



Annual Report $\frac{1998}{1999}$

Contents

2	Coloplast in brief
3	10 years' key figures and ratios
4	Board of Directors and Group Management
5	Board report
10	Financial review
16	Risk factors
18	Shareholder information
21	Accounting policies
22	Profit and loss account
23	Balance sheet
24	Consolidated cash flow statement
25	Audit report and approvals
26	Notes
32	Close to the customer
32	- Ease of handling provides freedom
34	- Sharing a personal experience
35	- Dedicated nurses support users
36	- Get acquainted with a user
37	- Future markets with different needs
38	Intellectual capital statement
44	Accounting principles
45	Auditors' Opinion
46	Artist of the year
47	Group addresses
47	Executives
48	The Coloplast Mission

The Annual General Meeting will be held at the Radisson SAS Falconer Center Copenhagen, Denmark, on Wednesday, 15 December 1999 at 4 pm. At 3 pm the shareholders will have an opportunity to hear about product development in the Continence Care Division.

Enquiries from investors and analysts should be addressed to Group Director Carsten Lønfeldt.

Financial year:

1 October 1998 – 30 September 1999

Works by Lonni Hall are included in this report. For details on the artist and her work, please see page 46.

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Coloplast in brief

Coloplast was founded in 1957. The company's shares were listed at the Copenhagen Stock Exchange in 1983. Coloplast develops, manufactures and markets medical disposables helping people overcome a physical impairment. Based on skin-friendly adhesives, medical devices have been developed within six business areas:

- Ostomy products for people whose intestinal outlet has been surgically rerouted through the abdominal wall
- Continence care products for people with bladder control problems
- Wound dressings for chronic wounds
- Skin care products for prevention and treatment
- Breast forms and special textiles for women after breast surgery
- Special dressings for the consumer products market.

The market

Coloplast is operating in niche markets with few big suppliers. The majority of our products are reimbursed by healthcare authorities in the Western World, and generally it is a nurse who chooses the product or has an influencing role in its selection. Coloplast has in-depth knowledge of the respective countries' healthcare systems and is represented by its subsidiaries in most markets.

More than 97% of Group turnover is generated in countries outside Denmark, including about 70% in Europe and 20% in the USA.

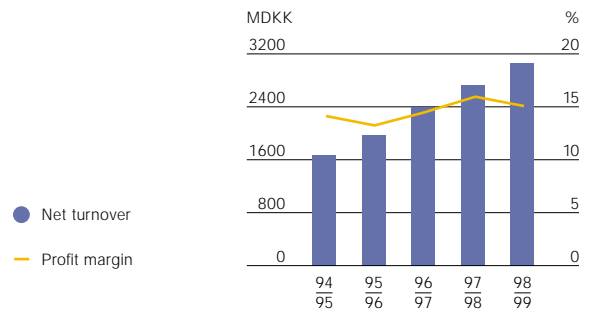
Coloplast employs 3,745 people worldwide, more than half of them in Denmark.

Objective and strategy

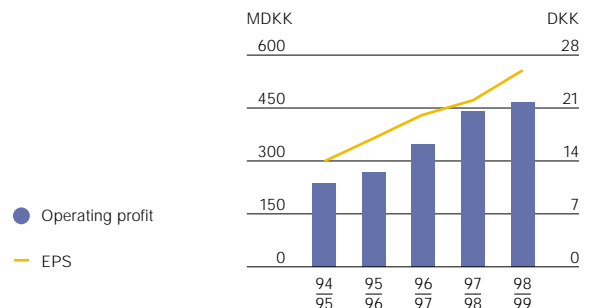
The Group has set an objective of achieving a turnover exceeding DKK 6 billion by the year 2005 and to maintain a profit margin of 15%. The turnover objective will be achieved through organic growth and acquisition of new business. Market shares will be gained through the development of new products and services.



Net turnover and profit margin



Operating profit and EPS



Definitions according to the Danish Society of Financial Analysts

Employees at year-end is employees converted into full-time equivalents

Profit margin $\frac{\text{Operating profit}}{\text{Net turnover}} \times 100$

Return on assets $\frac{\text{Operating profit}}{\text{Average assets}} \times 100$

Return on capital employed $\frac{\text{Operating profit} + \text{financial income}}{\text{Average working capital}} \times 100$

Return on equity $\frac{\text{Adjusted net profit}}{\text{Average equity}} \times 100$
Net profit adjusted for extraordinary items

Net asset value $\frac{\text{Equity at year-end} \times \text{adjustment factor}}{\text{Number of shares at year-end}}$
Adjusted for share issues

Earnings per share $\frac{\text{Adjusted net profit}}{\text{Average number of shares}} \times 100$
Adjusted for share issues

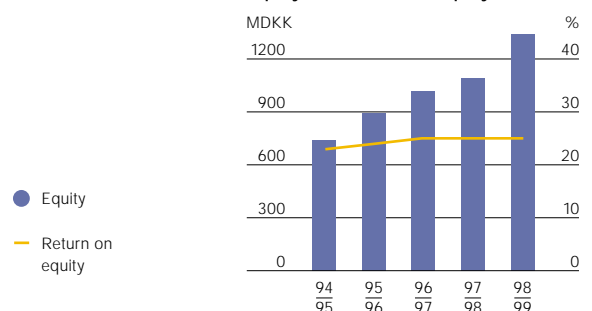
Price/earnings ratio $\frac{\text{Share price}}{\text{Earnings per share}}$
Market price per share at year-end

Operating profit is profit before tax, interest, extraordinary items and minority interests.

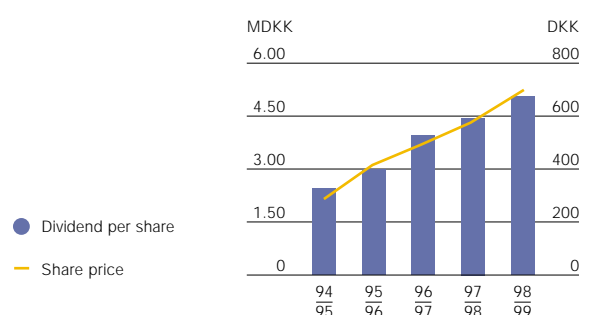
Average working capital is total liabilities except non-interest-bearing liabilities.

Adjusted net profit is profit after tax adjusted for extraordinary items, tax on extraordinary items and minority shareholders' share of profit after tax.

Equity and return on equity



Dividend and share price



10 years' key figures and ratios

MDKK	<u>1989</u> 1990	<u>1990</u> 1991	<u>1991</u> 1992	<u>1992</u> 1993	<u>1993</u> 1994	<u>1994</u> 1995	<u>1995</u> 1996	<u>1996</u> 1997	<u>1997</u> 1998	<u>1998</u> 1999
Net turnover	817	991	1,122	1,302	1,449	1,684	1,975	2,399	2,724	3,065
Annual growth in %	12	21	13	16	11	16	17	22	14	13
Operating profit	103	135	161	175	191	235	258	345	438	464
Annual growth in %	18	31	19	9	9	23	10	34	27	6
Profit on ordinary activities	107	142	147	164	168	205	280	342	395	452
Annual growth in %	16	33	4	12	2	22	37	22	16	14
Profit after tax and minority interests	68	75	87	105	130	151	185	237	265	306
Annual growth in %	5	10	16	21	24	16	23	28	12	15
Dividend	12	13	15	19	19	28	36	46	53	61
Liquid funds	218	165	179	232	519	487	448	365	206	193
Total assets	712	836	959	1,093	1,454	1,530	1,636	1,849	1,900	2,475
Share capital	84	84	84	84	130	158	158	240	240	240
Equity at year-end	416	478	543	626	554	738	895	1,016	1,098	1,331
Cash flow from operations	115	137	144	131	245	328	224	272	373	366
Cash flow from investments	-87	-163	-153	-121	-346	-617	-163	-295	-412	-508
Cash flow from financing	26	-26	22	43	388	244	-100	-80	-120	127
Depreciation	49	60	71	85	94	103	110	127	139	178
Write-off, goodwill					233	396		89	116	5
Employees at year-end	1,232	1,528	1,633	1,734	1,996	2,400	2,588	2,888	3,269	3,745
Profit margin, %	13	14	14	13	13	14	13	14	16	15
Return on assets, %	16	17	18	17	15	16	16	20	23	21
Return on capital employed, %	24	29	30	28	25	29	28	32	36	35
Return on equity, %	18	19	19	18	20	23	24	25	25	25
Equity share, %	58	57	57	57	38	48	55	55	58	54
Net asset value, DKK	44	51	57	66	57	62	76	85	92	111
EPS, earnings per share, DKK	8	9	10	11	12	14	17	20	22	26
Share price at year-end, DKK	124	193	200	284	247	290	416	494	573	698
Share price/net asset value	3	4	3	4	4	5	6	6	6	6
PE, price/earnings ratio	16	21	20	25	20	21	25	25	26	27
Dividend per share, DKK	1.24	1.42	1.60	2.00	2.00	2.40	3.00	3.90	4.40	5.10

Board of Directors and Group Management



Standing, left to right:

Chairman

Palle Marcus, Director

Niels O. Johannesson, Group Director*

Per Magid, Attorney

Flemming Moss, Laboratory Manager

Vice-Chairman

**Niels Peter Louis-Hansen,
Bachelor of Commerce**

**Helle Bechgaard, Chief Executive,
Plougmann, Vingtoft & Partners A/S**

**Kurt Anker Nielsen, Deputy CEO,
Novo Nordisk A/S**

Sitting, left to right:

Carsten Lønfeldt, Group Director*

Torsten E. Rasmussen, Director

Sten Scheibye, Chief Executive*

Jytte Glim, Project Manager

Knud Øllgård, Electrician

* Member of Group Management
Management assignments, page 31

Board report

Highlights

- The 3,000 million objective was reached, as Group turnover was DKK 3,065 million, an increase of DKK 341 million or 13 % on 1997/98.
- In Europe, sales have increased by 14 %.
- In North America sales of medical devices increased by 2 %, which is less than expected. Reduced public spending on healthcare has caused a general market decline.
- Operating profit increased by 6 % to DKK 464 million, representing a profit margin of 15 %.
- Profit before extraordinary items and tax was DKK 452 million compared to last year's DKK 395 million, an increase of 14 %.
- Profit for the year after tax and minority interests was DKK 306 million, which is DKK 41 million better than last year, corresponding to an increase of 15 %.
- Investments in land, buildings and machinery increased by 47 % to a total of DKK 346 million.
- The Board proposes that dividends are increased by 16 % to DKK 5.10 per share of DKK 20.
- The IT systems have been prepared for the millennial change.

Financial review, see page 10.

Coloplast's 1998/99 financial performance was satisfactory and in line with the expectations expressed in the interim financial statement, that is a turnover increase of 13 % on the previous year and a profit margin exceeding 15%.

Turnover increased in all markets and for nearly all product areas. A substantial part of the growth was generated by products launched over the last few years. No businesses have been acquired or consolidated during financial 1998/99.

In Europe, turnover increased by 14%, and particularly France, Germany, Holland, Italy, Denmark and Switzerland contributed to this good growth. Coloplast has won additional market shares in nearly all markets. As we develop more sophisticated, but more costly, products, satisfactory pricing levels are a challenge in some countries. And we can expect further changes on reimbursement rules as authorities seek to control rising healthcare costs.

In the USA, the market for medical disposables is still influenced by dramatic cuts in public healthcare spending, affecting sickness insurance for the elderly and people of limited means. Mergers by hospitals, nursing homes, healthcare centres, insurance companies and distributors have become the order of the day. Many US nursing home chains have been operating with losses in recent years and some have had to close down, so the total market for products to these institutions is declining. Coloplast achieved an increase in sales of 2%, while new cooperation agreements and continued investment in distri-

bution and service companies will in future contribute to our increasing market share.

Our cooperation with Johnson & Johnson Consumer Products Company for the marketing of **Compeed** dressings under the Band-Aid brand is progressing well.

The subsidiaries in Japan and Australia have performed satisfactorily, and the Japanese subsidiary has begun marketing the **Comfeel** wound care products, which were earlier sold through a Japanese partner. This change is expected to lead to increasing sales in the coming years.

Argentina, Brazil and China are countries with large populations and potential markets for medical disposables. Coloplast's subsidiaries in these countries have not yet achieved sales enabling them to earn a profit; but this investment in sales and marketing is expected to contribute to Coloplast achieving a market leader position with profitable operations in the longer term.

The US Breast Care Division and Amoena GmbH in Raubling are supplying breast forms and special textiles to more than 50% of the users in their respective markets in the US and Europe. Turnover has grown by some 6%, which is in line with market growth.

Exchange-rate developments in 1998/99 had a slight, negative effect on operating profit, and the value of Coloplast's average invoicing currencies was slightly lower than the year before. As the rate at year-end was higher than the annual average rate, there is a positive effect on the financial result.

New products in 1998/99

- Assura 2-pce improved ostomy bag
- Assura 2-pce drainable ostomy bag with hide-away outlet
- Conveen Xpect ready-for-use catheter
- EasiCath Special improved catheter
- New Conveen urine bag range
- Biatain low-adhesion foam dressing for leg ulcers
- VacuSeal foam dressing with active drainage
- Amoena Luxa Contact asymmetrical, self-adhering breast form
- Amoena Tria Aire new lightweight breast form
- Special bras and swimwear
- Sween skin care products with antibacterial properties
- Compeed – 6 new versions



In 1998/99 factory extensions were initiated in Denmark and distribution centres were built both in the USA and Denmark.

Business areas

Ostomy care

Turnover rose by 15% to DKK 1,217 million, the highest growth rate for many years. This means that Coloplast has increased its market share, particularly in Europe.

Growth was enhanced by the improved **Assura** one-piece ostomy range launched in 1997/98. This product is now sold by most subsidiaries and a two-piece version has been added to the range. However, to date the two-piece version has only been launched in a few countries.

Continence care

Sales reached DKK 618 million, corresponding to 14% growth. This high growth rate, which is outperforming market growth, is primarily due to the progress of the **EasiCath** catheter, while urine bag sales have also shown good growth. Sales of urisheaths are growing only slightly as Coloplast is already holding a strong position in this market.

A new coated catheter, immersed in water within an innovative packaging and therefore ready for immediate use, has been launched in one market and is doing well. This and similar products are being made ready for launching on a larger scale in 1999/2000. An improved **Conveen** continence guard will be test marketed in 1999/2000.

Wound care

All markets recorded turnover growth with sales of DKK 494 million. The 12% growth in sales is higher than last year, and Coloplast's growth is now estimated to be level with market growth. In the USA Coloplast

has entered into a partnership with other companies on wound care, where the partners among them can offer a full-range product portfolio for treatment and prevention of chronic wounds.

The **Biatain** foam dressing was launched in 1998/99 in a number of markets and sales are expected to grow considerably in the coming years. With the launch of **Biatain**, Coloplast offers a fully competitive product range and we continue to develop new and improved wound care products. This area will continue to be a growth market owing to the increasing elderly population and to the increasing use of moist wound healing in the treatment of chronic wounds.

Skin care

Sales of skin care products, including the products launched in Europe under the **Comfeel**, **Conveen** and **Compeed** brands grew only slightly, by 3% to DKK 161 million, being affected by the difficult conditions in the US healthcare market. The products launched in Europe have performed well.

The products sold in the US are about to be relaunched in a new design which presents the product range in a clear and logical way. Improved products continue to be developed, eg new products with antibacterial properties for infection prevention have been launched.

Breast care

In 1998/99 Coloplast strengthened its position as market leader in breast care. Turnover increased by 6% to DKK 407 million, and a self-adhering breast form with integrated adhesive launched in Europe in

1997/98, has now also been introduced in the US market. Sales of special textiles increased in both Europe and the USA. To reinforce market activities in Europe, Coloplast's subsidiaries in Italy, Spain and Belgium have taken over the distribution of our **Amoena** products from 1 October 1999 from the previous independent distributors.

Consumer products

Turnover increased to DKK 168 million, an increase of 35% over the previous year. Sales to European distributors as well as sales of **Compeed** dressings to Johnson & Johnson Consumer Products Company in the US grew. Several new dressing versions have been launched under the Band-Aid brand and the agreement has been extended to new markets.

Investments

Capital expenditure accounted for DKK 346 million or DKK 111 million more than the year before. Actual sales volume growth in 1998/99 was 12 % with the products manufactured in Denmark showing strongest growth. Production capacity is fully utilised in most sites with operations being organised in three shifts or in some cases five shifts. It has been necessary to invest in new machinery, and sizeable extensions to production and warehouse space have taken place both in Denmark and the US.

A large, centralised warehouse at Humlebæk replaces decentralised storage areas, freeing space for production.

In Minnesota, USA, facilities for adhesives production were opened in the previous financial year, and man-

ufacturing of wound dressings for the US market has begun. In Georgia, USA, an extension to the distribution centre is now in use.

An extension of the administrative facilities, including an auditorium, is expected to open in Humlebæk in spring 2000. In addition, there are plans for another 10,000 sq. m of new production space for injection moulded parts at Mørdrup, Espergærde, to be operational by mid-2000. At Thisted, a 3,000 sq. m facility has been rented for operations to start early in 2000.

Capital reserves

The Group capital reserves were DKK 1.3 billion at year-end, including credit facilities with at least 12 months' notice. These reserves are considered to be sufficient to cover investments and possible acquisitions over the next few years.

Human resources

The commitment and job satisfaction of our employees is vital to the development of the company. In 1998/99 further employee satisfaction measurements were made in subsidiaries using the same methods as in the parent company. Although the results indicate high employee satisfaction they have also identified areas for improvement.

To strengthen the efforts to achieve constant improvements, management quality will be measured in Coloplast's Danish organisation in 1999/2000.

Educational upgrading and post-graduate training of the employees is prioritised. In

Another mark of quality

When the space shuttle Endeavour is launched for its first mission in space in the new millennium, it will have **Conveen** urisheaths on board. The astronauts will use them when collecting urine samples. The samples are to be analysed to trace reactions of the human body to weightless conditions.



It is vital for women who have had breast surgery to be able to choose their breast form in relaxed and intimate surroundings. Coloplast Pty Ltd has opened a breast care specialist store in Brisbane, Australia, with a high level of customer service. Carol Martin (left) and Elisa El Safty give fitting advice in the Spirit of Life Boutique.



1999/2000 Coloplast Academy will be established. The Academy will provide a framework for the Group's human resource training and development activities and ensure that competencies required to reach future goals are available.

Complementary accounts
Coloplast is driving an effort to establish complementary accounts which will give the company's stakeholders a more complete picture of the resources available to the company. Additionally, Coloplast is cooperating with other companies and the Danish Agency for Trade and Industry in developing a common model for intellectual capital accounts. See also page 38.

Environmental affairs

For the last four years Coloplast's Danish factories and the Amoena factory in Germany have been developing and implementing environmental management systems. These systems ensure that the factories' environmental approvals are up to date and that official environmental requirements are fully met.

The environmental standards of the Danish factories have been certified according to ISO 14001 and all sites obtained EMAS approval (the EU's Eco Management and Audit Scheme) in 1998.

Environmental statements for 1996/97 and 1997/98 have already been published, these meeting both the internal and external needs for environmental information.

Our customers are increasingly demanding environmental information both in general terms and more specifically in relation to Coloplast products. Therefore, environmental details are a part of the marketing communication in several subsidiaries.

Coloplast holds the project leadership for the EU-financed EPSILON research project. The project will enable Coloplast, as one of the first suppliers of medical devices, to supply products whose total environmental impacts are documented.

The euro

On 4 January 1999 Coloplast received its first invoice denominated in euro. Preparations for euro invoicing had commenced in September 1997. Some 60% of Coloplast's sales are realised in euro countries. Coloplast has offered its customers euro invoicing from

January 1999, but only few have so far chosen this option. Coloplast in Denmark is now requesting its suppliers to invoice in euro to minimise the effects of future exchange-rate fluctuations. Some 40% of all purchases are presently made in euro.

In this year's annual report the Group's profit and loss account, balance sheet and cash flow statement are also shown in euro.

Information technology and Y2K

Coloplast has reviewed all IT systems and technical equipment to ensure Y2K compliance. Since early 1999 all vital IT systems have been compliant. Through the year the remaining systems and equipment have been prepared to ensure compliance by year-end. All important suppliers have been contacted and have declared that they expect their systems to be compliant in due time. An emergency plan has been worked out to counter any problems that may arise. Total costs of just over DKK 10 million have been incurred for Y2K compliance activities.

To meet expected larger than normal orders in the quarter preceding the millennial change, corporate stocks have been increased towards the end of the 1998/99 financial year.

Research and development

The financial resources spent by Coloplast on research and development correspond to about 5% of Group turnover. Research activities are concentrated in the Coloplast Research Centre, established in 1995. The first product from the Research Centre to be commercial-

ised is the new catheter immersed in water launched in 1998/99, see page 32.

Product and process development activities are taking place in all product divisions and in Coloplast Consumer Products A/S.

Organisation

At the annual general meeting on 14 December 1998 laboratory manager Flemming Moss was appointed employee-elected member of the Board of Directors to replace technician Bjarne Nielsen. At year-end there were 3,745 employees (converted into full-time equivalents) in the Group (1997/98: 3,269). Slightly more than half of the Group's employees work in Denmark.

Future prospects

Coloplast's long-term objective is to reach a turnover exceeding DKK 6 billion by the year 2005. Achieving this objective requires an average annual growth of 12%, also expected in financial 1999/2000. As the market for medical disposables is estimated to grow at a somewhat lower rate, Coloplast will need to increase its market shares or launch products to new market segments to achieve its objective.

It is anticipated that Coloplast can achieve this long-term objective without large acquisitions. However, such growth will demand the continued development of new and better products, tailored services and effective marketing efforts. In addition, considerable investments in research, product and service development and capacity extensions will be required.

We are endeavouring to identify major acquisitions in keeping with the Coloplast Mission. If such acquisitions materialise, the company's long-term objective will be increased correspondingly.

The objective of reaching operating profits of 15% in each financial year will require constant improvements in all fields of operations as the pressure on prices continues.

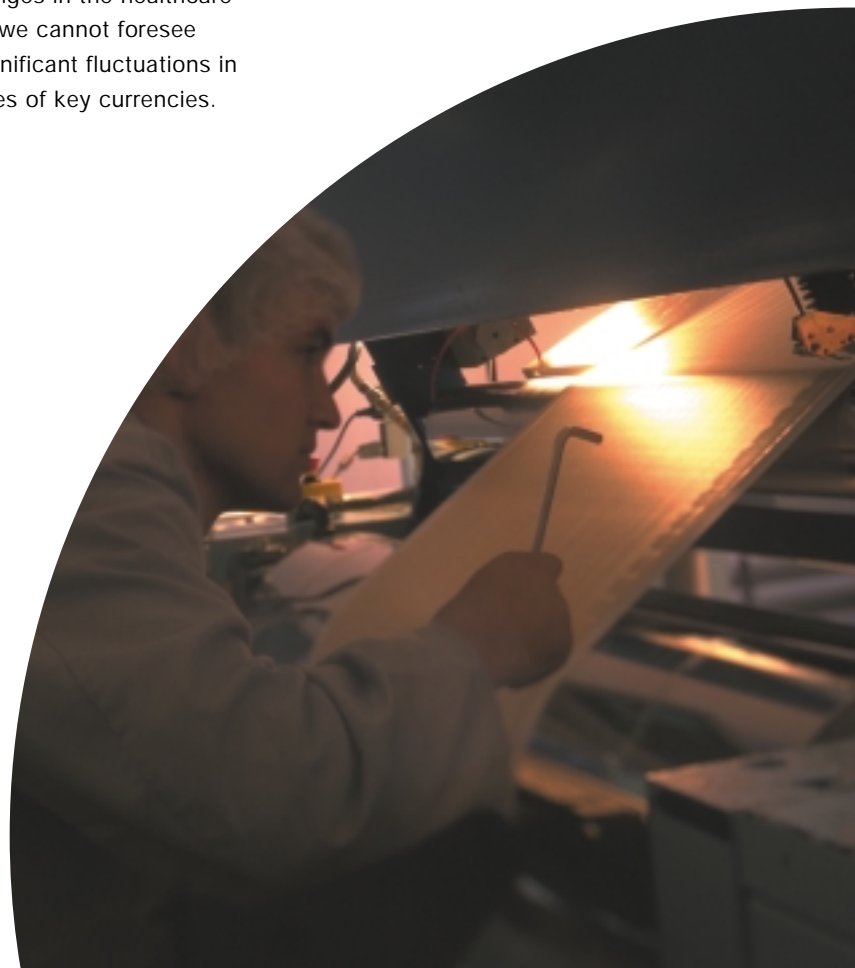
The potential for reaching our long-term objective may be affected by major changes in the healthcare sector which we cannot foresee today and significant fluctuations in exchange rates of key currencies.

Annual General Meeting

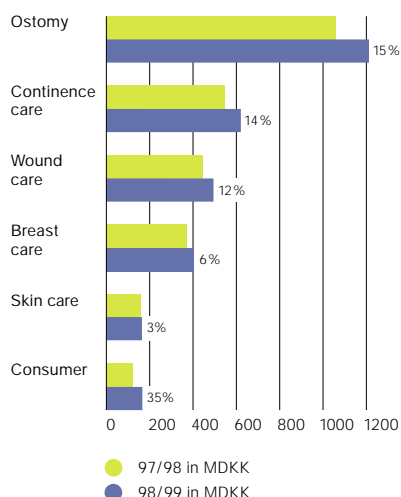
The Board of Directors proposes to the Annual General Meeting:

- that dividends are paid at DKK 5.10 per share (1997/98: DKK 4.40 per share).
- that the trading unit of the company's class A and B shares is changed from DKK 20 to DKK 10 nominal value.
- that the Board of Directors is authorised to acquire own shares in accordance with the Danish Companies Act, section 48, through buying up to 10% of the company's share capital. Such authority to be valid until the Annual General Meeting in 2000. The Board may decide to use the entire amount held or part of it for acquisitions and – depending on the development of the company's business – to sell such shares to the employees at a favourable price.

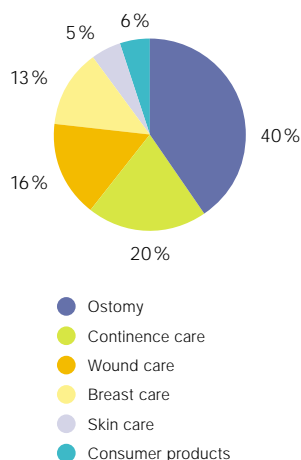
Employee satisfaction is measured biannually and is now supplemented by management quality measurements. Assessment of managerial performance includes results as well as ways of obtaining them. The manager is assessed both by his or her superior and subordinates.



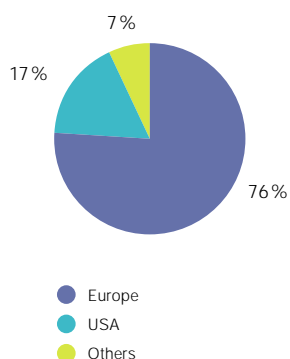
Turnover development
per product area



Group turnover by business
area in 1998/99



Geographical distribution
of turnover in 1998/99



Financial review

Group turnover was DKK 3,065 million, an increase of 13% from DKK 2,724 million in 1997/98. Profit on ordinary activities increased by 14% to DKK 452 million from last year's DKK 395 million. Profit before tax and minority interests was DKK 306 million compared to DKK 265 million last year, an increase of 15%.

Operating profit before financial items and tax was DKK 464 million, which is 6% up on 1997/98.

In connection with setting up the subsidiary in Brazil and transferring breast care sales to European subsidiaries, DKK 10 million has been paid by way of compensation to the previous distributors. In the US, market developments have prompted provisions for losses on accounts receivable of DKK 7 million. Lastly, operating profit is DKK 10 million lower than it would have been if last year's average exchange rates had applied. Despite these one-time costs, the Group's objective to achieve a profit margin of 15% – calculated as operating profit in per cent of turnover – was met.

Turnover and operating profit are stated at annual average exchange rates 0.3% below the 1997/98 average rates. However, increasing rates of certain key currencies during the last part of the year meant that the closing rate was higher than the average rate, and a net difference of DKK 6 million has been stated as income under financial items. Overall, exchange-rate developments have therefore had no significant effect on profit before tax compared with the previous year.

The 13% turnover growth includes no acquisitions and is

higher than expected, because many new products launched during the past two years have been favourably received by the users. Many new products means higher manufacturing and marketing costs. Nevertheless, the financial development of the Group in 1998/99 is well in line with the expectations published in the 1997/98 annual report and the interim statement issued in May 1999.

Turnover development, geographical markets
The increase in turnover was achieved through the combined effects of increasing market shares, sales of newly developed products and product launches in new markets.

Particularly in the European market sales performance has been good, with all subsidiaries except one increasing sales by two-digit growth rates. The overall European growth was 14%. The subsidiaries in Japan, Australia and Argentina also recorded sales growth of 14%, while sales through distributors increased by 13%.

The US market was also in the past financial year affected by a decline in sales of medical disposables to hospitals and institutions. Despite a declining total market, Coloplast managed to achieve an increase of 2% in its own sales of medical devices.

Turnover development, business areas
Ostomy product sales closed at DKK 1,217 million, recording a

15% growth in fixed prices. With the launch of the improved **Assura** ostomy programme, our competitiveness has increased, resulting in market share gains.

Continence care products continue to perform well. Turnover increased to DKK 618 million (14% up). There has been progress for the urine bag, urisheath and intermittent catheter ranges, while sales of absorbent products are declining.

Wound care sales resumed two-digit growth in 1998/99, being 12% up on last year with the turnover amounting to DKK 494 million. This growth is estimated to be in line with the overall market growth across Europe and the US. The newly developed **Biatain** foam dressing is contributing to renewed progress for this business area.

Sales of skin care products were affected by the decreasing US market, where there was a slight decline. However, the sales recorded for the **Conveen**, **Comfeel** and **Compeed** brands include skin care products developed and sold in Europe, these enabling the Group's total skin care turnover to grow by 3%.

In breast care a 6% growth was achieved, with the growth rate being about equal in Europe and the USA. Coloplast has sustained its world market leader position with more than 50% of the total market.

Compeed Hydro Cure sales rose by 35%. The products are sold through distributors in Europe. In North America, the agreement with Johnson & Johnson Consumer Products Company has been extended to include new products.

More than 97% of Group sales are generated outside Denmark, and 92% of the products manufactured in Denmark was exported.

The shares of Group turnover contributed by the individual product areas were only marginally different compared to 1997/98.

Expenses and profit margin
Expenditure for raw materials, ancillary materials, human resources and external services rose by more than 13% to DKK 2,471 million, and provisions for depreciation increased by 28%. Consequently, total Group expenses increased more than turnover and the profit margin fell from 16% to 15%. This development was expected and the Group's 15% profit margin objective was met.

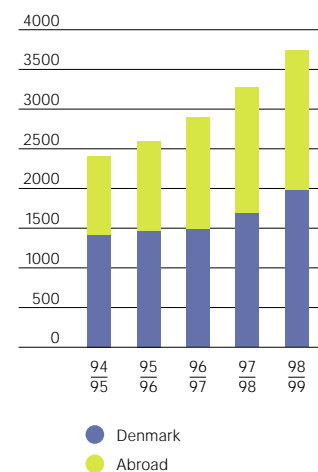
One-time expenses amounting to DKK 27 million in the form of compensation payments to previous distributors, provisions for losses on accounts receivable, and the negative exchange-rate effect explain the 1%-point reduction in operating profit. In addition, Breast Care Division in the USA and the three Danish product divisions have launched important new products for breast care, stoma care, continence care and wound care. Manufacturing costs are considerably higher in the start-up phase, until the volume of these new products has reached a level where economies of scale are achieved.

Profit from associated companies – mainly companies with

whom Coloplast has formed partnerships involving the distribution of products to the end users – has been reclassified and is now stated in the profit and loss account as operating income.

As in recent years, it is impossible to increase selling prices for existing products to compensate for the effect of inflation. Therefore, a continued focussed effort to reduce production costs through rationalisation and increase the efficiency of production equipment are top priorities. It is also our aim to seize opportunities to develop new products which contribute to both increasing the quality of life for users and reducing overall healthcare costs. Very early in our product development process we challenge the performance of new products, both their environmental impact and their potential cost in use. Meeting the requirements in these respects is a prerequisite for obtaining higher prices for new products compared to those they replace.

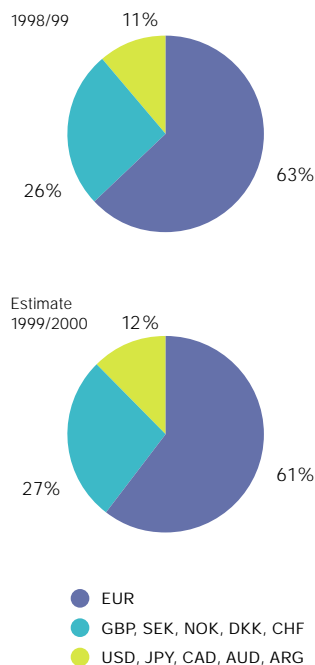
Number of employees



Development of Coloplast's average
invoicing currencies
Index 100: 1 October 1994



Realised and expected net ingoing
payments by currency group



Human resources

At year-end, the Group employed 3,745 people (including 1,974 in Denmark) compared with 3,269 last year (1,683 in Denmark). The turnover per employee was therefore almost unchanged compared with the previous year.

Exchange-rate developments

The weighted average value for 1998/99 of Coloplast's invoicing currencies was 0.3 percentage points below their 1997/98 level. During the financial year the value of GBP, USD and JPY in terms of DKK increased. Their value rose during the first six months and stabilised over the last six months. At 30 September their weighted value was slightly above their annual average value. As mentioned, this development had a minor, negative effect on operating profit compared with last year. The effect was offset by a positive gain on financial items of the same order, so that the overall effect of exchange-rate changes on the year's profit before tax was marginal.

The European Monetary Union has reduced the volatility of Coloplast's exchange rates. About 60% of the company's turnover is generated in euro countries, and a considerable share of raw material purchases – also from Danish suppliers – is invoiced to the company in euro. This has been an advantage as it implies a reduction of open net currency positions. Through an increased globalisation of the company's activities, acquisitions and establishment of manufacturing operations abroad, a better balance

between accounts payable and accounts receivable in foreign currency can also be achieved in the coming years.

According to the company's currency strategy we strive to minimise currency risks by hedging any currency holdings and anticipated net currency inflows for the coming 3-12 months against currency risks, using financial instruments like forward cover and options. This practice was established in 1996 and has since served its purpose well. At 30 September 1999 currency covered amounted to DKK 735 million, corresponding to actual holdings plus 5.2 months' net inflow of currency.

Forward currency contracts and options are made to cover commercial transactions.

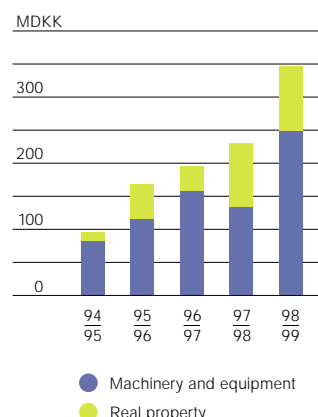
Financial items and tax

Financial items include interest receivable and payable, cash discounts, capital gains and losses on securities sold, exchange-rate gains and losses on currency holdings, debts and financial contracts.

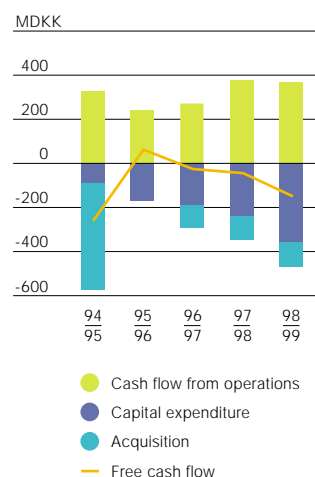
Net financial expenditure amounted to DKK 12 million in 1998/99, a DKK 31 million decrease from 1997/98. This decrease was derived from exchange-rate adjustments of DKK 39 million, an increase in cash discounts of DKK 2 million and a decline in exchange-rate gains on securities of DKK 6 million.

Total debts at year-end amounted to DKK 1,086 million, including DKK 438 million of interest-bearing debts. DKK 366 million

Capital expenditure



Cash flow



represents debt raised for terms of more than one year.

Coloplast's portfolio of securities and mortgage credit loans is actively managed according to a determined policy assessing interest rate, duration and risk of declining prices. Despite declining prices for bonds during the autumn, capital losses were limited to DKK 5 million. At 30 September 1999 there was an unrealised exchange-rate loss of DKK 9 million, which was charged to expenses in 1998/99.

The average duration of securities was increased during the year from 4.3 to 5.6 at 30 September 1999. Average yield to maturity was approx. 5.5% p.a.

Cash discounts to the company's customers in some markets amounted to DKK 31 million in 1998/99 as compared with DKK 29 million the year before.

The total tax liability for the Group was DKK 146 million compared with DKK 128 million in 1997/98. The company tax rate was 32%, the same as last year. The tax rate for the coming financial year is expected to stay at the same level.

Investments

The last few years' growth has meant full utilisation of manufacturing capacity and a major investment programme including new buildings as well as machinery has been initiated. Investments in fixed assets amounted to DKK 346 million in 1998/99 compared with DKK 230 million the year before. A total of DKK 248 million was spent for technical plant and equipment; this represents an increase of 88% compared with 1997/98. In addition, investments in land and buildings amounted to DKK 98 million. Investments in machinery, land and buildings were made in Denmark, the USA and Germany. The level of investments is expected to remain high next year.

Cash flow statement

The year's cash flow from operations was DKK 366 million, a decrease of DKK 7 million compared to 1997/98. The decrease is due to an increase over the year of operating capital by DKK 151 million, primarily through

rebuilding of low stocks early in the year, and to accounts receivable having increased slightly more than turnover. After deduction of investments in fixed assets, purchasing of own shares and of shares in associated companies, there was a negative net cash flow in 1998/99 of DKK 142 million. Last year there was a negative net cash flow of DKK 39 million.

The other items included in the cash flow statement are financial items and adjustments of fixed assets under construction, assets sold and exchange-rate adjustments of subsidiary companies' equity. Dividends disbursed to shareholders in 1997/98 amounted to DKK 53 million. Sourcing by loans was increased by DKK 180 million, reducing liquid funds by DKK 15 million to a total of DKK 193 million at 30 September 1999.

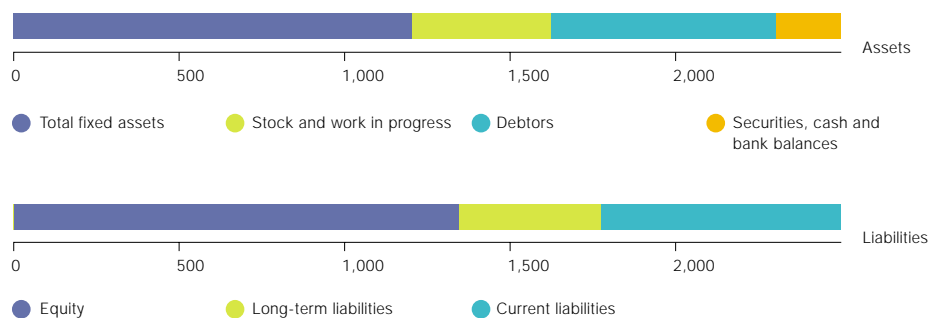
Cash flow from operations less investments in fixed assets is expected to be positive for the coming years. If acquisitions or further investments through associated companies materialise, this will have to be allowed for.

Development of balance and equity

Equity amounted to DKK 1,331 million, representing 54% of the total balance at 30 September 1999, which is less than the 58% equity share at the beginning of the year. The profit for the year yields a return on equity of 25%, the same level as last year.

The return on assets was 21% compared with last year's 23%. The return on capital employed was 35% compared with 36% in 1997/98.

Balance



Equity increased from DKK 1,098 million at the beginning of the year to DKK 1,331 million at 30 September 1999. This increase is composed of the following items: Profit for the year after deduction of dividends was DKK 245 million. This amount is adjusted by the DKK 14 million worth of own shares acquired. Adjustments relating to subsidiary companies account for DKK 7 million. Finally, DKK 5 million of goodwill has been written directly to equity in accordance with Coloplast's accounting policies. The goodwill relates to the acquisition of equity in associated companies.

Equity stated at the beginning of the year has changed, allowing for the change in accounting policies relating to the statement of the value of own shares.

Accounting policies

Since its listing on the Copenhagen Stock Exchange in 1983, Coloplast has only made few changes to its accounting policies. This year's accounts reflect two minor changes relating to the value of holdings of own shares and the statement of profits from associated companies.

The effect of these changes has been incorporated in the comparative figures for 1997/98 and in 10 years' key figures and ratios. The effect of the change is insignificant. As a service to our international stakeholders we have introduced a column showing the Group's profit and loss account and balance sheet figures converted into euro.

Changes to Danish accounting legislation are underway and it is anticipated that the Danish Company Accounts Act and Danish accounting standards will be adjusted to comply with international standards. Coloplast is planning major changes to the accounting policies once the new legislation has been implemented.



Risk factors

Prepared for emergencies
Coloplast has established fire and environmental emergency systems in all Group facilities to ensure quick action in case of major accidents and to limit their consequences to people and the environment.

Our emergency system will identify and remove risks that may threaten the company in the short or long term. The layout of the buildings and design of processing equipment serve to reduce the risk of fire to a minimum, but effective equipment has been installed to limit any damage if there is a fire. All employees in the permanent fire groups have been trained to fight fires, give first aid and control pollution. The groups are active participants in realistic drills organised on site together with the local fire service.

Core technology

The adhesives technology is vital to the Group's business with skin-friendly adhesives being used in many Coloplast products. In the past, adhesives were manufactured only in the Espergærde factory but from 1998 they are also being manufactured in the Minnesota facility, USA.

Currency risks

As the Group's products are sold internationally, only 3% of Group turnover is invoiced in Danish kroner while about half the costs are incurred in Danish kroner. The resulting currency risk is covered under our

strategy which has balance sheet items in foreign exchange and the anticipated net currency inflow for the coming 3-12 months covered by financial instruments, including forward contracts and options. Currency deals are primarily concluded in Denmark.

Acquisitions are included in the Group strategy. With potential acquisition of companies with manufacturing operations outside Denmark, our net currency exposure will be reduced over time.

With the introduction of the euro on 1 January 1999, the Group's currency risks were reduced. About 60% of Coloplast sales take place in euro countries and, if Denmark joins the European Monetary Union, our overall currency risks will be further reduced.

Patents

Within adhesives, plastics and process technology, Coloplast is endeavouring, like our competitors, to protect inventions through patents.

Coloplast is operating independently of third party rights. This freedom is ensured through our patent policy whereby our internal patent department supervises and evaluates patents issued in relevant fields. Coloplast also consistently strives to secure universal rights to new developments, whenever possible, although our overall business is not dependent on specific patents.

Owing to the complexity of our patents there is a certain risk that Coloplast becomes a party to patent infringement lawsuits. However,



The building and design of the Coloplast facilities minimise the risk of fire and accidents.

during 1998/99 there have been no such suits against Coloplast involving substantial financial risk.

Suppliers

A limited part of Coloplast's products is based on raw materials of a very special nature. For these raw materials Coloplast has, where possible, obtained a supplier's guarantee.

The environment

Coloplast's environmental impact is modest. The main environmental impacts arise from the production of the imported polymer raw materials (plastics) and from their disposal after use, this typically being incineration.

The environmental management system includes procedures for systematic identification and reduction of the company's environmental risks. Coloplast's European factories (in Denmark and Germany) have been approved and verified according to the Eco Management and Audit Scheme (EMAS). EMAS is a voluntary EU scheme for companies practising environmental management at a high level.

PVC and phthalates (PVC-softeners) are used in a little more than half of Coloplast's products. A new tax on PVC and phthalates will be introduced in Denmark but medical devices will be exempt.

A draft update of the Danish regulation for the environmental approval of companies may mean that the Humlebæk site will be regulated by the EU's Integrated Pollution Prevention and Control (IPPC) Directive. As a consequence, the environmental approval of the factory

will require extended public access to documentation, which may be detrimental to the company's competitiveness. Investments in new technology are planned to meet the IPPC Directive for regulated companies which demands the use of "the best available technology". The Coloplast management finds that Danish legislation to implement the EU's IPPC Directive is stricter in its requirements than the legislation in other countries.

In 1999 Coloplast issued its second environmental statement covering the Danish and German manufacturing sites.

Medical breakthroughs

Today, no medical treatment exists which can replace ostomy surgery or breast surgery or materially reduce the number of patients. Medical research in a number of fields may, however, affect the need for these types of surgery in the long term. If pharmaceutical or other solutions are found, a further development time of 5-7 years must be anticipated. Besides, people who have undergone surgery in the past will continue to need appliances.

Similarly, there are no known medical solutions which may reduce the need for incontinence products or dressings for patients with chronic leg ulcers or pressure sores, or are likely to make these products redundant.

Risk preparedness includes the training of special groups to fight fires and pollution and to give first aid. Here a fire fighting group is doing a realistic drill.



Shareholder information

Shareholder value

We strive to give shareholders long-term, stable returns on their investment through increases in the share price and through dividend payments. We believe it is crucial to the generation of shareholder value to have the best possible relations with customers, employees and society.

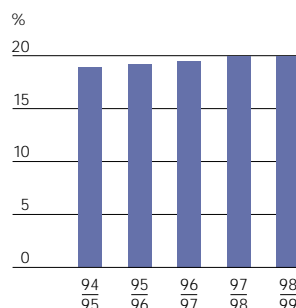
Coloplast wishes to respond quickly to acquisition opportunities, should they arise. The size of our liquid funds and our solvency ratio as well as established credit facilities are sufficient to seize such opportunities.

Dividends

The Board of Directors will propose to the Annual General Meeting that dividends be paid at the rate of DKK 5.10 per share of DKK 20. This is an increase of DKK 0.70 or 16%. Last year dividends were raised by 13% to DKK 4.40 per share. Payment of dividends to shareholders at a rate of approx. 20% of the year's net profit is in line with previous years' policy.

Dividends will be paid out automatically through the Danish Securities Centre no later than 5 business days after the Annual General Meeting.

Dividends in % of Group net profits



Shareholders

The Danish Companies Act, section 28 (a) and (b), requires shareholders owning more than 5% of the share capital or voting rights of a company to be known to the public.

According to the records, Coloplast has four such shareholders. They are: Mrs J. Louis-Hansen of Randers, Mr N.P. Louis-Hansen of Vedbæk, The Foundation of Aage and Johanne Louis-Hansen of Vedbæk, and ATP (Labour Market Supplementary Pension) of Hillerød.

There have been only minor changes in ownership over the year. The number of shareholders decreased from 7,661 to 7,404.

According to the company's Articles of Association a share must be registered in the name of the shareholder to carry voting rights. 95.5% of all shares are registered in the names of their holders. Coloplast wishes to be able to give its shareholders information on the company and would therefore recommend that all shareholders have their shares registered in the register of shareholders. Ownership by foreign shareholders is 16%.

Since Coloplast obtained exchange listing in 1983, there have been five issues of employee shares

at favourable prices, and a very large number of Group employees now own shares in the company. Active ownership is an important means of keeping employees motivated and committed in their daily work.

During 1999 Coloplast has bought 20,628 Coloplast B shares worth DKK 14 million, and the total holding of own shares is 0.3% of the Coloplast B shares. The shares have been written down to zero. They may be used as payment in connection with acquisitions.

Trade and share price

In November 1995 the Coloplast B shares were included in the Copenhagen Stock Exchange index of ultraliquid shares (the KFX index), and their status of being among the twenty most traded shares quoted was reconfirmed in November 1999.

In 1998/99 the average number of shares traded each month was 316,295 while in 1997/98 the average was 339,748 shares per month.

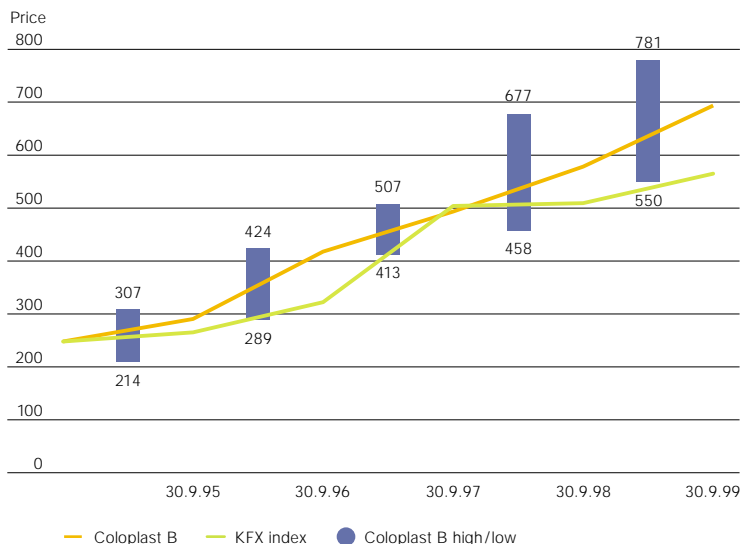
On the first trading day of financial year 1998/99, the Coloplast share price was 569. It closed at 698, representing an increase of 23% over the year. The KFX index rose by 14% during the same period. The year closed with the market

Ownership of Coloplast shares at 30 September 1999

	A shares 1000 units	B shares 1000 units	Ownership %	Per cent of voting rights
Holders of A shares	900	4,428	44.4	66.8
Labour Market Suppl. Pension		1,527	12.7	7.6
Other institutional investors		3,482	29.0	17.3
Other shareholders		1,123	9.4	5.6
Non-registered shareholders*		540	4.5	
Total	900	11,100	100.0	97.3

* Only shares registered in the name of the holders carry voting rights

Share price development



interested parties are held regularly in Denmark and abroad, whenever possible with Group Management presence. Contacts and coordination of these activities are the responsibility of Coloplast's Corporate Communications Department.

No meetings with investors and analysts are arranged for the two weeks preceding the issue of quarterly and half-year financial statements, nor for the 30 days preceding the financial statement for the full year.

value of Coloplast B shares at DKK 7.7 billion (compared with DKK 6.3 billion at 30 September 1998).

Coloplast B shares are registered in the Copenhagen Stock Exchange securities system under code DK 00 1019295 4. Deals concluded through the international clearing houses Euroclear and Cedel should refer to securities code 004322088.

Satisfaction with 1997/98 Annual Report

The 1997/98 Annual Report included a questionnaire asking shareholders for feedback on the utility of the report. The survey showed a high level of satisfaction with the annual report contents as well as its form.

Several shareholders have expressed a wish for more information about Coloplast, and it has therefore been decided to issue quarterly financial statements as from February 2000. In addition, the Coloplast corporate homepage has become more informative.

Investor relations

It is desirable that the price of the

Coloplast B share develops smoothly and at all times reflects the market's expectations for the development of the company's business. Therefore Coloplast entertains an open dialogue with market players to ensure that they receive the best possible information about the company – with due respect to the Stock Exchange Code of Ethics. Meetings with shareholders, investors, financial analysts and other

Internet

Coloplast's corporate homepage has sections on Finance (including all information to the Copenhagen Stock Exchange, daily listed price and key figures in worksheet format), News and Business Areas with product information. The homepage offers an automatic e-mail service to users wishing to be updated on News. The homepage address is: www.coloplast.com

Information to the Copenhagen Stock Exchange in 1998/99

16 Nov. 1998	Financial statement for the year 1997/98
7 Apr. 1999	Coloplast issues Environmental Statement for 1997/98
20 May 1999	Interim financial statement for 1998/99
31 Aug. 1999	Coloplast to issue quarterly financial statements from the start of financial 1999/2000
17 Nov. 1999	Financial statement for the year 1998/99

Financial calendar for 1999/2000

2 Dec. 1999	Publication of Annual Report for 1998/99
15 Dec. 1999	Annual General Meeting at the Radisson SAS Falconer Center, Copenhagen
22 Dec. 1999	Payment of dividends for 1998/99
9 Feb. 2000	Financial statement for 1st quarter 1999/2000
22 May 2000	Interim financial statement for 1999/2000
16 Aug. 2000	Financial statement for 3rd quarter 1999/2000
17 Nov. 2000	Financial statement for the year 1999/2000

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Shareholders' Secretariat,
Agnete Ingvordsen
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Accounting policies

The annual accounts and group accounts of Coloplast for 1998/99 have been prepared in accordance with the Danish Company Accounts Act and the rules for listed companies as laid down by the Copenhagen Stock Exchange.

The accounting policies are consistent with those applied last year, except for the price paid/received for own shares being deducted from/added to reserves directly and the profit from associated companies and income from capital interests having been reclassified to comply with the operating profit definition. The changes have no material impact on previous years' figures.

Euro

As a service to the readers of our annual accounts we have shown Group figures also in EUR. The conversion rate was 743.31, the rate of exchange quoted on 30 September 1999.

Group consolidated accounts

The Group accounts comprise the parent company, Coloplast A/S, and subsidiaries in which the Coloplast Group controls more than 50% of the voting rights or otherwise has a controlling interest.

The Group accounts are prepared based on the parent company and subsidiaries' accounts by aggregating similar financial statement items. The accounts used for consolidation purposes have been prepared using the accounting policies of the Group. On consolidation, intra-group entries have been eliminated.

Companies which are not subsidiaries but in which the Coloplast Group owns 20% or more of the voting rights or otherwise has considerable management influence, are regarded as associated companies.

Newly acquired or divested companies are included in the profit and loss account for the period of ownership.

Comparative figures have not been corrected for newly acquired or divested companies.

At the acquisition of subsidiaries, the acquired share of a company's net asset value is determined according to the Group's accounting policies. Where the purchase price differs from the net asset value, the difference is to the extent possible allocated to assets and liabilities and written directly to reserves.

Profit and loss account

Net turnover

Is included in the profit and loss account for the year of delivery and invoicing.

Other operating income and expenses

Comprises items that are secondary in nature to the primary operations of the company.

Research and development costs

Are included under 'other external costs'.

Conversion of foreign currency

Debit and credit balances denominated in foreign currency have been converted into Danish kroner at the exchange rates quoted on the balance sheet date. Both realised and unrealised exchange gains and losses on current assets or debt have been included in the profit and loss account as financial items.

The profit and loss accounts of the foreign sales subsidiaries have been converted at average exchange rates for the period. Their balance sheets have been converted at official exchange rates at 30 September. Currency differences arising from such conversion have been included as financial items in the consolidated accounts.

The profit and loss accounts of the foreign manufacturing subsidiaries have been converted at average exchange rates for the period while

their balance sheets have been converted at official exchange rates at 30 September. Currency differences arising from such conversion have been written directly to reserves.

Exchange-rate adjustment of subsidiaries' value at the beginning of the year have been written directly to reserves.

Exchange-rate adjustments relating to balances with foreign subsidiaries representing increases or decreases in their equity capital, are entered under reserves.

Financial instruments

The turnover of the parent company and the Danish subsidiaries is primarily invoiced in foreign currency. To take out forward cover of accounts receivable and payable in foreign currencies the parent company uses forward contracts and options.

For forward contracts and options taken out to cover accounts receivable and payable in foreign currencies, the forward contract rate or the binding or agreed rate, respectively, is used for stating the items covered. Realised exchange gains and losses on such forward contracts and options have been included in the profit and loss account as financial items.

Subsidies

Have been granted for R&D and for investments. Subsidies for R&D have been systematically included as income in the profit and loss account so as to cancel out the costs they compensate for. Subsidies relating to investments have been included as accrued income in step with depreciation and write-off of the respective investments.

Extraordinary items

Include income and expenses deriving from activities other than the ordinary operations of the Group.

Taxes

Tax payable on the result for the year is charged to the profit and loss account together with changes in the provision for deferred taxation. Deferred taxation is provided for timing differences between net book and taxable values of assets and liabilities, except for deferred tax relating to participating interests in subsidiaries and associated companies.

Coloplast A/S has joined the tax prepayment scheme. Additions, deductions and compensations regarding the tax payment are included in the profit and loss account and balance sheet together with the current tax liability.

Coloplast A/S is jointly taxed with some of its wholly-owned Danish and foreign subsidiaries. The net tax payment on jointly taxed income is included in the parent company accounts.

Balance sheet

Non-tangible fixed assets

Are stated at the original cost less accumulated depreciation and write-offs. These assets are written off over their expected lifetime, the maximum being 20 years.

Purchased goodwill, patent and trademark rights of up to DKK 5 million are included like other external costs in the year of acquisition.

Tangible fixed assets

Are stated at the original cost less accumulated depreciation and write-offs. These assets are written off over their expected lifetimes, which are:

Buildings	25 years
Technical installations in buildings	10 years
Technical plant and machinery	5 years
Other plant, operating equipment and furniture	5 years

Tangible fixed assets with a cost of less than DKK 20,000 and minor building conversion and improvement costs not considered to add permanent value, are charged to the profit and loss account under 'other external costs' in the year in which they are incurred.

Financial fixed assets

Shares in subsidiaries and associated companies are stated in the accounts of the parent company at the value of the proportional ownership share of the respective companies' equity (equity method) and reduced by unrealised intra-Group profit. If the equity of a subsidiary is negative, an amount corresponding to the negative equity is set off against accounts receivable from the subsidiary or is allocated to reserves.

The profit for the year and the parent company's equity are therefore equal to those of the Group.

Other securities and equity capital, mainly shares acquired for permanent holding, are stated at purchase price less any depreciation of a permanent nature. Such depreciation is included in the profit and loss account as financial expenses.

Stocks

Raw materials and ancillary materials are stated in the accounts at cost price.

Semi-manufactured and finished goods are valued at calculated cost price – purchase price of raw materials and semi-manufactures plus other costs directly attributable to the individual product. No addition is made for indirect production costs.

Products whose net realisable value after deduction of any processing and selling cost is lower than the actual or calculated cost price, respectively, are priced at net realisable value.

Commodities are stated at the lower of cost price and net realisable value.

Costs are based on the FIFO principle of calculation.

Accounts receivable

Are stated at face value, reduced by any depreciation in anticipation of losses subject to individual assessment.

Securities

The purchasing and selling price for own shares is deducted from or added to reserves directly. Other securities are stated in the accounts at the price at which they were bought or at market value, if lower, based on a total portfolio assessment. Unrealised losses are entered in the profit and loss account as financial items.

Debt

Including mortgage debt, is stated at nominal value.

Cash flow statement

Uses the indirect method, based on operating profit, and shows the Group's cash flow for the year and the liquidity position at year end. The cash flow originates from, or is applied in, three main areas: operations, investments and financing.

Liquidity includes liquid funds and securities shown as current assets.

Liquidity deriving from operations is adjusted for non-cash operational items, changes in working capital and company tax paid.

Working capital includes current assets and short-term debt, but not short-term items included in liquidity.

Investments include fixed assets purchased or sold, prepayments on fixed assets during the building phase, increases in capital holdings in subsidiaries or associated companies and dividends paid by associated companies.

Financial items include issue of share capital and long- and short-term loans.

Positive amounts indicate incoming payments while negative amounts indicate outgoing payments.

Profit and loss account

1 October – 30 September

		Group MDKK		Group MEUR		Parent company MDKK	
	Note	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Net turnover	1	3,065	2,724	413	366	1,522	1,255
Change in stocks of finished goods and work in progress	2	106	24	14	3	20	16
Other operating income		30	28	4	4	20	22
Income from operations		3,201	2,776	431	373	1,562	1,293
Costs of raw materials and consumables . . .		-573	-416	-77	-56	-422	-292
Other external costs		-841	-791	-113	-106	-288	-262
Employee costs	3	-1,163	-996	-156	-134	-571	-461
Profit before depreciation		624	573	85	77	281	278
Income from participating interests	5	0	0	0	0	175	142
Profit, associated companies	5	18	4	2	1	0	-3
Depreciation	6	-178	-139	-24	-19	-122	-98
Operating profit		464	438	63	59	334	319
Financial income	7	75	46	10	6	90	62
Financial charges	8	-87	-89	-12	-12	-35	-39
Profit before tax		452	395	61	53	389	342
Company tax	9	-146	-128	-20	-17	-83	-77
Profit for the year		306	267	41	36	306	265
Minority interests		0	-2	0	0		
Coloplast's share of the profit for the year		306	265	41	36	306	265

Profit distribution

The Board of Directors will propose to the shareholders at the Annual General Meeting that they approve the following distribution of the profit for the year:

Dividend DKK 5.10 per share	61	53
Statutory subsidiary reserves	33	52
Free reserves	212	160
Total	306	265

Balance sheet at year end

At 30 September

		Group MDKK		Group MEUR		Parent company MDKK	
	Note	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Patents and trademarks	6	3	4	0	1	3	4
Intangible assets		3	4	0	1	3	4
Land and buildings	6	532	454	72	61	176	152
Technical plant and machinery	6	276	172	37	23	227	155
Other operating equipment	6	95	96	13	13	39	40
Payments on account for tangible assets and tangible assets under construction	6	142	108	19	14	83	70
Tangible assets		1,045	830	141	111	525	417
Shares in subsidiaries	6					85	95
Amounts due from subsidiaries						239	62
Participating interests in associated companies	6	21	14	3	2	0	5
Amounts due from associated companies		115	0	15	0	0	0
Other securities and participating interests	6	8	0	1	0	0	0
Financial assets		144	14	19	2	324	162
Total fixed assets		1,192	848	160	114	852	583
Stocks and work in progress	10	414	280	56	38	190	128
Trade debtors		584	477	79	64	37	50
Amounts due from subsidiaries	11					809	533
Amounts due from associated companies		30	2	4	0	0	2
Other debtors		45	68	6	9	6	6
Accruals		17	19	2	3	4	5
Debtors		676	566	91	76	856	596
Securities	12	99	111	13	15	99	110
Cash and bank balances		94	95	13	13	31	34
Current assets		1,283	1,052	173	142	1,176	868
Total assets		2,475	1,900	333	256	2,028	1,451
Share capital		240	240	32	32	240	240
Share premium account		10	10	1	1	10	10
Subsidiaries' reserves						187	147
Transferred profit		1,081	848	145	115	894	701
Total equity capital	13	1,331	1,098	178	148	1,331	1,098
Minority interests		10	4	2	1	0	0
Provisions for deferred taxes	14	21	24	3	3	18	24
Other provisions	15	27	23	4	3	6	6
Provisions		48	47	7	6	24	30
Mortgages	16	44	153	6	21	0	28
Bank loans	16	322	4	43	1	205	0
Long-term liabilities		366	157	49	22	205	28
Mortgages	16	4	11	1	1	0	1
Bank loans	16	68	91	9	12	11	16
Trade creditors		153	133	21	18	87	63
Amounts due to subsidiaries						62	7
Company tax	17	81	37	11	5	59	16
Other creditors		353	269	47	36	188	139
Dividend		61	53	8	7	61	53
Current liabilities		720	594	97	79	468	295
Total current and long-term liabilities		1,086	751	146	101	673	323
Total liabilities		2,475	1,900	333	256	2,028	1,451
Other liabilities	18						

Consolidated cash flow statement

		Group MDKK		Group MEUR	
	Note	1998/99	1997/98	1998/99	1997/98
Operating profit		464	438	61	58
Adjustment for non-cash operating items	A	164	149	22	20
Changes in working capital	B	-151	-45	-20	-6
Ingoing interest payments, etc.		69	36	9	5
Outgoing interest payments, etc.		-74	-86	-10	-12
Company tax paid		-106	-119	-14	-16
Cash flow from operations		366	373	48	49
Investments in patents and trade marks		0	-5	0	-1
Investments in land and buildings		-98	-98	-13	-13
Investments in technical plant and equipment		-248	-132	-33	-18
Investments in financial assets		-8	-119	-1	-16
Adjustment of capital assets under construction		-31	-38	-4	-5
Fixed assets sold		7	7	1	1
Acquisitions		-4	0	-1	0
Investment in associated companies		-116	0	-16	0
Dividend from associated companies		7	0	1	0
Investments in own shares		-14	-7	-2	-1
Exchange-rate adjustment of subsidiary equity capital		-3	-20	0	-3
Cash flow from investments		-508	-412	-68	-56
Proceeds from capital increase		0	12	0	2
Dividend to shareholders		-53	-46	-7	-6
Financing through share issue		-53	-34	-7	-4
Financing through long-term loans		209	-123	29	-16
Financing through short-term loans		-29	37	-4	5
Cash flow from financing		127	-120	18	-15
Net cash flow		-15	-159	-2	-22
Liquidity at 1 October		206	365	28	50
Adjustment of liquidity due to acquisition		2	0	0	0
The year's decrease in liquidity		-15	-159	-2	-22
Liquidity at 30 September		193	206	26	28
Liquidity includes:					
Securities		99	111	13	15
Liquid funds		94	95	13	13
		193	206	26	28
The consolidated cash flow statement cannot be extracted directly from the published financial statements.					
A Adjustment for non-cash operating items					
Depreciation		178	139	24	19
Profit share, associated companies		-18	4	-2	1
Change in provisions		4	3	0	0
Exchange rate adjustments, subsidiaries		0	1	0	0
Exchange rate adjustments, securities		0	2	0	0
		164	149	22	20
B Changes in working capital					
Stocks and work in progress		-134	-30	-18	-4
Trade debtors		-120	-21	-16	-3
Other debtors		1	-33	0	-4
Suppliers and other creditors		102	39	14	5
		-151	-45	-20	-6

Audit report and approvals

The annual report and accounts for 1998/99 for Coloplast A/S and the Group, which show a consolidated profit for the year of MDKK 306 and an equity capital of MDKK 1,331 at 30 September 1999, is hereby approved by Group Management and the Board of Directors.

Humblebæk, 17 November 1999

Group Management

Sten Scheibye
Chief Executive

Niels O. Johannesson

Carsten Lønfeldt

Board of Directors

Palle Marcus
Chairman

Jytte Gliim

Kurt Anker Nielsen

Niels Peter Louis-Hansen
Deputy Chairman

Per Magid

Torsten E. Rasmussen

Helle Bechgaard

Flemming Moss

Knud Øllgård

Audit report

We have audited the annual accounts of Coloplast A/S and the Group for 1998/99 as presented by the Management and Board of Directors.

Basis of opinion

In accordance with generally accepted auditing principles we planned and conducted the audit to obtain reasonable assurance about whether the annual accounts are free from material errors or omissions. Based on an assessment of materiality and risk our audit includes examining evidence supporting the amounts and other disclosures in the annual accounts. An audit also includes assessing the accounting policies used and estimates made by management as well as evaluating the adequacy of the presentation of information in the financial statements.

The audit did not give rise to any qualifications.

Opinion

In our opinion the annual accounts have been properly prepared in accordance with the accounting provisions of Danish legislation, and give a true and fair view of the financial position of the Group and parent company, the assets and liabilities as well as the result of their operations.

Copenhagen, 17 November 1999

PricewaterhouseCoopers

Morten Iversen
state-authorised
public accountant

John Schmidt
state-authorised
public accountant

Revisionsfirmaet Helge Bom A/S

Helge Bom
state-authorised
public accountant

Claus Ørbech
state-authorised
public accountant

Notes

	Group MDKK		Parent company MDKK	
	1998/99	1997/98	1998/99	1997/98
1. Net turnover				
Denmark	84	72	122	94
Rest of the world	2,981	2,652	1,400	1,161
Total	3,065	2,724	1,522	1,255
Turnover rest of the world in %	97 %	97 %	92 %	93 %
2. Change in stock of finished goods and work in progress	137	22	51	14
Elimination of intra-Group profit	-31	2	-31	2
Total	106	24	20	16
3. Employee costs				
Wages, salaries and directors' fees	1,037	884	536	434
Pension scheme contribution	43	33	28	20
Other social security costs	83	79	7	7
Total	1,163	996	571	461
Average number of employees	3,721	3,180	1,983	1,593
Number of employees at 30 September, full-time equivalents	3,745	3,269	1,960	1,631
The following amounts are included in the total employee costs:				
Management remuneration, pension and pension contributions			9	7
Directors' fees			1	1
4. Total fee to auditors elected at the Annual General Meeting				
Total fee to PricewaterhouseCoopers			2	2
Total fee to Helge Bom A/S			0	0
Of this fee for audit to PricewaterhouseCoopers			1	1
Of this fee for audit to Helge Bom A/S			0	0
5. Income from participating interests				
Profit from subsidiaries			192	150
Loss from subsidiaries			-17	-8
Income from participating interests			175	142
Profit, associated companies	18	4	0	-3
Dividend received from associated companies and subsidiaries	7	0	144	88

6. Fixed assets

Group 1998/99

MDKK	Intangible assets	Tangible assets				
		Land and buildings	Technical plant and machinery	Other operating equipment	Tangible assets under construction	Total tangible assets
Total purchase price at 1 October 1998	5	604	637	280	108	1,629
Adjustment at 1.10.1998	0	0	0	3	0	3
Additions from acquisitions	0	6	5	0	0	11
Transfer to/from other items	0	30	78	2	-110	0
Exchange-rate adjustments	0	7	5	7	2	21
New equipment and improvements during the year	0	68	128	40	142	378
Disposals during the year	0	-2	-17	-28	0	-47
Total purchase price at 30 September 1999	5	713	836	304	142	1,995
Total depreciation and write-offs at 1 October 1998	1	150	465	183	0	798
Adjustment at 1.10.1998	0	0	0	3	0	3
Additions from acquisitions	0	1	3	0	0	4
Transfer to/from other items	0	0	0	0	0	0
Exchange-rate adjustments	0	1	3	5	0	9
Depreciation and write-offs of assets sold	0	0	-16	-23	0	-39
Depreciation and write-offs of the year	1	29	105	41	0	175
Total depreciation and write-offs at 30.9.1999	2	181	560	209	0	950
Book value at 30 September 1999	3	532	276	95	142	1,045
Book value at 30 September 1998	4	454	172	96	108	830
Depreciation and write-offs of the year	1	29	105	41	0	175
Loss of the year on fixed assets sold	0	0	2	1	0	3
Profit of the year on fixed assets sold	0	0	0	-1	0	-1
Total depreciation of the year	1	29	107	41	0	177
Cash value of land and buildings in Denmark according to the latest official valuation at 1 January 1999						250

The Group have signed contracts for the supply of buildings, technical plant and machinery worth MDKK 127.

Parent company 1998/99

MDKK	Intangible assets	Tangible assets				
		Land and buildings	Technical plant and machinery	Other operating equipment	Tangible assets under construction	Total tangible assets
Total purchase price at 1 October 1998	5	229	573	113	70	985
Fixed assets under construction at 1 October 1998	0	20	49	1	-70	0
New equipment and improvements during the year	0	21	117	15	83	236
Transfer to/from other items	0	0	-2	2	0	0
Disposals during the year	0	-3	-19	-15	0	-37
Total purchase price at 30 September 1999	5	267	718	116	83	1,184
Total depreciation and write-offs at 1 October 1998	1	77	418	73	0	568
Transfer to/from other items	0	0	0	0	0	0
Depreciation and write-offs of assets sold	0	0	-15	-13	0	-28
Depreciation and write-offs of the year	1	14	88	17	0	119
Total depreciation and write-offs at 30.9.1999	2	91	491	77	0	659
Book value at 30 September 1999	3	176	227	39	83	525
Book value at 30 September 1998	4	152	155	40	70	417
Depreciation and write-offs of the year	1	14	88	17	0	119
Loss of the year on fixed assets sold	0	0	2	1	0	3
Profit of the year on fixed assets sold	0	0	0	-1	0	-1
Total depreciation of the year	1	14	90	17	0	121
Cash value of land and buildings in Denmark according to the latest official valuation at 1 January 1999						128

Parent company has signed contracts for the supply of buildings, technical plant and machinery worth MDKK 46.

6. Financial assets

Group/Parent company 1998/99

MDKK	Group			Parent company		
	Equity in subsidiaries	Equity in associated companies	Other sec. and part. interests	Equity in subsidiaries	Equity in associated companies	Other sec. and part. interests
Total purchase price, 1.10.1998	0	132	0	570	13	0
Capital investments in the financial year	0	-13	8	57	-13	0
Total purchase price at 30 September 1999	0	119	8	627	0	0
Revaluation beginning of the year	0	7	0	221	0	0
Adjustment of revaluation beginning of the year	0	0	0	0	0	0
Profit from subsidiaries	0	18	0	192	0	0
Disposals during the year	0	0	0	0	0	0
Adjustment of profit at exchange rates at balance sheet date	0	0	0	3	0	0
Received dividend	0	-7	0	-144	0	0
Total revaluation	0	18	0	272	0	0
Write-off beginning of the year	0	-124	0	-861	-8	0
Exchange-rate adjustment of reserves beginning of the year	0	0	0	-15	0	0
Adjustment of reserves beginning of the year	0	0	0	0	0	0
Corporate goodwill written directly to reserves	0	0	0	-4	0	0
Deficit subsidiaries	0	0	0	-17	0	0
Disposals during the year	0	8	0	0	8	0
Adjustment at exchange rates at balance sheet date	0	0	0	-1	0	0
Total write-offs	0	-116	0	-898	0	0
Set-offs in accounts receivable, subsidiaries		0	0	178	0	0
Value of financial assets	0	21	8	179	0	0
Intra-Group profit	0	0	0	-94	0	0
Book value at 30 September 1999	0	21	8	85	0	0

	Group MDKK		Parent company MDKK	
	1998/99	1997/98	1998/99	1997/98
7. Financial income				
Interest receivable	21	17	10	10
Interest receivable from subsidiaries and associated companies	1	0	30	23
Value adjustment of securities	0	1	0	1
Exchange-rate adjustments	53	28	50	28
Total	75	46	90	62
8. Financial charges				
Interest payable	25	20	8	5
Interest payable from associated companies	0	0	0	0
Capital loss, bonds	5	0	5	0
Exchange-rate adjustments	26	40	22	34
Cash discounts	31	29	0	0
Total	87	89	35	39
9. Tax				
Tax on profit for the year	151	116	89	62
Change in deferred tax	-5	11	-6	11
	146	127	83	73
Adjustment regarding previous years	0	1	0	4
Total	146	128	83	77
Tax specification:				
Tax on operating profit	146	127	83	73
Adjustment of previous years' tax	0	1	0	4
Total	146	128	83	77
10. Stocks and work in progress				
Raw materials and consumables	113	99	65	55
Work in progress	53	31	47	26
Finished goods	248	150	78	47
Stocks and work in progress 30 September	414	280	190	128
11. Amounts due from subsidiaries			819	581
Negative equity in subsidiaries			-10	-48
Total			809	533
12. Securities				
Securities at 30 September 1999 consist mainly of Danish bonds, duration 5,6	99	111	99	110

13. Equity capital

MDKK	Share capital		Premium at issue	Non-distrib. profit in subsidiaries	Reserves for own shares	Transferred profit	Total equity capital
	A shares	B shares					
Balance at 1 October 1999	18	222	10	147	7	701	1,105
Effect of change in acc. policies, own shares					-7		-7
Profit for the year				33		273	306
Own shares bought						-22	-22
Own shares sold						8	8
Declared dividends						-61	-61
Changes in opening values and other adjustments regarding subsidiaries				7			7
Write-off, goodwill on acquisitions of companies and rights						-5	-5
Adjustment write-off at exchange rates at balance sheet date						0	0
Balance at 30 September 1999	18	222	10	187	0	894	1,331

Own shares:

During financial 1998/99 31,510 shares were bought, corresponding to DKK 630,200 nominal value, which is 0.3% of total nominal share capital. During the year 10,882 shares were sold, corresponding to DKK 217,640 nominal value, or 0.1% of the total share capital. At 30.9.1999 the holding of own shares was 32,128 units, corresponding to DKK 642,560 nominal value or 0.3% of the total nominal share capital. Own shares have been bought for possible use in connection with acquisitions.

	Group MDKK		Parent company MDKK	
	1998/99	1997/98	1998/99	1997/98
14. Provisions for deferred taxes				
Deferred tax, opening balance	24	13	24	13
Adjustment, previous years	2	0	0	0
Exchange rate adjustment	0	0	0	0
Change in deferred tax	-5	11	-6	11
Balance at 30 September	21	24	18	24
15. Other provisions				
Other provisions, opening balance	23	20	6	6
Changes in other provisions	4	3	0	0
Balance at 30 September	27	23	6	6
16. Mortgage and bank loans				
Due in:				
less than 1 year	72	102	11	17
1 to 5 years	309	70	205	6
more than 5 years	57	87	0	22
Total	438	259	216	45

	Group MDKK		Parent company MDKK	
	1998/99	1997/98	1998/99	1997/98
Tax due, opening balance	37	44	16	1
Exchange rate adjustment	1	-5	0	0
Adjustment, previous years	-2	1	0	4
Tax on profit for the year	151	116	89	62
Tax paid during the year	-106	-119	-46	-51
Balance at 30 September	81	37	59	16

17. Company tax

Company tax due includes calculated company tax for the financial year 1998/99 and company tax payable for 1997/98.

Tax paid during the year includes tax payments for 1997/98 and payments on account for this financial year.

18. Other liabilities and information

Contingent liabilities:

At year-end Coloplast had guaranteed subsidiary loans

and commitments in the sum of

	190	109	183	103
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Leasing liabilities:

Liabilities on leasing contracts

at 30 September 1999

	25	21	1	2
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Rent payable:

Tenancy agreements at 30.9.1999 involve rent

payments of

	164	157	4	0
--	-----	-----	---	---

Minor lawsuits are pending against the Group. These will have no influence on the company's future earnings.

Under certain circumstances, Coloplast is obliged to acquire the remaining shares in the associated companies.

In Group Management's opinion the acquisition will not materially influence the financial position of the Group.

Management assignments of Board of Directors and Group Management

Members of the Board of Directors and Group Management of Coloplast A/S have indicated their management responsibilities with other Danish companies (except 100% owned subsidiaries) at 17 November 1999 as follows:

(C) Chairman of the Board, (DC) Deputy of the Board, (BM) Member of the Board, (CM) Member of Governing Council

Board of Directors

Chairman

Palle Marcus, Director

Den Danske Bank Aktieselskab (DC)

Novo Nordisk A/S (DC)

Novo A/S (DC, C from 1.1.2000)

Carlsberg A/S (BM)

Deputy Chairman

**Niels Peter Louis-Hansen,
Bachelor of Commerce**

**Helle Bechgaard, Chief Executive
Officer, Plougmann, Vingtoft &
Partners A/S**

Radiometer A/S (BM)

Take•Care A/S (BM)

Jytte Gliim, Project Manager
Elected by the employees

Per Magid, Attorney
Højgaard Holding a/s (C)

**Flemming Moss,
Laboratory Manager**
Elected by the employees

**Kurt Anker Nielsen,
Deputy CEO, Novo Nordisk A/S**
Incentive A/S (C)
Novo A/S (BM)

Torsten E. Rasmussen, Director

InWear Group A/S (C)

Best Buy Group A/S (C)

CD Invest A/S (C)

Corebit A/S (C)

Amadeus Invest A/S (C)

JAI A/S (DC)

Uni-Chains A/S (DC)

A/S Det Østasiatiske Kompagni (DC)

TK Development A/S (DC)

Bang & Olufsen Holding A/S (BM)

VSI Holding A/S (BM)

Vest-Wood A/S (BM)

Vestas Wind Systems A/S (BM)

DTF Serviceselskab A/S (BM)

Knud Øllgård, Electrician
Elected by the employees

Group Management

Sten Scheibye,

Chief Executive

A/S Th. Wessel & Vett, Magasin

du Nord (BM)

Danisco A/S (BM)

Den Danske Bank Aktieselskab (BM)

Niels O. Johannesson,

Group Director

Aktieselskabet Nordisk Solar

Kompagni (BM)

Jensen Industrial Group A/S (BM)

Carsten Lønfeldt,

Group Director

Polaris Management A/S (BM)

LICenergy A/S (BM)

Nykredit (CM)

Ease of handling provides freedom

The spinal-cord injured have to live with many constraints in their daily life. They need others to help them do many things, and the things they can manage themselves often require practice and dexterity, or in some cases even physical strength.

Joop van Hest from Holland is 58 years old. He lost mobility in his legs during an operation and needs a wheelchair to get about. Since he became chairbound, his biggest concern has been the scarcity of toilets with access for wheelchair users. He has had to plan his movements accordingly, but after the launch of the Xpect catheter he has less of a problem emptying his bladder.

"I can extend the tube so that getting close to the toilet bowl is less critical when I need to empty my bladder. In other situations, it makes life a lot easier that Xpect is already immersed in water. It saves me the trouble of finding a water tap," says Joop van Hest.

"What is most important to me is that I need not worry about catheter sterility, for with the special handles I need no longer touch it. When I first started using a catheter, I was scared to death to get an infection. With the new packaging with sterile water the risk of infection is minimal.

Ready-for-use catheter

It can be difficult for a spinal-cord injured, who is unable to control micturition, to empty his bladder. An ordinary catheter needs lubrication for safe insertion in the urinary tract; a dry, surface-coated catheter needs immersion in water before insertion and it takes a while for the catheter to smoothen.

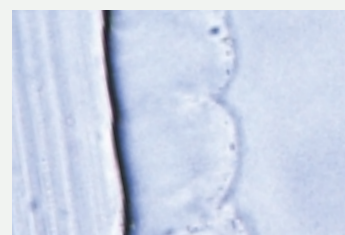
Therefore, Coloplast has developed a new sterile, ready-for-use catheter which reduces the risk of urinary infection. The user no longer needs to worry where or when he will be able to empty his bladder.

A matter of chemistry

A ready-for-use catheter is immersed in water in its packaging. For the last few years scientists at the Coloplast Research Centre have been working at developing a hydrogel-based surface coating which will remain stable even if immersed in water for a long time.

The first tests with a ready-for-use catheter showed that the catheter material did not withstand immersion in water very well. Therefore alternative catheter materials had to be found. After the scientists had investigated a large number of materials, they chose polyurethane. However, it proved complicated to develop a coating which remained smooth after immersion in water for an extended period of time. The solution was a double coating, which has been patented.

The new ready-for-use catheter is easy to handle, and the packaging in sterile water minimises the risk of infection



The surface coating consists of two layers: facing the catheter wall is a strongly bonded gel, facing the urinary tract a loosely bonded gel. After coating, the catheter is exposed to intensive UV radiation which creates a chemical cross linking of the coating. The hydrogel thereby becomes coherent and is able to adhere to the catheter surface. During storage of the catheter in the thin tube with only 15 ml of water, the loosely bonded outer layer provides smoothness, while the inner layer provides stability in the fluid.



It has become easier for wheelchair users to travel in Italy

Coloplast's Italian subsidiary has made a tourist guide for wheelchair users indicating access at tourist attractions, toilets for wheelchair users and the possibilities for getting about in a wheelchair. Marco Nencioni (left) and Alessio Rabatti made good use of the guide during their holiday in Pisa.



Sharing a personal experience

I wanted to share my personal experience from wearing Amoena Luxa Contact so the dealers could see how revolutionary the breast form is, says Louise Fields

Coloplast has literally changed the way a woman wears a breast form with the introduction of **Amoena Luxa Contact** form. Traditional breast forms come in all shapes and sizes. Some are worn in the pocket of a bra, while others are attached to the body with a skin support system.

Luxa Contact is revolutionary because it adheres directly to the body without skin supports. The woman just attaches it on the chest wall and goes on with her usual activities. The form moves easily with the body and feels lighter.

Longlasting adhesive

The Breast Care team has developed a skin-friendly adhesive. Although the breast form is removed and reattached daily, it retains its adhesive properties for the life of the

breast form if properly cared for. Teaching the retailers how to clean the breast form was very important so they could support the users in the best possible way. Therefore, Coloplast made seminar attendance a requirement before a retailer was allowed to sell the new breast form.

A logistical exercise

In only three weeks the Breast Care team organised seminars in 44 locations all over the United States, and more than 1,450 retailers participated.

The seminar highlight was the personal testimonials given by women who had actually worn **Luxa Contact**. These women had found it changed their lives; their stories opened the eyes of the retailers to the benefits of the new breast form.

Enhanced self image

Louise Fields held a key role in making the seminar programme a success. She was filmed for a video which the other **Luxa Contact** users could learn from before taking the floor at the seminars. She was photographed for the promotion materials and presented the **Luxa Contact** form to the entire sales force. She even joined a PR trip to demonstrate the breast form to magazines and tv reporters in New York.

"I really wanted to tell the world how revolutionary this breast form is. Having worn it, I welcomed the chance to share my experience with other women," says practising attorney Louise Fields.

"I feel fantastic wearing **Luxa Contact**. I feel more confident in myself and how I look in my clothes. It really has changed my life!"



Dedicated nurses support users

Mercè Centellas works in the stoma care clinic of Hospital San Joan de Deu in Martorell near Barcelona, Spain. In her job she supports ostomy patients from the day they are diagnosed until they are discharged after surgery; she also organises out-patient seminars where ostomists can meet to exchange experience.

"The patients really rely on my support before the operation. And they usually keep close contact for some months afterwards. When a patient ceases to attend the seminars, he has got used to living with his stoma," says Mercè Centellas. "But I need to be very aware that each patient is different, has different needs, different levels of understanding."

"Working with product improvements is another aspect of my job which is very rewarding, especially if the suggested improvements materialise like they did with the **Altern** Ideal bag. Coloplast is offering the stoma care nurses unique influence on product development when invit-

ing us to conduct clinical trials with products still in the development stage," finds Mercè Centellas.

From insecurity to routine Manuel González is 62 years old and had surgery five years ago after he was diagnosed with cancer of the colon. Mr González spends much of his time out of doors doing his vegetable garden, although his stoma does not allow him to eat too many of the beans he grows. He has to be careful with food, but otherwise leads a very active life, going on many excursions and outings with his wife and friends.

"I will never forget the comforting words of Mercè Centellas in those early days when I felt really bad and thought I was going to die," says Manuel González. "She gave me advice on the appliances, on my diet, tricks to live a normal

live, how to resume my sex life. I will always be grateful to her. Now, wearing a bag is routine to me and doesn't give me much bother."

"**Altern** Ideal is the best bag I have ever tried. After I participated in a focus group with other users and made suggestions for improvements, I was surprised to see these features introduced so soon. The adhesive has been improved and the new shape makes the bag adapt to the body very well. But the real improvement has been the filter. I used to be bothered by gas building up in the bag, but now the gas escapes from the bag very easily and with no odour at all! This has meant a fantastic improvement to my quality of life," says Mr González.

I will always be grateful to Mercè Centellas for her initial support while I was trying to face life as an ostomist, says Manuel González



Get acquainted with a user

The Ostomy Products Division has a longstanding tradition of collaborating with stoma care nurses on product development. Stoma care nurses provide invaluable professional experience, but to develop the very best products, we also need the first-hand knowledge of the end users.

Therefore, personal contacts have now been established between users and employees from the Division's product development and marketing departments as well as its management. Each employee is in contact with two users whom he visits two or three times a year. The dual purpose of this user panel is to enhance the empathy of employees to the user's situation and to provide specific inspiration for new products and product improvements.

Empathy requires insight
The Ostomy Products Division's commercial development manager, Jan R. Frederiksen, was under the impression that he knew users and their situation fairly well. After having developed relations with two users and visited them in their homes he realised that while knowledge of the physical stoma and the practical problems attaching to it is a requirement, such passive knowledge may be turned into active insight if you learn more about the user's everyday life.

"After just a few visits with my personal contacts I have a much better feeling for essentials as opposed to minor details. This higher level of understanding with all employees in the Division has enabled us to improve existing products. For instance, we have

changed the outlet on our open bags," says Jan.

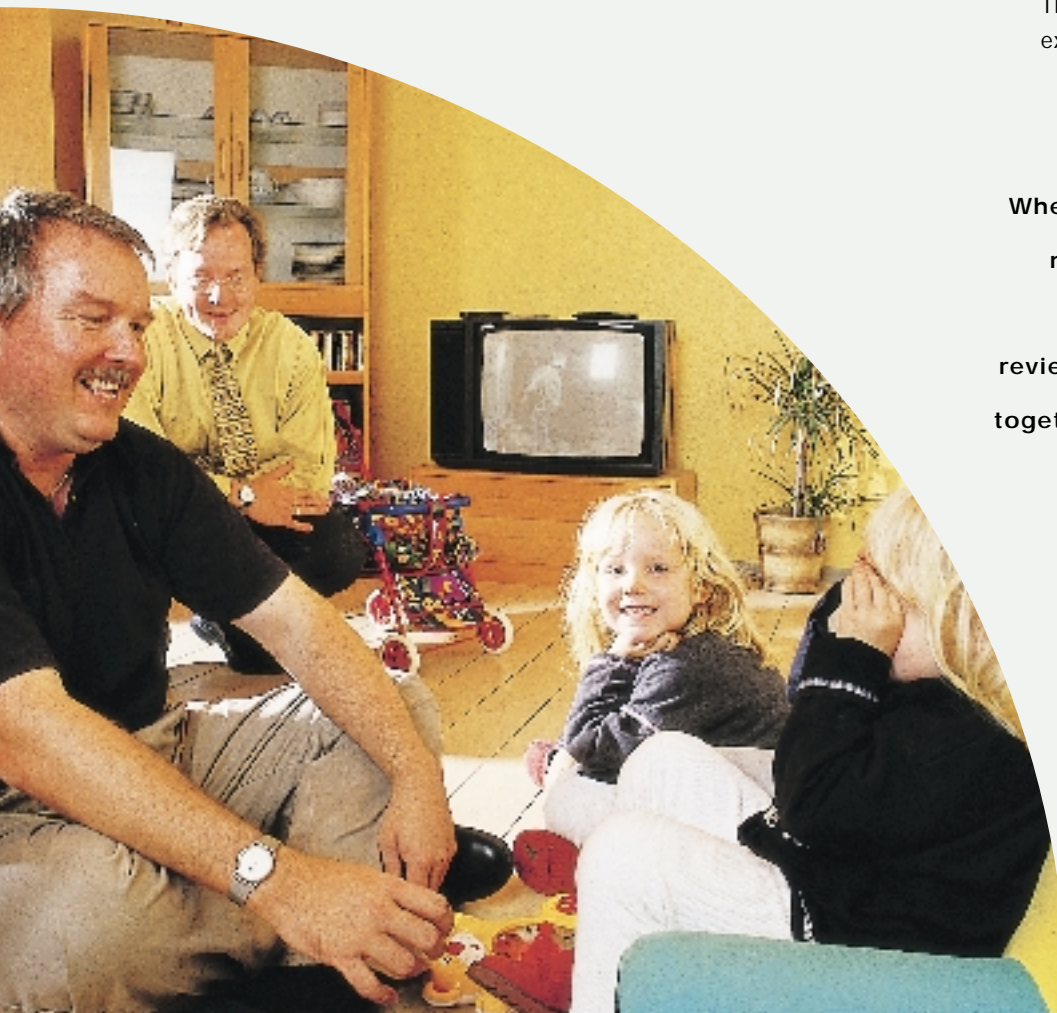
Fine to be heard

Jørgen Larsen had ostomy surgery two and a half years ago. He has had to cope with some complications, but has been introduced to product developments enabling him to live a fairly normal, active life.

"I welcome this Coloplast initiative to enhance employee empathy for the users and insight into their everyday life. I appreciate the openness towards users and their needs which this panel reflects. It is good to know that the product developers are listening to us and getting involved in our situation as product users."

"If I can but draw attention to one small detail which other users may benefit from through better products, then I shall be happy. Therefore I am willing to share my experience as a user."

When commercial development manager Jan R. Frederiksen visited Jørgen Larsen, they reviewed the changing situation together. Jan R. Frederiksen left with a very clear feeling for user essentials



Future markets with different needs

Argentina is a market where the healthcare system offers a challenge as well as an opportunity to medical device suppliers. The breakdown of a national health insurance scheme in Argentina in 1996 meant a break with Coloplast's previous distributor. This event prompted the decision to establish a subsidiary to secure continued access to the market. The presence of Coloplast's own sales force offered new opportunities as closer market contacts enabled us to influence developments and the actual treatment options.

Recent years' increasing political and economic stability with privatisation and deregulation of the public sector, has had a positive effect on Argentina's healthcare sector, which now accounts for about 8% of GDP. The 36 million population is demanding better healthcare services, and about half the population have joined health insurance schemes which are employee/ employer financed. The remainder

have to rely on public healthcare systems where the end user is not always entitled to have appliances reimbursed.

Close to the caregivers
Although the healthcare sector is developing at good pace, traditional treatments are the norm. For wound care, dry wound healing methods (gauze dressings) are widely used. In this environment, Coloplast's Argentine subsidiary is actively promoting the use of modern dressings based on moist wound healing principles which are more effective and offer better patient compliance.

Carlos Alberto Rossi from Buenos Aires had surgery in January 1999 to remove a cervical tumor. After surgery, a fistula developed and caused a serious wound of 19 x 5 cm, 5 cm deep. The wound oozed profusely, giving off bad odour, and would not heal.

Coloplast's local sales representative, Ariel Garcia, heard about this patient and provided samples of highly absorbent alginate dressings as well as filler and asymmetrical adhesive dressings to cover the wound, which was in a difficult-to-dress site at the back of the patient's neck. The products supplied put healing back on the right track.

A tremendous difference
"It was a great relief to start using **Comfeel** dressings because I no longer needed to be wrapped in absorbent pads, and the smell immediately disappeared," says Mr Rossi. "I could move in my bed again, and the wound was less painful."

Carlos Rossi's wound has now healed, and sales representative Ariel Garcia is offering Dr Tedone additional advice on the most appropriate dressing for this kind of wound



Intellectual capital statement

Why intellectual capital accounts?

Our quest is to improve the quality of life of people with a physical impairment. We wish to be a strong player in our markets. Therefore, our products and services must be perceived as superior to competing products and our innovative drive must persevere. Only through the knowledge, willingness to change and commitment of our employees and by virtue of the confidence and cooperation of our customers can we reach our goals. Therefore we publish an intellectual capital statement which measures relevant parameters for customers and employees and can help direct our focus to areas that need improvement.

Today there is no generally acknowledged model for intellectual capital accounts. Together with the Danish Agency for Trade and Industry and a number of Danish companies, Coloplast is developing a future standard in the area.

Coloplast has chosen to make intellectual capital accounts because of their potential as an effective internal management tool in developing intellectual capital resources and activities.

Externally, these accounts are meant to give shareholders, potential employees and other stakeholders an impression of the knowledge resources available and of our efforts to develop them.

Coloplast's intellectual capital accounts model
The accounts are based on the Business Excellence model which Coloplast has been working with since 1995.

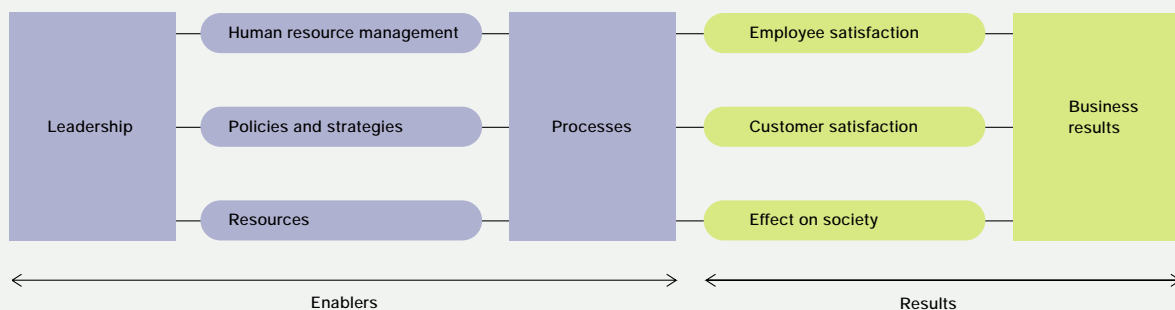
Business Excellence is based on our ability to define the correlation between enablers and results and on the belief that, only when the chosen strategies and activities achieve good business results with both increasing customer and employee satisfaction and a positive effect on society, is the company properly managed.

The financial results are described elsewhere in this report. The environmental impacts on society are described in Coloplast's environmental statement. The intellectual capital accounts focus on reporting results and enablers relating to employees and customers.

From reporting to managing knowledge

The publication of Coloplast's first intellectual capital accounts with the 1997/98 Annual Report prompted positive reactions and many suggestions on how Coloplast should work to secure, share and develop knowledge. It is our ambition to anchor intellectual capital in the company and to develop the accounts from mere reporting into a management tool. To strengthen this process and enhance the credibility of the intellectual capital accounts, this statement has been reviewed by the company's auditors, PricewaterhouseCoopers.

Business Excellence model



From Mission to job norms



The Coloplast Mission provides the characteristics that Coloplast wishes to be known for and is a guideline for management and employee decisions and everyday behaviour. Coloplast's Mission and Values form the basis of personnel policies, etc. The Mission also forms the basis for the business objectives defined for year 2005, both the financial objectives of reaching a turnover of at least DKK 6 billion and maintaining a profit margin of 15%, and objectives for customers, employees, processes and effect on society. Based on Coloplast's strategies, all departments work out annual business plans. Planning involves a large number of employees ensuring strong commitment to the plans. They are crystallised into goals for the individual employees which, in turn, form the basis for development talks and job norms.

A new feature this year is the attempt to incorporate intellectual capital into the management processes, eg by managers reporting on several Business Excellence enablers. Likewise, the Coloplast Mission has formed the basis for setting specific goals for enablers and results, and for selecting key figures documenting the success of the company in reaching its goals.

Reporting as well as sharing knowledge

It is vital to Coloplast's competitive power that the individual employee is able to quickly access existing knowledge or identify the persons who have such knowledge. Coloplast is therefore developing a structured intranet enabling knowledge to be shared across departments, factories and borders. The purpose is to make new knowledge available to everybody and to anchor knowledge and experience in the organisation.

The Continence Care Division has already developed an intranet, providing easy access to information on the competencies of employees, the required manning of machines and production centres, the technical problems that have occurred on the various shifts and how to solve them. This included an educational upgrading of the production workers who are now reporting, searching for knowledge and handling orders electronically.

Maximum customer satisfaction

Coloplast's primary customers are professional carers and product users. The users are people with a physical impairment whose quality of life can be improved by our products. Therefore, it is essential that Coloplast employees feel empathy for user needs, are innovative and quality conscious.

PRACTISE EMPATHY FOR USER NEEDS

Involving users and caregivers As described on pages 32, 35 and 36, a close dialogue with professional carers and users is a prerequisite for our high level of innovation. To sustain this dialogue, Coloplast is extending the cooperation with user and carer groups throughout the entire development process by frequent contacts.

INNOVATION

Research & development Since the 1960s Coloplast has been working with product development. Research and development projects are run in a collaboration between the Coloplast Research Centre and the product division developers. Currently, the R&D expenses correspond to 5% of Coloplast's turnover.

Coloplast pursues an offensive patent strategy. In 1998/99, 26 new patent applications were filed, bringing the total number of patent subjects to 167.

Dedicated product development At Coloplast, product development projects go through a uniform process which ensures that new products are accelerated to market and precisely meet user needs. Each project is carefully reviewed at critical stages, so that resources are spent only to accelerate the best ideas.

20% must be new products It is our objective to generate 20% of turnover from new products – defined as products less than four years old – because such an objective guarantees a high focus on innovation. A product is considered new when it is either entirely new or is an existing product that has

been thoroughly improved so that it is perceived as new by the customer. With several successful product launches this year, the ratio of new products is expected to be more than 20% next year.

RELIABLE SUPPLIER

Order handling brings efficiency and satisfaction

It should take no more than 24 hours from an order being received to being delivered to the customer. Our objective is to deliver 98.5% of all orders within a day. This objective was not met in 1997/98 because of the April 1998 general strike in Denmark. Heavy demand for new products this year meant that the objective could not be met in financial 1998/99 either. For the last three years a cross-organisational task force has been reviewing Coloplast's order handling process to make it more effective and increase customer satisfaction.

In 1998/99 order handling time was not measured. The task force is examining the needs and satisfaction of those procuring our products.

Auditing shows QA status

Internal audits are carried out by specially trained employees. They report systematically on the efficiency of the QA system. In 1998/99 fewer, but more comprehensive audits were performed to provide a better overview of the efficiency of the system. These will be followed up on in 1999/2000. The internal audits are supporting the success of external audits of the company. Lloyds Register Quality Assurance is visiting Coloplast twice a year to check that we comply with the

Mission	Enablers	96/97	97/98	98/99	Objective
Practise empathy for user needs	Groups of professional carers and users engaged in cooperation with Coloplast (Indexed figures)	100	125	250	Maintain current level
Innovation	R&D expenditure in % of turnover (Group)	4.9 %	5 %	4.8 %	5 % of turnover
	Projects completed in compliance with product development model (Coloplast A/S & Consumer Products)			40	Ensure that the right products are accelerated to market
Reliable supplier	Order handling	A cross-organisational group is reviewing all steps in the order handling process			
	No. of internal auditors/audits	25/75	25/75	26/67	More efficient
Quality of life	Costs of clinical documentation (Indexed figures)	100	103	113	Maintain current level
Maximum customer satisfaction					

Results	96/97	97/98	98/99	Objective
Share of new products in total turnover (Group)	33.5 %	26.3 %	22.3 %	20 %
No. of patent applications (Group)	26	24	26	Maintain current level
Patent rights held (Group)	122	143	167	
Average order handling time, hours (Group)	12.2	10.2		
Delivery on time (Group)	98.5 %	95.5 %	97.8 %	98.5 %
Non-compliances at Lloyds audits	3	1	0	0
Complaints (indexed figures for Group)	100	132	153	
Overall customer satisfaction (Group)	90.8 %	94.6 %	92 %	

ISO 9001 and EN46001 certifications. EN46001 is the European quality assurance standard for medical devices on which the CE-mark approval is based.

Fewer defects through process validation

Coloplast is ensuring product quality through process validation – statistical process documentation and finetuning – of production machinery so as to sustain the specified quality. Coloplast's employees are very conscious of the inconvenience and loss of quality of life that will result for the user if a product fails. This year's intellectual capital accounts do not give figures on product defects, as the method for compiling data on defects is being revised to make reporting systems more uniform and comparable across the Group.

Complaints need prompt action
The number of recorded complaints has grown. Paradoxically, this was the objective of introducing an electronic complaints system which makes it easier and quicker to record and act on complaints. It is important to get into touch with the user to put right any misunderstanding or incorrect handling of the product. Complaints also provide useful information for the product development teams. Therefore, training of customer service employees is being intensified.

QUALITY OF LIFE

Documenting improved quality of life

Clinical documentation is a key competence at Coloplast. Documentation to show that new products are more effective, safer, have a lower cost in use and considerably improve the quality of life of users, is today essential for marketing purposes. Documentation is required by the healthcare authorities before they will

reimburse our products. Documentation is also needed to make our products stand out among an increasing product offering and to enable doctors and nurses to make an objective choice and identify the right products. Together with medical specialists and quality-of-life researchers, Coloplast's French subsidiary has developed a questionnaire which pinpoints the correlation between product changes and the user's quality of life. This tool enables us to provide scientific documentation for the improved quality of life of users of Coloplast's products.

MAXIMUM CUSTOMER SATISFACTION

Customer satisfaction likewise measured

Customer satisfaction measurements give direct indications on Coloplast's success at meeting customer expectations. Uniform measuring methods have been developed and are used in all subsidiaries.

This year's intellectual capital accounts include a customer satisfaction measurement made for wound care in Australia. The Australian market is dominated by contract sales, and it was considered interesting to measure customer satisfaction in this type of market.

No further customer satisfaction measurements have been carried out, as previous measurements have proved it hard to find areas for improvement. However, the measuring approach is being revised, one aim being to focus more on customer loyalty.

Maximum employee satisfaction

Coloplast aims to attract, develop and retain the most competent employees. To do so, we need to continue to invest in our employees' professional and personal development and to provide a challenging environment, where people find it exciting to work.

The section relating to employees describes the initiatives taken to develop employee competencies and commitment. At Coloplast, responsibility is delegated and initiative rewarded. The employees feel truly responsible for a company characterised by strong, stable growth and in which 91% bought shares. In Coloplast's Values the culture is also reflected in the words "we strongly believe that the road to outstanding results is shorter when you have fun on the way."

RETAIN

Challenges through job rotation
The competencies of our employees are developed primarily through challenging jobs and the transfer of knowledge from more experienced colleagues. It is vital to employee satisfaction to be allowed to develop and apply new ideas, knowledge and competencies in new jobs and projects. Therefore Coloplast is encouraging international project work and job rotation across borders.

Success of self-directed groups
Production teams or self-directed groups where employees cooperate on planning their tasks are becoming more and more common. This is in line with employee wishes for greater influence on their job. Self-direction has increased employee satisfaction, improved planning and logistics and reduced the defect rate. This form of cooperation therefore contributes both to increased customer satisfaction and better production economy.

Time for managing

Coloplast wishes to empower the organisation to be efficient and non-bureaucratic. Managers must hold development talks with their subordinates once a year, an objective which has become harder to meet in a flat production organisation, where self-directed teams are common. Managers have been offered courses in interview technique, and employees' satisfaction with the quality of interviews increased (on a scale from 1 to 5) from 3.20 to 3.34 from 1996 to 1998, when the last satisfaction measurement was made. We intend to further improve the contents of and results obtainable from these development talks.

Fewer industrial accidents

A cross-organisational group has launched a campaign to reduce the number of industrial accidents and sickness absence at Coloplast. Accidents are often due to negligence and, through making employees aware of potentially dangerous situations, we aim to further reduce the number of accidents.

Coloplast Academy

Coloplast Academy is an overall structure comprising corporate training and development activities to be introduced in 1999/2000. Courses are offered in management as well as professional and personal development subjects. The emphasis will be on developing knowledge through experiments, pilot projects, cooperation between internal and external specialists, etc.

Coloplast's training and development

costs per employee are declining because more and more courses are held internally. This practice ensures that courses take into account the employees' working situation for maximum benefit. Production workers have most of their training needs covered at labour-market training centres. These courses are not included in the statement.

Lower staff turnover

Coloplast set an objective in the mid-90s to reduce the turnover of production workers by 50% because it was too high. Although the rate is still too high, activities to reduce it have had an effect. Unsolicited applications are now channelled through a job bank where the first

Mission	Enablers	96/97	97/98	98/99	Objective
Retain the best employees	Job rotations, promotions and relocations of salaried employees - % of all salaried employees - relocations representing	50 11 % 2	49 10 % 5	73 13 % 6	Maintain current level
	Hourlies working in self-directed production teams (% of total)	app. 40 %	app. 50 %	app. 60 %	
	Average no. of employees per manager - in production - in salaried jobs			28 4	Max. 30
	Development talks completed by 1.10.1999			app. 90 %	100 %
	Industrial accidents involving lost working days per million working hours	23	17	16	0
	No. of internal training days per employee	5.3	4	4.6	
	Costs of external training per employee, DKK	4,541	4,741	4,056	
	IT costs in % of turnover (Group) No. of IT supporters No. of IT superusers	2.5 % 9	3 % 11 25	3 % 11 39	3.7 % 15 55
Attract the best employees	Presence at job and educational fairs	1	2	2	Maintain
	Job advertisements	68	71	114	
	Trainees Students preparing a thesis Apprentices	9 43 9	17 89 5	15 66 11	
Practise social responsibility	No. of people working in trial jobs	7	7	8	

Results	96/97	97/98	98/99	Objective
Staff turnover rate:				
- in % of salaried employees	9.6 %	6.3 %	7.8 %	Less than 10%
- in % of hourly employees	17.3 %	15.8 %	16.1 %	Less than 15%
Sickness absence – hourly employees	6.8 %	5.1 %	5.8 %	Max. 5 %
Unsolicited applications				
- Salaried	450	600	820	
- Hourlies	app. 2,500	app. 2,600	app. 2,800	
Response to job advertisements	1,527	1,100	1,917	
Employees with >3 years' further education				
- % of salaried	223	253	337	
- % of total	44 %	46 %	62 %	
	15 %	15 %	18 %	
People hired after trial period	1	2	3	
Employee satisfaction on a 1-5 scale				
- Denmark	3.59	3.65		Maintain above 3.5
- Abroad			3.58	

screening of applicants is made, and a person in each product division has been given responsibility for personnel to ensure quality in the selection of candidates. The new forms of cooperation and management introduced with the self-directed groups, have provided more satisfactory jobs.

Follow-up on sickness absence
Hourly employees at Coloplast have a higher rate of sickness absence than salaried employees. Coloplast is striving to create more developing, varied and interesting job functions in the production area, and prolonged sickness absence is followed up on by personal contact.

More IT supporters
Investments in IT are growing. Regular surveys among employees have shown that IT user satisfaction depends mainly on speedy assistance being at hand when the computer is causing problems. More IT supporters are therefore being employed to assist users.

ATTRACT
Recruitment through many channels
Contacts with potential employees are made through job advertisements, the website and job databases. Many contacts to competent future employees start while they are studying, either because they are apprenticed with Coloplast, work as trainees or do projects at Coloplast during their studies.

An increasing number of people send unsolicited job applications.

More employees with higher education
Coloplast is recruiting more and more employees with long-cycle higher education. Extensive qualifications make them flexible and able to cope with several functions or rotate between jobs.

PRACTISE SOCIAL RESPONSIBILITY

From job trial to real jobs
Since 1993 Coloplast has enrolled 76 persons in job trials. Typically, such a person is out of work, is on sickness benefit and risks losing contact with the labour market for good when offered a job trial period of three months with Coloplast. So far about one in three have afterwards been offered permanent jobs on ordinary terms. Coloplast is also recruiting employees for less demanding jobs on special terms, but wishes from Coloplast employees to work shorter hours are given higher priority.

MAXIMUM EMPLOYEE SATISFACTION

Measurements worldwide
Employee satisfaction measurements give fair indications on how best to retain employees. The most recent survey proved that Coloplast employees are generally very satisfied.

Employee satisfaction measurements have now been carried out in all subsidiaries and, like at Coloplast in Denmark, the results have led to initiatives to improve areas where the rating is lowest.

There have been no employee satisfaction measurements in Denmark in the past financial year and, in future, employee satisfaction will only be measured every two years. The results of the last three measurements in Denmark have shown that more time is needed to work with the areas selected for improvement. Coloplast has also introduced management quality measurements. In this measurement, each manager will be appraised by his subordinates, by himself and by his superior. One of the aspects appraised will be the manager's ability to live up to – and promote – the Coloplast Values.

Accounting principles

The intellectual capital accounts aim to deal with strategically important, knowledge-related activities at Coloplast. For practical reasons, the intellectual capital accounts relate mainly to Coloplast A/S, Denmark. Where the figures include Coloplast Consumer Products A/S or the entire Group, this is indicated.

In those cases where the accounting method applied to the key figures is not obvious from the key figure designation or the accompanying text, it is explained below:

PRACTISE EMPATHY FOR USER NEEDS

Professional carer and user groups cooperating with Coloplast

Refers to groups with which Coloplast has, during the financial year, held at least one international meeting to get input for product development. A group consists of 8-12 professional carers or users.

Share of new products in total turnover

A product is considered new if it is less than four years old. This includes existing products which have been improved and are perceived as new by the customers. The turnover figures have been adjusted for products not developed by Coloplast.

INNOVATION

R&D costs

Figure includes pay, overhead costs and the year's investments, but not patenting costs.

Number of patent applications

Basic applications filed with the patent authorities during the financial year 1998/99. Patent rights held includes the Group's patent applications and patents in force. Rights applying in several countries are only included once.

Projects run according to product development model
Projects to develop new products or products perceived by the users to be new because of their visual

appearance or new features. All the projects included have been at some stage of development during the year.

RELIABLE SUPPLIER

Delivery on time

Figure reflects % of order lines delivered to the customer/order giver on time. Coloplast's objective is to deliver within 24 hours unless otherwise agreed. Figure includes Group, except the USA and minor markets.

Complaints

Are recorded as number of complaints received compared with number of products sold (indexed figures).

QUALITY OF LIFE

Costs of clinical documentation

All costs, including pay, defrayed during the financial year by departments preparing clinical documentation. Figures for comparison have been changed, as all costs for clinical documentation will be included from 1998/99.

MAXIMUM CUSTOMER SATISFACTION

Total customer satisfaction
Based on the surveys made by the Group during the year. For 1998/99 satisfaction is based on an Australian survey where 665 nurses were sent questionnaires, with 23% returning the completed forms.

RETAIN THE BEST EMPLOYEES

Percentage of production workers in self-directed teams

Production workers involved in Coloplast's new management and cooperation forms, self-direction, process organisation, etc.

Staff turnover

The figure is exclusive of employees in fixed-term jobs.

Development talks

completed by 1.10.1999
Reported on the basis of replies from managers with staff reporting to them, stating how many of their subordinates they have held interviews with.

Industrial accidents with loss of working days, per million working hours
Reported on the basis of working hours for salaried and hourly employees.

External training costs per employee

Includes costs of courses invoiced to Coloplast by external partners and is exclusive of pay costs. Add to these a considerable amount of labour-market training courses, internal courses with external teachers and on-the-job training.

IT costs in % of turnover

Figure is calculated as all edp costs, incl. pay relating to IT departments, and IT consultancy fees. Figure excludes depreciation, but pc's and pc equipment have been charged to costs irrespective of purchasing price.

Superusers

Employees specially trained in one of the standard applications (Lotus SmartSuite and Lotus Notes).

Sickness absence

The figure is exclusive of sick days to care for sick children and absence due to industrial accident.

ATTRACT THE BEST EMPLOYEES

Unsolicited applications

For production employees the reported figure is based on an estimated number of telephone calls during Job Centre office hours.

Employee satisfaction

Denmark/abroad on a 1-5 scale

Employee satisfaction index is a weighted average based on the 47 questions included in the employee satisfaction measurements. Calculation of the average allows for the importance of the questions as well as the degree of satisfaction expressed by the employee.

Auditors' Opinion

As agreed with management, we have reviewed the intellectual capital statement of Coloplast for 1998/99, cf. definitions in accounting principles applied.

The scope of a review is not as extensive as that of an audit and, accordingly, does not provide the same level of assurance to the user in respect of the accuracy and completeness of the statement and presentation of the data provided in the intellectual capital statement. An audit would have to be based upon generally accepted principles for the statement and presentation of intellectual capital statements, etc., which have not yet been established.

As agreed, our review has not included the comparative figures for previous years or an assessment to establish whether the intellectual capital data and information represent the key intellectual capital issues of Coloplast, cf. definitions in accounting principles applied.

Objective and scope of the review agreed upon

We have planned and performed our work in accordance with generally accepted auditing standards with a view to examining:

- whether the information presented correlates with the company's activities for the period;
- whether the information and statements presented have been documented and stated/prepared in accordance with the guidelines described under significant accounting policies;
- whether the system of internal controls, including monitoring and reporting procedures, has been structured in an appropriate manner.

Our work has included accounting analyses, inquiries, review of data and underlying documentation as well as testing of compliance with the selected accounting policies and correlation with the company's activities for the period.

Findings of review agreed upon

In our opinion the intellectual capital statement for 1998/99:

- correlates with the company's activities for the period as defined under significant accounting policies;
- provides documented information and statements prepared in accordance with the guidelines described under significant accounting policies;
- is based on a system of internal controls, including monitoring and reporting procedures, that has been structured in an appropriate manner.

As recommendations for improvement, we emphasise further development of supporting recording and reporting procedures to ensure completeness and accuracy.

Copenhagen, 17 November 1999

PricewaterhouseCoopers

John Schmidt
state-authorised public accountant

Helle Bank Jørgensen
state-authorised public accountant

The ring of colour

Lonni Hall was in her late twenties when she decided to make art her profession, but she has been drawing all her life.

"I remember a Christmas party where all the children were lined up in 2's and 3's and allowed to enter this room that looked very much like a toy shop. Each child could choose a favourite toy. My father had secured me a place at the front of the queue, so he was a little disappointed when I came back out radiant with joy, holding a large box of Filia crayons in my hands. They were far more tempting to me than the biggest doll with curly hair".

Lonni Hall took lessons with a painter for a few years, but otherwise she is selftaught. She gets inspiration from travelling in Italy,

whose cultural treasures she will never tire of studying, or from looking out at her back garden, whose green lawn turns into marshlands with lots of birdlife and vegetation. Although Lonni Hall believes she is very much a city dweller, she is often inspired by the scenery or wildlife when she opens her mind.

"I need to walk on thin ice now and again for my art to continue to develop, and it is demanding and frightening to do so, because you can never know if everything will fall into place this time".

"In my work, I develop different themes at different times. However, I always include beauty and its opposite – each assumes the presence of the other. Light shades of colour carry a lightness of mind while, with dark shades of colour, you reach the depths of existence".


Since her début at the Artists' Autumn Exhibition in 1988, she has held exclusive exhibitions at Galleri Trap, the Holm Møller Museum, Holstebro, Svenske Villa and Galleri DECO. Various grants have been bestowed on Lonni Hall, including Tuborgfondens Kunstnerlegat (1997) and H.C. Kofoeds legat (1999).

Artist of the year, Lonni Hall



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Tel: +42 188 415 3761

 **Slovenia**
Coloplast A/S
Podružnica Ljubljana
Prusnikova 1
1210 Ljubljana
Tel: +386 61 152 7440

 **South Africa**
Coloplast A/S
P.O. Box 505,
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Tel: +27 11 802 2943

 **The Czech Republic**
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U Demartinky 3
150 00 Praha 5
Tel: +42 02 53 31 02

 **Hungary**
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Háros út 126/A
1222 Budapest
Tel: +36 1 228 7942

Associated companies

Sterling Medical Services, Inc., USA,
Home SUPPLY + Care Beteiligungs
GmbH, Germany,
Home SUPPLY + Care GmbH & Co.
Verwaltungs KG, Germany,
4C Health Limited, Scotland

Other companies

(100% owned unless otherwise stated)

Coloplast Ejendomsaktieselskab,
Coloplast Ejendomsaktieselskab II,
Co-Inject ApS, Denmark

Amoena GmbH subsidiaries:
Amoena Medizin-Orthopädie-Technik
Verwaltungs GmbH, Germany
Amoena (UK) Ltd., Great Britain
Amoena France S.A., France
Amoena Scandinavia AB, Sweden
Amoena Medizin-Orthopädie-Technik
GmbH & Co KG, Germany
Biomagnetics Medizintechnik GmbH,
Germany
Amoena Polska Sp.z o.o., Poland
Amoena spol.s.r.o., The Czech Republic,
(50% owned)
Amoena Kft., Hungary
(50% owned)
Amoena Portugal Lda., Portugal,
(50% owned)

Executives

at 1 December 1999

In the parent company

Sales Division – Europe

Maxwell S. Stringer	General Manager
Michael Jørgsholm	Regional Manager

Sales Division – overseas subsidiaries; distributor markets and Coloplast Consumer Products A/S

Jens E. Stovgaard	General Manager
Rikke K. Dalsgaard	General Manager, Export Region

Product Divisions

Jens Borelli-Kjær	General Manager, Ostomy Products Division
Sven Lange	General Manager, Wound Care Division
Lars Rasmussen	General Manager, Continence Care Division
Mogens Wismann	Operations Manager, Ostomy Products Division

Corporate Staff

Bente Laursen	Corporate Human Resource Manager
Hans Otto Valentiner	General Manager, IT and Environmental Affairs
Peter Volkers	Corporate Legal Affairs Manager
Jens Øhrwald	Corporate Controller

In the subsidiaries

Europe

Sigrun Kain	Austria, Country Manager
Eric Bursens	Belgium, General Manager
Finn Kettler	Denmark, Country Manager
Michel Mayneris	France, Président du Directoire
Andreas Joehle	Germany, Geschäftsführer
Cornelius Rechenberg	Germany, Amoen, Geschäftsführer
Bernd Wensauer	Germany, Amoen, Geschäftsführer
Graham Sethna	Great Britain/Ireland, General Manager
Dirk Pekelharing	Holland, Algemeen directeur
Achille Grisetti	Italy, Direttore Generale
Henrik Wiboltt	Norway, Country Manager
Jesper Jul	Scandinavia, General Manager
Estrella Velasco	Spain, Directora Gerente
Isabelle Badertscher	Switzerland, Marketing- und Verkaufsleiterin

USA & Canada

David W. Heffner	President, Breast Care Division
Donald C. Looney	President, Medical Sales Division
Lou F. Malice, Jr.	Executive Vice President, Breast Care Division
Mogens Pedersen	President, Skin Care Division

Oceania & Asia

Maureen McKenzie	Australia, General Manager
Vagn Heiberg	Japan and China, General Manager

Latin America

Santiago Caratini	Argentina, General Manager
Jan L. Sørensen	Brazil, General Manager

Consumer Products A/S

Jan Waage	General Manager
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Coloplast's Mission

Throughout the world we wish to be perceived as dependable providers of consumable products and services. Our customers are health care professionals and users. Our primary concern is to improve the quality of life of individuals suffering from a disabling condition.

We respond quickly to market needs to ensure the highest level of customer satisfaction. We strive to offer preferred product ranges based on innovation, advanced technology and cost-effectiveness.

All employees must be recognised for their empathy with user needs and dependability in business relations. It is our ambition to attract and retain the best human resources.

As individuals and as an organisation we will act responsibly and be socially and environmentally conscious.

We strive to be the best within our businesses, thereby achieving growth and value for the company, the employees and shareholders.





Coloplast

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Coloplast, Conveen, Comfeel,
Amoena, Sween, Assura,
Alterna, Conseal, Biatain,
Comfeel SeaSorb, EasiCath,
CoolPad, Compeed Hydro
Cure System, Compeed Kidz
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