Coloplast

Annual report 2010/11

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

DKK million	**2010/11**	2009/10	2008/09	2007/08	2006/07
Income statement					
Revenue	10,172	9,537	8,820	8,463	8,042
Research and development costs	-415	-409	-389	-415	-319
Operating profit before special items, interest, tax, depreciation and amortisation	3,108	2,584	1,944	1,531	1,590
Operating profit before special items	2,581	2,078	1,475	1,154	1,061
Operating profit (EBIT)	2,581	1,995	1,395	994	749
Net financial income and expenses	-124	-321	-184	-2	-154
Profit before tax	2,456	1,674	1,211	992	595
Coloplast's share of profit for the year	1,819	1,243	883	715	837
Revenue growth					
Annual growth in revenue, %	7	8	4	5	20
Growth break down:					
Organic growth, %	6	7	6	7	10
Currency effect, %	1	1	-2	-4	-2
Acquired operations, %	0	0	0	0	12
Contract manufacturing, %	0	0	0	2	0
Balance sheet					
Total assets	9,218	7,771	7,963	7,981	7,750
Invested capital	6,312	6,340	6,442	7,014	6,874
Net interest-bearing debt	539	1,593	2,297	3,428	3,181
Equity at year-end, Coloplast's share	4,478	3,452	2,850	2,290	2,398
Cash flow and investments					
Cash flow from operating activities	2,205	1,769	1,830	1,324	1,064
Cash flow from investing activities	-387	-293	-402	-671	35
Investment in property, plant and equipment, gross	-230	-260	-487	-718	-745
Free cash flow	1,818	1,476	1,428	653	1,099
Cash flow from financing activities	-894	-1,559	-723	-469	-1,423
Key figures					
Average number of employees, FTEs	7,328	7,207	7,349	7,420	7,063
Operating margin, EBIT, %	25	21	16	12	9
Operating margin, EBITDA, %	31	27	22	18	20
1) Return on average invested capital before tax (ROIC), %	41	31	21	14	10
1) Return on average invested capital after tax (ROIC), %	30	23	15	10	6
Return on equity, %	46	39	34	31	30
Ratio of net debt to EBITDA	0.2	0.6	1.2	2.2	2.0
Interest cover	35	23	14	10	10
Equity ratio, %	49	44	36	29	31
Rate of debt to enterprise value, %	1	5	11	16	12
Net asset value per share, DKK	100	77	63	50	50
Per share data					
Share price	804	654	426	388	497
Share price/net asset value per share	8	9	7	8	10
Average number of outstanding shares, millions	42	43	43	44	46
PE, price/earnings ratio	19	22	21	25	27
PE, price/earnings ratio, excl. discontinued operations	19	22	21	25	61
2) Dividend per share, DKK	14.00	10.00	7.00	6.00	9.00
Pay-out ratio, %	32	34	34	36	47
Earnings per share (EPS)	43	29	21	16	8
Free cash flow per share	43	35	33	15	24

1) The average invested capital for 2006/07 has been restated to reflect the divestment of Breast Care and Brachytherapy.
2) For 2010/11 the figure is the proposed dividend.
The key figures have been calculated and applied in accordance with "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts.

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Management's report

Core business activity
Coloplast develops and markets products and services that make life easier for people with very personal and private medical conditions. Coloplast works closely with users to develop solutions that consider their special needs. Our products and services belong in the intimate healthcare category.

Coloplast operates in these business areas:
- Ostomy care products for people whose intestinal outlet has been rerouted through the abdominal wall
- Continence care products for people suffering from diseases of and damage to the urinary system
- Urology products for people suffering from diseases of and damage to 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.

Coloplast market and sell our products and services globally, and in most markets our products are eligible for local healthcare reimbursement. Coloplast supply the products to hospitals, institutions as well as wholesalers and retailers. In selected markets, Coloplast is a direct supplier to consumers (homecare). Coloplast have sales subsidiaries in principal markets and employ more than 7,500 people.

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

Coloplast has focused on:

Ostomy & Continence Care – the chronic care business
- Earnings in our core European markets have improved
- Selective investments are being made in countries outside of Europe

Urology, Wound & Skin Care
- Earnings have improved substantially through efficiency improvements and cost savings, and ongoing investments have been made to accelerate sales growth

Costs
- Efficiency improvements have been achieved by, among other things, the continuing relocation of production to Hungary and China and through a strong focus on maintaining cost-conscious behaviour.

Highlights
- Organic revenue growth was 6%. Revenue in DKK was up by 7% to DKK 10,172m.
- Organic growth rates by business area: Ostomy Care 7%, Continence Care 8% and Urology Care 4%. In Wound & Skin Care, sales decreased by 1% relative to last year.
- Gross profit was up by 12% to DKK 6,568m, equal to a gross margin of 65% (FY 2009/10: 61%). At constant exchange rates, the gross margin was 64%.
- EBIT was up by 29% to DKK 2,581m. The EBIT margin was 25% against 21% in FY 2009/10. At constant exchange rates, the EBIT margin was also 25%.
- The net profit for the year was up by 46% to DKK 1,819m, while earnings per share also improved by 46% relative to last year to DKK 42.6.
- The free cash flow was up by 23% to DKK 1,818m against DKK 1,476m last year.
- ROIC after tax was 30%, compared with 23% last year.
- The second half of the share buy-back programme launched in February 2011 was closed in the third quarter with buy-backs amounting to DKK 500m.
- The Board of Directors recommends that the shareholders attending the general meeting to be held on 7 December 2011 approve a dividend of DKK 14.00 per share (FY 2009/10: DKK 10.00 per share), equal to a pay-out ratio of 32%, as compared with 34% last year.

- A share buy-back programme of DKK 1bn is intended to be launch and will run until the end of the 2012/13 financial year.

Financial guidance for 2011/12

- Expected revenue growth of about 6%, both organically and in DKK.
- Expected an EBIT margin of about 27%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around DKK 300m.
- The effective tax rate is expected to be 25–26%.

Sales performance

Revenue in DKK was up by 7% to DKK 10,172m. Organic growth was 6%, while changes in foreign exchange rates accounted for almost 1% and acquired revenue.

Sales performance by business area

	DKK million		*Growth composition*			
	2010/11 12 mth	*2009/10 12 mth*	*Organic growth*	*Acquired operations*	*Exchange rates*	*Reported growth*
Ostomy	4,266	3,949	7%		1%	8%
Continence	3,456	3,202	8%		0%	8%
Urology	938	857	4%	4%	1%	9%
Wound & Skin Care	1,512	1,529	(1%)		0%	(1%)
Net revenue	**10,172**	**9,537**	**6%**	**0%**	**1%**	**7%**

Ostomy Care

Sales of ostomy care products amounted to DKK 4,266m, an increase of 8%. Organic growth was 7%. The satisfactory full-year revenue growth was driven mainly by emerging markets, such as China, Russia, Brazil and Argentina, but also the UK saw good growth. The growth in the USA fell short of expectations. The SenSura® product portfolio continued to be the main growth driver. The SenSura® Mio was introduced during the financial year and launched in France, Germany and the UK, among other markets, to make it available in a total of 11 markets. Since ostomy accessories were launched as a separate product portfolio in late 2010, very satisfactory sales growth has been achieved in this category. The portfolio has four main categories: skin protection, leakage prevention, removal of adhesives and care for irritated skin.

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 around DKK 11bn and annual market growth is still estimated at 4–5%.

Continence Care

Continence Care revenue grew by 8%, both when expressed in Danish kroner and organically, to DKK 3,456m. Intermittent catheters continued to drive sales in Europe and in the USA, where the impact of the changes to the reimbursement for catheters, however, receded during the year. There was a satisfactory growth in sales of urine bags, urisheathers and Peristeen® during the year. Sales of SpeediCath® Compact Male (launched in January 2011) have been ahead of expectations, and the product is now available in 11 markets.

The continence care market is now valued at DKK 8–9bn, as compared with DKK 10–11bn previously. Permanent catheters are no longer part of the market definition, which explains the change. Market growth is estimated at 4–6% per year, which is unchanged from last year. Market growth for permanent catheters is lower than for intermittent catheters. The positive effect on market growth of permanent catheters no longer being a part of the market definition is, however, offset by the fact that the reimbursement change for intermittent catheters in the USA has now been fully implemented. Coloplast remains the global market leader, with a market share of 35-40%.

Urology Care
Urology care revenue increase by 9% to DKK 938m on 4% organic growth. Decreasing sales of slings for women continued to impact the urology care business, while sales of Restorelle® for pelvic organ prolapse repair were satisfactory.
Sales of penile implants remained stagnant in the second half of the year, mainly due to an increase in the number of cancelled operations. The sales growth in Europe of disposable surgical products was highly satisfactory, and particularly sales of surgical instruments for removal of kidney stones (endourology) performed well.

The part of the urology market in which Coloplast operates is worth about DKK 9bn and growth is estimated at 4-6% per year. This decline from last year's growth rate estimate of 8–10% is due to the adverse effects of the economic downturn is having in the North American market on this segment. Coloplast continues to hold about a 10% share of the combined global market for urology products.

Wound & Skin Care
Sales of wound and skin care products amounted to DKK 1,512m or 1% less than last year. Sales in the wound care business remained unsatisfactory. The European market remained very competitive and affected by price pressure, while the growth performance in Asia was satisfactory.

Growth in the global wound care segment in which we compete is expected to be 2–4%, as compared with 5–7% last year. The market is still estimated to be worth DKK 12–13bn. Our market share is unchanged at 5–10%. The lower growth estimate is due, among other things, to continuing price pressure and severe competition in the European wound care market.

Sales performance by region

	DKK million		*Growth composition*			
	2010/11 12 mth	*2009/10 12 mth*	*Organic growth*	*Acquired operations*	*Exchange rates*	*Reported growth*
Europe	7,475	7,108	4%		1%	5%
Americas	1,715	1,587	8%	2%	(2%)	8%
Rest of the world	982	842	11%		6%	17%
Net revenue	**10,172**	**9,537**	**6%**	**0%**	**1%**	**7%**

Europe
Revenue was DKK 7,475m, which translates into a reported growth of 5%, while organic growth was 4%. Growth was driven especially by Continence Care, but Ostomy Care was also a positive contributor. The lack of growth in the European wound care business continued to have a negative impact on overall sales growth.

The Americas
Revenue in the Americas increased by 8% to DKK 1,715m on 8% organic growth. The South American market, especially Brazil and Argentina, reported a very satisfactory performance, particularly in the ostomy care business. In the US market, where a new management was appointed and a new business plan was launched this summer, revenue growth was not satisfactory. As expected, the effects of the new business plan have not yet materialised.

Rest of the World
Revenue in the Rest of the World was up by 17% to DKK 982m. The appreciation of the AUD and JPY in particular relative to DKK lifted the reported growth by 6%. Organic growth was 11% with especially China making a positive contribution.

Gross profit
Gross profit was up by 12% to DKK 6,568m, against DKK 5,844m last year.

The full-year gross margin was 65%, against 61% last year. Enhanced production efficiency and lower payroll costs resulting from the relocation of production to Hungary and China continued to drive the improvements. In H1 2010/11, the number of job positions in Denmark was reduced by 83 due to relocation of production from Denmark to Hungary and China. I that connection costs of DKK 25m were incurred. The relocation process was completed by the end of March 2011.

Capacity costs

Distribution costs amounted to DKK 2,988m, equal to 29% of revenue, which was consistent with last year. Costs increased during the reporting period, in part due to investments in the Wound Care sales force and in the Chinese market.

Administrative expenses amounted to DKK 604m, equal to 6% of revenue and in line with last year. The administrative expenses for the year included costs related to implementing a number of organisational changes and increasing provisions for losses on trade receivables in Southern Europe.

R&D costs were DKK 415m and accounted for 4% of revenue, which was in line with last year.

Other operating income and other operating expenses amounted to a net income of DKK 20m against DKK 17m in FY 2009/10.

Operating profit (EBIT)

EBIT was up by 29% to DKK 2,581m against DKK 1,995m last year. The EBIT margin was 25% against 21% last year. At constant exchange rates, the EBIT margin was also 25%.

Financial items and tax

Financial items amounted to a net expense of DKK 124m, against DKK 321m last year. The main reason for the change was realised losses last year on hedging of GBP and USD, whereas this year includes net gain from hedging. In addition, Coloplast shares appreciated less in 2010/11 than the year before, resulting in a lower fair value adjustment of the share option programme. Finally, net interest expenses reduced due to the lower average net interest-bearing debt.

Financial items

	DKK million	
	2010/11	*2009/10*
	12 mth	*12 mth*
Interest, net	(88)	(110)
Fair value adjustment of options	(35)	(83)
Exchange rate adjustments	16	(88)
Other financial items	(17)	(40)
Total financial items	**(124)**	**(321)**

The effective tax rate was 26%, in line with last year, giving a tax expense of DKK 637m, as compared with DKK 431m last year.

Net profit for the period

The net profit for the reporting period was up by 46% to DKK 1,819m, and earnings per share also improved by 46% relative to last year to DKK 42.6.

Cash flows and investments

Cash flow from operating activities

Cash flows from operating activities were up by 25% to DKK 2,205m from DKK 1,769m last year. The DKK 524m increase in EBITDA was partly offset by the DKK 348m increase in corporate income tax paid. Currency hedging gains in the current financial year against a loss last year combined with lower interest payments had a positive effect of DKK 304m.

Investments (CAPEX)

Gross investments amounts to DKK 410m compared with DKK 309m last year. The increase was due to the DKK 160m acquisition of Mpathy. Investments accounted for 4% of revenue against 3% last year. Gross investments in property, plant and equipment amounted to DKK 230m, equal to 2% of revenue.

Free cash flow
The free cash flow amounted to DKK 1,818m against DKK 1,476m last year.

Capital reserves
Coloplast has confirmed long-term credit facilities of almost DKK 5bn, of which less than half is currently being utilised.

Statement of financial position and equity
Balance sheet
At DKK 9,218m, total assets increased by DKK 1,447m from 30 September 2010.

Intangible assets amounted to DKK 1,802m, which was DKK 35m more than last year. The increase was mainly due to the acquisition of Mpathy, which was partly offset by depreciation and amortisation charges for the year.

Current assets increased by DKK 1,612m from 30 September 2010 to DKK 4,965m, due to an increase in cash and bonds.

Relative to last year, trade receivables were up by 7% to DKK 1,820m, the increase being mainly due to sales growth and longer payment times in Southern Europe.

Trade payables amounted to DKK 420m, against DKK 455m last year.

Working capital made up 23% of revenue, unchanged from last year.

Equity
During the year the equity increased by DKK 1,026m to DKK 4,478m. The comprehensive income for the year of DKK 1,754m was partly offset by dividend payments of DKK 422m and share buy-backs of DKK 500m. Employees' exercise of share options and the sale of employee shares increased equity by DKK 156m.

Net interest-bearing debt and capital structure
Net interest-bearing debt was reduced by DKK 1,054m relative to last year to DKK 539m. The ratio of net interest-bearing debt to EBITDA was 0.2. Just under 60% of the total debt carries a fixed interest rate, as compared with 90% last year, and no significant loans are due for refinancing until 2013.

Coloplast raised a loan of DKK 440m with the European Investment Bank during the first half of the 2010/11 financial year. The loan matures in 2017. DKK 470m have been invested in mortgage bonds as a hedge of mortgage loans in the same bond series.

Share buy-backs and dividends
In December 2009, the shareholders in general meeting authorised Coloplast to establish a share buy-back programme totalling up to DKK 1bn until the end of the 2010/11 financial year. The first half of the programme was completed last year, and the outstanding share buy-backs of DKK 500m were concluded during the year.

Considering Coloplast's strong cash generation, the Board of Directors has resolved to establish another share buy-back programme totalling up to DKK 1bn until the end of the 2012/13 financial year. Implementation of the buy-back programme is subject to the shareholders in general meeting to be held on 7 December 2011 adopting an authorisation to buy back shares for up to 10% of the company's share capital. Should alternative opportunities arise during that period which is considered more beneficial for the shareholders, the authorisation may not be utilised.

The Board of Directors recommends that the shareholders attending the general meeting to be held on 7 December 2011 approve a dividend of DKK 14.00 per share, equal to a dividend increase of 40% relative to the 2009/10 financial year. As a result, the total dividend amount is expected to be DKK 585m, equal to a pay-out ratio of 32%.

Financial guidance for 2011/12

- Expected revenue growth of about 6%, both organically and in DKK.
- Expected an EBIT margin of about 27%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around DKK 300m.
- The effective tax rate is expected to be 25–26%.

Achieving the financial guidance will depend on our ability to execute the business plan devised for the US business including both the chronic care and the urology care businesses. In addition, revenue growth will continue to be affected by the development of the wound care business, as the effects of the changes implemented in the business have not yet materialised. Finally, above-normal uncertainty persists in respect of the market situation in Southern Europe.

The Board of Directors maintains Coloplast's current long-term financial ambition of outgrowing the market and at the same time achieving earnings margins that are in line with the best performing med-tech companies[1]. Following Endo Pharmaceuticals' acquisition of American Medical Systems in the summer of 2011, the latter company has been removed from Coloplast's peer group and replaced by Chinese company Shandong Weigao Group Medical. Weigao Group is a Chinese competitor developing and manufacturing disposable polymer products for use in continence care, among other things.

The overall weighted market growth in Coloplast's current markets going forward is expected to be 4–5%, which is half a percentage point lower than last year's forecast. The change is the result of a temporary decrease in expectations for the urology care business caused by the economic downturn in the USA and the persistently challenging market conditions in our European wound care business.

Our financial guidance is inherently subject to some degree of uncertainty. Significant changes in currency, business or macroeconomic conditions, including changes within healthcare, are examples of factors that may impact the company's financial conditions.

Other events

Exchange rate exposure

Our financial guidance for the 2011/12 financial year has been prepared on the basis of the following assumptions for the company's main currencies:

DKK	*GBP*	*USD*	*HUF*	*EUR*
Average exchange rate 2010/11*	858	535	2.74	745
Spot rate 31 October 2011	852	532	2.45	744
Change in estimated average exchange rates compared with last year	-1%	-1%	-11%	0%

*) average exchange rates 2010/11 are used when calculating the organic revenue growth rates and the EBIT margin in fixed exchange rates

Revenue is particularly exposed to developments in USD and GBP relative to DKK. Fluctuations in HUF against DKK affect the operating profit, because a substantial part of our production, and thus of our costs, are in Hungary, whereas our sales there are moderate.

In DKK millions over 12 months on a 10% initial drop in exchange rates (Average exchange rates 2010/11)	*Revenue*	*EBIT*
USD	-130	-30
GBP	-150	-85
HUF	0	40

Medical Device Advisory Committee

On 13 July 2011, the US Food and Drug Administration (FDA) issued an updated Public Health Notification from 2008. The update contains new data on the use of surgical synthetic mesh for pelvic organ prolapse repair. Subsequently, the FDA convened the Obstetrics-Gynecology Devices Panel of its

[1]Coloplast's current peer group consists of the following listed med-tech companies: Medtronic Inc., Baxter International Inc., Covidien PLC, Stryker Corp., St. Jude Medical Inc., Boston Scientific Corp., Sonova Holding AG, Smith&Nephew PLC, CR Bard Inc., Getinge AB, WDH A/S, , Shandon Weigao Group Medical.

Medical Device Advisory Committee on 8–9 September 2011 for a discussion on the future use of surgical synthetic mesh for pelvic organ prolapse repair and stress urinary incontinence in women. Among other things, the panel issued the following recommendations to the FDA:

- Transvaginal mesh in the treatment of pelvic organ prolapse repair (POP) should be reclassified from Class II to Class III.
- Better information on patient consent, training of doctors and hospital training programmes.
- For stress urinary incontinence, distinguish between first and second generation slings. There should be no requirement for additional clinical data for first generation slings already on the market, while further clinical studies should be required for second generation slings already on the market.

Coloplast expect it will take up to three years to implement the above recommendations. Our surgical synthetic mesh sales amounted to DKK 40m in the 2010/11 financial year.

Forward-looking statements

The forward-looking statements in this annual report, including revenue and earnings guidance, do not constitute a guarantee of future results and are subject to risk, uncertainty and assumptions, the consequences of which are difficult to predict. The forward-looking statements are based on our current expectations, estimates and assumptions and are provided on the basis of information available to us at the present time. Major fluctuations in the exchange rates of key currencies, significant changes in the healthcare sector or major developments in the global economy may impact our ability to achieve the defined long-term targets and meet our guidance. This may impact our company's financial results.

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 our employees, develop their skills and enable them to engage in this interaction.

Research and development

In the 2010/11 financial year, Coloplast launched a number of new, innovative products that were all developed and marketed in accordance with the time schedule. These launches help us to retain our position as a leading innovator of medical devices. In 2009/10, we implemented a new way of driving innovation. For example, we have reallocated resources to strengthen the early stages of new product development, and innovation has become an integral part of the overall organisation, helping us to reduce time to market for new products. We are also stepping up the interaction with users and healthcare professionals, making use of the internet, for example, in the development of new products.

Openness increases the transparency for the competition, but the application of Lean principles has enabled us to reduce time to market for new products by a substantial margin in recent years. Being able to develop new products faster than the competition translates into many benefits for Coloplast. For example, we do not give the competition sufficient time to capitalise on the open innovation process before we bring a product to market.

Human resources

At 30 September 2011, Coloplast had 7,372 employees, of whom 6,059 worked in international locations. During the financial year, the number of employees increased by 1%.

Corporate Responsibility at Coloplast

Coloplast operates in 55 countries around the world. As a global enterprise, we are able to influence quality, safety and environmental standards in the markets where we operate. In particular, we see growing demand for our products in emerging markets. These are home to large parts of the global population and their healthcare systems are evolving. By being present in these markets, we help to define the standards for treating people with intimate healthcare needs.

In our Corporate Responsibility report, which is published concurrently with the annual report, we communicate openly about the challenges we face and the progress we make. The report is prepared in compliance with the principles of the Global Reporting Initiative (GRI) and the UN Global Compact.

In the 2010/11 financial year, we adopted a new phthalates policy that supports our work to reduce the use of phthalates in our products as well as an animal testing policy. During the past year, we also introduced a new Code of Conduct and became a signatory to the Charter for More Women in Management, an initiative supporting our efforts to promote diversity at Coloplast.

Code of Conduct

At Coloplast, we support common industry standards in ethical business practices. Our new code of conduct is based on the European medical device industry association Eucomed's guidelines for ethical business practices. We have also developed special Code of Conduct Guidelines that interpret the rules and present them in a context that is relevant for our employees. In addition, we have developed an e-learning course on our Code of Conduct that is mandatory for all of Coloplast's white collar employees.

Reduced CO_2 emissions

At Coloplast, we want to reduce the environmental impact of our business operations. For that purpose, we are committed to reducing our resource and energy consumption and our CO_2 emissions and to improving waste handling. In the 2010/11 financial year, we achieved an absolute CO_2 reduction of 7% on our energy consumption relative to last year.

We certify our factories to ISO 14001, the international environmental management standard. Currently, 10 of our 11 factories are certified to ISO 14001.

Phthalate-free products

At Coloplast, our goal is to offer our end users a phthalate-free alternative no matter which of our products they need. Today, 90% of our products containing classified phthalates have a phthalate-free alternative. We are working to substitute phthalates in the rest of our products with other types of plastic softeners.

The phthalate policy we defined in 2011 sets out the objective that at least every second urine bag we sell will be phthalate-free by 1 October 2014. Our strategy for achieving this target includes not using phthalates in new products, reducing the number of phthalate-containing products in our existing portfolio and to continue substituting phthalates when we modify existing products.

Charter for More Women in Management

In becoming a signatory to the Danish initiative Charter for More Women in Management, we have committed to setting targets and openly communicating on our performance in this field. In a more general sense, we are also working to create a more diverse workplace with an international midset.

With respect to our compliance with section 99a of the Danish Financial Statements Act, see our Corporate Responsibility Report at
(http://www.coloplast.com/about/responsibility/pages/responsibility.aspx).

Risk management and internal controls

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

The members of Coloplast's audit committee are the chairman of the Board of Directors (committee chairman), the Deputy Chairman and with Jørgen Tang-Jensen as the ordinary Board members. The composition of the audit committee is consistent with the legal requirements.

The duties of the audit committee are as follows:
1. to monitor the financial reporting process;
2. to monitor the efficiency of the company's internal control system and risk management systems;
3. to monitor the statutory audit of the annual report; and
4. to monitor and verify the independence of the auditors, including in particular with regards to additional services to the group.

The Board of Directors has desided to follow the audit committee's recommendation not to establish an internal audit function, as the complexity of the company does not necessitate such a committee.

The committee held four meetings in the 2010/11 financial year.

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 reviews, on a quarterly basis, the conclusions and recommendation submitted by the Executive Management.

Additional information about risk management and major risk factors is available from our website: *(http://www.coloplast.com/about/investorrelations/annualreports/internalcontrolandrisksystems).*

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 2011.

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.

In the event of a change of control in the company resulting from a change of ownership, share options may be exercised immediately. No other important agreements are in place that would be affected in the event of a change of control of the company resulting from a takeover, 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

The company has 22,820 shareholders, which is 651 more than last year. Institutional investors based outside Denmark held 25.9% of Coloplast's shares at 30 September 2011, compared with 20.2% a year earlier. Registered shareholders represented 96.4% 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, according to section 55 of the Danish Companies Act, that at the date of this annual report they hold 5% or more of the share capital or voting rights.

Shareholders with ownership of more than 5%

Name	Residence	Ownership %	Voting rights %
Niels Peter Louis-Hansen[*)]	Vedbæk	18.6	39.4
Aage og Johanne Louis-Hansens Fond	Nivå	10.8	14.7
Coloplast A/S	Humlebæk	7.1	

[*)] In addition to this Niels Peter Louis-Hansen's wholly owned company N.P. Louis-Hansen ApS, has an additional 1.7% ownership representing 1.0% of the votes.

Coloplast A/S held 3,188,867 treasury shares at 30 September 2011, equivalent to 7.1% of the share capital.

Coloplast's ownership

30 September 2011	A shares 1,000 units	B shares 1,000 units	Ownership %	Voting rights %
Holders of A shares and their families	3,600	16,296	44.2	67.6
Danish institutionals		4,831	10.7	6.2
Foreign institutionals		11,646	25.9	15.0
Coloplast A/S*		3,189	7.1	
Other shareholders		3,823	8.5	4.9
Non-registered shareholders*		1,615	3.6	
Total	**3,600**	**41,400**	**100.0**	**93.7**

* No voting rights

Shareholdings

30 September 2011	A shares 1,000 units	B shares 1,000 units	Number of insiders
Board of Directors	2,457	6,695	9
- of which independent Board members		4	4
Executive Management		6	2
Total	2,457	6,701	11

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, among other things.

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 monitors the company's organisation, day-to-day management and results. 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 on corporate governance in Denmark

The Committee on Corporate Governance revised its recommendations in April 2010 and NASDAQ OMX Copenhagen A/S adopted the recommendations effective for financial years beginning on or after 1 January 2010. The Board of Directors considered the revised rules in the course of the 2010/11 financial year. Our Board of Directors and Executive Management share the committee's views and generally follow the new recommendations. See our corporate website for a presentation of which recommendations we do not follow and the reasons why. The recommendations were revised in August 2011, but have not been adopted by NASDAQ OMX Copenhagen A/S. The Board of Directors will consider the revised rules in the course of the 2011/12 financial year.

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 report 'Corporate governance at Coloplast' is available in its full length on our corporate website. *(http://www.coloplast.com/about/investorrelations/corporategovernance/).*

Openness and transparency

Investor relations

Coloplast has established a policy for communicating information to shareholders and investors, under which the Executive Management and the Investor Relations team are in charge of communications 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

Rules of procedure

A set of rules of procedure governs the work of Coloplast's Board of Directors. These procedures are reviewed annually by the Board of Directors and updated as necessary. 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.
Six board meetings were held in the 2010/11 financial year.

Composition of the Board of Directors

Board committees
In the 2009/10 financial year, the Board of Directors set up an audit committee consisting of the Chairman and Deputy Chairman of the Board and of an ordinary board member.

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. 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 considered. The assessment has not given rise to any comments.

Retirement age for Board members
According to Coloplast's articles of association, persons who have reached the age of 70 cannot be elected to the Board of Directors.

Remuneration to the Board of Directors and the Executive Management

Section 139 of the Danish 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 amended its guidelines for incentive pay at the annual general meeting held on 1 December 2010.

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 in general meeting and disclosed in the annual report. Fees are fixed on the basis of 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 component. The fixed pay consists of a net salary, pension contribution and other benefits. The value of each of those components for each member of the Executive Management is disclosed in the annual report. 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 varies among the members of the Executive Management, but is subject to a maximum of 25% of the annual remuneration. 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 company announcement.

Another element of the variable pay is made up of options and is intended to align the incentive to the Executive Management with the long-term creation of shareholder value. For that same reason, the option plan is revolving and not subject to achievement of defined benchmarks.

Members of the Executive Management are awarded a number of options each year with a value equal to a maximum of 40% of the Executive Management's remuneration. The value is calculated in accordance with the Black-Scholes formula. Options are awarded at a strike price with a 15% premium to the market price at the award date calculated as the average price of all trades on the last trading day of the calendar year. The options have a term of five years and are exercisable after three years. 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. 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 2011, a provision of DKK 1m was made for a now discontinued post-service remuneration scheme for retired Board members. The scheme comprises 1 person. When current executives leave the company, the company will have no obligations other than two years' pay.

Other executive functions

Board of Directors

Chairman
Michael Pram Rasmussen (56)
6 years on the Board
This Board member is considered to be independent

A.P. Møller - Mærsk A/S (C)
Semler Holding (C)
Semler Gruppen A/S (C)
Topdanmark A/S (C)
Topdanmark Forsikring A/S (C)
Mærsk Olie & Gas A/S (DC)
Danske Bank A/S (MBR)
JPMorgan Chase International Council (MBR)
Louisiana Museum of Modern Art (BM)

Deputy Chairman
Niels Peter Louis-Hansen (64)
43 years on the Board
This Board member is not considered to be independent

N. P. Louis-Hansen ApS, Managing Director
Aage og Johanne Louis-Hansens Fond (C)

Per Magid (68)
26 years on the Board
This Board member is not considered to be independent

Højgaard Ejendomme A/S (C)
Knud Højgaards Hus EA/S (C)
Knud Højgaards Fond (C)
Vemmetofte Kloster (C)
Designmuseum Danmark (DC)
Aage og Johanne Louis-Hansens Fond (BM)

Brian Petersen (49)
1 year on the Board
This Board member is considered to be independent

ALK Abelló A/S (BM)
Danske Bank (MBR)
VisitDenmark (C)

Jørgen Tang-Jensen (55)
4 years on the Board
This Board member is considered to be independent

VELUX A/S, CEO
and (C) of 15 of its wholly owned subsidiaries
VELUX Danmark A/S (C)
RoofLITE A/S (C)
RoofLITE Magyarország Kft. (C)
Gåsdal Bygningsindustri A/S (DC)
VELSERV A/S (DC)
A/S Østbirk Bygningsindustri (DC)

Sven Håkan Björklund (55)
5 years on the Board
This Board member is considered to be independent

Avista Capital Partners, Healthcare Operating Executive
Fougera Luxco SA (C)
Atos AB (BM)
H. Lundbeck A/S (BM)

Thomas Barfod (41)
5 years on the Board
This Board member is not considered to be independent

Controller
Elected by the employees

Gitte Böse Andersen (33)
1 year on the Board
This Board member is not considered to be independent

Market Manager
Elected by the employees

Torben Julle Rasmussen (51)
1 year on the Board
This Board member is not considered to be independent

Electrician
Elected by the employees

Executive Management

President, CEO
Lars Rasmussen (52)
MT Højgaard A/S (BM)
Højgaard Holding A/S (BM)
TDC A/S (BM)
Danske Bank A/S (MBR)

Executive Vice President, CFO
Lene Skole (52)
DFDS A/S (BM)
Tryg A/S (BM)
Tryg Forsikring A/S (BM)
Nykredit (MBR)

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 1 November 2011.
CVs and other information about the individual board members and executives are available from the About Coloplast section on the Coloplast website.

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

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and approved the Annual Report of Coloplast A/S for the financial year 1 October 2010 – 30 September 2011.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The parent company financial statements are presented in accordance with the Danish Financial Statements Act.

In addition, the consolidated financial statements and the parent company financial statements are presented in accordance with additional Danish disclosure requirements for the annual reports of listed companies. The Management's report is also presented in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, equity, liabilities and financial position at 30 September 2011 and of the results of the Group's and the parent company's operations and the cash flows for the Group for the financial year 1 October 2010 – 30 September 2011.

Also, 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 of the Group and the parent company, 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 adopted at the Annual General Meeting.

Humlebæk, 1 November 2011

Executive Management:

Lars Rasmussen President, CEO	Lene Skole Executive Vice President, CFO

Board of Directors:

Michael Pram Rasmussen	Niels Peter Louis-Hansen	Per Magid
Brian Petersen	Jørgen Tang-Jensen	Sven Håkan Björklund
Thomas Barfod Controller	Gitte Böse Andersen Market Manager	Torben Julle Rasmussen Electrician

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 1 October 2010 - 30 September 2011. The Annual Report comprises Income Statement, Balance sheet, Statement of Changes in Equity and Notes including accounting policies for the Group and the Company as well as Statement of Other Comprehensive Income and Cash Flow Statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements for 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.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements in accordance with the above-mentioned legislation and disclosure requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements and Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Report that includes a true and fair account in accordance with Danish disclosure requirements for listed companies.

Auditor's Responsibility and Basis of Opinion

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 whether 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 Company's preparation and fair presentation of Consolidated Financial Statements and Financial Statements and to the preparation of a Management‟s Report that includes 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 Company‟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 Assets, Liabilities and Equity and financial position of the Group at 30 September 2011 and of the results of the Group operations and cash flows for the financial year 1 October 2010 - 30 September 2011 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 Financial Statements give a true and fair view of the Assets, Liabilities and Equity and financial position of the Parent Company at 30 September 2011 and of the results of the Parent Company operations for the financial year 1 October 2010 - 30 September 2011 in accordance with the Danish Financial Statements Act and additional Danish disclosure requirements for listed companies. Furthermore, in our opinion Management's Report gives a true and fair account in accordance with Danish disclosure requirements for listed companies

Hellerup, 1 November 2011
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Mogens Nørgaard Mogensen	Brian Christiansen
State Authorised Public Accountant	State Authorised Public Accountant

Statement of comprehensive income

1 October – 30 September

Note	DKK million	2010/11	2009/10
	Income statement		
3	Revenue	10,172	9,537
4,5	Cost of sales	-3,604	-3,693
	Gross profit	**6,568**	**5,844**
4,5	Distribution costs	-2,988	-2,817
4,5,6	Administrative expenses	-604	-557
4,5	Research and development costs	-415	-409
	Other operating income	52	47
	Other operating expenses	-32	-30
	Operating profit before special items	**2,581**	**2,078**
5,7	Special items	0	-83
	Operating profit (EBIT)	**2,581**	**1,995**
15	Profit/loss after tax on investment in associates	-1	0
8	Financial income	47	18
9	Financial expenses	-171	-339
	Profit before tax	**2,456**	**1,674**
10	Tax on profit for the year	-637	-431
	Net profit for the year	**1,819**	**1,243**
	Other comprehensive income:		
	Value adjustment of currency and interest hedging	-10	-57
	Of which transferred to financial items	-5	94
	Tax effect of hedging	4	-9
	Currency adjustment, assets in foreign currency	7	83
	Tax effect of currency adjustment, assets in foreign currency	-2	-21
	Currency adjustment of opening balances and other adjustments relating to subsidiaries	-59	3
	Total other comprehensive income	**-65**	**93**
	Total comprehensive income	**1,754**	**1,336**
11	Earnings per Share (EPS), (A and B shares)	43	29
11	Earnings per Share (EPS), (A and B shares), diluted	43	29
	Profit distribution:		
	Retained earnings	1,234	821
12	Proposed dividend for the year	585	422
	Total	**1,819**	**1,243**

Balance sheet

At 30 September

Note	DKK million	2011	2010
13	Acquired patents and trademarks etc.	941	939
13	Goodwill	737	670
13	Software	115	123
13	Prepayments and assets under construction	9	35
	Intangible assets	**1,802**	**1,767**
14	Land and buildings	1,133	1,194
14	Plant and machinery	886	937
14	Other fixtures and fittings, tools and equipment	154	176
14	Prepayments and assets under construction	93	141
	Property, plant and equipment	**2,266**	**2,448**
15	Investments in associates	6	2
15	Other investments	0	4
16	Deferred tax asset	163	178
	Other receivables	16	19
	Investments	**185**	**203**
	Non-current assets	**4,253**	**4,418**
17	**Inventories**	**946**	**959**
18	Trade receivables	1,820	1,696
24	Income tax	11	23
	Other receivables	231	109
	Prepayments	71	90
	Receivables	**2,133**	**1,918**
19	**Marketable securities**	**568**	**1**
34	**Cash and bank balances**	**1,318**	**475**
	Current assets	**4,965**	**3,353**
	Assets	**9,218**	**7,771**

Balance sheet

At 30 September

Note		DKK million 2011	2010
	Share capital	225	225
	Reserve for currency and interest rate hedging	-32	-21
	Proposed dividend for the year	585	422
	Retained earnings	3,700	2,826
20	**Total equity**	**4,478**	**3,452**
21	Provision for pensions and similar liabilities	75	80
16	Provision for deferred tax	167	186
22	Other provisions	4	11
23	Mortgage debt	459	460
23	Other credit institutions	1,537	1,091
	Other payables	334	359
	Deferred income	77	74
	Non-current liabilities	**2,653**	**2,261**
21	Provision for pensions and similar liabilities	8	10
22	Other provisions	35	18
23	Mortgage debt	6	7
23	Other credit institutions	92	165
	Trade payables	420	455
24	Income tax	516	490
	Other payables	983	882
	Deferred income	27	31
	Current liabilities	**2,087**	**2,058**
	Current and non-current liabilities	**4,740**	**4,319**
	Equity and liabilities	**9,218**	**7,771**

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Statement of changes in equity

DKK million	Share capital A shares	Share capital B shares	Currency adjustment reserve	Reserve for currency and interest rate hedging	Proposed dividend	Retained earnings	Total equity
2009/10							
Balance at 1.10. as reported in annual report	18	207	-18	-49	300	2,392	2,850
Comprehensive income:							
Net profit for the year					422	821	1,243
Other comprehensive income for the year				28		65	93
Total comprehensive income	*0*	*0*	*0*	*28*	*422*	*886*	*1,336*
Transfers			*18*			*-18*	*0*
Transactions with shareholders:							
Treasury shares purchased						-500	-500
Treasury shares sold						29	29
Share-based payment						34	34
Tax on equity entries						3	3
Dividend paid out in respect of 2008/09					-300		-300
Total transactions with shareholders	*0*	*0*	*0*	*0*	*-300*	*-434*	*-734*
Balance at 30.9.	**18**	**207**	**0**	**-21**	**422**	**2,826**	**3,452**
2010/11							
Balance at 1.10. as reported in annual report	18	207	0	-21	422	2,826	3,452
Comprehensive income:							
Net profit for the year					585	1,234	1,819
Other comprehensive income for the year				-11		-54	-65
Total comprehensive income	*0*	*0*	*0*	*-11*	*585*	*1,180*	*1,754*
Transactions with shareholders:							
Treasury shares purchased						-500	-500
Treasury shares sold						156	156
Share-based payment						29	29
Tax on equity entries						9	9
Dividend paid out in respect of 2009/10					-422		-422
Total transactions with shareholders	*0*	*0*	*0*	*0*	*-422*	*-306*	*-728*
Balance at 30.9.	**18**	**207**	**0**	**-32**	**585**	**3,700**	**4,478**

Outstanding shares at 30.9.2011 (1,000 units):	A shares	B shares
Issued shares	3,600	41,400
Holdings of treasury shares (note 20)		3,189
Outstanding shares	**3,600**	**38,211**

	2010/11		2009/10	
Number of outstanding shares (1,000 units):	A shares	B shares	A shares	B shares
Number of outstanding shares at 1.10	3,600	38,569	3,600	39,285
Treasury shares sold		311		90
Treasury shares purchased		-669		-806
Number of outstanding shares at 30.9	**3,600**	**38,211**	**3,600**	**38,569**

Due to a capital reduction made in 2008/09, 1,000,000 shares with a total nominal value of DKK 5,000,000 were cancelled. Likewise in 2007/08, a capital reduction of 2,000,000 shares with a total nominal value of DKK 10,000,000 was made. No other changes have been made to the share capital within the past 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

Note		DKK million 2010/11	2009/10
	Operating profit	2,581	1,995
	Depreciation,amortisation and impairment	527	589
32	Adjustment for other non-cash operating items	16	50
33	Changes in working capital	-260	-250
	Ingoing interest payments, etc.	40	12
	Outgoing interest payments, etc.	-86	-362
	Income tax paid	-613	-265
	Cash flow from operating activities	**2,205**	**1,769**
	Investments in intangible assets	-20	-46
	Investments in land and buildings	-21	-16
	Investments in plant and machinery	-70	-72
	Investments in non-current assets under construction	-139	-172
	Property, plant and equipment sold	23	16
	Acquisition of associate	0	-3
36	Acquisition of operations	-160	0
	Cash flow from investing activities	**-387**	**-293**
	Free cash flow	**1,818**	**1,476**
	Dividend to shareholders	-422	-300
	Net investment in treasury shares and exercise of stock options	-344	-471
	Financing from shareholders	-766	-771
	Acquisition of mortgage bonds	-567	0
	Financing through long-term borrowing, debt funding	439	0
	Financing through long-term borrowing, instalments	0	-788
	Cash flow from financing activities	**-894**	**-1,559**
	Net cash flow for the year	**924**	**-83**
	Cash, cash equivalents and short-term debt at 1.10.	303	396
	Value adjustment of cash and bank balances	-7	-10
	Net cash flow for the year	924	-83
34	**Cash, cash equivalents and short term debt at 30.9.**	**1,220**	**303**
34	Cash and cash equivalents	1,318	475
19	Securities	568	1
35	Unutilised credit facilities	3,324	4,378
	Financial reserves at 30.9.	**5,210**	**4,854**

The cash flow statement cannot be derived using only the published financial data.

Notes

Notes

Note

1. Accounting policies

Basis of preparation
The Annual Report for 2010/2011 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements applying to listed companies.

Accounting policy changes
Effective from the 2010/11 financial year, the Coloplast Group has implemented the revised IAS 32 "Financial instruments: Disclosure and Presentation" and IFRS 2 "Share-based Payment" as well as IFRIC 19. The implementation did not affect the financial statements.

New financial reporting standards adopted
Other amended standards or interpretations which are of relevance for the Group but have not yet been effective and have not been applied in this Annual Report. This concerns the changes to IAS 24 "Related party disclosures" and IFRIC 14, which have been adopted by the EU, and the following new standard, which has not yet been adopted by the EU: the new IFRS 9 "Financial Instruments". IAS 24 and IFRIC 14 apply as from 2011/12, while IFRS 9 applies as from 2013/14. 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.

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.

Notes

Note

1. Accounting policies, continued

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 fair value of the consideration and the fair value of the group companies' proportionate share of identifiable assets less liabilities and contingent liabilities at the date of acquisition.

The consideration for an enterprise consists of the fair value of the agreed consideration for the acquired enterprise. If part of the consideration is contingent on future events, such part is recognised at its fair value at the date of acquisition. Costs directly attributable to business combinations are recognised directly in the income statement as incurred.

In cases where the fair value of acquired identifiable assets, liabilities or contingent liabilities subsequently turns out to differ from the values calculated at the date of acquisition, the calculation, including goodwill is adjusted up to 12 months after the date of acquisition. Subsequently, goodwill is not adjusted. Changes to estimates of contingent consideration are generally recognised in the income statement.

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 recognised systematically in the income statement from the date when the conditions attaching to them are deemed to be complied with until the date on which the deadline for retaining such conditions expires. Other grants are recognised as income on a systematic basis, so that they are matched with the related costs which they compensate.

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 of pension obligations 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.

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 granted during the period is recognised as staff costs, whereas the fair value adjustment of granted options from previous periods is recognised under financial items. Option schemes granted before 30 September 2005 are treated as cash-settled schemes.

Notes

Note

1. Accounting policies, continued

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

Cost of sales

Cost of sales comprises the cost of goods and services sold during the year. Cost includes raw materials, consumables, direct labour and indirect production overheads such as maintenance and depreciation and amortisation etc. as well as operation, administration and management of factories.

Distribution costs

Distribution costs comprise costs relating to the distribution and sale 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 sale 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.

Other operating income and expenses

Other operating income comprises 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.

Notes

Note

1. Accounting policies, continued

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 cash settled 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. Temporary differences arise between the tax base of assets and liabilities and their carrying amounts which are offset over time.

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.

Balance sheet

Intangible assets
Intangible assets are measured at cost less accumulated amortisation and impairment losses.Borrowing costs are recognised as part of cost. 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

Goodwill is not amortised but tested at least 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 have 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.

Notes

Note

1. Accounting policies, continued

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.

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. In addition, borrowing costs are recognised 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 made 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

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 to equity. Any impairment loss is made directly in the asset 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 and 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.

Notes

Note

1. Accounting policies, continued

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 bank balances

Cash and cash balances, 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 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.

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.

Deferred income

Deferred income comprises grants received where the criteria for achieving the grant remain to be fulfilled.

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 on the two global operating segments into which the operative management reporting is divided; sales regions and production units.

Both segments comprise sales and/or production from each of our four business areas, Ostomy Care, Urology Care, Continence Care and Wound & Skin Care. Inter-segment trading consists of the sales regions procuring goods from the production units. Inter-segment trading is made on an arm's length basis.

Notes

Note

2. Significant estimates and judgments

In applying the accounting policies described, Management has made estimates regarding, among other items, non-current assets, inventories, trade receivables, 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.

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 13 for a more detailed description of impairment tests for intangible assets.The carrying amount of intangible assets was DKK 1,802 million as at 30 September 2011 (2009/10: DKK 1,767 million).

Research and development
All internal research costs are recognised in the income statement as incurred. Management believes that the Group's product development does not facilitate a meaningful distinction between development of new products and further development of existing products. As a result of mandatory regulatory approvals of products, completing the development of new products involves a high degree of uncertainty, and the technical feasibility criteria are therefore not considered fulfilled. Against this background, it is believed that the Group's internal research costs generally do not satisfy the capitalisation criteria. All internal research and development costs are therefore recognised in the income statement as incurred. In 2010/11, DKK 415 million was expensed as Research and development costs.

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 299 million as at 30 September 2011 (2009/10: DKK 295 million).

Provisions for bad debts
Trade receivables are recognised at amortised cost less provisions for bad and doubtful debts. Provision is made for losses considered likely to arise if a customer proves unable to pay. If the financial position of a customers deteriorates, making it unable to make payments, it may prove necessary to make additional provisions in future accounting periods. When assessing whether the Group has made adequate provisions for bad and doubtful debts, management analyses the receivables, including previous losses on trade receivables, the customer's creditworthiness, current economic conditions and changes to customer payment terms and conditions. The carrying amount of provisions for bad and doubtful debts was DKK 99 million at 30 September 2011 (2009/10: DKK 74 million). See note 18 for further information.

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 2011 was DKK 163 million (2009/10: DKK 178 million) and DKK 167 million (2009/10: DKK 186 million), respectively. See note 16 for a further description of the Group's deferred tax assets and tax liabilities.

Notes

Note

3. Segment reporting

Operating segments
The operating segments are defined on the basis of the monthly reporting to the Executive Management, which is considered to be the senior operational management. Reporting to management is based on two global operating segments: Sales Regions and Production Units as well as three small operating segments; Wound and Skin Care; Porgès and Surgical Urology (SU). The segments Global Marketing, Global R&D and Staff are not operating segments, as they do not aim to generate revenue. This breakdown also reflects our global organisational structure.

The operating segments Sales Regions and Production Units segments comprise sales and/or production from each of our three business areas, Ostomy Care, Urology and Continence Care and Wound and Skin Care. Inter-segment trading consists of the Sales Regions procuring goods from the Production Units. Inter-segment trading is made on an arm's length basis.

The operating segment Wound and Skin Care exclusively covers the sale of wound and skin care products in selected European markets, where the Wound and Skin Care segment is separated from the other business areas. In this way, the segmentation reflects the structure of reporting to Executive Management. The sale of wound and skin care products in other markets is included in the Wound and Skin Care business area. Porgès covers the production and sale of disposable urology products, while SU covers the sale of urology products.

The operating segments Wound and Skin Care, Porgès, SU, Global Marketing, Global Research and Development and Staff are non-reporting segments. The Wound and Skin Care, Porgès and SU segments are included in the operating segment Sales Regions as they meet the criteria for combination. The Shared/Non-allocated segment includes support functions and eliminations, as these segments do not generate revenue. The segments listed (with the exception of SU) each represent less than 10% of total segment revenue, segment profit/loss and segment assets. The SU operating segment represents more than 10% of total assets, but as the assets are exclusively allocated to the segments in connection with impairment tests and are not reported by segment to management, the segment is not considered a reporting segment.
Financial items and income tax are not allocated to the operating segments.

Management reviews each operating segment separately based on EBIT and allocates resources on that background. The performance targets are calculated the same way as in the consolidated financial statements.

Costs are allocated directly to segments. Certain indirect costs are allocated systematically to the Shared/Non-allocated segment and the reporting segments Sales Regions and Production Units.

Management does not receive reporting on asset and liabilities by the reporting segments Sales Regions and Production Units. Accordingly, the reporting segments are not measured in this respect, nor do we allocate resources on this background. No single customer accounts for more than 10% of revenue.

Operating segment

	Sales Regions		Production Units		Shared/Non-allocated		Total	
DKK million	**2010/11**	2009/10	**2010/11**	2009/10	**2010/11**	2009/10	**2010/11**	2009/10
Segment revenue								
Ostomy Care	4,266	3,949	0	0	0	0	4,266	3,949
Urology Care	3,456	3,202	0	0	0	0	3,456	3,202
Continence Care	938	857	0	0	0	0	938	857
Wound and Skin Care	1,320	1,347	192	182	0	0	1,512	1,529
Revenue as reported in the Annual Report	**9,980**	**9,355**	**192**	**182**	**0**	**0**	**10,172**	**9,537**
Segment operating profit/loss	627	337	3,673	3,282	-1,719	-1,624	2,581	1,995
Net financials	0	0	0	0	-124	-321	-124	-321
Tax on profit/loss for the year	0	0	0	0	-637	-431	-637	-431
Profit/loss for the year as reported in the Annual Report	**627**	**337**	**3,673**	**3,282**	**-2,481**	**-2,376**	**1,819**	**1,243**

Coloplast A/S' registered office is situated in Denmark. Revenue from external customers in Denmark amounted to DKK 238 million (2009/10: DKK 239 million), while revenue from external customers in other countries amounted to DKK 9,934 million (2009/10: DKK 9,298 million).

Total non-current assets except for financial instruments and deferred tax assets (there are no pension assets or rights pursuant to insurance contracts) placed in Denmark amounted to DKK 2,620 million (2009/10: DKK 2,717 million), while total non-current assets placed in other countries amounted to DKK 1,470 million (2009/10: DKK 1,523 million).

Notes

Note		2010/11	2009/10
		DKK million	
4.	**Depreciation, amortisation and impairment**		
	Specification for the year:		
	Acquired patents and trademarks etc.	124	125
	Software	52	56
	Total amortisation and impairment of intangible assets	176	181
	Land and buildings	106	102
	Plant and machinery	179	231
	Other fixtures and fittings, tools and equipment	66	75
	Total depreciation and impairment of property, plant and equipment	351	408
	Total	**527**	**589**
	Depreciation, amortisation and impairment are allocated as follows:		
	Cost of sales	401	456
	Distribution costs	58	61
	Administrative expenses	38	42
	Research and development costs	30	30
	Total	**527**	**589**
5.	**Staff costs**		
	Salaries, wages and directors' remuneration	2,385	2,477
	Pension costs - defined contribution plans (note 21)	157	162
	Pension costs - defined benefit plans (note 21)	13	15
	Other social security costs	260	260
	Total	**2,815**	**2,914**
	Staff costs are allocated as follows:		
	Cost of sales	774	853
	Distribution costs	1,523	1,422
	Administrative expenses	291	325
	Research and development costs	227	231
	Special items	0	83
	Total	**2,815**	**2,914**
	Average number of employees, full time equivalents	7,328	7,207
	Number of employees at 30.9, full time equivalents	7,372	7,284

Note 6 provides information on the Executive Management's and the Directors' remuneration.

Notes

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 have been changed from last year with respect to option holders' own payment and conversion of bonus into share options. Any other changes involve amounts only. Share-based payments are made as unconditional allocations and at a percentage premium to the market price at the allocation date and partial payment for the share options. The option value is calculated according to the Black-Scholes formula.

Board of Directors

Board members receive a fee of DKK 325,000 each (2009/10: DKK 325,000). The Chairman receives the basic board member fee plus 200% (2009/10: 200%), while the Deputy Chairman receives the basic fee plus 75% (2009/10: 75%). Members of the Audit Committee receive a fee corresponding to 50% of their ordinary directors' fee. 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	
	2010/11	2009/10
Directors' remuneration	4	5

Executive Management

The fixed remuneration paid to members of the Executive Management consists of 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 member of the Executive Management, but is subject to a maximum of 25% of their annual remuneration.

In addition, members of the Executive Management are granted share options at a value equal to a maximum of 40% of their annual remuneration. Specification of selected staff costs (see note 5):

DKK million **2010/11**	Salaries	Pension	Other benefits	Cash bonus	Total	Share options[2]
Lars Rasmussen	4.8	1.2	0.2	1.2	7.4	4.4
Lene Skole	3.5	0.9	0.2	0.9	5.5	3.2
Executive management total	**8.3**	**2.1**	**0.4**	**2.1**	**12.9**	**7.6**

DKK million **2009/10**	Salaries	Pension	Other benefits	Cash bonus	Total	Share options[2]
Lars Rasmussen[1]	6.3	1.2	0.2	1.2	8.9	1.9
Lene Skole	3.6	0.9	0.2	0.9	5.6	1.5
Executive management total	**9.9**	**2.1**	**0.4**	**2.1**	**14.5**	**3.4**

[1] The net salary includes DKK 1.6 million in respect of prior financial years, which amount is attributable to the US secondment.

[2] The amount expresses the Black-Scholes value of the options granted 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, and 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:

Lars Rasmussen	Beginning of the year units	Exercised in the year units	Granted in the year units	End of the year units	Market value DKK million
Lars Rasmussen	127,482	6,000	42,738	164,220	47
Lene Skole	85,978	0	31,716	117,694	32
	213,460	6,000	74,454	281,914	79
Former Executive Management members	111,238	53,077	0	58,161	20
Total	**324,698**	**59,077**	**74,454**	**340,075**	**99**

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:

Lars Rasmussen	Beginning of the year units	Bought in the year units	Sold in the year units	End of the year units	Market value DKK million
Lars Rasmussen	4,741	47	0	4,788	4
Lene Skole	1,268	47	0	1,315	1
	6,009	94	0	6,103	5
Board of Directors, A shares	2,457,000	0	0	2,457,000	1,974
Board of Directors, B shares[1)]	6,695,224	40,751	40,600	6,695,375	5,380
Total	**9,158,233**	**40,845**	**40,600**	**9,158,478**	**7,359**

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.

[1)] The portfolio of shares reflects the current Board of Directors. The board change at 1 December 2010 resulted in a net reduction of 5,015 shares.

DKK million	2010/11	2009/10
7. Special items		
Special items	0	-83
Total	**0**	**-83**

Special items in 2009/10 represent one-off costs associated with adjustments to the organisational structure and business procedures.

DKK million	2010/11	2009/10
8. Financial income		
Interest income	27	10
Exchange adjustments	11	6
Fair value adjustments on forward contracts transferred from equity	5	0
Other financial income and fees	4	2
Total	**47**	**18**

Notes

Note		2010/11	2009/10
		DKK million	
9.	**Financial expenses**		
	Interest expense	115	120
	Fair value adjustments on forward contracts transferred from equity	0	94
	Fair value adjustments, share options	35	83
	Other financial expenses and fees	21	42
	Total	**171**	**339**
10.	**Tax on profit for the year**		
	Tax on profit for the year	683	504
	Change in deferred tax on profit for the year	-39	-87
		644	417
	Adjustment of tax relating to prior years	-11	14
	Change due to changed tax rate	4	0
	Total	**637**	**431**
	Specification of tax:		
	Tax on profit from ordinary activities	644	417
	Adjustment of tax relating to prior years	-11	14
	Effect of change in tax rate	4	0
	Total	**637**	**431**
	Tax on equity entries	**-11**	**24**
	Reconciliation of tax rate differences:		
	Danish tax rate, %	25	25
	Deviation in foreign subsidiaries' tax percentage, %	1	0
	Non-taxable income and non-deductible expenses, %	0	2
	Adjustment of tax for prior years, %	0	1
	Impairment of deferred tax assets, recognition of previously written down deferred tax assets and recognition of tax credit, %	0	-3
	Other taxes, %	0	1
	Effective tax rate, %	**26**	**26**

11. Earnings per share (EPS)

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 20).

	2010/11	2009/10
Profit for the year	1,819	1,243
Weighted average no. of shares (million units)	42.0	42.6
Earnings per share (DKK) (A and B shares)	43	29
Earnings per share (DKK) (A and B shares), diluted	43	29

12. Dividend per share

The Board of Directors recommends a dividend for the financial year of DKK 14 per share of DKK 5 nominal value (2009/10: DKK 10), corresponding to an increase of 40% in ordinary dividend. This equals a pay-out ratio of 32% (2009/10: 34%), equal to total dividends of DKK 585 million (2009/10: DKK 422 million).

Notes

Note

13. Intangible assets

2010/11 DKK million	Goodwill	Acquired patents and trademarks etc.	Software	Prepayments and assets under construction	Total intangible assets
Total cost at 1.10.	670	1,482	497	35	2,684
Exchange and other adjustments	5	6	0	0	11
Addition through acquisition	62	121	0	0	183
Purchases and improvements during the year	0	0	11	9	20
Reclassification	0	0	35	-35	0
Disposals during the year	0	0	-4	0	-4
Total cost at 30.9.	**737**	**1,609**	**539**	**9**	**2,894**
Total amortisation and impairment at 1.10.	0	543	374	0	917
Exchange and other adjustments	0	1	0	0	1
Addition through acquisition	0	0	0		0
Amortisation and impairment for the year	0	124	52	0	176
Amortisation and impairment reversed on disposals during the year	0	0	-2	0	-2
Total amortisation and impairment at 30.9.	**0**	**668**	**424**	**0**	**1,092**
Carrying amount at 30.9.	**737**	**941**	**115**	**9**	**1,802**

Goodwill

Goodwill relates to the acquired urology businesses in 2006 and 2010.

Goodwill from the acquired urology businesses 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 Ostomy Care, Urology Care and Continence Care.

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 based in realised sales growth, earnings and 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 our business plan in effect until the 2014/15 financial year. For Ostomy Care and Continence Care, forecasts for 2011/12 were used. For subsequent years, assumptions from our long-term strategy have been used.

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

	Ostomy Care	Urology Care	Continence Care
Revenue growth in the terminal period	2.0%	2.0%	2.0%
Tax percentage	26%	37%	26%
Carrying amount of goodwill, DKK million	37	305	395

Growth rates are expected not to exceed the long-term average growth rate for the business area as a whole. 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.

Notes

Note

13. Intangible assets, continued

Discounting is based on the cash-generating unit's weighted capital costs in the impairment tests performed:

	2010/11		2009/10	
	before tax	after tax	before tax	after tax
Urology Care	13.1%	10.0%	8.3%	6.8%
Ostomy and Continence Care	7.1%	6.0%	7.6%	6.3%

The DMS company merged with our Belgian sales subsidiary in 2010/11. As a result, from 2010/11, DMS is included in the cash-generating unit Ostomy Care, as this goodwill, as from 2010/11, will only be monitored together with other goodwill relating to Ostomy Care at segment level.

Acquired patents and trademarks etc.
The majority of our acquired patents and trademarks are associated with the acquisition of Mentor's urology business in 2006 and the Mpathy acquisition in 2010. In connection with the acquisition, intangible assets were identified, and their cost was allocated to net assets at fair value at the date of acquisition, calculated on the basis of factors such as expected sales and revenue trends. Each component is amortised over its estimated useful life using the straight line method.

	Remaining amortisation period	DKK million	
		2010/11	2009/10
Non-competition clause	2 years	60	95
Patented technologies and unprotected technologies	2-15 years	488	514
Trademarks	10-15 years	243	210
Customer lists/loyalty	10-15 years	126	96
Total		**917**	**915**

Non-competition clause
In connection with the acquisition of Mentor's urology business, the parties agreed on a non-competition clause prohibiting Mentor (the seller) from selling urology products for the next seven years, as Mentor's research and development capabilities could be employed both in their continuing operations and in the urology business acquired by Coloplast.

Patented technologies and unprotected technologies
On acquiring Mentor's urology business, Coloplast acquired a large number of patented technologies (more than 300) and unprotected technologies. On acquiring Mpathy, Coloplast acquired about 50 patented technologies.

Unprotected technologies include (only Mentor)
1. patentable/protectable inventions
2. trade secrets
3. know-how
4. confidential information
5. copyrights on computer software, data bases or instruction manuals and the like

The major part relates to know-how concerning various materials and processes used in production. A division of the individual components into small intangible assets is not considered material or relevant.

Notes

Note

13. Intangible assets, continued

Trademarks
In addition to patents, Coloplast acquired a large number (more than 150) of registered and unregistered trademarks, including pending applications for trademark registration, but Coloplast did not acquire the Mentor trademark. Individual acquired trademarks, each representing a limited value, are not material for Coloplast's sales, as is the case with patents. On acquiring Mpathy, Coloplast acquired a small number (less than 20) of trademarks.

Customer lists/loyalty
Coloplast also acquired a substantial number of customer relationships. As long-term customer contracts are rarely made in the field of urology, customer lists are valued as a whole at the date of acquisition in connection with the Mentor and Mpathy acquisitions.

2009/10 DKK million	Goodwill	Acquired patents and trademarks etc.	Software	Prepayments and assets under construction	Total intangible assets
Total cost at 1.10.	629	1,407	450	34	2,520
Exchange and other adjustments	41	77	2	0	120
Purchases and improvements during the year	0	0	16	30	46
Reclassification	0	0	29	-29	0
Disposals during the year	0	-2	0	0	-2
Total cost at 30.9.	**670**	**1,482**	**497**	**35**	**2,684**
Total amortisation and impairment at 1.10.	0	395	317	0	712
Exchange and other adjustments	0	23	1	0	24
Amortisation and impairment for the year	0	125	56	0	181
Amortisation and impairment reversed on disposals during the year	0	0	0	0	0
Total amortisation and impairment at 30.9.	**0**	**543**	**374**	**0**	**917**
Carrying amount at 30.9.	**670**	**939**	**123**	**35**	**1,767**

Notes

Note

14. Property, plant and equipment

2010/11 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
Total cost at 1.10.	2,066	2,975	610	141	5,792
Exchange and other adjustments	-17	-75	-1	1	-92
Reclassification	39	121	28	-188	0
Purchases and improvements during the year	21	51	19	139	230
Disposals during the year	-22	-119	-87	0	-228
Total cost at 30.9.	**2,087**	**2,953**	**569**	**93**	**5,702**
Total depreciation and impairment at 1.10.	872	2,038	434	0	3,344
Exchange and other adjustments	-7	-58	-2	0	-67
Reclassification	0	0	0	0	0
Depreciation and impairment for the year	106	179	66	0	351
Depreciation and impairment reversed on disposals during the year	-17	-92	-83	0	-192
Total depreciation and impairment at 30.9.	**954**	**2,067**	**415**	**0**	**3,436**
Carrying amount at 30.9.	**1,133**	**886**	**154**	**93**	**2,266**
Additions during the year include finance leases amounting to	0	0	1	0	1
Gross amount, fully depreciated and written down property, plant and equipment	262	763	219	0	1,244

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery of DKK 45 million (2009/10: DKK 41 million). The Group's mortgage loans have been secured against land and buildings in the amount of DKK 437 million (2009/10: DKK 482 million).

2009/10 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
Total cost at 1.10.	2,026	2,894	617	173	5,710
Exchange and other adjustments	26	-8	8	4	30
Reclassification	22	145	41	-208	0
Purchases and improvements during the year	16	58	14	172	260
Disposals during the year	-24	-114	-70	0	-208
Total cost at 30.9.	**2,066**	**2,975**	**610**	**141**	**5,792**
Total depreciation and impairment at 1.10.	775	1,890	410	0	3,075
Exchange and other adjustments	3	-10	5	0	-2
Reclassification	1	-3	2	0	0
Depreciation and impairment for the year	102	231	75	0	408
Depreciation and impairment reversed on disposals during the year	-9	-70	-58	0	-137
Total and impairment depreciation at 30.9.	**872**	**2,038**	**434**	**0**	**3,344**
Carrying amount at 30.9.	**1,194**	**937**	**176**	**141**	**2,448**
Additions during the year include finance leases amounting to	0	0	1	0	1
Gross amount, fully depreciated and written down Property, plant and equipment	248	750	249	0	1,247

Notes

Note

15. Investments

2010/11

DKK million	Investments in associates	Other investments
Total cost at 1.10.	2	4
Divestment	0	-2
Other adjustments	2	-2
Total cost at 30.9.	**4**	**0**
Revaluation at 1.10.	0	0
Profit/loss after tax	-1	0
Other adjustments	3	0
Total revaluation at 30.9.	**2**	**0**
Carrying amount at 30.9.	**6**	**0**

2009/10

DKK million	Investments in associates	Other investments
Total cost at 1.10.	0	4
Capital investments during the year	3	0
Divestment	-1	0
Total cost at 30.9.	**2**	**4**
Carrying amount at 30.9.	**2**	**4**

In the 2010/11 financial year, associates reported sales of DKK 1 million, generating a loss of DKK 2 million. Assets totalled 26 DKK million and liabilities DKK 3.0 million.

A company overview is provided in note 37.

Notes

Note		2010/11	2009/10
		DKK million	
16.	**Deferred tax**		
	Deferred tax, opening balance	8	78
	Exchange adjustments	2	-5
	Addition from acquisitions	20	0
	Adjustment due to changed tax rate	4	0
	Restatement, previous years	12	7
	Change in deferred tax - charged to equity	-3	15
	Change in deferred tax - charged to income statement	-39	-87
		4	8
	Of which, deferred tax asset	163	178
	Provision for deferred tax	**167**	**186**

Calculation of deferred tax is based on the following items:

	2010/11	2009/10
Intangible assets	362	324
Property, plant and equipment	24	73
Indirect cost of sales	15	4
Unrealised gain from intra-group sale of goods	-198	-188
Jointly taxed companies	13	13
Share options	-13	-14
Tax losses carried forward and tax credits	-110	-102
Other	-89	-102
Total	**4**	**8**

DKK 47 million of the deferred tax is expected to be set off within the next 12 months (2009/10: DKK 67 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:

	2010/11	2009/10
Within 1 year	0	1
Within 1 to 5 years	6	16
In more than 5 years	315	514
Total	**321**	**531**

The losses listed above include a recognised tax asset of DKK 205 million (2009/10: DKK 145 million).

In addition, the Group had unrecognised temporary differences and unused tax deductions of DKK 0 million (2009/10: DKK 14 million).

Notes

Note		2010/11	2009/10
		DKK million	
17.	**Inventories**		
	Raw materials and consumables	110	129
	Work in progress	237	225
	Manufactured goods	599	605
	Inventories	**946**	**959**
	Inventory writedowns at 1.10	58	98
	Inventory writedowns used	-30	-51
	Inventory writedowns reversed	-14	-23
	Inventory writedowns for the year	62	34
	Inventory writedowns at 30.9	**76**	**58**

Cost of sales include directly attributable production costs for goods sold in the amount of DKK 1,992 million (2009/10: DKK 1,999 million).

Note		2010/11	2009/10
18.	**Trade receivables**		
	Portion of receivables falling due after more than one year after the balance sheet date		
	Other long-term receivables	5	5

Most of the long-term receivables fall due within three years of the balance sheet date.
Interest accruing on receivables is 0%.

	2010/11	2009/10
Provisions for bad debts:		
Provisions at 1.10.	74	102
Exchange adjustment	-1	3
Change of provisions during the year	43	-26
Losses realised during the year	-17	-5
Provisions at 30.9.	**99**	**74**

The provisions are generally due to customer bankruptcy or expected bankruptcy.

	2010/11	2009/10
Receivables due are specified as follows:		
Up to 30 days	104	167
Between 30 and 90 days	111	112
More than 90 days	272	214
Total receivables due	**487**	**493**

	2010/11	2009/10
At 30 September, the Group had the following receivables:		
DKK	105	106
EUR	960	889
GBP	246	198
USD	177	175
Other currencies	332	328
Total carrying amount	**1,820**	**1,696**

Note		2010/11	2009/10
19.	**Marketable securities**		
	Holdings of securities at 30.9. consist mainly of Danish bonds with a duration of less than 1 (2009/10: more than 1) and an effective yield of 2% (2009/10: 7%).	568	1

Notes

Note

20. Treasury shares and share options

Treasury shares	**2010/11** Number of B shares	2009/10 Number of B shares	**2010/11** % of B share capital	2009/10 % of B share capital	**2010/11** Nominal value B shares	2009/10 Nominal value B shares
Holdings of treasury shares at 1.10.	2,831,071	2,114,803	6.84%	5.11%	14,155,355	10,574,015
Acquired during the year	668,638	805,976	1.62%	1.95%	3,343,190	4,029,880
Cancelled	0	0	0.00%	0.00%	0	0
Sold during the year	-310,842	-89,708	-0.75%	-0.22%	-1,554,210	-448,540
Holdings of treasury shares at 30.9.	**3,188,867**	**2,831,071**	**7.70%**	**6.84%**	**15,944,335**	**14,155,355**

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 affected the profit for the year as follows:	**2010/11**	2009/10
Staff costs - equity-settled programmes	29	34
Staff costs - cash-settled programmes	0	-4
Financial costs - cash-settled programmes incl. exercised options	35	83
Total share option cost/income	**64**	**113**

Specification of outstanding options:	**2010/11**			2009/10		
	Number of options	Avg. exer-cise price	Avg. share price	Number of options	Avg. exer-cise price	Avg. share price
Outstanding options at beginning of the year	2,295,187	440		2,117,775	400	
Options vested	351,481	874		475,405	543	
Options cancelled	-26,806	462		-60,673	460	
Options expired	0	0		-1,150	286	
Options exercised	-369,300	449	778	-236,170	280	564
Outstanding options at the end of the year	**2,250,562**	506		**2,295,187**	440	

Issued in	Number of employees	Number of share options	Share options lapsed	Share options exercised	Outstanding at 30.9.2011	Exercise price	Exercisable from	Exercisable no later than
December 2002	181	289,800	40,000	235,425	14,375	260	November 2006	31.12.2011
December 2003	191	279,960	25,900	190,250	63,810	262	November 2007	31.12.2012
December 2004	215	199,240	26,250	107,180	65,810	280	November 2008	31.12.2013
December 2004	3	2,880	1,000	1,880	0	321	November 2008	31.12.2013
December 2005	209	177,625	19,200	85,800	72,625	328	November 2009	31.12.2014
December 2006	2	6,417	0	2,217	4,200	496	April 2009	01.01.2015
December 2006	211	202,030	26,410	69,030	106,590	506	November 2010	31.12.2015
December 2007	253	478,428	46,379	185,038	247,011	532	December 2010	31.12.2012
December 2008	264	951,311	76,504	0	874,807	385	December 2011	31.12.2013
December 2009	156	464,938	14,373	0	450,565	543	December 2012	31.12.2014
December 2010	125	351,251	482	0	350,769	874	December 2013	31.12.2015

Share options are granted to members of the Executive Management and other senior executives in order to motivate and retain a qualified management group and in order to align the interests of management and the shareholders. In the period 2002-2006, options were awarded subject to the achievement of specific consolidated EP and EBIT margin 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 2011, the accounting liability of the option programme was DKK 89 million (2009/10: DKK 98 million), while the fair value of the option schemes amounted to DKK 707 million (2009/10: DKK 508 million).

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

	2010	**2009**
Average share price (DKK)	760.28	472.14
Exercise price (DKK)	874.32	542.96
Expected dividend per share	1.32	1.48
Expected duration	4.00	4.00
Expected volatility	23.58	22.02
Risk-free interest	1.84	2.63

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

21. 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 2010/11, DKK 157 million (2009/10: DKK 162 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	**2010/11**	2009/10
The consolidated income statement includes recognition of the following:		
Defined contribution plans	157	162
Defined benefit plans	13	15
Total	**170**	**177**
The costs regarding defined benefit plans are recognised in the following income statement items:		
Cost of sales	3	3
Distribution costs	7	10
Administrative expenses	3	2
Total	**13**	**15**
Pension costs recognised in the income statement:		
Pension costs concerning current financial year	10	10
Calculated interest on liability	14	13
Expected return on plan assets	-9	-9
Recognised actuarial gains/losses for the year	2	0
Pension costs concerning prior years	-4	1
Total amount recognised for defined benefit plans	**13**	**15**
Specification of present value of defined benefit obligation:		
Obligation at 1.10.	311	239
Exchange adjustments	-1	11
Pension costs concerning current financial year	10	10
Calculated interest on liability	14	13
Discontinued pension plans	-1	-1
Actuarial gains/losses	-28	46
Pension costs concerning prior years	-4	0
Pensions disbursed	-8	-7
Present value of liability at 30.9.	**293**	**311**

Notes

DKK million

Note		2010/11	2009/10
21.	**Provisions for pensions and similar liabilities, continued**		
	Present value of funded defined benefit obligations	224	238
	Present value of unfunded defined benefit obligations	69	73
		293	311
	Fair value of plan assets	-172	-162
	Pension costs concerning prior years	-7	-7
	Unrecognised actuarial gains/losses	-31	-52
	Net liability recognised in the balance sheet	**83**	**90**
	Specification of fair value of pension assets		
	Pension assets at 1.10.	162	127
	Exchange adjustments	0	9
	Expected return on plan assets	9	9
	Actuarial gains/losses	-9	11
	Paid by the Coloplast Group	18	13
	Pensions disbursed	-8	-7
	Pension assets at 30.9.	**172**	**162**
	Specification of pension assets:		
	Shares	102	103
	Bonds	37	13
	Property	7	6
	Cash and other	26	40
	Pension assets at 30.9.	**172**	**162**
	Return on pension assets:		
	Actual return on plan assets	0	-20
	Expected return on plan assets	-9	-9
	Actuarial gain on plan assets	**-9**	**11**

The Group expects to pay DKK 13 million to the defined benefit plan in 2011/12.

	2010/11	2009/10
The assumptions of the actuarial calculations as at the balance sheet date (average) are as follows:		
Discount rate	5	5
Expected return on plan assets (percentage)	5	6
Future salary increases	3	3

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:

	2010/11	2009/10	2008/09	2007/08	2006/07
Actuarial calculation of pension liabilities	293	311	239	202	227
Pension assets	-172	-162	-127	-121	-172
Surplus/deficit	**121**	**149**	**112**	**81**	**55**
Actuarial experience adjustments, liabilities	-28	46	42	-27	-59
Actuarial experience adjustments, pension assets	9	-11	-3	41	-5

Notes

Note

22. Other provisions

2010/11 DKK million	Legal claims	Others	Total
Provisions at 1.10.	16	13	29
Additional provisions	24	2	26
Unused amounts reversed	-3	-4	-7
Charged to the income statement	**21**	**-2**	**19**
Used during the year	-3	-6	-9
Provisions at 30.09.	**34**	**5**	**39**
Expected maturities:			
Current liabilities	34	1	35
Non-current liabilities	0	4	4
Provisions at 30.09.	**34**	**5**	**39**

2009/10 DKK million	Legal claims	Others	Total
Provisions at 1.10.	16	19	35
Additional provisions	4	2	6
Unused amounts reversed	-1	-1	-2
Charged to the income statement	**3**	**1**	**4**
Used during the year	-3	-7	-10
Provisions at 30.09.	**16**	**13**	**29**
Expected maturities:			
Current liabilities	9	9	18
Non-current liabilities	7	4	11
Provisions at 30.09.	**16**	**13**	**29**

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.

Others

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

Notes

Note		DKK million 2010/11	2009/10
23.	**Credit institutions**		
	Payables to credit institutions are recognised in the balance sheet as follows:		
	Non-current liabilities	98	172
	Current liabilities	1,996	1,551
	Total	**2,094**	**1,723**
	Payables to credit institutions including interest have the following term to maturity:		
	Within 1 year	155	251
	1-5 years	1,659	1,714
	Over 5 years	982	488
	Total	**2,796**	**2,453**
	DKK	383	366
	EUR	1,619	1,203
	USD	1	1
	Other currencies	91	153
	Total carrying amount	**2,094**	**1,723**
	Net interest-bearing debt including swap facility at 30.9.		
	Mortgage debt	465	467
	Other credit institutions	1,629	1,256
	Marketable securities	-568	-1
	Bank balances	-1,317	-474
	Other payables	330	345
	Total	**539**	**1,593**

The fair value of net interest-bearing debt is DKK 542 million, recognised in the balance sheet in the amount of DKK 539 million. 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 is 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

2010/11

Principal in DKK million/ Effective interest rate p.a.		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Within 1 yr	Receivables	-35	0-2	-136	0-1	-185	0-1	-1,397	0-1	-124	0-5	-1,877
	Payables			5	0	1	0-4	5	0-1	87	1-2	98
	Swap	1	0									1
Total, within 1 yr		-34		-131		-184		-1,392		-37		-1,778
1 to 5 yrs	Receivables									-7	0	-7
	Payables	1,100	5			6	1-4	41	1-4			1,147
	Swap	-1,100	5			1,414	5					314
Total, 1 to 5 yrs		0				1,420		41		-7		1,454
More than 5 yrs	Receivables									-1	0	-1
	Payables					533	1-4	331	2-4			864
	Swap											0
Total, more than 5 yrs						533		331		-1		863
Total		**-34**		**-131**		**1,769**		**-1,020**		**-45**		**539**

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 2 years. The loans have been converted via swaps with banks to a fixed interest rate in EUR. At the balance sheet date, 58% of the Group's total borrowings carry a fixed interest rate.

Notes

Note

23. Credit Institutions, continued

2009/10

Principal in DKK million/ Effective interest rate p.a.		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Within 1 yr	Receivables	-36	0-1	-121	0-1	-106	0-1	-95	0-1	-117	0-7	-475
	Payables	1	0-2			2	0-2	17	1-2	152	0-9	172
	Swap											0
Total, within 1 yr		-35		-121		-104		-78		35		-303
1 to 5 yrs	Receivables											0
	Payables	1,094	5			31	3-4	64	4-5	1	3	1,190
	Swap	-1,094	5			1,424	5					330
Total, 1 to 5 yrs		0				1,455		64		1		1,520
More than 5 yrs	Receivables											0
	Payables					76	3-4	300	4-5			376
	Swap											0
Total, more than 5 yrs						76		300				376
Total		**-35**		**-121**		**1,427**		**286**		**36**		**1,593**

DKK million

	2010/11	2009/10
24. Income tax		
Income tax balance at 1.10.	467	211
Exchange adjustment	-1	1
Acquired operations	0	0
Adjustment, prior years	-23	7
Tax on profit for the year	683	504
Tax on equity items	-8	9
Tax paid during the year	-613	-265
	505	467
Of which receivable income tax	11	23
Income tax balance at 30.9.	**516**	**490**

25. 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 comprises 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
2010/11

	Loans and receivables	Assets at fair value through the income statement	Derivatives used for hedging (level 2)[2]	Total
Assets				
Investments in associates	6			6
Trade receivables and other receivables	2,018		33	2,051
Cash and bank balances and marketable securities		1,886		1,886
Total	**2,024**	**1,886**	**33**	**3,943**

Notes

Note

25. Financial instruments, continued

Financial instruments by category	Liabilities at fair value through the income statement[1]	Derivatives used for hedging (level 2)[2]	Other liabilities at amortised cost	Total
Liabilities				
Mortgage debt (level 1)[2]			465	465
Other credit institutions			1,629	1,629
Trade payables			420	420
Other payables		378	939	1,317
Total	**0**	**378**	**3,453**	**3,831**

The fair value of debt to mortgage credit institutions was DKK 470 million. There were no movements between levels 1 and 2 during the period.

Financial instruments by category 2009/10	Loans and receivables	Assets at fair value through the income statement[1]	Derivatives used for hedging (level 2)[2]	Total
Assets				
Other investments	4			4
Investments in associates	2			2
Trade receivables and other receivables	1,762		43	1,805
Cash and bank balances and marketable securities		476		476
Total	**1,768**	**476**	**43**	**2,287**

	Liabilities at fair value through the income statement[1]	Derivatives used for hedging (level 2)[2]	Other liabilities at amortised cost	Total
Liabilities				
Mortgage debt (level 1)[2]			467	467
Other credit institutions			1,256	1,256
Trade payables			455	455
Other payables		374	867	1,241
Total	**0**	**374**	**3,045**	**3,419**

[1] Trading portfolio
[2] Financial instruments measured at fair value are broken down according to the following measuring hierarchy:
Level 1: Observable market prices of identical instruments
Level 2: Valuation models primarily based on observable prices or traded prices of comparable instruments
Level 3: Valuation models primarily based on non-observable prices

The fair value of forward exchange contracts and other derivative financial instruments are considered a level 2 fair value measurement as the fair value is determined directly based on the published exchange rates and quoted forward rates at balance sheet dates.

The fair value of debt to mortgage credit institutions is valued on the basis of the fair value of the underlying bonds. Fair values of derivative financial instruments are calculated on the basis of current market data and generally accepted valuation methods.

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 thereby 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 2011, an average of 100% of the first eleven months of expected net cash flows were hedged (2009/10: 100% of the first eleven months of cash flows). The Group does not hedge amounts in euro.

Notes

Note

25. Financial instruments, continued

Holdings of derivative financial instruments

2010/11 DKK million	Amount of contract	Loss/gain when stated at mkt. value at 30.9.	Amount incl. in income statement for 2010/11	Transferred to hedging reserve	Expiry period
Forward exchange contracts and options outstanding at 30.09. to hedge future cash flows					
USD, forward exchange contracts	399	-13	0	-13	Oct. 2011 - Aug. 2012
GBP, forward exchange contracts	888	3	0	3	Oct. 2011 - July 2012
JPY, forward exchange contracts	157	-14	0	-14	Oct. 2011 - Sep. 2012
HUF, forward exchange contracts	-322	-19	0	-19	Oct. 2011 - Aug. 2012
Others, forward exchange contracts	803	12	0	12	Oct. 2011 - Sep. 2012
Total	**1,925**	**-31**	**0**	**-31**	
Other forward exchange contracts outstanding at 30.9.		.			
USD	394	-24	-24	0	Oct. 2011 - Dec. 2011
GBP	477	-3	-3	0	Oct. 2011 - Dec. 2011
JPY	110	-5	-5	0	Oct. 2011 - Nov. 2011
HUF	-119	-5	-5	0	Oct. 2011 - Nov. 2011
Others	305	0	0	0	Oct. 2011 - Nov. 2011
Total	**1,167**	**-37**	**-37**	**0**	
Currency and interest swaps at 30.9. to hedge future cash flows					
USD/EUR	1,100	-319	-6	-11	Apr. 2013
Total	**1,100**	**-319**	**-6**	**-11**	

Holdings of derivative financial instruments

2009/10 DKK million	Amount of contract	Loss/gain when stated at mkt. value at 30.9.	Amount incl. in income statement for 2009/10	Transferred to hedging reserve	Expiry period
Forward exchange contracts outstanding at 30.9. to hedge future cash flows					
USD, forward exchange contracts	256	15	0	15	Oct. 2010 - Sep. 2011
GBP, forward exchange contracts	453	14	0	14	Feb. 2011 - Aug. 2011
GBP, options	382	-8	0	-8	Oct. 2010 - Mar. 2011
JPY, forward exchange contracts	115	-4	0	-4	Oct. 2010 - Aug. 2011
HUF, forward exchange contracts	-354	2	0	2	Oct. 2010 - July 2011
Others, forward exchange contracts	677	-28	0	-28	Oct. 2010 - Sep. 2011
Total	**1,529**	**-9**	**0**	**-9**	
Other forward exchange contracts outstanding at 30.9.		.			
USD	520	22	22	0	Oct. 2010 - Jan. 2011
GBP	366	11	11	0	Oct. 2010 - Jan. 2011
JPY	101	3	3	0	Oct. 2010 - Nov. 2010
HUF	-157	3	3	0	Oct. 2010 - Dec. 2010
Others	210	2	2	0	Oct. 2010 - Jan. 2011
Total	**1,040**	**41**	**41**	**0**	
Currency and interest swaps at 30.9.2009 to hedge future cash flows					
USD/EUR	1,094	-334	-77	-18	Apr. 2013
Total	**1,094**	**-334**	**-77**	**-18**	

Notes

Note

25. Financial instruments, continued

The Group had no material foreign exchange risks concerning debt in foreign currency as at 30 September 2011. The Group's receivables are to some extent affected by exchange rate fluctuations, and, accordingly, the Group's balance sheet is impacted to some extent by changes in the exchange rates prevailing at 30 September 2011.

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 minor impact on EBIT, while changes in the GBP/DKK exchange rate feed through to EBIT unfiltered. A 10% depreciation of the GBP/DKK exchange rate would, other things being equal, have had a negative impact on EBIT of DKK 85 million (2009/10: DKK 80 million). Production is exposed especially to movements in HUF, and a 10% depreciation of the HUF/DKK exchange rate would, other things being equal, have a positive EBIT impact of DKK 40 million (2009/10: DKK 40 million). An increase in exchange rates would have had the opposite effect on EBIT. The average exchange rates over the year for these currencies were largely at the same level as in previous years in spite of large fluctuations during the year. As a result, in 2010/11 some of the secondary currencies (AUD, SEK, NOK and CAD) had a greater impact on consolidated EBIT. These currencies have a relatively high impact on EBIT, because Coloplast has no production in these currencies and hence no natural hedge.

Interest rate risk

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

As at 30 September 2011, the Group's loans predominantly carried a fixed interest rate or had been converted to a fixed rate by way of interest rate swaps. The fair value of the interest rate and currency swaps outstanding at the balance sheet date entered into to hedge foreign exchange or interest rate risks was negative in the amount of DKK 314 million (2009/10: negative amount of DKK 329 million).

In accordance with the Group's risk policy, the weighted average duration (fixed rate period) on the Group's loans at 30 September 2011 was 2.9 years (2009/10: 2.8 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 7 million (2009/10: minus/plus DKK 3 million).

Liquidity risk

The funding policy aims to ensure adequate and cost-effective funding with due consideration to interest rates, currency, maturity, counterparty, among 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 counterparty 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's policy for undertaking credit risks involves an ongoing credit assessment of major customers and other key business partners.

Notes

Note

25. Financial instruments, continued

Capital management

The Group aims to create the necessary room to secure its strategic development activities and to be able to provide a competitive return for its shareholders. The objective is also to optimise capital expenditure.

The Board of Directors generally intends to distribute excess cash to the shareholders by way of dividends and share buybacks and to distribute about 30% of the profit for the year as dividend. However, share buybacks and distribution of dividend will always take into account the Group's growth plans and funding 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.

26. Other liabilities

	DKK million **2010/11**				DKK million 2009/10			
Falling due in:	Other operating leases	Rent	Other	Total	Other operating leases	Rent	Other	Total
Less than 1 year	45	90	3	138	38	88	4	130
1 to 5 years	67	200	53	320	37	195	41	273
After more than 5 years	1	6	0	7	0	12	0	12
Total	**113**	**296**	**56**	**465**	**75**	**295**	**45**	**415**

Operating lease payments recognised in the income statement amount to for DKK 51 million (2009/10: DKK 51 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.

27. Contingent items

The Coloplast Group is a party to few/number of minor legal proceedings, which are not expected to influence the Group's future earnings. Information about Other provisions is set out in note 22.

28. Related party transactions

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

Information about remuneration of the Executive Management is set out in note 6.
There have been no major transactions with related parties.

29. Public grants

In the financial year, the Group received DKK 3 million in public grants for research and development purposes (2009/10: DKK 1 million). The Group has received DKK 33 million (2009/10: DKK 18 million) in public grants for investments.

An amount of DKK 26 million is recognised in the income statement (2009/10: DKK 15 million) in production costs and DKK 3 million (2009/10: DKK 0 million) in research and development costs in respect of grants for investments.

Notes

Note		DKK million 2010/11	2009/10
30.	**Fees to appointed auditors**		
	Overall fees to PricewaterhouseCoopers	12	12
	Of which:		
	Statutory audit	8	8
	Tax advice	3	3
	Other services	1	1

31. Events occurring after balance sheet date

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 2011.

Note		2010/11	2009/10
32.	**Adjustment for other non-cash operating items**		
	Net gain/loss on divestment of non-current assets	13	57
	Change in other provisions	3	-7
	Total	**16**	**50**
33.	**Changes in working capital**		
	Inventories	3	61
	Trade receivables	-128	-110
	Other receivables	-98	-33
	Trade and other payables etc.	-37	-168
	Total	**-260**	**-250**
34.	**Cash and short-term debt**		
	Cash	1	1
	Bank balances	1,317	474
	Cash and bank balances	1,318	475
	Short-term debt	-98	-172
	Total	**1,220**	**303**
35.	**Unutilised credit facilities**		
	Unutilised credit facilities	3,324	4,378
	Of which long-term facilities with a duration of more than 1 year	2,500	2,940

Notes

Note

36. Acquired operations

On 29 October 2010, Coloplast signed an agreement to acquire 100% of the shares and voting rights of Mpathy Medical Devices Limited (UK) and Gyne Ideas Limited (UK). Mpathy Medical Devices Limited develops products within the Urology Care business area which are sold in the US market, whilst Gyne Ideas Limited owns intellectual property rights also within the Urology Care business area. The acquisition is expected to provide Coloplast with a broader geographical coverage of the US market and access to new products that will strengthen our existing product portfolio.

The companies are included in the consolidated statement of comprehensive income with revenue of DKK 36 million for the period. Pro forma revenue for 2010/11, as if the companies had been acquired on 1 October 2010, amounted to approximately DKK 39 million. From the date of acquisition, the companies were fully integrated in the existing Urology business area in the Coloplast Group, for which reason it is not practically possible to calculate a profit for the profit or a pro forma profit for the entire financial year.

	Fair value as per the date of acquisition DKK million
Intangible assets	117
Inventories	2
Receivables	3
Other current assets	1
Cash and bank balances	1
Credit institutions	-4
Deferred tax	-20
Trade payables	-2
Other payables	-2
Acquired net assets	**96**
Goodwill	61
Total purchase price for the company	**157**
Acquired cash, cash equivalents and short term debt	3
Cash payment	**160**

In the 2009/10 financial year, Coloplast incurred transaction costs relating to the acquisition of approximately DKK 5 million, recognised in administrative expenses in the statement of comprehensive income. No additional amount was recognised in the 2010/11 financial year.

The agreed consideration for the shares amounted to USD 30 million, which fell due for payment on the date of acquisition. In addition, Coloplast has undertaken to pay an additional contingent consideration of up to USD 5 million (NPV, USD 4 million). The size of the conditional contingent consideration depends on the revenue generated by the acquired businesses for a period of 24 months after the acquisition. It is not considered likely, that the contingent consideration will become payable, and it has therefore not been included in the acquisition price.

After recognition at fair value of identifiable assets and liabilities, goodwill related to the acquisition amounts to DKK 11 million Goodwill expresses the synergies expected to be achieved from the broader geographical coverage of the US market, which will provide access to new markets for Coloplast's existing products. The recognised goodwill is not deductible for tax purposes.

Notes

Note

37. Overview of Group companies

	Registered office	% Owned
Parent company		
Coloplast A/S	Danmark	
Sales and/or manufacturing subsidiaries		
Coloplast de Argentina S.A.	Argentina	100
Coloplast Pty. Ltd.	Australia	100
Coloplast Belgium S.A.	Belgium	100
Coloplast do Brasil Ltda.	Brazil	100
Coloplast Canada Corporation	Canada	100
Coloplast Danmark A/S	Denmark	100
Coloplast OY	Finland	100
Coloplast S.A.S.	France	100
Coloplast Manufacturing France S.A.S	France	100
Coloplast B.V.	Holland	100
Coloplast (India) Private Limited	India	100
Coloplast S.p.A.	Italy	100
Coloplast K.K.	Japan	100
Coloplast (China) Ltd.	China	100
Coloplast (China) Medical Devices Ltd.	China	100
Coloplast (Hong Kong) Ltd.	China	100
Coloplast Korea Limited	Korea	100
Coloplast Norge AS	Norway	100
Coloplast Sp. zo.o.	Poland	100
Coloplast Portugal Lda.	Portugal	100
Coloplast OOO	Russia	100
Coloplast AG	Switzerland	100
Coloplast Productos Médicos S.A.	Spain	100
Coloplast Limited	Great Britain	100
Coloplast Medical Limited	Great Britain	100
Charter Healthcare Limited	Great Britain	100
Mpathy Medical Devices Limited	Great Britain	100
Gyne Ideas Limited	Great Britain	100
Porgés UK Limited	Great Britain	100
Coloplast AB	Sweden	100
Coloplast GmbH	Germany	100
Coloplast Distribution GmbH	Germany	100
Coloplast Hungary Kft.	Hungary	100
Coloplast Corp.	USA	100
Coloplast Manufacturing US, LLC	USA	100
Mpathy Medical Devices Inc.	USA	100
Coloplast Ges.m.b.H.	Austria	100
Other companies		
Coloplast Ejendomme A/S	Denmark	100
CutiSense A/S	Denmark	50
Acarix A/S	Denmark	25
Ictalcare A/S	Denmark	29
Coloplast Shared Services Sp. zo.o	Poland	100

Representative offices and branches

Egypt	Slovenia
Israel	South Africa
Croatia	Czech Rep.
Mexico	Ukraine
Slovakia	Hungary
Taiwan	

Definitions of key ratios

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 (%)	EBIT x 100 / Revenue
Return on average invested capital (ROIC), %	EBIT x 100 / Capital invested
Return on equity (%)	Profit for the year attributable to Coloplast x 100 / Equity before minority interests
Ratio of net debt to EBITDA	Net interest-bearing debt / EBITDA
Interest cover	EBITDA / Net interest income and interest expenses
Equity ratio, %	Total equity x 100 / Total assets
Ratio of debt to enterprise value, %	Net interest-bearing debt x 100 / Net interest-bearing debt plus market value of equity
Net asset value per share (DKK)	Equity ex. minority interests / Number of shares
Share price/NAV	Share quotation / Net asset value per share
PE, price/earnings ratio	Share quotation / Earnings per share (EPS)
Pay-out ratio, %	Dividend declared x 100 / Profit for the year attributable to Coloplast
Earnings per share (EPS)	Profit for the year attributable to Coloplast / Number of unrestricted shares (average of four quarters)
Free cash flow per share	Free cash flow / Number of unrestricted shares (average of four quarters)

The ratios are calculated and applied in accordance with “Recommendations & Financial Ratios 2010” issued by the Danish Society of Financial Analysts. Key ratios are shown on page 2.

Shareholder information

Announcements 2010/11

2010

9/2010 Annual Report 2009/10 and Annual General Meeting
10/2010 Capital Market event
11/2010 Coloplast acquires Mpathy Medical Devices
12/2010 Full-year financial results 2009/10
13/2010 Annual Report 2009/10
14/2010 Notice to convene the annual general meeting
15/2010 Notification of proxies received by the Board of Directors
16/2010 Annual general meeting 2010
17/2010 Articles of Association
18/2010 Election of own Chairman and Deputy Chairman

2011

1/2011 Interim financial report, Q1 2010/11
2/2011 Coloplast continues share buy-back
3/2011 Coloplast's Financial Calendar has been revised
4/2011 Interim financial report, H1 2010/11
5/2011 Capital Market Days in Hungary
6/2011 Interim financial report, 9M 2010/11
7/2011 Financial calendar for 2011/12
8/2011 Change in the presentation of revenue by business area

Financial calendar 2011/12

2011

12/10 Closing period until 1 November
25/10 Notice of submission of agenda points for the Annual General Meeting
1/11 Financial Statements for the full year 2010/11
Annual Report 2010/11
7/12 Annual General Meeting
13/12 Dividends for 2010/11 at the disposal of shareholders

2012

6/1 Closing period until 25 January
25/1 Interim Financial Statements for Q1 2011/12
5/4 Closing period until 26 April
26/4 Interim Financial Statements for H1 2011/12
16/7 Closing period until 15 August
15/8 Interim Financial Statements for 9M 2011/12
15/10 Closing period until 6 November
30/10 Notice of submission of agenda points for the Annual General Meeting
6/11 Financial Statements for the full year 2011/12
Annual Report 2011/12
11/12 Annual General Meeting
17/12 Dividends for 2011/12 at the disposal of shareholders

Banks and stockbroking companies following Coloplast

ABG Sundal Collier	Handelsbanken Capital Markets
Alm. Brand Markets	J.P. Morgan
Berenberg Bank	Jefferies International Ltd.
BoA Merrill Lynch	Jyske Bank A/S
Carnegie Bank A/S	Morgan Stanley
CA Cheuvreux	Nordea Markets
Crédit Suisse	SEB Enskilda
Danske Markets	Société Générale
Deutsche Bank	Standard & Poor's
DnB NOR	Sydbank A/S
Goldman Sachs	

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Annual report for the

Parent company Coloplast A/S

for 2010/11

Income statement

1 October – 30 September

Note		DKK million 2010/11	2009/10
2	Revenue	7,275	7,135
3	Cost of sales	-3,905	-4,036
	Gross profit	**3,370**	**3,099**
3	Distribution costs	-663	-646
3,4	Administrative expenses	-374	-318
3	Research and development costs	-481	-432
	Other operating income	47	63
	Other operating expenses	-24	-38
	Operating profit (EBIT)	**1,875**	**1,728**
10	Profit after tax on investment in subsidiaries	447	102
10	Profit/loss after tax on investment in associates	-1	0
5	Financial income	67	37
6	Financial expenses	-150	-280
	Profit before tax	**2,238**	**1,587**
7	Tax on profit for the year	-476	-390
	Profit for the year	**1,762**	**1,197**
	Profit distribution:		
	Retained earnings	1,177	775
	Proposed dividend for the year	585	422
	Total	**1,762**	**1,197**

Balance sheet

30 September

Note	DKK million	2011	2010
	Assets		
8	Intangible assets	1,403	1,486
9	Property, plant and equipment	609	643
10	Financial assets	2,045	1,690
	Non-current assets	**4,057**	**3,819**
11	**Inventories**	**488**	**499**
	Trade receivables	209	216
	Receivables from Group enterprises	1,974	2,067
	Other receivables	172	69
	Prepayments	22	12
12	**Receivables**	**2,377**	**2,364**
	Cash and bank balances	**1,750**	**256**
	Current assets	**4,615**	**3,119**
	Assets	**8,672**	**6,938**
	Equity and liabilities		
	Share capital	225	225
	Fair value reserve	-32	-21
	Proposed dividend for the year	585	422
	Retained earnings	3,575	2,764
13	**Total equity**	**4,353**	**3,390**
15	Provision for pensions and similar liabilities	1	3
14	Provision for deferred tax	311	332
	Provisions	**312**	**335**
16	Credit institutions	1,537	1,091
17	Other payables	331	350
	Non-current liabilities	**1,868**	**1,441**
15	Other provisions	5	5
16	Credit institutions	0	13
	Trade payables	196	164
	Payables to Group enterprises	1,188	881
	Income tax	416	443
	Other payables	334	266
	Current liabilities	**2,139**	**1,772**
	Current and non-current liabilities	**4,007**	**3,213**
	Equity and liabilities	**8,672**	**6,938**

18 Contingent items and other financial liabilities

19 Related party transactions

Notes

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 25.

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 acquiredin 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.

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

2. Revenue

	2010/11	2009/10
Business area		
Intimate healthcare	7,275	7,135
Total	**7,275**	**7,135**
Geographical areas		
Europe	5,556	5,501
The Americas	1,012	964
Rest of the world	707	670
Total	**7,275**	**7,135**

Notes

Note		Mio. DKK 2010/11	2009/10
3.	**Staff costs**		
	Salaries, wages and directors' remuneration	891	990
	Pension costs	66	81
	Other social security costs	16	15
	Total	**973**	**1,086**
	Average number of employees, full time equivalents	1,428	1,747

Note 6 to the consolidated financial statements provides information on the Executive Management's and the Directors' remuneration.

Note		2010/11	2009/10
4.	**Fees for auditors appointed by AGM**		
	Total fees to PricewaterhouseCoopers	5	4
	Of which:		
	Statutory audit	4	3
	Assurance engagements other than audits	1	1
5.	**Financial income**		
	Interest income	24	4
	Interest income from Group enterprises	32	28
	Exchange rate adjustments	6	5
	Fair value adjustments, forward contracts	5	0
	Total	**67**	**37**
6.	**Financial expenses**		
	Interest expense	100	120
	Interest expense to Group enterprises	28	16
	Fair value adjustments, forward contracts	0	94
	Fair value adjustments, share options	22	50
	Total	**150**	**280**
7.	**Tax on profit for the year**		
	Tax on profit for the year	519	418
	Change in deferred tax on profit for the year	-18	-32
	Adjustment relating to prior years	-25	4
	Total	**476**	**390**
	Tax on equity movements	**-14**	**7**

Notes

Note

8. Intangible assets

DKK million	Goodwill	Acquired patents and trademarks	Software	Prepayments and assets under construction	**2010/11 Total**	2009/10 Total
Total cost at 1.10.	522	1,622	393	35	**2,572**	2,528
Reclassification	0	0	35	-35	**0**	0
Purchases and improvements during the year	65	84	8	8	**165**	46
Disposals during the year	0	0	-1	0	**-1**	-2
Total cost at 30.9.	**587**	**1,706**	**435**	**8**	**2,736**	**2,572**
Total amortisation and impairment at 1.10.	226	585	275	0	**1,086**	851
Amortisation and impairment for the year	57	142	48	0	**247**	236
Amortisation and impairment reversed on disposals during the year	0	0	0	0	**0**	-1
Total amortisation and impairment at 30.9.	**283**	**727**	**323**	**0**	**1,333**	**1,086**
Carrying amount at 30.9.	**304**	**979**	**112**	**8**	**1,403**	**1,486**

9. Property, plant and equipment

DKK million	Production plant and machinery	Fixtures and fittings, tools and equipment	Prepayments and assets under construction	**2010/11 Total**	2009/10 Total
Total cost at 1.10.	1,108	341	107	**1,556**	1,843
Reclassification	63	43	-106	**0**	0
Purchases and improvements during the year	45	34	80	**159**	155
Disposals during the year	-202	-75	0	**-277**	-442
Total cost at 30.9.	**1,014**	**343**	**81**	**1,438**	**1,556**
Total depreciation at 1.10.	677	236	0	**913**	941
Depreciation for the year	78	43	0	**121**	151
Depreciation reversed on disposals during the year	-133	-72	0	**-205**	-179
Total depreciation at 30.9.	**622**	**207**	**0**	**829**	**913**
Carrying amount at 30.9.	**392**	**136**	**81**	**609**	**643**

Notes

Note

10. Financial assets

DKK million	Investments in Group enterprises	Receivables from Group enterprises	Other investments	**2010/11 Total**	2009/10 Total
Total cost at 1.10.	3,102	326	6	**3,434**	3,162
Capital investments during the year	186	24	0	**210**	315
Divestments during the year	0	-149	-2	**-151**	-43
Total cost at 30.9.	**3,288**	**201**	**4**	**3,493**	**3,434**
Value adjustments 1.10	-1,744	0	0	**-1,744**	-1,694
Profit/loss after tax	447	0	-1	**446**	102
Dividends received	-66	0	0	**-66**	-159
Exchange adjustments	-69	0	0	**-69**	-3
Other adjustments	-18	0	3	**-15**	10
Value adjustments 30.9.	**-1,450**	**0**	**2**	**-1,448**	**-1,744**
Carrying amount at 30.9	**1,838**	**201**	**6**	**2,045**	**1,690**

An overview of subsidiaries is set out in note 37 to the consolidated financial statements.

DKK million	**2010/11**	2009/10
11. Inventories		
Raw materials and consumables	31	55
Work in progress	132	99
Manufactured goods	325	345
Inventories	**488**	**499**

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

12. Receivables

Portion of receivables falling due after more than one year after the balance sheet date		
Other long-term receivables	0	0

Notes

Note

13. Statement of changes in equity

DKK million	Share capital A shares	Share capital B shares	Reserve for fair value	Proposed dividend	Retained earnings	**2009/10 Total**	2009/10 Total
Equity at 1.10.	18	207	-21	422	2,764	**3,390**	2,897
Value adjustments for the year			-10			**-10**	-57
Transferred to financial items			-5			**-5**	94
Tax effect of hedging			4			**4**	-9
Tax on equity entries					10	**10**	2
Paid dividend to shareholders				-422		**-422**	-300
Exchange rate adjustment of opening balances and other adjustments related to subsidiaries					-87	**-87**	11
Acquisition of treasury shares, loss on exercise of options					-500	**-500**	-500
Sale of treasury shares					191	**191**	36
Share-based payment					20	**20**	19
Profit for the year					1,762	**1,762**	1,197
Proposed dividend				585	-585	**0**	0
Equity at 30.9.	**18**	**207**	**-32**	**585**	**3,575**	**4,353**	**3,390**

DKK million	**2010/11**	2009/10
14. Deferred tax		
Calculation of deferred tax is based on the following items:		
Intangible assets	277	297
Property, plant and equipment	54	49
Indirect cost of sales	12	14
Jointly taxed companies (recapture balance)	13	13
Other	-45	-41
Total	**311**	**332**

15. Provisions

DKK million	Legal claims	Pension	**2010/11 Total**	2009/10 Total
Provisions at 1.10.	5	3	8	10
Unused amounts reversed	0	-2	-2	0
Recognised in the income statement	0	-2	-2	0
Used during the year	0	0	0	-2
Provisions at 30.9.	**5**	**1**	**6**	**8**
Expected maturities:				
Current liabilities	5	0	5	5
Non-current liabilities	0	1	1	3
Provisions at 30.9.	**5**	**1**	**6**	**8**

Notes

Note		2010/11	2009/10
		DKK million	
16.	**Credit institutions**		
	Falling due in:		
	Less than 1 year	0	13
	1 to 5 years	1,100	1,091
	After more than 5 years	437	0
	Total	**1,537**	**1,104**

17. Other payables

Non-current other payables relate primarily to the market value of swaps used for loan conversion.

18. Contingent items and other financial liabilities

	DKK million **2010/11**			DKK million 2009/10		
Falling due in:	Other operating leases	Rent	Total	Other operating leases	Rent	Total
Less than 1 year	8	2	10	9	5	14
1 to 5 years	17	2	19	15	5	20
After more than 5 years	0	0	0	0	0	0
Total	**25**	**4**	**29**	**24**	**10**	**34**

At 30 September 2010, the parent company had provided guarantees for loans raised by Group enterprises amounting to DKK 308 million (2009/10: DKK 380 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.

19. 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 7,500 people.

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