set out in note 16 to the consolidated financial statements.

	DKK million	
	2008/09	2007/08
<b>12. Inventories</b>		
Raw materials and consumables	51	78
Work in progress	116	168
Manufactured goods	365	431
<b>Inventories</b>	<b>532</b>	<b>677</b>

The amount of inventories stated at net realisable value is insignificant, and the Group has not provided inventories as security for debt items.

### 13. Receivables

Portion of receivables falling due after more than one year after the balance sheet date

Other long-term receivables	5	8
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## Notes

Note

## 14. Statement of changes in equity

DKK million	Share capital		Reserve	Reserve for	Proposed dividend	Retained earnings	2008/09 Total	2007/08 Total
	A shares	B shares	acc. to the equity method	net asset value				
Equity at 1 October	18	212	0	9	257	1,877	<b>2,373</b>	2,535
Value adjustments for the year					-37		<b>-37</b>	4
Transferred to financial items					-40		<b>-40</b>	2
Tax effect of hedging					19		<b>19</b>	-1
Paid dividend to shareholders					-257		<b>-257</b>	-396
Exchange rate adjustment of opening balances and other adjustments related to subsidiaries						-31	<b>-31</b>	38
Acquisition of treasury shares, loss on exercise of options						-5	<b>-5</b>	-510
Sale of treasury shares						24	<b>24</b>	26
Share-based payment						14	<b>14</b>	12
Profit for the year						837	<b>837</b>	663
Proposed dividend					300	-300	<b>0</b>	0
Cancellation of share capital						-5	<b>0</b>	0
<b>Equity at 30 September</b>	<b>18</b>	<b>207</b>	<b>0</b>	<b>-49</b>	<b>300</b>	<b>2,421</b>	<b>2,897</b>	<b>2,373</b>

## 15. Deferred tax

Calculation of deferred tax is based on the following items:

	DKK million	
	2008/09	2007/08
Intangible assets	313	313
Property, plant and equipment	53	30
Indirect cost of sales	22	27
Unrealised gain from the intra-group sales of goods	0	17
Jointly taxed companies (recapture balance)	16	16
Other	-32	-55
<b>Total</b>	<b>372</b>	<b>348</b>

## 16. Other provisions

DKK million	Legal claims	Others	2008/09	2007/08
			Total	Total
Provisions at 1 October	5	6	11	11
Provisions made during the year	0	1	1	1
Unused amounts reversed	0	-1	-1	0
Recognised in the income statement	0	0	0	1
Used during the year	0	-1	-1	-1
<b>Provisions at 30 September</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>11</b>
<b>Expected maturities:</b>				
Current liabilities	5	0	5	5
Non-current liabilities	0	5	5	6
<b>Provisions at 30 September</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>11</b>

## Notes

Note	DKK million	
	2008/09	2007/08
<b>17. Credit Institutions</b>		
Falling due in:		
within 1 year	13	228
1 to 5 years	1,797	2,316
more than 5 years	0	0
<b>Total</b>	<b>1,810</b>	<b>2,544</b>

- 18. Other payables**  
Other payables relate primarily to loan conversions using swaps.

**19. Contingent items and other financial liabilities**

Falling due in:	DKK million 2008/09				DKK million 2007/08			
	Other operating leases	Rent	Other	Total	Other operating leases	Rent	Other	Total
within 1 year	5	6	0	11	6	7	0	13
1 to 5 years	6	5	0	11	6	7	0	13
more than 5 years	0	0	0	0	0	1	0	1
<b>Total</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>22</b>	<b>12</b>	<b>15</b>	<b>0</b>	<b>27</b>

At 30 September 2009, the parent company had provided guarantees for loans raised by Group enterprises amounting to DKK 431 million (2007/08: DKK 441 million).

The parent company has issued a letter of subordination to the benefit of other creditors of subsidiaries.

The parent company is involved in minor lawsuits, which are not expected to influence the parent company's future earnings.

**20. Related party transactions**

Related parties to the parent company include members of the parent company's Board of Directors and Executive Management, as well as Group enterprises.

Details about remuneration paid to the members of the Executive Management and the Board of Directors are given in note 6 to the consolidated financial statements. All related party transactions are effected on an arm's length basis.





The Coloplast story began back in 1954. Elise Sørensen is a nurse. Her sister Thora has just had an ostomy operation and is afraid to go out, fearing that her stoma might leak in public. Listening to her sister's problems, Elise creates the world's first adhesive ostomy bag. A bag that does not leak, giving Thora – and thousands of people like her – the chance to return to their normal life.

A simple solution with great significance.

Today, our business includes ostomy care, urology and continence care and wound and skin care. But our way of doing business still follows Elise's example: we listen, we learn and we respond with products and services that make life easier for people with intimate healthcare needs.

Ostomy Care  
Urology & Continence Care  
Wound & Skin Care

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare. Our business includes ostomy care, urology and continence care and wound and skin care. We operate globally and employ more than 7,000 people.

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