





Coloplast's Mission

Throughout the world we wish, within our selected business areas, to be the preferred source of medical devices and associated services, contributing to a better quality of life.

By being close to customers we fulfil their needs with innovative, high quality solutions. Through empathy, responsiveness and dependability we seek to earn their loyalty.

Our culture attracts and nourishes individuals who are energetic, committed and have a passion for our business.

We respect differences and pledge to act responsibly in social, environmental and business contexts.

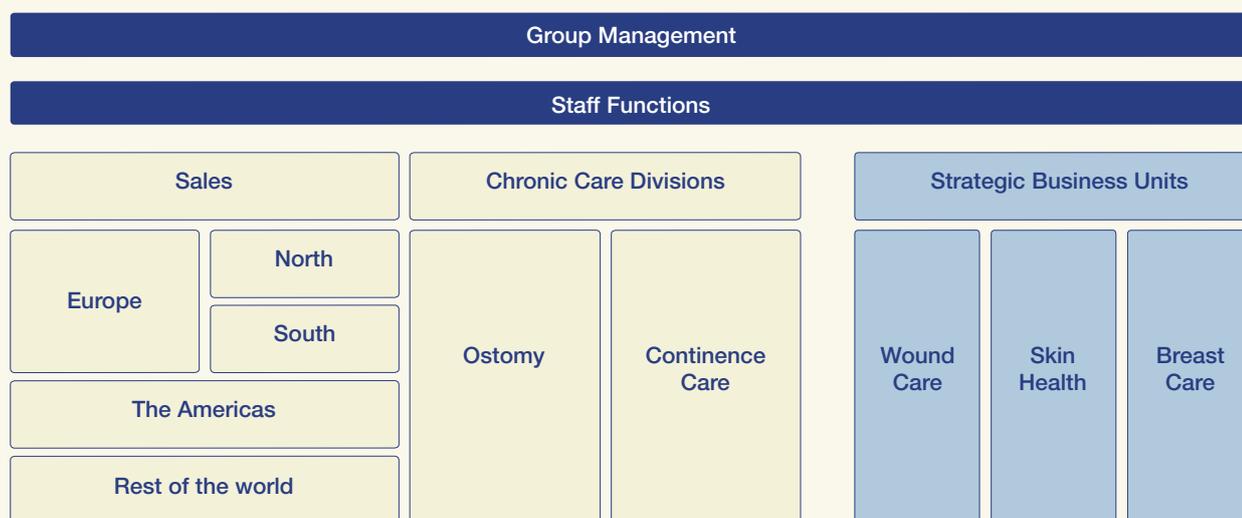
By striving to be best in our business we achieve growth and increased value for our customers, employees and shareholders.

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Group structure



Coloplast in brief

Coloplast was founded in 1957 and obtained listing on the Copenhagen Stock Exchange in 1983. We develop, manufacture and market medical devices and services improving the quality of life of the users. More than 97% of Group revenue is generated outside Denmark, including some 81% in Europe and 13% in the Americas. Coloplast employs 6,236 people worldwide, including 2,491 in Denmark.

Our five product areas are:

- Ostomy products for people whose intestinal outlet has been surgically rerouted through the abdominal wall
- Continenence care products for people with problems controlling their bladder or bowel movements
- Dressings for treatment of chronic wounds
- Skin care products for prevention and treatment
- Breast forms and special textiles for women after breast surgery

The market

We operate mainly in niche markets with few large suppliers. In the Western World, most of our products are reimbursed by the healthcare authorities. Coloplast has in-depth knowledge about the healthcare systems of the countries in which we operate, and we are represented by own sales subsidiaries in most significant markets. Our products are supplied through dealers, by hospitals or direct to the users accompanied by advisory service. In the hospitals, the choice of product or guidance to the user on product selection is often performed by nurses.

Preface



A good year facing new challenges

In 2003/04, Coloplast again made progress revenue- as well as profitwise. Our three largest product areas saw two-digit growth, strengthening our position among the leading suppliers.

Our financial performance met expectations, recording a 10% increase in sales in local currencies and a profit margin of 16%. These results took us one more step towards achieving our long-term objectives for 2008.

Coloplast must be in the forefront of developing new products and services in all business areas. We must meet the market's need for increased quality of life for our users. From a healthcare authority perspective, our products must provide maximum cost-efficiency in the treatment setting. Moreover, Coloplast must continue to develop, manufacture and market products and services at competitive prices.

Europe is the most important market for the types of medical devices and services supplied by Coloplast. We are currently enhancing our position in the traditionally large Western European markets, and there is a considerable potential in Eastern Europe, which we are also cultivating.

During 2004 and 2005 a healthcare reform is being implemented in the important German market, which may dampen the development of sales. We are facing market conditions which we try to influence through the relevant industry associations and lobbies for the benefit of people who depend on quality products and accompanying service. Based on our strong position in the European market as a

whole, our potential for progress and market share gains are intact.

Outside Europe, the US market in particular has growth potential. Recent years' targeted effort to gain a foothold in the US market for ostomy products has been successful. Our success is based on market-oriented product development, a changed organisational structure and increased sales focus. We have also invested in our other product areas in the USA.

Coloplast established a factory in China in 1996, where we make locally developed products for the Chinese market. Our presence is based on an expectation that, in the longer term, there will be a considerable market for Coloplast products in China.

In future, human resources will primarily be added outside Denmark. Product development, process development and manufacturing will take place in locations where the right combination of competences and cost levels offers excellent potential for generating growth and value. The transfer of manufacturing operations to Hungary, which was initiated in 2001 and is expected to be completed a year from now, is an important step in this direction. Achieving the corporate growth objectives for 2008 will require further capacity increases.

Also financially, Coloplast is well geared for future challenges by virtue of a solid balance sheet and a healthy capital structure. In August 2004, the Board implemented a share

repurchase programme based on expectations for an improved cash flow. We plan to continue this programme in 2005.

The Board will propose to the annual general meeting in December that dividends be increased from currently approx. 20% of profit to 25%. At the same time a share split will be proposed. Such a split will double the number of shares in circulation.

While market requirements follow an upward curve, there is also a tendency for the surrounding world to assume that companies act in dialogue with society and show respect

for their surrounding environment. This way the overall value generated for our shareholders will also be maximised.

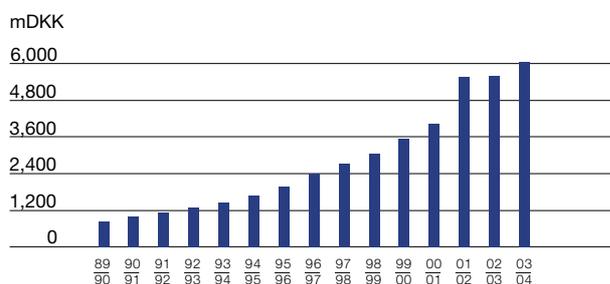
In the financial year 2003/04, our competent and committed people have contributed to the fine performance and have supported Coloplast's readiness to meet the challenges awaiting us in 2004/05. The Board of directors and Group Management wish to express their appreciation of the good work performed in the past year.

Palle Marcus
Chairman of the Board

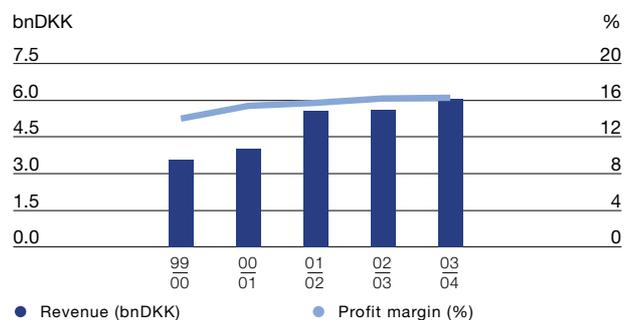
Sten Scheibye
Chief executive

Selected results

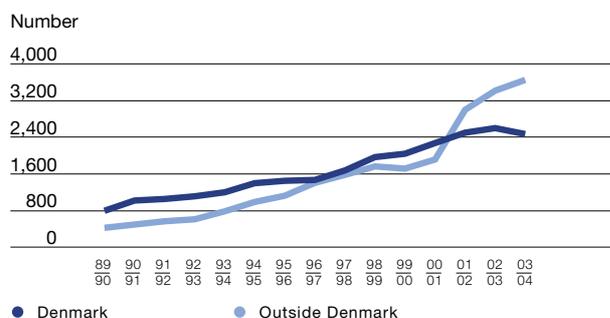
Revenue



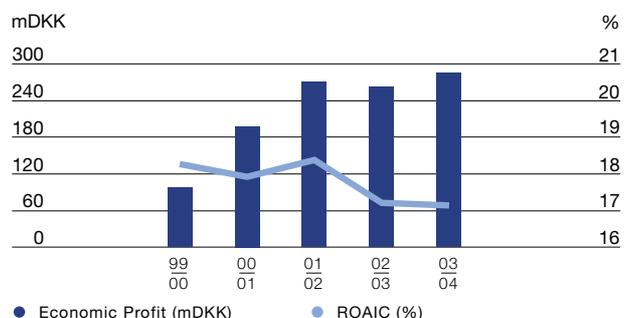
Revenue and Profit margin



Employees



Economic Profit and ROAIC



5 years' key figures and ratios

mDKK	1999/00	2000/01	2001/02	2002/03	2003/04
Income statement					
Revenue	3,556	4,018	5,567	5,610	6,069
Research & development costs	128	137	173	168	203
Operating profit before amortisation and depreciation (EBITDA)	720	878	1,157	1,195	1,295
Operating profit before amortisation of goodwill (EBITA)	498	618	884	909	988
Operating profit (EBIT)	498	618	875	909	988
Net financial income and expenses	-48	-31	-60	-21	-89
Profit before tax	474	613	1,232	889	899
Coloplast's share of profit for the year	292	405	768	567	577
Revenue growth					
Annual growth in revenue, %	18	13	38	1	8
Increase consists of:					
Organic growth, %	12	12	14	11	10
Currency effect, %	6	1	-2	-5	-2
Acquired business, %	0	0	26	0	0
Divested business, %	0	0	0	-5	0
Balance sheet					
Total assets	2,806	3,344	4,489	5,371	5,643
Invested capital	2,821	4,082	5,051	5,499	5,838
Net interest-bearing debt	334	1,121	1,471	1,473	1,465
Equity at year-end	1,637	1,213	1,562	2,002	2,357
Cash flow and investments					
Cash flow from operations	467	600	913	911	845
Cash flow from investments	-334	-1,292	-878	-783	-621
Acquisition of tangible assets, gross	339	389	449	578	544
Cash flow from financing	-202	-243	1,051	307	-239
Free cash flow	133	-692	35	128	224
Key figures					
Average number of employees, full time equivalents	3,758	3,987	4,859	5,774	6,084
Profit margin, EBIT, %	14	15	16	16	16
Return on average invested capital (ROAIC), %	18	18	18	17	17
Economic Profit	97	198	271	262	285
Return on equity, %	18	28	62	32	27
Ratio of net debt to EBITDA	46	128	127	123	113
Interest cover	48	44	14	17	13
Equity interest, %	58	36	35	37	42
Rate of debt to enterprise value, %	4	8	10	10	10
Book value per share	68	51	65	83	98
Share data					
Share price at year-end	350	548	530	531	581
Share price/Book value per share	5	11	8	6	6
PE, price/earnings ratio	29	33	17	23	24
Dividend per share, DKK	3.00	3.60	4.35	5.00	*) 6.00
Pay-out ratio	25	21	13	21	24
EPS for circulating shares of DKK 10, DKK	12	17	33	24	25
Free cash flow per share	6	-29	1	5	9

*) For 2003/04 the figure is the proposed dividend.

The key figures have been calculated and applied in accordance with "Recommendations and Key Figures 2004" issued by the Danish Society of Financial Analysts.

Business performance

- Revenue increased by 10% in local currencies, confirming expectations. In actual currency terms, revenue increased by 8% to DKK 6,069m.
 - Operating profit increased by 9% to DKK 988m.
 - Profit margin exceeded 16%, as expected
 - The German health care reform had only a limited effect on revenue
 - Ostomy product sales continued to grow strongly, increasing by 14%
- For 2004/05 a revenue growth of 10% in local currencies is expected. Price cuts in the German market may, however, reduce growth by up to 2 percentage points
 - For 2004/05 we anticipate a profit margin of 15-16%, as price cuts in the German market may be expected to reduce the profit margin by 1-2 percentage points
 - Coloplast's long-term objectives for 2008, including a revenue objective of DKK 9bn generated through organic growth and our profit margin objective of 18% remain unchanged

Revenue was DKK 6,069m, corresponding to a growth rate of 8%. In local currency terms, two-digit growth was sustained at 10%. Hence, revenue was in line with the expectations expressed for the full year. The difference between actual revenue and revenue in local currencies represents a negative exchange-rate effect of 2%- points.

The cost of sales amounted to DKK 2,338m or 39% of revenue.

The profit margin (EBIT) was 16%. Operating profit increased by DKK 79m, or 9%, on last year to DKK 988m. Profit for the year after tax and minority interests was DKK 577m compared with DKK 567m the year before. Tax on profit for the year is calculated at DKK 317m, corresponding to a tax rate of 35%.

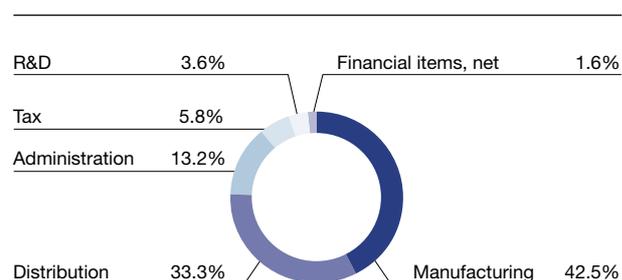
Financial income includes net exchange-rate adjustments in an amount of DKK 17m. Total financial items showed a negative net balance of DKK 89m compared with DKK 21m last year.

With effect from the current financial year, Coloplast complies with IFRS (International Financial Reporting Standards).

Costs and profit margin

Calculated at the year's average exchange rates, total expenses for the Group, excluding the cost of sales, amounted to DKK 2,743m compared with DKK 2,555m last year. This corresponds to an increase of DKK 188m, or 7%, compared with last year. In per cent of revenue, total costs came to 45%, down from 46% last year.

Distribution of costs



Distribution costs increased by DKK 172m, while administrative expenses decreased by DKK 2m.

The cost of sales was up DKK 192m from last year to DKK 2,338m, or 39% of revenue, comparing with DKK 2,146m and 38%, respectively, last year.

The profit margin was 16%, which confirms expectations expressed for the full year. One factor contributing to the profit margin improvement is a better utilisation of the Hungarian facility. In the coming years, further positive effects are expected to come from projects implemented to increase efficiency. Experience from initial projects is positive, and all business areas will become involved and work with improvements according to a uniform method over the coming year.

Financial items and tax

Financial items comprise interest, net exchange-rate adjustments and various bank charges. Comparing with previous years, exchange-rate adjustments are presented as a net balance in order to give a more accurate picture of the Group's hedging operations and the interplay between the currency effects seen in the income statement and the hedging operations. When changes in exchange rates affect revenue and operating profit negatively, like this year, exchange-rate hedging will occur as a positive adjustment recognised under financial items.

Net interest-bearing debt decreased by DKK 8m over the year, closing at DKK 1,465m on 30 September 2004. There have been no significant changes to or refinancing of the Group's loan portfolio during the year. It consists largely of long-term credit facilities. The total net interest expense was DKK 101m compared with DKK 71m for the last financial year, reflecting an increase in total debt over the year. A new long-term loan raised during the last financial year will keep interest charged on a major part of Coloplast's debt steady for quite a span of years.

The effective tax rate was 35%, corresponding to DKK 317m, comparing with DKK 302m and 34%, respectively, last year. Changes in the distribution of Group income from the various geographical markets caused an increase in the tax rate compared with previous years.



Exchange rates

97% of Coloplast's sales are generated outside Denmark. Sales are invoiced in the local currencies of the respective countries. When revenue is converted into Danish kroner for consolidation into the Group accounts, its value is affected by the year's currency fluctuations. For 2003/04, the weighted average of invoicing currencies was 2%-points under the average realised level for 2002/03. This had a negative effect on revenue and profit before financial items.

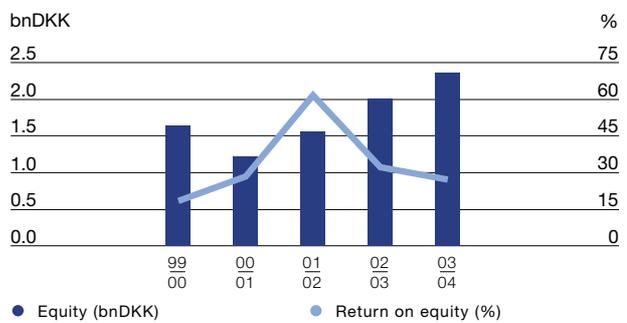
Within each financial year we attempt to hedge against the effects of exchange-rate movements by making forward exchange transactions. The proceeds from hedging currencies are recognised under financial items. Receivables recognised in foreign currencies and the budgetted future net cash flow of currencies are hedged for up to 18 months ahead. Forward cover has been arranged for all important currencies.

Coloplast's accounts are to a certain extent affected also by conversion of net investments in foreign subsidiaries. Exchange-rate gains or losses are incurred on conversion into Danish kroner and consolidation of the foreign subsidiaries' profit into the Group accounts. These gains or losses are recognised as equity items.

Balance sheet

The balance-sheet total increased by DKK 272m to DKK 5,643m at 30 September 2004. During the period, total assets increased by DKK 290m, mainly as a result of investments in tangible assets. The value of inventories increased

Equity and return on equity



by DKK 39m and book debt and other receivables, including deferred income, increased by DKK 31m in all.

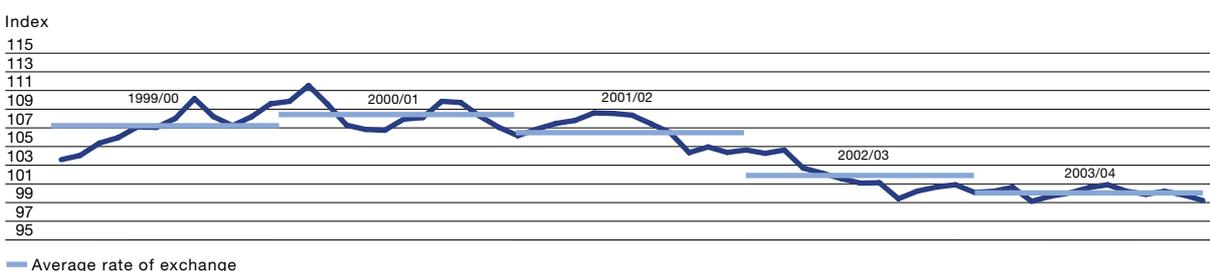
Bank balances and marketable securities decreased by DKK 88m, amounting to DKK 742m at the end of the financial year.

Over the period, short- and long-term bank debt, etc. was reduced by DKK 95m in all through servicing of mortgage loans and conversion of debt at exchange rates which were, at the balance-sheet date, generally below the level quoted at the beginning of the financial year.

Debt to suppliers and taxes due were reduced by DKK 51m and 41m respectively, and accounted for a smaller share of the balance-sheet total than last year.

Equity increased by DKK 355m to a total of DKK 2,357m and at 30 September 2004 represented 42% of to-

Development of Coloplast's invoicing currencies





Ratio of tangible assets acquired to revenue, gross

1999/00	2000/01	2001/02	2002/03	2003/04
11,1%	9,7%	8,1%	10,3%	9,0%

tal assets. This reflects an increase of 5%-points from the opening balance of 2003/04.

Investments

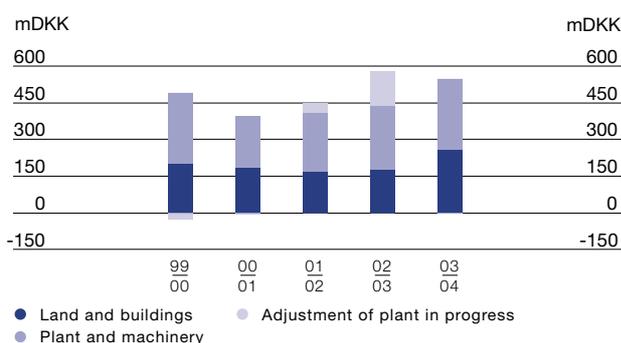
In 2003/04 further investments have been made in manufacturing facility extensions in Hungary and, on a smaller scale, in Denmark. These investments reflect a continuing need for manufacturing capacity increases.

Investments in Hungary began three years ago. During 2005, total investments will reach DKK 300m when the Hungarian facility will employ about 900 people. The products manufactured there will then represent a total market value of DKK 1.5bn.

Intangible assets recognised in the balance sheet came to DKK 425m, which amounts to an increase of DKK 82m.

Total investments in tangible assets recognised in the balance sheet amounted to DKK 2,086 m. New investments in tangible assets accounted for 9% of revenue, down from the 10% realised last year. In future, we expect the ratio of investments to revenue to be maintained at or below this level.

Investments



Cash flow statement

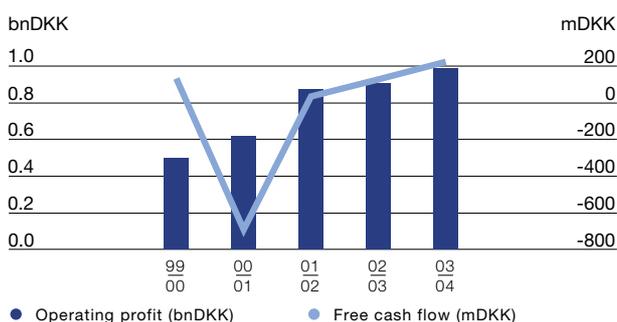
Operations contributed DKK 845m to the year's cash flow. During the financial year, inventory levels were, however, temporarily raised with a view to enhancing the reliability of deliveries during the transfer of production machinery to the Hungarian facility. There was also a build-up of inventory levels preparing for the implementation of a new ERP system. During the fourth quarter, inventory reductions were begun to reduce inventories to normal levels. The percentage increase in stocks for the full year was smaller than the rise in revenue. Investments in production plant and buildings came to DKK 544m, bringing the free cash flow to a net positive balance of DKK 224m, up from DKK 128m last year.

The net cash flow for the year was down by DKK 15m. This balance is arrived at by deducting dividend paid out to shareholders and minority interests, totalling DKK 130m, and purchases of own shares of DKK 84m, then adding changes in financial items, a net negative balance of DKK 25m, to free cash flow. Total liquid reserves at 30 September 2004 amounted to DKK 555m. This reserve includes cash, securities and bank balances, exclusive of short-term bank facilities. Total capital resources came to DKK 2.7bn.

Incentive programmes

In 2000 the Board introduced a share option programme for Group Management and executives linked to the

Operating profit and free cash flow



achievement of specific objectives. In order to support Coloplast's long-term, positive development, share options are allocated on the basis of economic profit and operating profit margin. For the financial year 2003/04 performance expectations were only partly fulfilled. During December 2004 approx. 70,000 share options will be allocated, about half the amount allocated the year before.

We find it important that all Coloplast employees take an interest in the development of the Coloplast share price. In order to motivate employees, we offer them employee shares at a favourable price at regular intervals.

The most recent employee share issue was made in 2004. Our employees subscribed for 108.229 B shares at a share price of 200 per unit.

Repurchase programme and dividend policy

In August 2004 the Board decided to initiate a repurchase programme involving own shares. The decision was based on expectations for a positive cash flow and the wish to adjust our capital structure. We intend to purchase own B shares worth DKK 250m, remaining within the authority granted by the Annual General Meeting to purchase up to 10% of the shares. The shares will be purchased in the open market. Holders of A shares will not be affected by the repurchase programme.

Our corporate policy is to attract investors by offering an attractive return on their investment, combining share price increases and dividend payments. The decision to repurchase own shares should also be considered in the context of shareholder return. In recent years, dividend payments have amounted to approx. 20% of profit for the year. As we have expectations of maintaining a positive cash flow, it has been decided to propose to the Annual General Meeting that dividend be raised to DKK 6 per share, corresponding to a pay-out ratio of approx. 25%.

Capital structure and financial risk management

The Group's financial position, including overall financial risks, is managed by the parent company's Corporate Finance function. The assessment of our corporate financial strength is based primarily on two key ratios:

- Ratio of net debt to EBITDA
- Interest cover

Risk management is handled according to a financial strategy approved by the Board. Our policy sets guidelines and limits to hedging operations countering financial risks. Coloplast aims to maintain a solid financial basis, to be perceived as a stable company and to maintain at all times a high financial flexibility supporting our future strategic development.

Our current financial strength is considered adequate for meeting our objectives. Cash flow is developing positively and will allow us, among other things, to purchase own shares and adjust our capital structure. In case of acquisition or divestment of business, we may depart from our financial policy, but we intend to subsequently launch initiatives ensuring that the current level is restored.

At 30 September 2004, the Group's total capital resources amounted to DKK 2.7bn. These resources include free liquid reserves and unused bank facilities. Hedging against financial risks is made centrally by the parent's Corporate Finance function. Hedging is also mentioned in the section on business risks.

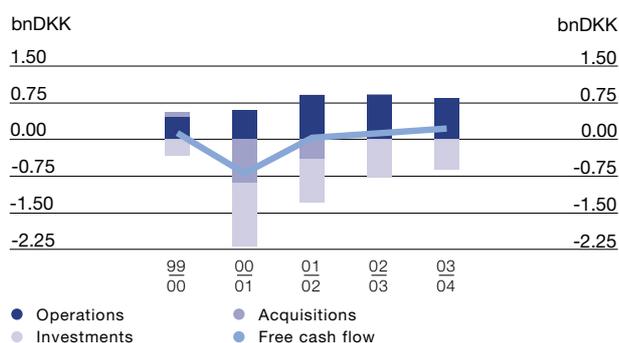
Ownership and share interests

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, three shareholders are covered by this section. They are Mrs J. Louis-Hansen of Randers, Mr N.P. Louis-Hansen of Vedbæk, and The Foundation of Aage and Johanne Louis-Hansen of Nivå.

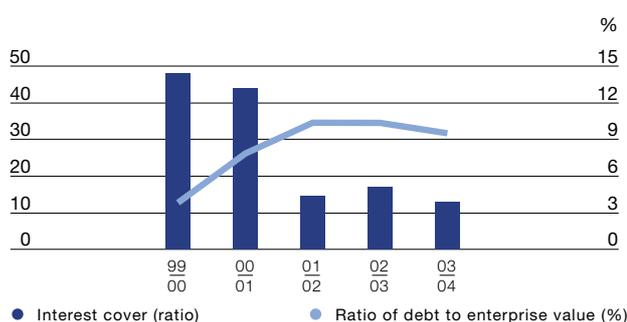
The number of shareholders increased from 11,676 to 12,876. Over the year there were only minor changes in ownership structure. According to the articles of association of the company, shares must be registered in the name of the holder to carry voting rights. 98% of all shares are registered in the names of their holders. At 30 September 2004 the volume of shares owned by foreign institutional investors was approx. 25%.

At the annual general meeting, the Board will propose a share split, which will change the trading unit of the company's class A and class B shares from DKK 10 nominal value to DKK 5. Such a split will double the amount of quoted shares from 22.2m class B shares to 44.4m class B shares and from 1.8m class A shares to 3.6m class A shares.

Cash flow statement



Interest cover and ratio of debt to enterprise value





Ownership of Coloplast shares

	A shares 1000 units	B shares 1000 units	Owner- ship %	Voting rights %
Holders of A shares	1,800	8,839	44.3	66.8
Danish institut. investors		4,390	18.3	10.9
Foreign instit. investors		5,960	24.8	14.8
Coloplast A/S*		592	2.5	
Other shareholders		2,014	8.4	5.0
Non-registered shareholders*		405	1.7	
Total	1,800	22,200	100.0	97.5

*No voting rights

Share interests

	A shares units	B shares units	Number of insiders
Board of Directors	1,228,500	845,886	10
Group Management		4,606	4
Executives		16,265	40
Total	1,228,500	866,757	54

During the fourth quarter net purchases of own B shares came to 86,225 shares at a price of DKK 51m. Total net purchases for the year were 73,796 B shares, and at year-end holdings of own shares totalled 591,743 B shares, corresponding to 2.5% of the B share capital. The shares are used mainly to cover the share option programme.

Events after the balance-sheet date

No events have occurred after the balance-sheet date which materially affect profit or equity.

Expectations

The revenue development experienced in 2003/04 is expected to continue in 2004/05. In local currencies, the underlying revenue growth is expected to be approx. 10%. However, price reductions for ostomy and continence care products in Germany are anticipated from January 2005. The effect of such price reductions may be a decline in the company's total sales of up to 2 percentage points, limiting the expected, actual sales growth to 8-10%. When the

price changes in Germany have been announced, we will estimate the consequences of the new prices on the company's performance and make these known.

The global market for medical devices is growing at an estimated 5-9%. This means that for Coloplast to achieve a growth in revenue of 10%, we must continue to win market shares.

In the first quarter of 2003/04 the German healthcare reform caused extra sales of ostomy products. This means that the figures used for comparison with the company's growth in the first quarter of 2004/05 will be higher than normal. The effect on performance in the first quarter will be a low-growth revenue development reflected in the financial statement for the first quarter of 2004/05.

The market prices for Coloplast's products are determined by the healthcare authorities in the individual countries and, as a rule, price increases for existing products are not an option. With a view to achieving stable profit margin growth in this setting, Coloplast will, on an on-going basis, be implementing a number of initiatives, including measures to increase the efficiency of manufacturing operations and business processes and to improve procurement controls.

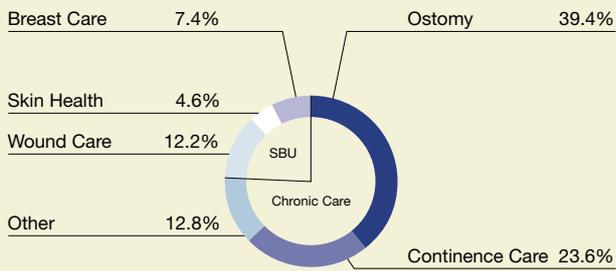
For 2004/05 we anticipate a profit margin of 15-16%, as price cuts in the German market may be expected to reduce the profit margin by 1-2 percentage points. Gross investments in tangible assets (buildings, machinery and equipment) are expected to amount to DKK 400-500m in 2004/05. We expect investments in the coming years to remain at this level. The tax rate for 2004/05 is expected to decline by 3% to approx. 32%, primarily as a result of increasing activities in Hungary.

Coloplast's long-term objectives towards 2008 of a revenue of DKK 9bn generated by organic growth, a profit margin of 18% and a return on average invested capital (ROAIC) of 20% remain unchanged.

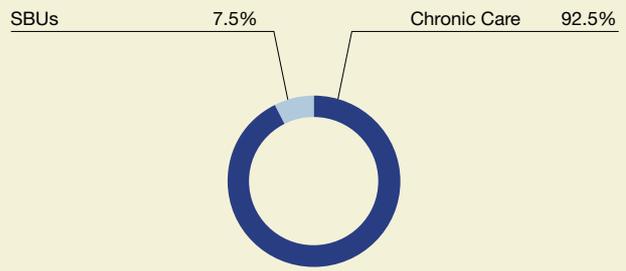
Heavy fluctuations in the exchange rates of important currencies, significant changes in the healthcare sector or major changes in the world economy may impact the company's possibilities for achieving the long-term objectives set and for fulfilling expectations.

Primary segment split

Revenue by business activities



Distribution of operating profit



Product areas

Coloplast's primary segment split reflects our business activities:

- Chronic Care segment: Ostomy and Continenace Care
- Strategic business units (SBU segment): Wound Care, Skin Health and Breast Care

When determining the company's strategy and objectives towards 2008 in August 2003, it was decided to restructure the organisation. Wound Care and Skin Health were established as independent, strategic business units (SBUs).

Ostomy and Continenace Care remained within the matrix structure, Chronic Care, alongside Coloplast's sales subsidiaries. Ostomy and Continenace Care still operate as divisions, their products being sold through Coloplast sales and home care subsidiaries across the world. The Chronic Care segment accounted for 76% of Coloplast's total revenue in 2003/04.

In our SBUs sales are channelled through own sales units, through a network of distributors or in cooperation with Coloplast sales subsidiaries.

Chronic Care

Financial performance

Total revenue for Chronic Care amounted to DKK 4,596m and operating profit was DKK 914m. Revenue growth in local currencies was 10%. In actual currency terms, overall growth was 9%. Operating profit increased by 15%. The profit margin was 20%. The segment includes sales of products from other suppliers. These sales saw limited growth in 2003/04.

Product divisions

The primary tasks of the divisions include manufacturing and innovation, where new products are developed in close cooperation with users and health professionals. The divisions are responsible for the products from development, through purchasing of raw materials, to manufacturing and distribution to sales subsidiaries or distributors.

Sales and home care companies

Sales and marketing activities are performed by Coloplast sales subsidiaries and independent distributors. The primary task of the sales subsidiaries is to market and sell Coloplast's products and services, and to maintain a close dialogue with the users, decision-makers and healthcare authorities. In a few countries sales are effected through Coloplast-owned home care companies. These companies supply products and offer guidance and service to users in their homes.

Strategic Business Units

Financial performance

Total revenue for the three independent business units, Wound Care, Skin Health and Breast Care, amounted to DKK 1,473m, and operating profit was DKK 74m. In local currency terms, the year's growth was 10%. In actual currency terms total growth came to 5%. Operating profit declined by 36%. The profit margin was 5%, which should be seen in the light of the recent significant organisational restructuring of the three SBUs aiming to improve their capability for solving future tasks and reaching the growth and profit objectives set.

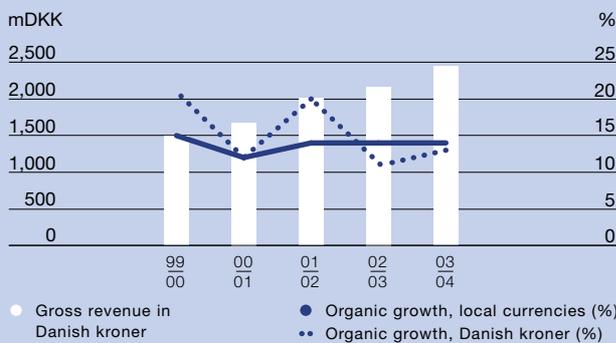
For each of the three business units, responsibility for development, manufacturing, marketing and sales are gathered under the unit's management, who report to Group Management. Sales are channelled through own sales units or in cooperation with other Coloplast sales subsidiaries, where the local management is responsible for administrative functions. The overall commercial responsibility always rests with the SBU.

Ostomy

Business results

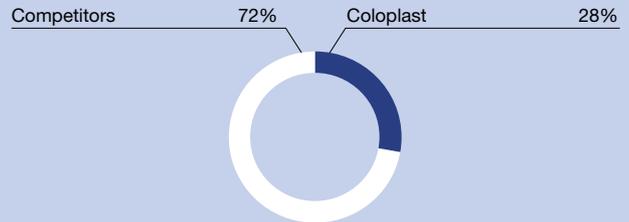
- Gross revenue for the year was DKK 2,442m
- Recorded growth was 14% in local currencies and 13% in terms of Danish kroner
- Ostomy saw good growth both in the USA, Europe and the rest of the world
- The German healthcare reform only had a modest effect on financial performance
- Our **Easiflex** ostomy bags continued to show a positive sales trend

Gross revenue and growth – Ostomy



Market share – Ostomy

Global



Products and services

Coloplast's ostomy business comprises products and services for people with a surgically created opening in the abdominal wall for the ureter or bowel. People diagnosed with chronic intestinal diseases or cancer may need ostomy surgery. Ostomy bags are for one-time use or drainable, and they consist either of a skin adhesive with integrated bag or of two separate parts for coupling. The majority of the products is sold through Coloplast's sales subsidiaries. Germany, Great Britain and France are our largest single markets. In some countries we support home care activities by distributing products and services directly to the users.

The year's activities

The growth is driven by ostomy bags with **Hide-away** outlet and bags with convex adhesive, introduced in 2001/02. Several products were launched within the **Easiflex** range, including an ostomy bag for children and a convex adhesive, allowing more user groups to wear the bag. **Easiflex** is now available in most markets with own sales subsidiaries, including the USA, Australia and Japan. We also launched a drainable ostomy bag, **EasiClose** wide outlet, designed especially for the US market. Our clean room manufacturing operations have been transferred from Humlebæk, Denmark, to Tatabánya, Hungary.



Assura bag with wide **EasiClose** outlet

Easiflex base plate and paediatric bag with **Hide-away** outlet

Assura URO multi-chamber bag

Easiflex convex light base plate



Markets and their development

Ostomy product sales account for 39% of total Group sales. We estimate the global ostomy market to represent DKK 8-8.5bn, more than half in Europe.

The markets in the USA and the rest of the world are estimated to each represent approx. DKK 1.5-2bn. The 14% growth of Coloplast's sales in 2003/04 is higher than the 2-6% estimated market growth, and Coloplast's global market share is estimated at 25-30%.

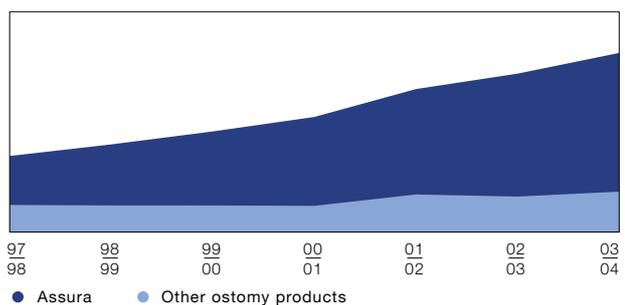
Coloplast's market share in Europe has, over the last 10-15 years, been growing by approx. 1%-point per year to presently 35-40%, driven by innovation and the involvement of health professionals in the development of new products.

Our major competitors are ConvaTec, a company in the Bristol-Myers Squibb Group, and Hollister Inc., which is owned by a foundation. ConvaTec's and Hollister Inc.'s market shares in Europe are 25-30%. In the USA, Coloplast's market share is estimated to be approx. 3-4% with ConvaTec and Hollister Inc. being the market leaders. Coloplast's ostomy product sales in the USA saw strong, two-digit growth.

In Germany, Coloplast's largest single market, a health-care reform was introduced in 2003/04. In order to make cost savings, the authorities introduced user fees for GP visits and co-payment for medical appliances, which means

that users now have to pay up to EUR 10 per month for the products. Besides, reimbursement of accessory products was removed. These changes took effect on 1 January 2004. They caused our sales in the first quarter to exceed expectations, while the effect of these extra sales levelled out over the year. This stage of the reform is not expected to have long-term negative effects on revenue. The second stage will take effect from 1 January 2005 and aims to harmonise reimbursement prices for ostomy products across insurance funds all over Germany. Proposals have been made by a number of health insurance funds for a reduction of average prices of approx. 15%. When the price level has been finally settled, Coloplast will assess the consequences on our business and make these known.

Sales trend – Ostomy products

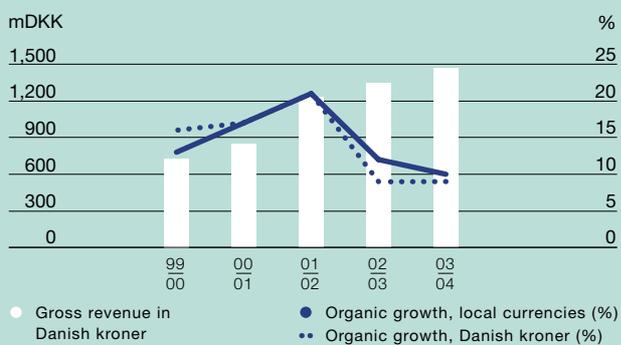


Continence Care

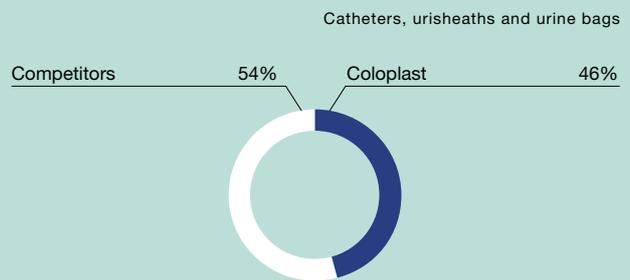
Business results

- Gross revenue for the year was DKK 1,467m
- The growth rate was 10% in local currencies and 9% in Danish kroner
- Coloplast continued to win market shares in the market for intermittent catheters
- A new product area addressing bowel incontinence and constipation was established

Gross revenue and growth – Continence Care



Market share – Continence Care



Products and services

Coloplast manufactures and sells appliances to people with problems controlling their bladder or bowel movements. Our key customer group is people with spinal-cord injuries. They are often young people who have lost control of their bladder or bowel movements after an accident. Our main product groups are catheters for emptying the bladder, urine bags, urisheaths and products to help overcome loss of bowel control. The majority of the products is sold through own sales subsidiaries. The sales effort is supported by Coloplast's home care companies. Great Britain and France are our largest single markets.

The year's activities

At the request of female catheter users, we developed **SpeediCath** Compact. This is a discreet, sterile, coated

catheter for regular evacuation of the bladder. The product was launched in 2003/04 in the markets in Denmark, Holland and France, where it was well received. In the third quarter Coloplast initiated a partnership with British Ranier Technology Ltd. involving the development and marketing of a new permanent catheter concept.

Many spinal-cord injured have problems with bowel incontinence or suffer from painful constipation. Our newly launched system for flushing the bowels, **Peristeen** Anal Irrigation, overcomes or reduces the problems experienced by most users. A new production hall for the manufacturing of **SpeediCath** catheters became operative at Mørdrup, Denmark. Other manufacturing processes were transferred to Tatabánya, Hungary. At Kokkedal, Denmark, major extensions were made to the premises accommodating product development.



Conveen Security+
Self-Sealing Urisheath

Moveen
Leg Bag

Peristeen
Anal Irrigation System

SpeediCath Compact intermittent
hydrophillic coated catheter for woman



Markets and their development

Sales of continence care products represent 24% of total Group sales. Coloplast's growth in this area was 10% in 2003/04, which exceeded the market's growth of 6-9%.

The major part of sales in this product area is generated in Europe, where Coloplast is the market leader. In the USA, we have recorded significant growth, although from a modest level.

Our main competitors in the global marketplace are Astra Tech AB, Mentor Corporation and Hollister Inc. There are numerous regional suppliers. The market for urine bags, in particular, is fragmented.

Coated catheters for intermittent evacuation of the bladder account for nearly 50% of Coloplast's continence care sales. This is the strongest growth market, seeing approx. 15% growth in Europe, where the market represents approx. DKK 1.4bn. Coloplast and Astra Tech between them share the greater part of the market. We continue to win market shares and, as a result, we are close to being the market leader in Europe.

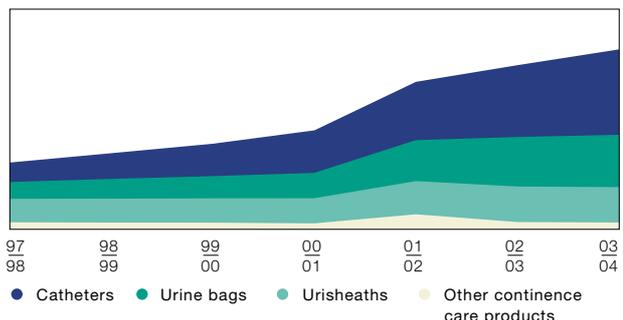
Urine bags represent nearly one third of Coloplast's continence care business, reflecting a market share of approx. 30% in Europe. The size of the total market is estimated at approx. DKK 1.2bn and to grow at a rate of approx. 5%, the same as Coloplast's growth rate on urine bags.

We are the market leader in Europe in the market for urisheaths, where our market share is more between 60 and 65%. This is a market with limited growth, where we are maintaining our position. The size of the market is estimated at approx. DKK 0.5bn.

The global market for products addressing bowel incontinence represents approx. DKK 1bn. This is a product area where Coloplast launched its first product, **Peristeen** Anal Irrigation, in 2003/04.

It is our ambition to continue to win market shares, particularly in the catheter market. Our future growth will be based on quite new product areas and new, innovative solutions within our existing, key product areas.

Sales trend – Continence Care products

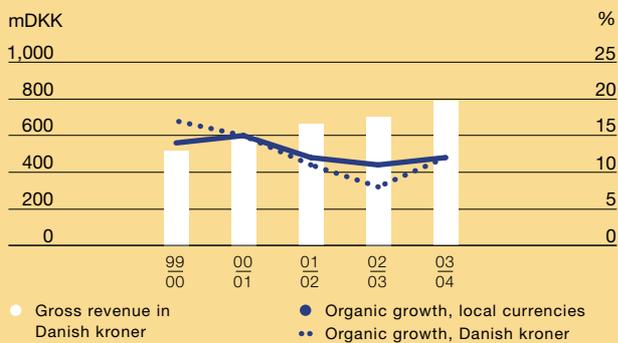


Wound Care

Business results

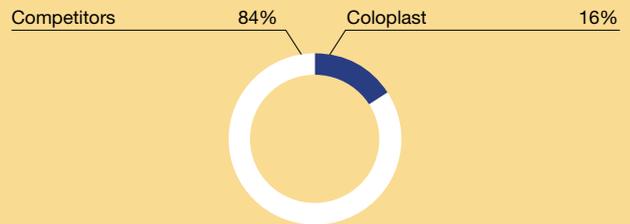
- The year's gross revenue was DKK 789m
- Growth for the period was 12% in local currencies and 12% in Danish kroner
- The Wound Care business unit was reorganised during the year

Gross revenue and growth – Wound Care



Market share – Wound Care

Europe



Products and services

Coloplast's wound care business unit is responsible for the development, manufacture, marketing and sales of wound care products supporting the healing of diagnosis-related chronic wounds. These wounds are typically caused by poor blood circulation, diabetes or exposure to pressure and require professional treatment. Diagnosis-related wounds are slow to heal, ie healing often takes more than 12 weeks. Coloplast gives advice to nurses on which indications and wound stages to apply the individual products for.

The year's activities

Coloplast's advanced foam and hydrocolloid silver dressings, which are sold under the **Contreet** name, were launched in the largest markets in 2002/03. During 2003/04 the range was extended by a number of special

dressings. The growth of wound care sales is driven primarily by our foam-technology-based **Contreet** and **Biatain** wound dressings, which also in 2003/04 saw strong sales growth compared with the year before. We consider our product portfolio to be one of the strongest in our industry. The year's activities therefore concentrated on improving the market position. We did so by supporting the sales effort, providing knowledge about holistic patient treatment rather than giving information about the effect of the individual product on the wound only. A new Medical Outcomes unit will strengthen our communication of research results, train sales reps and customers and work with health professionals in the hospitals. The Medical Outcomes team makes calculations proving the cost-effectiveness of modern wound care products like ours in the care and healing of wounds.



Alione Hydrocapillary Dressing

Comfeel Plus Transperant Dressing

Biatain wound dressing with hydrocolloid adhesive

Contreet Foam Sacral and Heel



Markets and their development

Wound care sales accounted for 13% of total sales. Coloplast is addressing the market defined as the moist-wound-healing market, including advanced and active products for the healing of chronic wounds. Our product range comprises dressings based on hydrocolloids, hydro-gel, foam, alginate and active substances, the main agent being silver due to its antibacterial effect. Our definition of the market does not include gauze, pharmaceuticals, vacuum therapy, compression and skin care.

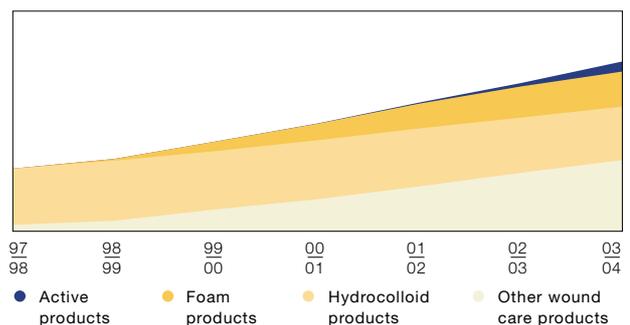
The complex nature of the wound care market means that data on market sizes, market shares and growth rates vary considerably from one source to another.

The total market for moist-wound healing products is estimated at approx. DKK 8bn. Europe accounts for more than 50% while the USA accounts for 30%. In the USA, our skin health business unit is responsible for wound care sales, so this section only covers markets in Europe.

The current European market growth is 12-14%, primarily driven by the growth in sales of foam products and anti-bacterial wound dressings like Contreet. In Europe, Coloplast's market share is approx. 16%. With a growth rate of 12% in 2003/04, Coloplast's sales are growing at the same level as the underlying market growth. Our main competitors are ConvaTec, Smith & Nephew, Mölnlycke

and Johnson & Johnson. With Wound Care established as a strategic business unit, it is our ambition to continue to strengthen the business area through innovation, efficiency improvements, marketing and sales activities.

Sales trend – Wound Care products

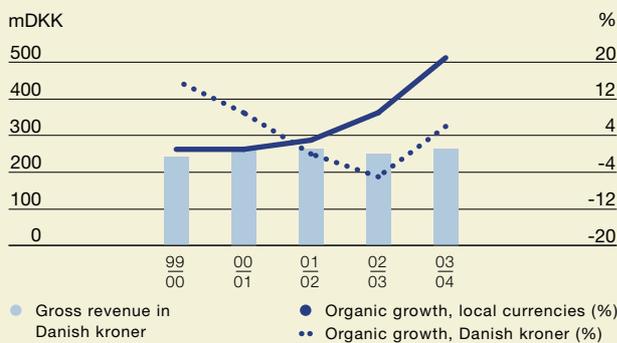


Skin Health

Business results

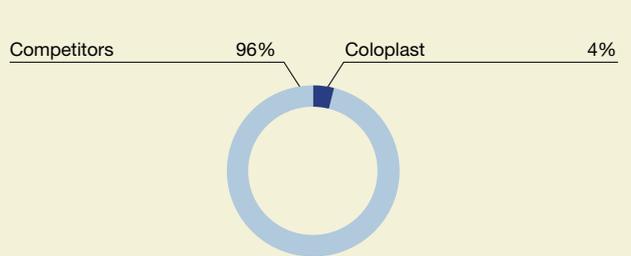
- The year's gross revenue was DKK 265m
- Growth for the year was 21% in local currencies and 6% in terms of Danish kroner
- The skin health business unit was reorganised during the year

Gross revenue and growth – Skin Health



Market share – Skin Health

USA, skin health and wound care



Products and services

Coloplast's skin health business unit is based in the USA with responsibility for development, manufacturing, global marketing and sales. Its primary target groups are health professionals and elderly people with skin health problems. Our main products protect skin exposed to body liquids, retain moisture, bathe and cleanse skin, and treat wounds. Some products are sold as accessories for appliances from other Coloplast product areas. The skin health business unit is responsible for sales of Coloplast's wound care products in the USA as, in this market, these two areas of care are often handled by the same nurses.

The year's activities

A new strategy is being pursued in the USA, and in 2003/04 we increased the sales force, signed new contracts and focussed mainly on the customer segments showing the strongest growth. The most important product launch of the year in the USA was the **Sween** 24 cream. It is a moisturiser, which reduces the need for repeated application, as the moisturising effect lasts longer. The manufacturing facility in Mankato, USA, was rebuilt during the year and two new clean rooms were established.

Markets and their development

Sales of skin health products represent 5% of Coloplast's revenue, and approx. 75% of the products are sold in the USA, where the total skin care market represents approx. DKK 4bn. More than half of this market represents skin care, the remainder wound care. Coloplast's market share in the USA is estimated at 5% for skin care and at 3% for wound care. It is our belief that Skin Health is winning market shares. The 9-12% market growth is driven by an increasing percentage of the population being elderly and by increasing awareness of the need for skin health. Our major competitors are ConvaTec, Smith & Nephew and 3M. Besides, a large number of suppliers offer special products to sections of the market.



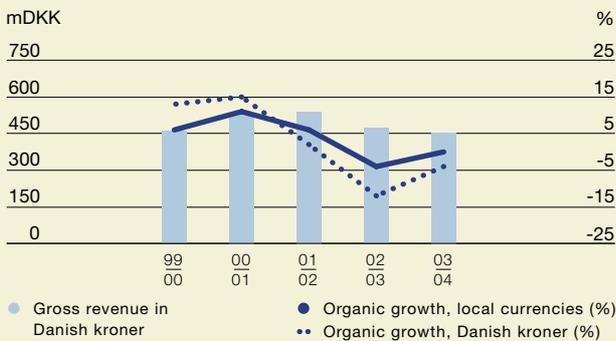
Sween skin protection creams

Breast Care

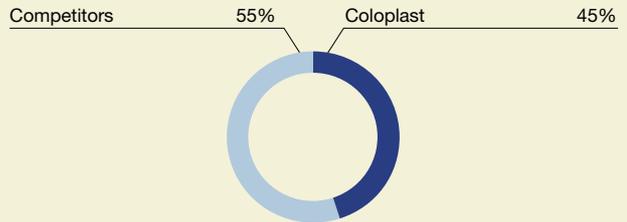
Business results

- Gross revenue was DKK 454m, the same level as last year
- A new branding strategy was implemented during the year.

Gross revenue and growth – Breast Care



Market share – Breast Care



Global

Products and services

Coloplast's breast care business unit is the world leader in the development, manufacture and distribution of external breast forms for women who have had a breast surgically removed. The most common reason for surgery is a cancer diagnosis.

Apart from breast forms, the business area includes underwear, swimsuits and skin care products especially designed for this target group. Our products are sold under the **Amoena** brand, through bandagists and specialist shops. Our main markets are the USA, Germany, France and Great Britain.

The year's activities

A new branding strategy has been worked out for the breast care business unit. It includes a new global design which will strengthen the **Amoena** brand. A new range of breast forms was launched in North America and new textiles were launched in the USA and Europe during the year. Sales of newly developed breast forms, ie products launched within the last four years, now account for one third of Breast care revenue.

Markets and their development

Coloplast is the market leader, holding 45% share of the world market for breast forms and textiles, which is estimated at DKK 1bn. For breast forms alone, our market

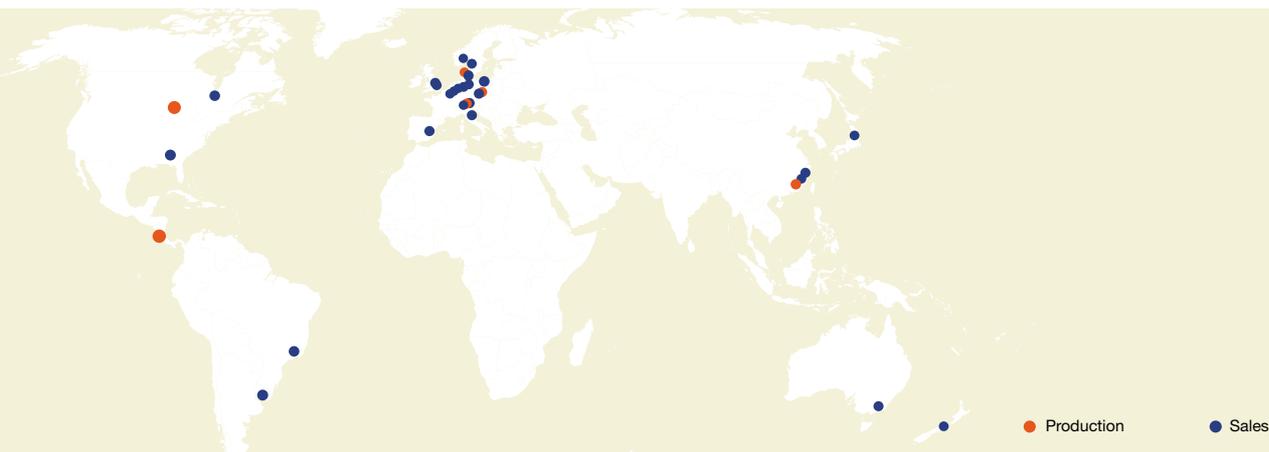
share exceeds 50%. The revenue of the Breast care unit accounts for 7% of total sales. The number of women having surgery follows an upward curve, but an increasing number of these women have breast-conserving or reconstructive surgery. Therefore the demand for full-shape external breast forms is stagnating.

In the USA, reimbursement rules were changed last year to the effect that the cost of a breast form is reimbursed only every two years, not every year like before. These factors are causing the global market to decrease by 1-3% annually. As the Breast care unit's revenue for 2003/04 was at the same level as last year, we believe that we are winning market shares. Our major competitors are Anita Dr. Helbig GmbH and TruLife, both companies holding less than 20% of the global market.



Amoena breast form and textiles

Secondary segment split



Geographical markets

Coloplast's secondary segment split follows the geographical markets. These are grouped in three regions: Europe, North and South America and the rest of the world.

In Europe, Coloplast is represented by sales companies or representative offices in most countries. In the markets for ostomy products, urisheaths, urine bags and breast forms, Coloplast is a European market leader and is among the leading companies in its other business areas. Coloplast will continue to establish its own sales companies in step with the development of new markets in Europe.

In the North and South American markets, Coloplast has its own companies in the USA, Canada, Costa Rica, Argentina and Brazil. In the USA, Coloplast's subsidiary Sterling Medical Services has a profound knowledge of reimbursement rules and insurance matters and supplies both private individuals, nursing homes and home-care schemes.

In the rest of the world, Coloplast also has a number of sales companies (the companies in Japan and Australia are the largest), whereas sales are generated through distributors in the other countries.

Europe

Revenue in Europe accounted for 81% of total revenue, rising by 10% in Danish kroner to DKK 4,891m. On the back of local currency growth that is higher than market growth in most markets in Europe where Coloplast operates, the company continues to win market shares from its competitors. This is especially the case in the areas of ostomy and continence care products. The fact that the Danish krone is closely pegged to the euro means that the greater part of revenue generated was not substantially affected by exchange-rate changes during the year. The British pound is Coloplast's primary risk factor in terms of currency exposure.

The Americas

Revenue generated in North and South America represented 13% of total revenue. In local currencies, sales were up by 9%. The currency changes seen during the year were particularly important in this market, and, in Danish kroner, revenue fell by 2% to DKK 804m. Sales in the USA accounted for the lion's share of sales in North and South America, and the big-

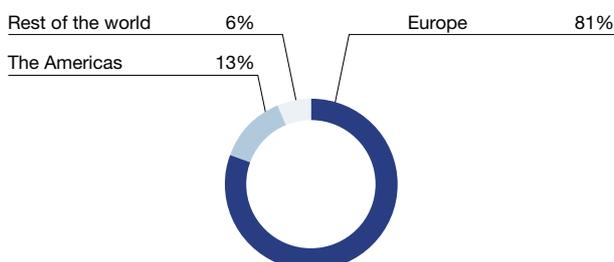
gest share of revenue was generated by skin health and breast care products. Skin health products made the biggest contribution to growth, but ostomy and continence care products also sold fine, showing growth rates in excess of 20%. Coloplast continues to win market shares in these markets.

Coloplast intends to strengthen its position in the US market. Hence, the marketing effort was intensified in several product areas in 2003/04. In addition to offering a competitive product range, Coloplast will increase the sales force to ensure familiarity with the products at hospitals and among distributors. Coloplast wants access to selling its products to hospitals via contracts with the purchasing organisations and succeeded in signing a contract with Consorta, one of the biggest organisations, in 2003/04. Some 20% of purchases made by hospitals are not made under these contracts, so the nurses have a free choice of supplier. Marketing vis-à-vis health professionals in the USA is thus essential to continued success.

Rest of the world

Of the three regions, "Rest of the world" experienced the sharpest rise in revenue. Sales in this region came to 6% of total revenue and rose by 14% in Danish kroner to DKK 374m. Sales in Japan, China and the other Asian markets, covered by subsidiaries or independent distributors, saw two-digit growth rates. A special sales and marketing function with closer contact with the Asian partners was established during the year to strengthen the position in the Asian markets.

Revenue by geographical regions



Group issues

Corporate governance at Coloplast

At Coloplast, corporate governance refers to the business principles underlying the organisation, relations with stakeholders and the processes for determining and implementing basic business concepts, strategy, business objectives and controls. Coloplast's Board of directors and Group Management regularly review the company's business processes against these principles. Thereby we expect to enhance the company's credibility and to:

- Attract more new investors
- Increase the insight of shareholders and employees into strategy, objectives and risks
- Enhance management's ability to identify the company's strengths and focus areas
- Increase other stakeholders' confidence in the company

Voting rights

Coloplast shares are split into two classes: Class B shares holding one vote per share and class A shares holding ten votes per share. Class A shares are non-negotiable instruments and any change of ownership is subject to Board approval. We consider it an advantage for all shareholders to maintain the current ownership structure and we will, also in future, set ambitious long-term financial objectives.

General meetings

Coloplast A/S is a Danish, exchange-listed company and the shareholders have supreme authority exercisable when making decisions at the general meetings. At the annual general meeting the audited annual report is presented for approval. Besides, board members and auditors are elected. The shareholders may vote for Board candidates one by one. All shareholders may present proposals for discussion or ask questions.

Board of directors

The Board determines, upon the commendation of Group Management, the company's strategies and overall business plans and, on behalf of the shareholders, monitors the financial performance and the management and organisation of the company. Moreover, the Board approves the key figures underlying the budgets prepared by Group Management. No member of the Board is also a member of Group Management. The Board meets at least five times per year.

The majority of the board members appointed at the general meeting are considered by the Board to be independent of company interests. The company's majority shareholder holds a seat on the Board.

The CVs of board members are published, and the profiles and background of member candidates are published at the time of convening the annual general meeting.

Every two years, the Board assesses its own cooperation and working procedures. Moreover, interviews are held between the Chairman and individual board members. Based on this assessment, the Board discusses its organisation and efficiency at a board meeting.

The Chairman and Deputy Chairman of the Board make an annual evaluation of the performance and results of Group Management, including the cooperation between the Board and Group Management, and they will present this evaluation to the Board.

Remuneration of Board and Group Management

Board members receive a fixed amount for their board work and no options or other incentive schemes are included.

The Board approves the general guidelines for pay to members of Group Management, while the specific amounts payable to each member are decided by the Chairman and Deputy Chairman of the Board.

The members of Group Management benefit from a revolving share option programme, where the exercisable price is higher than the market price at the time of allocation. The value of the share option programme cannot exceed the value of two months' pay net of tax at the time of allocation.

Communication with stakeholders

Coloplast's Mission Statement and Values constitute the company's policy on stakeholder relations. Besides, the value creation for customers, employees, shareholders and the surrounding society is reported annually in our non-financial stakeholder report.

We communicate with shareholders and investors via telephone, e-mail, annual report, information to the Copenhagen Stock Exchange, our corporate website, the annual general meeting and investor-relations meetings, which may be either face-to-face or telephone conferences.

We have established a policy regarding information to shareholders and investors. According to this policy, Group Management and Corporate Communications are responsible for communicating with these stakeholders in compliance with guidelines agreed with the Board.

At Coloplast's corporate website the principles and structures established for corporate governance at Coloplast are described in more detail.

www.coloplast.com

Managing business risks

Coloplast has established a formal process for the identification, management and reporting of business and financial risks. Risk management aims to maintain stability in the generation of profit and to protect Coloplast's reputation.

Possible risks and action plans to counter these are reviewed on an on-going basis, and significant risks are reported quarterly to the Board. When evaluating individual risk factors, we make a balanced assessment of the probability and any consequences of the incident occurring.

The figure presents overall risk factors at Coloplast. The risk window is assessed on an on-going basis.

Significant risks

Market conditions

Prices and regulation

The majority of Coloplast's products is sold either direct to the healthcare sector or are reimbursed by the authorities. Fluctuations in economic trends causing major reductions of public subsidies may affect the company's revenue and profit. Coloplast monitors developments in the local reimbursement systems and is in close dialogue with the relevant authorities and trade organisations.

Competition

Substitution

New forms of treatment and new product technologies may cause changes in demand. Coloplast monitors developments and cooperates with leading specialists within all product areas.

Parallel imports and other competitive action

Parallel imports and other competitive action in the form of alternative market strategies and supply chains are general risks faced by Coloplast. All such trends in the market are watched closely.

Innovation

The increasingly advanced nature of products means that

product development, including the processes required for documentation and regulatory affairs, becomes more and more demanding. Coloplast cooperates with the regulatory authorities in an effort to accelerate the premarketing stages of new products developed.

Financial and legal aspects

Coloplast's policy for managing financial risks defines guidelines for and limits to financial transactions made by the company. In this way, any overall financial risks affecting the company's business are reduced.

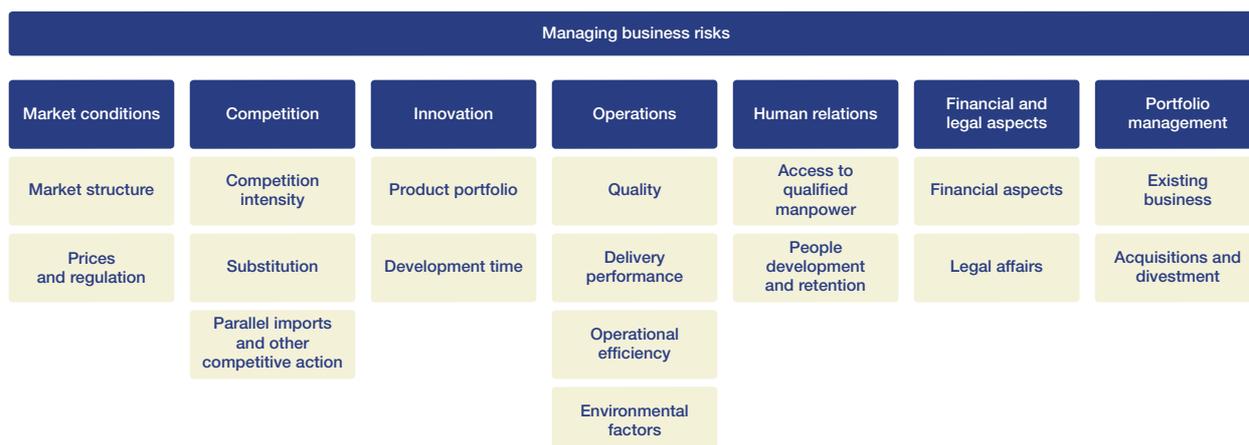
Exchange-rate fluctuations affect revenue. Within each financial year, the effect of exchange-rate changes is primarily covered by hedging. In addition to hedging of receivables in foreign currencies, we normally take out cover for up to 18 months of the budgetted future net cash flow in foreign currencies. Coloplast's financial performance is to a certain degree affected by the translation into Danish kroner of investments in foreign subsidiaries. Interest-rate fluctuations in the financial markets may affect financial items. Coloplast has reduced its exposure to interest risks by primarily raising long-term, fixed-interest loans.

The bad debts risk is limited, as Coloplast's debtors are primarily healthcare authorities and health insurance funds. Coloplast deals exclusively with recognised financial institutions when partnering to make transactions in the financial markets.

Coloplast aims to maintain long-term facilities and avoid that too large a share of our liabilities fall due for payment in any one year. We aim at all times to maintain sufficient capital resources to cover expected fluctuations in liquidity caused by operations, investments and any strategic initiatives.

As a result of the increasing geographical spread of activities, Coloplast is facing an increasing risk of conflict with local authorities, with eg transfer pricing becoming an issue attracting more and more attention. We aim to counter this risk by complying with internationally recognised principles in all business dealings and by producing in-depth documentation.

At Coloplast's corporate website the management and reporting of business and financial risks at Coloplast are described in more detail.



Organisation

Group director Max S. Stringer retired on 30 March and was replaced in May by Group director Christian Jørgensen.

Coming from the position of country manager for the Chinese facility, Jørgen Bundgaard Hansen in August replaced Mogens Pedersen as general manager for the Continence Care Division.

Increasing efficiency and adjusting the organisation

Over the year, a number of processes have been implemented to increase efficiency in the Group. The efforts generated cost reductions and produced more effective work flows both in administrative and manufacturing departments.

Coloplast created a total of 106 new jobs over the year. The number of people outside Denmark increased by 236, while the number of people in Denmark decreased by 129 in all. In the spring, Coloplast adjusted production capacity in the Consumer Products Division at Kvistgård, Denmark.

Research and development

Coloplast spent more than 3% of revenue on research and development, an increase of DKK 35m. The main activities are anchored in the product divisions, who all have independent development departments. Here new products are developed and existing products adjusted to changing user needs. Coloplast Research is the Group's research centre, whose scientists are responsible for basic research and materials development within adhesives and biomaterials, coating and hydrogels as well as research into the interplay of materials with skin, mucous membranes and other tissues.

The research centre spends some 10% of total R&D expenses. A considerable share of the company's network cooperation with universities and sectoral research institutions originates at Coloplast Research, drawing on national and international programmes. Coloplast supports the Danish Polymer Centre through grants for students at DPC's International Master Programme and graduate science school. We have initiated a cooperation with Nordic Vaccine Technology A/S involving the development of a vaccine dressing.

During the year, Coloplast received two design awards from the Danish Design Centre, DDC, recognising products which 'excellently integrate design and functionality'.

Logistics and IT

During the year, the new central ERP system was also introduced at the factories in Denmark, USA and Hungary and in the sales companies in Spain and Australia. The system has also been refined to be able to cope with the future demands of central European distribution. This part of the system has also been implemented in the German sales subsidiary.

Introduction of the new IT strategy is intended to link Coloplast's IT systems in Northern Europe using high speed connections to enable systems and operations to be con-

trolled centrally to a greater degree. Coloplast is working with Indian company L+T Infotech on system monitoring and some operational and support tasking is undertaken by staff from this company.

A start has been made to construction of the new central European Distribution Centre (EDC) in Hamburg, which is expected to be finished at the beginning of 2005. The whole conversion of the central European distribution is expected to be completed in 2006 in line with the ERP roll out. The company's warehousing facilities in UK have undergone thorough renovation and modernisation. Deliveries have improved following implementation of a new logistics system and customers in UK now see Coloplast as the most efficient supplier in the market.

Knowledge resources

The external environment is imposing ever increasing expectations on companies to act in dialogue with and show respect for the surrounding world.

Using its Mission and Values as springboard, Coloplast has established a process that strengthens its knowledge of value creation. To ensure that Coloplast listens to its stakeholders, compilation of knowledge on relations with key stakeholders has been systematised, an activity that forms the basis of Coloplast's innovative ability. The process provides Coloplast with knowledge on the interdependence of enablers and results creating progress. The stakeholder report - a summary of the intellectual capital statement on www.coloplast.com - accounts for the value creation in more details. The report has five main chapters, one for each stakeholder group: customers, employees, society and shareholders as well as reporting on the UN "Global Compact".

This is the seventh year, in which Coloplast presents this type of report.

Quality Management and the environment

Coloplast's factories have to comply with a range of regulatory requirements, including quality, environmental approval and health and safety at work. Coloplast's Mission and Values set additional high standards for quality, the environment and the health and safety at work. Corporate management systems have been set up in accordance with ISO9001, ISO13485, ISO14001 and OHSAS18001.

Coloplast's environmental and quality assurance departments were merged in 2004 so as to ensure the best possible management system integration. Coloplast management have decided to conform to the same production standards irrespective of wherever in the world Coloplast's factories are and certification according to these systems has been planned.

All Coloplast's factories are certificated to the quality assurance system. Factories in China and Denmark have environmental accreditation, with at December 2004 start scheduled for working environment certification in Denmark.

Board of Directors and Group Management



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Board of directors

- | | | | |
|---|---|--|---|
| <p>14 Chairman
Director
Palle Marcus (67)
BCom
9 years on the Board
Novo A/S (C)
Novo Nordisk Fond (C)
EA/S Knud Højgaards Hus (BM)
Knud Højgaards Fond (BM)
Højgaard Ejendomme A/S (BM)
Danske Bank (CM)</p> | <p>12 Director
Helle Bechgaard (59)
PhD (Pharm)
14 years on the Board
Danmarks Nationalbanks Repræsentantskab (CM)
Eksport Kredit Finansiering A/S (BM)
Eksport Kredit Fonden (BM)
Fonden Baltic Development Forum (BM)</p> | <p>10 President & CEO
Torsten Erik Rasmussen (60)
MBA
Morgan Management ApS
12 years on the Board
Amadeus Invest A/S (C)
Bekaert Handling Group A/S (C)
Best Buy Group A/S (C)
uni-chains A/S (C)
Bang & Olufsen A/S (DC)
JAI A/S (DC)
TK Development A/S (DC)
A/S Det Østasiatiske Kompagni (DC)
Acadia Pharmaceuticals A/S (BM)
Arvid Nilsson A/S (BM)
BISON A/S (BM)
ECCO Sko A/S (BM)
NatImmune A/S (BM)
NEG Micon A/S (BM)
Louis Poulsen EI-teknik A/S (BM)
Louis Poulsen Holding A/S (BM)
Louis Poulsen Lighting A/S (BM)
Scandinavian International</p> | <p>Management Institute Fonden (BM)
Schur International A/S (BM)
TKD Nordeuropa A/S (BM)
Uni-Chains Holding A/S (BM)
Vestas Wind Systems A/S (BM)
Vola A/S (BM)
Vola Holding A/S (BM)</p> |
| <p>7 Deputy Chairman of the Board
Niels Peter Louis-Hansen (57)
BCom
37 years on the Board
Aage og Johanne Louis-Hansens Fond (C)</p> | <p>4 Attorney
Per Magid (61)
20 years on the Board
Højgaard Ejendomme A/S (C)
Knud Højgaards Fond (C)
EA/S Knud Højgaards Fond (BM)</p> | <p>13 Director
Kurt Anker Nielsen (59)
MCom
7 years on the Board
Novozymes A/S (DC)
DakoCytomation A/S (BM)
Novo A/S (BM)
Novo Nordisk A/S (BM)
TDC A/S (BM)
Norsk Hydro ASA (BM)</p> | <p>11 Production worker
Lise Schachtschabel (40)
2 years on the Board
Elected by the employees</p> |
| <p>5 Supply Chain Operation Manager
Erik Andersen (44)
BSc, BCom
2 years on the Board
Elected by the employees</p> | | | <p>1 Vice Chairman, President & CEO
Ingrid Wiik (59)
MSc (Pharm)
AI Industrier
1 year on the Board</p> |
| | | | <p>3 Electrician
Knud Øllgaard (43)
14 years on the Board
Elected by the employees</p> |



9 10 11 12 13 14

Group management

- | | | | |
|---|---|---|---|
| <p>2 Chief executive
 Sten Scheibye (53)
 PhD, BCom
 Novo Nordisk A/S (DC)
 Danske Bank A/S (BM)</p> | <p>9 Group director
 Christian Jørgensen (45)
 MSc in Economics, MBA</p> | <p>6 Group director
 Carsten Lønfeldt (57)
 MCom
 Chr. Hansen Holding A/S (BM)
 Polaris Management A/S (BM)
 Nykredit Invest A/S</p> | <p>8 Group director
 Lars Rasmussen (45)
 BSc (Eng), E*MBA
 Bie & Berntsen A/S (BM)
 Brødrene Hartmann A/S (BM)
 LM Glasfiber Holding A/S (BM)</p> |
|---|---|---|---|

Management assignments

Members of the Board of Directors and Group Management of Coloplast A/S have indicated their management responsibilities with these Danish companies (except 100% owned subsidiaries) at 17 November 2004.

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

Management's statement and auditors' report

Management's statement on the annual report

The Board of Directors and Group Management have today considered and adopted the annual report of Coloplast A/S for the financial year 2003/04.

The annual report was prepared in accordance with IFRS and additional Danish requirements on annual report presentation.

We consider the accounting policies applied appropriate, and in our opinion the annual report gives a true and

fair view of the financial position of the Group and the Parent Company and of the results of Group and Parent Company operations and of consolidated cash flows.

The stakeholder report on intellectual capital management at Coloplast A/S gives a true and fair view within the framework of generally accepted guidelines.

We recommend that the annual report be adopted at the Annual General Meeting.

Humblebæk, 17 November 2004

Group Management

Sten Scheibye
Chief executive

Carsten Lønfeldt
Group director

Lars Rasmussen
Group director

Christian Jørgensen
Group director

Board of Directors

Director
Palle Marcus
(Chairman)

Supply Chain Operations
Manager
Erik Andersen

Director
Kurt Anker Nielsen

Electrician
Knud Øllgaard

BCom
Niels Peter Louis-Hansen
(Deputy Chairman)

Director
Helle Bechgaard

Director
Torsten Erik Rasmussen

Corporate CEO
Ingrid Wiik

Attorney
Per Magid

Production worker
Lise Schachtschabel

Auditors' report - to the shareholders of Coloplast A/S

We have audited the annual report of Coloplast A/S for the financial year 2003/04, pages 1-60. The annual report is the responsibility of the Management.

Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish and international auditing standards. These standards require that we plan and perform the audit so as to obtain reasonable assurance that the annual report is free of material misstatement. The audit includes examining, on a random check basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing

the accounting policies applied and significant estimates made by the Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the annual report gives a true and fair view of the financial position at 30 September 2004 of the Group and the Parent Company and of the results of Group and Parent Company operations and the Group's cash flows for the financial year 2003/04 in accordance with IFRS and additional Danish requirements on annual report presentation.

Copenhagen, 17 November 2004

PricewaterhouseCoopers

Statsautoriseret Revisionsinteressentskab

Lars Holtug
*State authorised
public accountants*

John van der Weerd
*State authorised
public accountants*

REVISIONSFIRMAET HELGE BOM

Statsautoriseret Revisionsaktieselskab

Claus Ørbech
*State authorised
public accountants*

Jan Rasmussen
*State authorised
public accountants*

Consolidated annual accounts

The annual report for 2003/04 has been prepared in accordance with International Financial Reporting Standards (IFRS) and with Danish additional requirements on the presentation of company accounts. Our accounting policies have been changed with respect to the statement of revenue, goodwill, profit from investments in associates and value changes relating to financial assets and liabilities used only for hedging.

For revenue, value changes relating to financial assets and liabilities used only for hedging and for profit from investments in associates, the transition to IFRS has had no effect on income statement and statement of changes in equity, while the classification of income statement items has been affected.

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Accounting policies

ACCOUNTING BASIS, ACCOUNTING POLICY CHANGES

The annual report for 2003/04 has been prepared in accordance with International Financial Reporting Standards (IFRS) and with Danish additional requirements on the presentation of company accounts. Coloplast's annual report complies with the IFRS currently in force, ie Coloplast did not implement the revised IAS nor IFRS 2 in 2003/04.

As a consequence of compliance with IFRS, our accounting policies have been changed with respect to the statement of revenue, goodwill, profit from investments in associates and value changes relating to financial assets and liabilities used only for hedging. For revenue, value changes relating to financial assets and liabilities used only for hedging and for profit from investments in associates, the transition to IFRS has had no effect on income statement and statement of changes in equity, while the classification of income statement items has been affected.

Reclassification

Cash discounts, which were previously included in financial items, are set off from 1.10.2003 in the items they relate to

(primarily revenue and cost of sales). Value changes relating to financial assets and liabilities used only for hedging, which were previously presented as financial income and financial expense, respectively, are now presented as an overall effect. Profit from investments in associates is stated from 1 October 2003 as profit after tax.

Financial effect on 2002/03 and 2003/04 of changes in accounting policies applied

The changed policy relating to goodwill means that from 1.10.2002, goodwill is no longer amortised. Instead, an impairment test is made at the end of each financial year (+) or more frequently if there are indications that impairment has occurred.

As a result, goodwill amortised in 2002/03 is added back and Group profit before tax for 2002/03 is changed from DKK 878m to DKK 889m while equity is changed from DKK 1,996m to DKK 2,002m. If goodwill had been amortised for 2003/04, Group profit before tax would have changed from DKK 899m to DKK 867m and equity would have changed from DKK 2,357m to DKK 2,332m.

CHANGES IN ACCOUNTING POLICIES

	Previous policies		New policies	
	2003/04	2002/03	2003/04	2002/03
Profit before tax	867	878	899	889
Equity	2,326	1,996	2,357	2,002

RESTATEMENT OF FIGURES FOR COMPARISON 2002/03

Full restatement of figures for comparison has been made, so that:

	Earlier stated	Cash discounts	Commissions	Amortisation of goodwill	Exchange rate Adjustments	Restated IFRS
Revenue	5,669	-44	-15			5,610
Cost of sales	-2,157	11				-2,146
Gross profit	3,512					3,464
Distribution costs	-1,670		15			-1,655
Administrative expenses	-727					-727
Research and development costs	-168					-168
Other operating income	38					38
Other operating expenses	-43					-43
Operating profit before amortisation of goodwill	942					909
Amortisation of goodwill	-11			11		0
Operating profit	931					909
Income from investments in associates before tax	1					1
Financial income	256	-11			-161	84
Financial expenses	-310	44			161	-105
Profit before tax	878					889
Tax on profit for the year	-297			-5		-302
Net profit for the year	581					587
Minority interests	-20					-20
Coloplast's share of profit for the year	561	0	0	6	0	567

GENERAL

The annual report has been prepared on the basis of the historical cost principle. Subsequently, assets and liabilities are measured as described under the individual items.

Assets are recognised on the balance sheet date if it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet on the balance sheet date if it is probable that future economic benefits will flow from the Group and the value of the liability can be measured reliably.

On recognition and measurement account is taken of any gains and losses that arise before the preparation of the annual report and which prove or disprove matters existing on the balance sheet date.

Financial assets and liabilities are recognised with effect from the date of transaction.

Danish kroner and Euro

The Group's functional currency is DKK. DKK has therefore been used as a measurement and presentation currency in the preparation of the financial statements. Currencies other than DKK are therefore regarded as foreign currencies. As a service to the readers, Group figures have been converted into EUR. The conversion rate used is the rate of exchange quoted on 30 September 2004, which was 744,16 (the rate 30 September 2003 was 742,56).

CONSOLIDATION

The consolidated financial statements comprise Coloplast A/S (the parent) and the companies in which the Group holds more than 50% of the voting rights or otherwise has control (Group enterprises).

The consolidated financial statements are prepared by aggregating the parent's and the individual subsidiaries' audited financial statements, prepared in accordance with the Group's accounting policies. All intercompany transactions, balances, dividends as well as unrealised gains and losses on transactions between the consolidated companies are eliminated.

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

Newly acquired and sold companies are included in the consolidation in the period in which the Coloplast Group has control of the subsidiary. Comparative figures are not restated for companies newly acquired or sold.

Purchases of new companies are accounted for using the purchase method of accounting, according to which the assets and liabilities of the newly acquired companies are measured at fair value at the time of acquisition.

The excess value/goodwill on the purchase of a new company is calculated as the difference between the cost of the

acquiree and the fair value of the consolidated companies' proportionate share of the net assets in the acquired subsidiary or associate at the time of acquisition.

In those cases where the fair value of assets or liabilities acquired subsequently turns out to be different from the values calculated at the time of acquisition, the excess value/goodwill will be adjusted up to 12 months after the date of acquisition.

Goodwill arising in connection with the acquisition of a subsidiary or an associate is recognised in the balance sheet under intangible assets in the consolidated financial statements, and an impairment test is made at the end of each financial year. Goodwill arising in connection with purchases of equity investments before 1.10.2002 has been written directly to equity.

TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into DKK at the rates at the transaction date. For practical reasons, the average exchange rate for the period is used to express the rate at the transaction date.

Monetary items denominated in foreign currencies are translated into DKK at the exchange rates at the balance sheet date. Exchange adjustments arising as the difference between the exchange rates at the balance sheet date and the exchange rates at the transaction date of monetary items are recognised in the income statement as a financial item.

Purchases of fixed assets denominated in foreign currencies are translated into DKK at the transaction date.

The income statements of foreign independent subsidiaries are translated at the average exchange rates for the period and the balance sheets are translated at the exchange rates at the balance sheet date. Foreign exchange adjustments arising in that connection are taken directly to equity.

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

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

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

PUBLIC GRANTS

Public grants comprise grants for research, development and other investments.

Grants for investments are recognised as deferred income, which subsequently is recognised as income as the investment is amortised or depreciated and written down. Other grants are recognised as income in the income statement so that they correspond to the costs for which they compensate.

PENSIONS AND SIMILAR PLANS

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

Periodical payments to defined contribution plans are recognised in the income statement.

In defined benefit plans the Group is under an obligation to pay an agreed benefit on retirement. The actuarially computed present value less the fair value of any plan assets is recognised in the balance sheet under provision for pension and similar liabilities or pension assets in the balance sheet, and any changes in these are recognised in the income statement.

Minor changes in actuarial gains and losses which do not exceed 10% of the present value of the pension liabilities are not recognised in the financial statements. Changes representing more than 10% of the present value of the pension liabilities, are recognised over the expected average remaining working period of the employees.

SHARE-BASED REMUNERATION

Group Management and executives have been granted share options.

The option scheme is hedged through the holding of own shares, and expenses related to option based incentive programmes are therefore taken directly to equity in accordance with the accounting policy for own shares.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised in the balance sheet under accruals and prepayments and are adjusted continuously to fair value (repurchase value).

Adjustments of derivative financial instruments used to hedge expected future transactions, mainly sales and purchases of goods, are taken to reserve for fair value under equity. The reserve is recognised in the income statement on realisation of the hedged transactions.

Adjustments of the fair value of other derivative financial instruments are included in financial items in the income statement as the changes arise.

If a derivative financial instrument used to hedge expected future transactions expires, is sold or no longer meets the criteria for hedging, any reserve for fair value accumulated under equity will remain part of equity, until the hedged transaction is concluded. If the transaction is no longer expected to be concluded, any reserve for fair value accumulated under equity will be transferred to the income statement.

INCOME STATEMENT

Revenue

Revenue comprises sales of goods and services which are recognised in the income statement in the year in which delivery and invoicing of the sales or services take place, after deduction of any price reductions, quantity discounts and cash discounts.

Cost of sales

Cost of sales comprises the cost of goods and services sold during the year. Moreover, cost of sales includes the cost of quality control of goods sold and any writedown to net realisable value or impairment losses on unsaleable goods.

Distribution costs

Distribution costs comprise costs relating to the distribution and sales of the Group's goods and services, salaries of sales staff, advertising and exhibition expenses, amortisation and depreciation as well as other indirect costs.

Administrative expenses

Administrative expenses comprise expenses relating to administrative staff and management, including office expenses, salaries and amortisation and depreciation.

Research and development costs

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

Research costs are recognised in the income statement as incurred.

Costs incurred in respect of development activities are recognised as intangible assets if the criteria for capitalising development costs are found to be met. The amortisation of such development projects is included in research and development costs. However, most of the Group's development costs are recognised as an expense in the year in which they are incurred, having been spent on the continuous maintenance of earnings.

Other operating income

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

Other operating expenses

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

Separate items

This item includes significant non-recurring amounts which are not directly attributable to normal operations, including certain major divestment gains and losses.

Income from investments in subsidiaries and associates

The parent's income statement includes a share of the income from subsidiaries and associates less unrealised intercompany profits. The share of tax calculated for Group

enterprises is recognised under tax on profit for the year, while profit from investments in associates is recognised after tax.

Financial income and expenses

Financial income and expenses are mainly interest, financial costs relating to finance leases, realised and unrealised foreign exchange adjustments, value adjustments of marketable securities and dividend received on shares recognised under marketable securities.

Tax

Coloplast A/S is jointly taxed with certain wholly owned Danish and foreign subsidiaries. The net tax on the joint taxation income is reported in the parent. The jointly taxed Danish companies are covered by the provisional tax scheme.

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

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

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

Deferred tax is measured on the basis of the tax rates that are applicable or are expected to be applicable at the balance sheet date. Deferred tax assets are recognised to the extent it is probable that a future positive taxable income will arise against which the temporary differences can be offset.

Deferred tax assets are measured at the expected net realisable value.

Minority interests

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

BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Amortisation is made on a straight line basis over the expected lives of the assets, which are:

Development projects	3-5 years
Software	3-5 years
Acquired patents, licences, trademarks and other rights	3-20 years

With regard to goodwill, an impairment test is made, cf section below on impairment losses.

For other intangible assets, the amortisation period is determined on the basis of management's experience, reflecting, in the opinion of management, the best estimate of the expected economic lives of the assets.

Only in those cases where the actual life of an intangible asset, e.g. patent, exceeds 5 years, the economic life and hence the period of amortisation will exceed 5 years.

Gains or losses on the disposal of intangible assets are measured as the difference between the selling price reduced by selling expenses and the carrying amount at the time of sale and are included in the income statement under other operating income or operating expenses, respectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquisition and expenses directly attributable to the acquisition until the asset is ready for use. In the case of assets manufactured by the company cost includes materials, components, subsupplier services, direct labour and indirect costs of sales. Borrowing costs are not included as part of cost.

Assets held under a finance lease are measured in the balance sheet at the fair value or present value of future lease payments at the time of acquisition, if lower. The remaining lease obligation is capitalised and recognised in the balance sheet as a debt, and the interest element of the lease payment is recognised as an expense in the income statement. Assets held under a finance lease are depreciated like the Group's other property, plant and equipment.

Property, plant and equipment at a cost not exceeding DKK 50,000 as well as minor rebuilding and improvement expenses which are not found to produce a permanent increase in the value of the assets are recognised as an expense in the income statement in the year in which they are incurred.

Depreciation is provided over the expected useful lives of the assets. The expected useful lives are:

Buildings	25 years
Building installations	10 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5-7 years

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

Investments

Investments in subsidiaries and associates are measured in the parent's financial statements at its proportionate share of the equity of subsidiaries and associates (the equity method), which is reduced by unrealised intercompany gains.

If the equity of a subsidiary is negative, and if the parent guarantees the liabilities of the subsidiary, a maximum amount equal to the negative equity is reserved from any receivable from the subsidiary according to individual assessment of the impairment. If the negative equity exceeds the

receivable, the balance of the amount will be recognised under provisions.

Other equity investments and securities, mainly comprising unlisted equity investments and the like, are measured at cost and subsequently at fair value at the time of acquisition (estimated current value). Equity investments, for which no reliable fair value can be found, are measured at cost. Any writedown is made based on an individual evaluation of the expected cash flow from each investment.

Receivables held until expiry are measured at amortised cost or a lower value based on an individual evaluation of the risk of loss. Receivables which are not held until expiry are measured at fair value.

Impairment losses

The carrying amount of intangible assets and property, plant and equipment as well as investments measured at cost or amortised cost are measured if there is any indication of a diminution in value. If a writedown is needed, the carrying amount is written down to the higher of the net realisable value and the present value of the future cash flow in the case of continuing use.

Hence, impairment losses on goodwill are recognised in the income statement in cases where the book value exceeds future expected net income from the relevant activity or assets.

Impairment losses are recognised as an expense in the same item as the associated amortisation or depreciation.

Inventories

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

Receivables

Receivables are mainly trade receivables and – in the case of the parent – short-term receivables from subsidiaries.

Receivables are recognised at the original invoice amount less impairment losses to counter the risks of loss calculated on the basis of an individual evaluation.

Marketable securities

Securities which are recognised as a current asset mainly comprise listed bonds and are measured at fair value.

Equity

Dividend for the financial year is recognised in the balance sheet as a liability at the time a dividend resolution is adopted by the Annual General Meeting. Dividend proposed to be paid for the financial year is included in equity and disclosed in a note on equity.

The purchase and selling price of as well as dividends on own shares are deducted or added, respectively, direct to equity.

Other provisions

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

The Group accounts include a provision to replace products covered by a guarantee at the balance sheet date. This provision is calculated based on previous experience.

Short- and long-term liabilities

Debt is recognised when raised at the proceeds received less expenses paid and subsequently at amortised cost.

CASH FLOW STATEMENT

The consolidated cash flow statement, which is presented according to the indirect method, shows the Group's cash flows from operating, investing and financing activities as well as the Group's liquid reserves at the beginning and the end of the year. Liquid reserves comprise cash, marketable securities and short-term utilised credit facilities and are stated as current assets or short-term debt, respectively.

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

Cash flows from investing activities comprise purchases and sales of tangible and financial assets as well as payments in connection with acquisitions and divestments of companies.

Cash flows from financing activities comprise finance from the company's shareholders and raising of loans, repayments on interest-bearing debt as well as payment of dividend.

SEGMENT INFORMATION

Information is given about business activity segments and geographical market regions as primary and secondary segments, respectively. The segment information is given in accordance with the Group's internal financial reporting systems (as changed with effect from 1.10.2003 following a reorganisation) and the Group's accounting policies.

Income statement

1 October 2003 - 30 September 2004

NOTE	GROUP mDKK		GROUP mEUR		PARENT mDKK	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
1 Revenue	6,069	5,610	816	755	2,674	2,539
2,3 Cost of sales	-2,338	-2,146	-314	-289	-1,666	-1,584
Gross profit	3,731	3,464	502	466	1,008	955
2,3 Distribution costs	-1,827	-1,655	-246	-223	-159	-159
2,3,4 Administrative expenses	-725	-727	-97	-98	-232	-231
2,3 Research and development costs	-203	-168	-27	-22	-178	-141
Other operating income	37	38	5	5	66	26
2,3 Other operating expenses	-25	-43	-3	-6	-16	-20
Operating profit	988	909	134	122	489	430
Seperate items	0	0	0	0	0	2
5 Income from investments in Group enterprises before tax					406	362
5 Income from investments in associates after tax	0	1	0	0	0	0
6 Financial income	48	84	6	12	83	107
7 Financial expenses	-137	-105	-18	-14	-86	-66
Profit before tax	899	889	122	120	892	835
8 Tax on profit for the year	-317	-302	-43	-41	-315	-268
Net profit for the year	582	587	79	79	577	567
9 Minority interests	-5	-20	-1	-3	0	0
Coloplast's share of profit for the year	577	567	78	76	577	567
10 Earnings per share (EPS)					25	24
Profit distribution:						
Allocated to reserves for net revaluation according to the equity method					50	66
Retained earnings					383	381
Proposed dividend for the year					144	120
Total					577	567

The Board will propose to the Annual General Meeting that dividend for the year be paid out as follows: DKK 6.00 per share.

Balance sheet

At 30 September 2004

NOTE	GROUP mDKK		GROUP mEUR		PARENT mDKK	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
ASSETS						
11 Acquired patents and trademarks	13	8	2	1	6	7
11 Goodwill	298	247	40	33	0	0
11 Software	83	68	11	9	79	66
Prepayment for intangible assets						
11 and intangible assets in progress	31	20	4	3	0	0
Intangible assets	425	343	57	46	85	73
12 Land and buildings	1,191	1,017	160	137	180	158
12 Plant and machinery	397	319	53	43	340	264
12 Other fixtures and fittings, tools and equipment	214	223	29	30	102	98
Prepayments and property, plant and equipment						
12 in progress	284	292	38	39	257	219
Property, plant and equipment	2,086	1,851	280	249	879	739
13 Investments in Group enterprises					767	547
13 Receivables from Group enterprises					417	368
13 Investments in associates	2	2	0	0	0	0
13 Other investments	0	0	0	0	0	0
14 Deferred tax asset	102	129	14	18	0	15
Investments	104	131	14	18	1,184	930
Fixed assets	2,615	2,325	351	313	2,148	1,742
15 Inventories	922	883	124	119	453	442
Trade receivables	1,195	1,131	161	152	111	104
16 Receivables from Group enterprises					1,049	1,034
Receivables from associates	6	7	1	1	0	0
Other receivables	116	157	16	21	69	81
Prepayments	47	38	6	5	11	10
17 Receivables	1,364	1,333	184	179	1,240	1,229
18 Marketable securities	2	207	0	28	2	207
33 Cash and bank balances	740	623	99	84	590	467
Current assets	3,028	3,046	407	410	2,285	2,345
Assets	5,643	5,371	758	723	4,433	4,087

At 30 September 2004

NOTE	GROUP mDKK		GROUP mEUR		PARENT mDKK	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
EQUITY AND LIABILITIES						
	240	240	32	32	240	240
					512	462
	-39	-30	-5	-4	-39	-30
	140	117	19	16	140	117
	2,016	1,675	271	226	1,504	1,213
20	2,357	2,002	317	270	2,357	2,002
9	5	14	1	2	0	0
19	83	83	11	11	7	7
14	29	10	4	1	11	0
21	28	19	4	3	5	12
	140	112	19	15	23	19
22	529	533	71	72	178	176
22	1,287	1,386	173	186	1,188	1,265
	203	125	27	17	203	125
	2,019	2,044	271	275	1,569	1,566
22	6	6	1	1	1	1
22	181	251	24	34	1	3
	298	349	40	47	141	172
					39	40
23	61	102	8	13	53	71
	508	438	68	59	193	171
	68	53	9	7	56	42
	1,122	1,199	150	161	484	500
	3,141	3,243	421	436	2,053	2,066
	5,643	5,371	758	723	4,433	4,087
24						
25						
26						
27						
28						
29						
30						

Cash flow statement

1 October 2003 - 30 September 2004

NOTE	GROUP mDKK		GROUP mEUR		PARENT mDKK	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
Operating profit	988	909	133	122	489	430
31 Adjustment for non-liquid operating items	315	287	42	39	177	175
32 Changes in working capital	-70	52	-10	7	73	227
Separate items	0	0	0	0	0	2
Ingoing interest payments, etc.	46	85	6	11	83	107
Outgoing interest payments, etc.	-137	-60	-18	-8	-86	-66
Income tax paid	-297	-362	-40	-49	-136	-110
Cash flow from operations	845	911	113	122	600	765
Investments in intangible assets	-106	-226	-14	-30	-32	-38
Investments in land and buildings	-255	-175	-34	-24	-35	-2
Investments in plant and machinery	-293	-261	-40	-35	-242	-159
Adjustment, tangible assets under construction	4	-142	1	-19	-38	-122
Fixed assets sold	29	15	4	2	18	11
Acquired business	0	6	0	1	0	0
Investments in Group enterprises					-296	-382
Dividend from Group enterprises					156	121
Cash flow from investments	-621	-783	-83	-105	-469	-571
Free cash flow	224	128	30	17	131	194
Dividend to shareholders	-117	-102	-16	-14	-117	-102
Dividend to minority shareholders	-13	-11	-2	-1	0	0
Investments in own shares	-84	-10	-11	-1	-84	-10
Financing from shareholders	-214	-123	-29	-16	-201	-112
Financing through long-term borrowing	-25	430	-3	58	-10	470
Cash flow from financing	-239	307	-32	42	-211	358
Net cash flow for the year	-15	435	-2	59	-80	552
Liquid reserves at 1.10.2003	573	142	77	19	670	118
Exchange-rate adjustments	-3	-4	0	-1	0	0
Cash flow for the year	-15	435	-2	59	-80	552
33 Liquid reserves at 30.9.2004	555	573	75	77	590	670
34 Unutilised credit facilities	2,166	1,899	291	256	1,844	1,834
Financial reserves at 30.9.2004	2,721	2,472	366	333	2,434	2,504

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

Statement of changes in equity

PARENT mDKK	Contributed capital		Reserve for equity value	Reserve for fair value	Proposed dividend	Retained earnings	Equity total
	A shares	B shares					
1.10.2002 - 30.9.2003							
Balance at 1.10.2002							
As reported in annual report	18	222	418	0	0	734	1,392
Transferred negative minority interests						-8	-8
Effect of changes in accounting policies			-22	2	102	96	178
Restated value at 1.10.2002	18	222	396	2	102	822	1,562
Hedging against interest risks				-45			-45
Effect of hedging on deferred tax				12			12
Hedging against exchange-rate risks				2			2
Effect of hedging on deferred tax				-1			-1
Net gain/loss not recognised in income statement	0	0	0	-32	0	0	-32
Dividend paid out for 2001/02					-102		-102
Tax value of loss on employee shares						33	33
Transferred negative minority interests						8	8
Profit for the year			66		120	381	567
Own shares purchased						-18	-18
Own shares sold						8	8
Dividend on own shares					-3	3	0
Foreign currency translation adjustment relating to subsidiaries						-24	-24
Balance at 30.9.2003	18	222	462	-30	117	1,213	2,002
1.10.2003 - 30.9.2004							
Balance at 1.10.2003							
As reported in annual report	18	222	456	-30	117	1,213	1,996
Effect of changes in accounting policies			6				6
Restated value at 1.10.2003	18	222	462	-30	117	1,213	2,002
Hedging against interest risks				-12			-12
Effect of hedging on deferred tax				4			4
Hedging against exchange-rate risks				-1			-1
Effect of hedging on deferred tax				0			0
Net gain/loss not recognised in income statement	0	0	0	-9	0	0	-9
Dividend paid out for 2002/03					-117		-117
Tax value of loss on employee shares						13	13
Profit for the year			50		144	383	577
Own shares purchased						-113	-113
Own shares sold						29	29
Dividend on own shares					-4	4	0
Foreign currency translation adjustment relating to subsidiaries						-25	-25
Balance at 30.9.2004	18	222	512	-39	140	1,504	2,357

Notes

1. Segment information

Primary segment split – business activities Group, 2003/04

mDKK	Chronic care		SBU segment		Total	
	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003
Revenue, outside segment	4,596	4,204	1,473	1,406	6,069	5,610
Operating profit for segment	914	793	74	116	988	909
Share of profit in associates before tax	0		0	1	0	1
Profit from ordinary activities before interest	914	793	74	117	988	910
Net financial expenses					-89	-21
Profit before tax					899	889
Tax on profit for the year					-317	-302
Profit before minority interests					582	587
Minority interests					-5	-20
Net profit for the year					577	567
Segment's assets	3,772	3,164	1,127	1,375	4,899	4,539
Investments in associates	1	1	1	1	2	2
Non-distributed assets					742	830
Assets, total					5,643	5,371
Segment's liabilities	758	636	234	349	992	985
Non-distributed liabilities					2,289	2,370
Liabilities, total					3,281	3,355
Fixed assets	2,022	1,760	593	565	2,615	2,325
Investment in fixed assets	564	662	86	141	650	803
Depreciation - property, plant and equipment	230	186	53	82	283	268
Depreciation - intangible assets	19	9	5	9	24	18

Secondary segment split - geographical areas Group, 2003/04

mDKK	Revenue	Fixed assets	Capital expenditure	Liabilities	Assets, total
Europe	4,891	2,422	605	2,893	4,982
The Americas	804	165	29	258	458
Rest of the world	374	28	16	130	203
Total	6,069	2,615	650	3,281	5,643

Group, 2002/03

mDKK	Revenue	Fixed assets	Capital expenditure	Liabilities	Assets, total
Europe	4,464	2,184	781	2,852	4,538
The Americas	818	132	20	329	638
Rest of the world	328	9	2	174	195
Total	5,610	2,325	803	3,355	5,371

	GROUP		PARENT	
	mDKK		mDKK	
	2003/04	2002/03	2003/04	2002/03
2. Depreciation and amortisation				
Specification for the year:				
Acquired patents and trademarks	2	2	1	1
Software	22	16	19	15
Land and buildings	73	62	18	17
Plant and machinery	132	137	112	113
Other fixtures and fittings, tools and equipment	78	69	34	29
Total	307	286	184	175
Depreciation and amortisation are allocated as follows:				
Cost of sales	190	188	134	139
Distribution costs	41	41	2	5
Administrative expenses	47	36	20	12
Research and development costs	12	3	11	1
Other operating expenses	17	18	17	18
Total	307	286	184	175
3. Staff costs				
Salaries, wages and directors' fees	1,821	1,748	883	830
Severance pay	7	13	2	0
Pension costs - defined contribution plans (note 19)	80	77	65	59
Pension costs - defined benefit plans (note 19)	12	12	0	0
Other social security costs	239	165	16	14
Total	2,159	2,015	966	903
Staff costs are allocated as follows:				
Cost of sales	710	661	621	583
Distribution costs	938	860	76	61
Administrative expenses	365	359	137	141
Research and development costs	100	87	86	70
Other operating expenses	46	48	46	48
Total	2,159	2,015	966	903
Average number of employees, full time equivalents	6,085	5,774	2,638	2,658
Number of employees at 30.9, full time equivalents	6,137	6,032	2,491	2,621
For parent, Danish FTE calculation method has been applied.				
Specification of selected staff costs:				
Remuneration, pension and pension contributions, Group Management			15	14
Directors' fees			3	3

Directors receive a fee of DKK 225,000 each.

The Chairman's fee is basic fee plus 150%, the Deputy Chairman's is basic fee plus 50%.

For details about share options, please see note 20.

	GROUP		PARENT	
	mDKK		mDKK	
	2003/04	2002/03	2003/04	2002/03
4. Fees for auditors appointed by AGM				
Overall fees for PricewaterhouseCoopers	11	9	3	2
Overall fees for Revisionsfirmaet Helge Bom A/S	0	0	0	0
Total fee for other auditors	5	4	0	0
Total	16	13	3	2
Of this, fees for auditing - PricewaterhouseCoopers	6	6	2	2
Of this, fees for auditing - Revisionsfirmaet Helge Bom A/S	0	0	0	0
Of this, fees for auditing - other auditors	2	1	0	0
Total	8	7	2	2
5. Income from investments before tax				
Income from Group enterprises			494	377
Loss from Group enterprises			-88	-15
Total			406	362
Income from associates before tax	0	1	0	0
Dividend accrued from associates and Group enterprises	0	0	156	121
6. Financial income				
Interest income	31	31	14	25
Interest income from Group enterprises			61	49
Exchange-rate adjustments	9	18	0	33
Fair-value adjustments transferred from equity (note 24)	8	35	8	0
Total	48	84	83	107
7. Financial expenses				
Interest expense	132	102	85	66
Exchange-rate adjustments	0	0	1	0
Other financial expenses	5	3	0	0
Total	137	105	86	66

	GROUP		PARENT	
	mDKK		mDKK	
	2003/04	2002/03	2003/04	2002/03
8. Tax on profit for the year				
Tax on profit for the year	278	274	137	122
Effect of change in accounting policies	0	5	0	0
Change in deferred tax on profit for the year	44	22	26	18
	322	301	163	140
Tax on profit from investments in Group companies			154	128
Adjustment relating to previous years	-5	1	-2	0
Total	317	302	315	268
Specification of tax:				
Tax on profit from ordinary activities	322	301	317	268
Adjustment of tax for previous years	-5	1	-2	0
Total	317	302	315	268
Tax on equity items	-17	-11	-17	-11
Balancing of tax-rate differences:				
Danish tax rate, %	30	30		
Gap between Danish tax rate and tax rates of non-Danish subsidiaries, %	1	2		
Non-taxable income and non-deductible expenses, %	2	2		
Other items, including adjustment for previous years, %	2	0		
Effective tax rate, %	35	34		
9. Minority interests				
Minority interests at 1.10.2003	14	7		
Acquisitions	-1	6		
Share of net profit from subsidiaries	5	20		
Dividend paid	-13	-11		
Transferred negative minority interests	0	-8		
Minority interests at 30.9.2004	5	14		

10. Earnings per share (EPS)

Earnings per share reflects the ratio between profit for the year and the year's weighted average of issued, ordinary shares, excluding ordinary shares purchased by the Group and held as own shares (note 20).

Profit for the year	577	567
Weighted average of shares (million units)	23.4	23.5
Earnings per share (DKK)	25	24
Earnings per share (DKK), not adjusted for own shares	24	24

11. Intangible assets

GROUP, 2003/04		Acquired patents and trademarks	Software	Intangible assets in progress	Total intangible assets
mDKK	Goodwill				
Total cost at 1.10.2003	247	19	130	20	416
Exchange-rate and other adjustments	1	0	0	-1	0
Purchases and improvements during the year	50	8	32	16	106
Reclassification	0	-5	9	-4	0
Disposals during the year	0	0	0	0	0
Total cost at 30.9.2004	298	22	171	31	522
Total depreciation at 1.10.2003	0	11	62	0	73
Exchange-rate and other adjustments	0	0	0	0	0
The year's depreciation	0	2	22	0	24
Reclassification	0	-4	4	0	0
Depreciation of assets disposed of	0	0	0	0	0
Total depreciation at 30.9.2004	0	9	88	0	97
Recognised value at 30.9.2004	298	13	83	31	425
Recognised value at 30.9.2003	247	8	68	20	343

Impairment test of goodwill/calculation of recoverable amount are based on the budgets of the respective cash-generating unit. The basis for discounting future cash flows to net present value is the company's weighted cost of capital.

11. Intangible assets

PARENT, 2003/04					
mDKK	Goodwill	Acquired patents and trademarks	Software	Intangible assets in progress	Total intangible assets
Total cost at 1.10.2003	0	13	123	0	136
Exchange-rate and other adjustments	0	0	0	0	0
Purchases and improvements during the year	0	0	32	0	32
Disposals during the year	0	0	0	0	0
Total cost at 30.9.2004	0	13	155	0	168
Total depreciation at 1.10.2003	0	6	57	0	63
Exchange-rate and other adjustments	0	0	0	0	0
The year's depreciation	0	1	19	0	20
Depreciation of assets disposed of	0	0	0	0	0
Total depreciation at 30.9.2004	0	7	76	0	83
Recognised value at 30.9.2004	0	6	79	0	85
Recognised value at 30.9.2003	0	7	66	0	73

12. Property, plant and equipment

GROUP, 2003/04					
mDKK	Land and buildings	Production plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total property, plant and equipment
Total cost at 1.10.2003	1,397	1,316	547	292	3,552
Exchange-rate and other adjustments	1	2	-1	0	2
Reclassification	79	194	15	-288	0
Purchases and improvements during the year	176	20	64	284	544
Disposals, divested business	0	0	0	0	0
Disposals during the year	-11	-25	-42	-4	-82
Total cost at 30.9.2004	1,642	1,507	583	284	4,016
Total depreciation at 1.10.2003	380	997	324	0	1,701
Exchange-rate and other adjustments	-1	2	-2	0	-1
Reclassification	0	0	0	0	0
The year's depreciation	73	132	78	0	283
Depreciation of assets disposed of	-1	-21	-31	0	-53
Depreciation, divested business	0	0	0	0	0
Total depreciation at 30.9.2004	451	1,110	369	0	1,930
Recognised value at 30.9.2004	1,191	397	214	284	2,086
Recognised value at 30.9.2003	1,017	319	223	292	1,851
Additions during the year include finance leases amounting to	0	0	4	0	4

The cash value of Danish land and buildings amounts to mDKK 565 according to the latest public evaluation.

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery amounting to mDKK 62.

The Group's mortgage loans have been secured upon the property for an amount of mDKK 590.

12. Property, plant and equipment

PARENT, 2003/04					
mDKK	Land and buildings	Production plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total property, plant and equipment
Total cost at 1.10.2003	313	1,067	232	219	1,831
Exchange-rate and other adjustments	0	0	0	0	0
Reclassification	10	194	15	-219	0
Additions through acquisition	9	0	0	0	9
Purchases and improvements during the year	25	6	27	257	315
Disposals during the year	-3	-90	-18	0	-111
Total cost at 30.9.2004	354	1,177	256	257	2,044
Total depreciation at 1.10.2003	155	803	134	0	1,092
Exchange-rate and other adjustments	0	0	0	0	0
Reclassification	0	0	0	0	0
Additions through acquisition	2	0	0	0	2
The year's depreciation	18	112	34	0	164
Depreciation of assets disposed of	-1	-78	-14	0	-93
Total depreciation at 30.9.2004	174	837	154	0	1,165
Recognised value at 30.9.2004	180	340	102	257	879
Recognised value at 30.9.2003	158	264	98	219	739

The cash value of Danish land and buildings amounts to mDKK 152 according to the latest public evaluation.

The company has signed agreements with contractors for the supply of buildings, technical plant and machinery amounting to mDKK 55.

The company's mortgage loans have been secured upon the property for an amount of mDKK 182.

13. Investments

GROUP, 2003/04		
mDKK	Investments in associates	Other investments
Total cost at 1.10.2003	0	16
Capital investments during the year	0	0
Total cost at 30.9.2004	0	16
Revaluation at 1.10.2003	2	0
Exchange-rate adjustment	0	0
Profit from Group enterprises	0	0
Disposals during the year	0	0
Adjustment of profit at year-end exchange rates	0	0
Dividend received	0	0
Total revaluation at 30.9.2004	2	0
Impairment at 1.10.2003	0	-16
Exchange-rate adjustment of opening reserves	0	0
Adjustment of opening balance	0	0
Impairment	0	0
Deficit, Group enterprises	0	0
Disposals during the year	0	0
Adjustment at year-end exchange rates	0	0
Total impairment at 30.9.2004	0	-16
Set-offs in accounts receivable, Group enterprises	0	0
Value of investments	2	0
Intra-Group profit	0	0
Recognised value at 30.9.2004	2	0

13. Investments

PARENT, 2003/04	Investments in Group enterprises	Investments in associates	Receivables from Group enterprises	Other investments
mDKK				
Total cost at 1.10.2003	1,765	0	633	0
Capital investments during the year	296	0	-101	0
Addition through merger	30	0	0	0
Total cost at 30.9.2004	2,091	0	532	0
Revaluation at 1.10.2003	841	0	0	0
Effect of change in accounting policy for goodwill	6	0	0	0
Profit from Group enterprises	334	0	0	0
Disposals during the year	0	0	0	0
Adjustment of profit at year-end exchange rates	2	0	0	0
Dividend received	-156	0	0	0
Total revaluation at 30.9.2004	1,027	0	0	0
Impairment at 1.10.2003	-2,191	0	0	0
Exchange-rate adjustment of opening reserves	-10	0	0	0
Adjustment of opening balance	0	0	0	0
Impairment	-15	0	0	0
Deficit, Group enterprises	-82	0	0	0
Disposals during the year	0	0	0	0
Adjustment at year-end exchange rates	0	0	0	0
Total impairment at 30.9.2004	-2,298	0	0	0
Set-offs in accounts receivable, Group enterprises	150	0	-115	0
Value of investments	970	0	417	0
Intra-Group profit	-203	0	0	0
Recognised value at 30.9.2004	767	0	417	0

	GROUP		PARENT	
	mDKK		mDKK	
	2003/04	2002/03	2003/04	2002/03
14. Deferred tax				
Deferred tax, opening balance	-119	-151	-15	-33
Effect of change in accounting policies	-1	0	0	0
Restatement, previous years	0	0	0	0
Exchange-rate adjustment	1	5	0	0
Change in deferred tax - charged to equity	2	0	0	0
Change in deferred tax - charged to income statement	44	27	26	18
	-73	-119	11	-15
Of this, deferred tax asset	102	129	0	15
Provision for deferred tax	29	10	11	0
Calculation of deferred tax is based on the following items:				
Intangible assets	-66	-136	-38	-63
Property, plant and equipment	23	34	12	7
Indirect cost of sales	67	51	67	54
Non-realised gain from sale of goods among Group enterprises	-80	-61	-80	-52
Jointly taxed companies			71	65
Other	-17	-7	-21	-26
	-73	-119	11	-15

Tax losses to be carried forward

Deferred tax assets have been included on the basis of tax losses to be carried forward in amounts equaling incomes likely to be realised in future.

Tax loss expiring:

within 1 year	7	7
within 1 to 5 years	32	35
in more than 5 years	252	122
Total	291	164

Deferred tax assets included in total

9	0
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Temporary, deductible differences and unutilised tax deductions

301	330
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Including deferred taxable assets

77	68
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15. Inventories

Raw materials and consumables	145	145	96	100
Work in progress	193	163	185	136
Manufactured goods	584	575	172	206
Inventories	922	883	453	442

Share of inventories representing indirect cost of sales

234	191	117	94
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Cost of sales includes the year's cost of goods sold.

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

16. Receivables from Group enterprises

Receivables from Group enterprises			1,084	1,049
Set-off of negative balance in Group enterprises			-35	-15
Total			1,049	1,034

	GROUP mDKK		PARENT mDKK	
	2003/04	2002/03	2003/04	2002/03
17. Receivables, share falling due more than 1 year after balance sheet date				
Other long-term receivables	37	50	35	48
All long-term receivables fall due within 4 years of balance sheet date. The interest rates for these receivables is 0%.				
18. Marketable securities				
Holdings of securities at 30.9.2004 include primarily unlisted Danish shares	2	207	2	207

19. Provisions for pensions and similar liabilities

GROUP, 2003/04
mDKK

Defined contribution plans

The Group offers plans to certain groups of employees in Denmark and abroad. Most of the pension plans are defined contribution plans. The plans are financed through regular payments of premiums to independent insurance companies responsible for the pension liabilities towards the beneficiaries. Once the pension payments for defined contribution plans have been made, the Group has no further liabilities towards existing or retired employees. Payments for defined contribution plans are recognised in the income statement when effected. In 2003/04, mDKK 80 (2002/03 mDKK 77) were recognised.

Defined benefit plans

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

	mDKK	
	2003/04	2002/03
Amounts recognised in the balance sheet are as follows:		
Current value of financed liabilities	144	146
Fair value of assets	-104	-89
	40	57
Current value of non-financed liabilities	31	21
Unrecognised actuarial gains and losses	12	5
Liability stated in balance sheet	83	83
Amounts recognised in the income statement are as follows:		
Current service costs	11	10
Interest costs	8	7
Expected returns from assets	-7	-5
Total amount recognised as staff costs (note 3)	12	12
Actual returns on assets amounted to	10	17
Changes in liabilities recognised in the balance sheet:		
Opening balance	83	29
Effect of change in accounting policies	0	55
Exchange-rate adjustments	2	-5
Total cost, as indicated above	12	12
Benefits paid out	-14	-8
Closing balance	83	83
The key actuarial assumptions are as follows (weighted average):		
Discount rate	5	5
Expected returns on assets	5	7
Allowance for future pay increases	4	4
Allowance for future pension benefit increases	3	3

20. Equity investments

GROUP, 2003/04

mDKK

Own shares

During financial year 2003/04, 198,950 B shares were purchased, corresponding to DKK 1,989,500 nominal value, representing 0.83% of total nominal share capital. During the year, 125,154 B shares were sold, corresponding to DKK 1,251,540 nominal value, representing 0.52% of total nominal share capital.

Holdings of own shares at 30.09.2004 stood at 591,743 B shares, corresponding to DKK 5,917,430 nominal value, representing 2.47% of total nominal share capital and 2.67% of the B shares. Own shares have been purchased mainly for employee incentive schemes.

Share options

Three share option programmes have been set up for Group Management and executives. The first programme, set up in November 2000, included 120 people and the second, set up in November 2001, included 140 people. A third programme set up in December 2002 included 182 people and a fourth programme set up in December 2003 included 191 people.

Half the options under the first programme were issued at a price of DKK 371, this being the average of the prices quoted on five consecutive days following publication, the rest at DKK 393, equal to DKK 371 + 6%. For 50% of the second programme, the issue price was DKK 546, likewise the average price quoted on five consecutive days. The rest was issued at DKK 579, equal to 546 + 6%. For the third programme, the issue price was DKK 527, while for the fourth programme the issue price was 532.

Issued	Number of share options	Share options exercised or lapsed	Outstanding at 30.9.2004	Exercise price	Exercisable no sooner than	Exercisable no later than	Fair value of options issued (mDKK)
November 2000	65,000	34,550	30,450	371	November 2001	31.12.2006	7
November 2000	65,000	29,950	35,050	393	November 2002	31.12.2007	7
November 2001	58,525	9,375	49,150	546	November 2003	31.12.2008	4
November 2001	58,525	8,375	50,150	579	November 2004	31.12.2009	3
December 2002	144,900	12,200	132,700	527	November 2006	31.12.2011	16
December 2003	139,980	4,100	135,880	532	November 2007	31.12.2012	17

Group Management's share of options issued is:

		November 2000	November 2001	December 2002	December 2003
Sten Scheibye	Allocated	5,000	4,500	4,200	4,000
	Exercised	0	0	0	0
Carsten Lønfeldt	Allocated	4,000	3,500	3,000	2,850
	Exercised	0	0	0	0
Lars Rasmussen	Allocated	2,500	3,500	3,000	2,850
	Exercised	0	0	0	0
Christian Jørgensen	Allocated	0	0	0	0
	Exercised	0	0	0	0

At 30 September 2004 the fair value of options issued to Group Management was DKK 6m.

Financial performance goals are attached to the option programme for 2002 and 2003 set up for Group Management and executives.

Coloplast has holdings of own shares to hedge the exercise of the share option programme. As the share options were offered at or above the market price, the valuation has not been included in the income statement. Subsequent value adjustment of the share options will neither affect the income statement, nor the balance sheet. The value of the options calculated at the time of offering on the basis of the Black & Scholes formula, does not exceed two months' pay. Calculation of the fair value of the options is based on the following assumptions:

The interest rate applied is the rate for Danish government bonds.

Volatility in the share is calculated as monthly averages (beginning to end) over 5 years.

Vesting deduction is calculated as 3% per year of the vesting period.

On average, the share options are exercised one year into the exercisable period.

21. Other provisions

GROUP, 2003/04				
mDKK	Warranties	Legal claims	Others	Total
Provisions at 1.10.2003	1	12	6	19
The year's provisions	1	2	17	20
Reversal of non-utilised amounts for the year	0	-7	-4	-11
Charged in income statement	1	-5	13	9
The year's utilisation of provisions	0	0	0	0
Provisions at 30.09.2004	2	7	19	28

PARENT, 2003/04				
mDKK	Warranties	Legal claims	Others	Total
Provisions at 1.10.2003	0	12	0	12
The year's provisions	0	5	0	5
Reversal of non-utilised amounts for the year	0	-12	0	-12
Charged in income statement	0	-7	0	-7
The year's utilisation of provisions	0	0	0	0
Provisions at 30.09.2004	0	5	0	5

Legal claims

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

	GROUP	
	mDKK	
	2003/04	2002/03
22. Mortgage debt		
Falling due in:		
Less than 1 year	187	257
1 to 5 years	456	165
More than 5 years	1,360	1,754
Total	2,003	2,176

Mortgage debt secured on land and buildings amounts to mDKK 590.

Net interest-bearing debt including swap facility at 30.9.2004

Mortgage debt	535	539
Other credit institutions	1,468	1,637
Marketable securities	-2	-207
Bank balances	-739	-621
Deferred income items	203	125
Total	1,465	1,473

The fair value of net, interest-bearing debt is mDKK 1,488. MDKK 1,465 has been recognised in balance sheet. The deferred income item represents refinancing via a swap facility.

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

Principal in mDKK/ Interest rate pa	USD		GBP		EUR		DKK		Others		Total	Total	
		Rate %		Rate %		Rate %		Rate %		Rate %	03/04	02/03	
Less than 1 yr	Receivables	-22	1-5	-91	5	-115	1-11	-449	2	-65	1-29	-742	-828
	Payables	10	2-4	2	6	141	2-21	4	3-22	51	1-20,5	208	246
	Swap											0	0
Total, less than 1 yr	-12		-89		26		-445		-14		-534	-582	
1 to 5 yrs	Receivables											0	0
	Payables	52	2			52	3-13	16	3-15	2	3	122	163
	Swap											0	0
Total, 1 to 5 yrs	52		0		52		16		2		122	163	
More than 5 yrs	Receivables							-3	5			-3	0
	Payables	1,199	5			102	5	376	4-20			1,677	1,767
	Swap	-1,199	5			1,402	5					203	125
Total, more than 5 yrs	0		0		1,504		373		0		1,877	1,892	
Total 2003/04	40		-89		1,582		-56		-12		1,465		
Total 2002/03	88		37		1,348		45		-45			1,473	

The parent has raised a 10-year fixed-interest loan of USD 200m, made as a private placement. The loan has been converted into an EUR loan via a bank swap.

PARENT

mDKK

2003/04 2002/03

22. Mortgage debt (continued)

Falling due in:

Less than 1 yr	2	4
1 to 5 yrs	5	5
more than 5 yrs	1,360	1,436
Total	1,367	1,445

Mortgage debt secured on land and buildings amounts to mDKK 182.

Net, interest-bearing debt at 30.9.2004

Mortgage debt	179	177
Other credit institutions	1,188	1,268
Interest-bearing payables to Group enterprises	39	40
Interest-bearing receivables from Group enterprises	-1,615	-1,682
Marketable securities	-2	-207
Bank balances	-589	-466
Deferred income items	203	125
Total	-597	-745

The fair value of net, interest-bearing debt is mDKK -596. A balance of mDKK -597 has been recognised in balance sheet.

The deferred income item represents refinancing via a swap facility.

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

Principal in mDKK/ Interest rate pa		USD	Rate %	GBP	Rate %	EUR	Rate %	DKK	Rate %	Others	Rate %	Total 03/04	Total 02/03
Less than 1 yr	Receivables	-78	2-6	-167	5	-450	2-4	-748	2-4	-284	2-12	-1,727	-1,732
	Payables	8	3			3	4	15	2-4	15	2-10	41	34
	Swap												0
Total, less than 1 yr		-70		-167		-447		-733		-269		-1,686	-1,698
1 to 5 yrs	Receivables	-48	2	-114	5	-167	3			-38	11	-367	-466
	Payables					5	5					5	4
	Swap											0	0
Total, 1 to 5 yrs		-48		-114		-162		0		-38		-362	-462
More than 5 yrs	Receivables	-24	2	-88	5							-112	-158
	Payables	1,199	5			47	5	114	5			1,360	1,448
	Swap	-1,199	5			1,402	5					203	125
Total, more than 5 yrs		-24		-88		1,449		114		0		1,451	1,415
Total 2003/04		-142		-369		840		-619		-307		-597	
Total 2002/03		-152		-290		482		-511		-274			-745

The parent has raised a 10-year fixed-interest loan of USD 200m, made as a private placement. The loan has been converted into an EUR loan via a bank swap.

	GROUP		PARENT	
	mDKK		mDKK	
	2003/04	2002/03	2003/04	2002/03
23. Income tax				
Opening balance	102	199	71	103
Adjustment for exchange-rate changes	0	2	0	0
Adjustment , previous years	-5	0	-2	0
Tax on profit for the year	278	274	137	122
Tax on equity items	-17	-11	-17	-11
Tax paid during the year	-297	-362	-136	-143
Balance at 30.9.2004	61	102	53	71

24. Financial instruments**GROUP, 2003/04**

mDKK

Equity reserve for hedging

	Interest instruments	Forward contracts	Total
Gains and losses on restatement at fair value	-45	4	-41
Deferred tax	12	-1	11
Balance at 1.10.2003	-33	3	-30
Changes in 2003/04:			
Gains and losses resulting from changes in fair value	-13	7	-6
Deferred tax	4	-2	2
	-9	5	-4
Transferred to income statement	-1	8	7
Deferred tax	0	-2	-2
	-1	6	5
At 30.9.2004, the fair value reserve amounts to	-41	2	-39
representing:			
Gains and losses, gross	-57	3	-54
Deferred tax	16	-1	15
Balance at 30.09.2004	-41	2	-39

24. Financial instruments - continued

GROUP, 2003/04

mDKK

Holdings of derivative financial instruments

	Amount of contract	Loss/gain when stated at mkt. value at 30.9.2004	Amount incl. in income statement for 2003/04	Transferred to Reserve for fair value	Expiry period
Forward exchange contracts outstanding at 30.09.2004 to hedge future cash flow					
USD	18	0	0	0	Jan. 2005
GBP	178	1	0	1	Oct. 2004 - Nov. 2004
EUR	191	0	0	0	Oct. 2004 - Jan. 2005
JPY	52	2	0	2	Nov. 2004 - Mar. 2005
Others	152	0	0	0	Oct. 2004 - Dec. 2004
Total	591	3	0	3	
Other forward exchange contracts outstanding at 30.09.2004					
USD	117	3	3	0	Oct. 2004 - Dec. 2004
GBP	381	3	3	0	Oct. 2004
JPY	45	0	0	0	Nov. 2004 - Feb. 2005
Others	75	0	0	0	Nov. 2004 - Jan. 2005
Total	618	6	6	0	
Currency and interest swaps at 30.9.2004 to hedge future cash flows					
USD/EUR	1,199	-56	-78	-56	Apr. 2013
Total	1,199	-56	-78	-56	

25. Other liabilities

GROUP	mDKK 2003/04				mDKK 2002/03			
	Operating leases	Rent	Other	Total	Operating leases	Rent	Other	Total
Falling due in:								
Less than 1 yr	13	51	12	76	5	45	14	64
1 to 5 yrs	26	117	1	144	5	120	7	132
More than 5 yrs	0	113	7	120	0	94	12	106
Total	39	281	20	340	10	259	33	302

Operating lease payments included in income statement account for mDKK 20 (2002/03 mDKK 5).

Operating leases represent primarily leasing of cars, and there are no purchasing rights attaching to operating leases.

PARENT	mDKK 2003/04				mDKK 2002/03			
	Operating leases	Rent	Other	Total	Operating leases	Rent	Other	Total
Falling due in:								
Less than 1 yr	3	7	0	10	1	5	0	6
1 to 5 yrs	3	10	0	13	1	4	0	5
More than 5 yrs	0	7	0	7	0	0	0	0
Total	6	24	0	30	2	9	0	11

GROUP

mDKK

2003/04 2002/03

26. Contingent items

Contingent liabilities

At 30.9.2004 the parent had guaranteed loans raised by Group enterprises and associates of mDKK 431 (2001/02 mDKK 408).

Minor lawsuits are pending against the Group. These are not expected to influence the company's future earnings.

27. Transactions with related parties

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

The Coloplast Group has concluded the following major transactions with related parties:

Sales to Amoena spol.s.r.o.	5	3
Sales to Amoena Kft.	2	2
Sales to Amoena Portugal Lda.	3	2
Total sales to related parties	10	7

There have been no major transactions with the remaining related parties. For details about consideration paid to Group Management and Board of Directors, see note 3. All transactions with related parties are effected at arm's length.

	GROUP		PARENT	
	mDKK		mDKK	
	2003/04	2002/03	2003/04	2002/03
28. Subsidies				
During the financial year the Group received public subsidies amounting to mDKK 1 (2002/03 mDKK 1) for research and development and mDKK 4 (2002/03 mDKK 5) for investments.				
29. Dividend per share				
At the annual general meeting on 9 December 2004 a proposal will be made to pay shareholders a dividend for 2003/04 of DKK 6.00 per share or mDKK 140 in all, representing total dividends of mDKK 144 less dividend on own shares of mDKK 4. Dividend payments for 2002/03 amounted to DKK 5.00 per share or mDKK 117 in all, representing total dividends of mDKK 120 less dividend on own shares of mDKK 3.				
30. Events occurring after balance sheet date				
No events have occurred after the balance sheet date which significantly affect profit or equity.				
31. Adjustment for non-liquid operating items				
Depreciation	307	286	184	181
Change in other provisions	8	1	-7	-6
Total	315	287	177	175
32. Changes in working capital				
Inventories	-49	-185	36	67
Receivables from sales	-67	-70	-7	35
Other receivables	23	262	40	140
Payables to suppliers, etc.	23	45	4	-15
Total	-70	52	73	227
33. Liquid reserves				
Marketable securities	2	207	2	207
Cash	1	2	1	1
Bank balances	739	621	589	466
	742	830	592	674
Utilised credit facilities, short term	-187	-257	-2	-4
Total	555	573	590	670
34. Non-utilised credit facilities				
Of total credit facilities, DKK 2,166m, DKK 1,050 is guaranteed for terms exceeding one year.				

General information

Information to the Copenhagen Stock Exchange 2003/04

2003

16	October	09/2003	Financial calendar for 2003/04
30	October	10/2003	2002/03 Annual report and Annual General Meeting
18	November	11/2003	Financial Statement 2002/03
2	December	12/2003	Agenda of the General Meeting
16	December	13/2003	Employee shares
16	December	14/2003	Annual General Meeting of Coloplast A/S on 16 December 2003 at 16.00
16	December	15/2003	The Board of Directors of Coloplast A/S elected its own Chairman and Vice-Chairman

2004

6	January	01/2004	New Group Director at Coloplast A/S
16	February	02/2004	Financial Statement for Q1 2003/04
23	April	03/2004	New Group Director joins Coloplast A/S with effect from 1 May 2004
11	May	04/2004	Coloplast appoints new General Manager for the Continence Care Division
18	May	05/2004	Interim Financial Statement, 2003/04
9	July	06/2004	Issue of financial statement for Q3 rescheduled
20	August	07/2004	Financial statement, 3 quarters 2003/04

Financial calendar 2004/05

2004

20	October	Closing period until 17 November
17	November	Financial Statement for the full year 2003/04 and Annual Report 2003/04
25	November	The printed Annual Report for 2003/04 is published
9	December	Annual General Meeting
15	December	Payment of dividends for 2003/04

2005

20	January	Closing period until 10 February
10	February	Financial Statement for Q1 2004/05
26	April	Closing period until 18 May
18	May	Interim Financial Statement 2004/05
29	July	Closing period until 19 August
19	August	Financial Statement for Q3 2004/05
19	October	Closing period until 16 November
16	November	Financial Statement for the full year 2004/05 and Annual Report 2004/05
14	December	Annual General Meeting

Investor inquiries

Group Director Carsten Lonfeldt Tel. +45 49 11 16 11	dkcl@coloplast.com
Director, Corporate Communications & IR Jens Steen Larsen Tel. +45 49 11 19 20	dkjls@coloplast.com
Manager, IR & Corp. Ethics Jørgen Fischer Ravn Tel. +45 49 11 13 08	dkjfr@coloplast.com

Banks and Stock Brokers that follow Coloplast

ABG Sundal Collier	Malene Brøndberg
Alfred Berg / ABN AMRO	Klaus Ørtoft Madsen
Alm. Brand Bank	Andreas Bernhoft
Carnegie Danmark	Annette Lykke
Cazenove	Michael Yates
Crédit Suisse First Boston	Alexander Burgansky
Dansk Aktieanalyse	Peter Falk
Danske Equities	Martin Parkhøi
Deutsche Bank	Claus Bo Larsen
Enskilda Securities	Niels Granholm Leth
Handelsbanken Securities	Michael Novod
HSH Gudme	Annette Rye Larsen
Jyske Bank	Peter B. Andersen
Nordea Securities	Rolf Sass Sørensen
Spar Nord	Claus Juul
Standard & Poor's	Morten Larsen
Sydbank A/S	Brian Kirk

Annual General Meeting and proposed dividend

The Annual General Meeting

will be held on Thursday, 9 December 2004 at 16.00 hrs at the company's address: 3 Holtedam, 3050 Humlebæk, Denmark. The shareholders will be invited to attend a special session at 15.00 hrs giving them insight into selected Coloplast activities.

Proposed dividend

The Board will propose to the Annual General Meeting that dividend is paid at DKK 6 per share of DKK 10. This is an increase of DKK 1, or 20%. For the previous financial year dividend was increased by 15% to DKK 5 per share of DKK 10.

Dividend for the year is paid out automatically through VP Securities Services on 15 December 2004.

Shareholder inquiries

Agnete Ingvordsen
Tel. +45 49 11 16 12 Fax +45 49 11 15 55 dkai@coloplast.com

www.coloplast.com

All announcements issued to the Copenhagen Stock Exchange, news releases, information about Coloplast's products and services, financial analysts and financial calendar are available at the corporate website under Investor Relations. The share price is available on-line and financial figures may be downloaded in worksheets. Visitors may subscribe to Coloplast's e-mail news service.

Overview of Group companies

	Registered office	% owned
Parent company		
Coloplast A/S	Denmark	
Sales and/or manufacturing subsidiaries		
Coloplast de Argentina S.A.	Argentina	100
Coloplast Pty. Ltd.	Australia	100
Coloplast Ges.m.b.H.	Austria	100
Coloplast Belgium S.A.	Belgium	100
Coloplast do Brasil Ltda.	Brazil	100
Coloplast Canada Corporation	Canada	100
Coloplast (China) Co. Ltd.	China	100
Coloplast (Hong Kong) Ltd.	China	100
Coloplast Danmark A/S	Denmark	100
Coloplast S.A.	France	100
Coloplast GmbH	Germany	100
Coloplast Beteiligungs GmbH	Germany	100
Coloplast Distribution GmbH	Germany	100
AMOENA Medizin-Orthopädie-Technik GmbH	Germany	100
Home SUPPLY + CARE Beteiligungs GmbH	Germany	100
Home SUPPLY + Care GmbH & Co. Verwaltungen KG	Germany	100
Coloplast Ltd.	Great Britain	100
Charter Healthcare Limited	Great Britain	100
Coloplast B.V.	Holland	100
Zhuhai Investments B.V.	Holland	100
Coloplast Hungary Kft.	Hungary	100
Coloplast S.p.A.	Italy	100
Coloplast K.K.	Japan	100
Wellcome Support Center Y.K.	Japan	100
Imano Y.K.	Japan	100
Coloplast (NZ) Limited	New Zealand	100
Coloplast Norge AS	Norway	100
Coloplast Sp. zo.o.	Poland	100
Coloplast Productos Médicos S.A.	Spain	100
Coloplast AB	Sweden	100
Coloplast AG	Switzerland	100
Coloplast Corp.	USA	100
Sterling Medical Services LLC	USA	100

	Registered office	% owned
Associated companies		
4C Health Limited	Scotland	40
Other companies		
Coloplast Ejendomsaktieselskab	Denmark	100
Coloplast Ejendomsaktieselskab II	Denmark	100
Coloplast Ejendomsaktieselskab III	Denmark	100
Coloplast Ejendomsaktieselskab IV	Denmark	100
Coloplast Ejendomsaktieselskab V	Denmark	100
Amoena subsidiaries		
Amoena Medizin-Orthopädie-Technik Verwaltungs GmbH	Germany	100
Amoena (UK) Ltd.	Great Britain	100
Amoena France S.A.	France	100
Amoena spol.s.r.o.	The Czech Rep.	50
Amoena Sweden AB	Sweden	100
Amoena Kft.	Hungary	50
Amoena Portugal Lda.	Portugal	50
Coloplast de Costa Rica S.A.	Costa Rica	100
HSC subsidiaries		
HSC Beteiligungs GmbH	Germany	100
Almed GmbH	Germany	70
Cosamed GmbH	Germany	100
Hansemed GmbH	Germany	70
Karmed GmbH	Germany	100
Keimed GmbH	Germany	67
Kurmed GmbH	Germany	100
Limed GmbH	Germany	100
Nobaymed GmbH	Germany	70
Rodamed GmbH	Germany	100
Rumed GmbH	Germany	100
Served GmbH	Germany	70
Somed GmbH	Germany	94.6
Spreemed GmbH	Germany	100
Stomed GmbH	Germany	100
Thomed GmbH	Germany	100



Stakeholder report

Intellectual capital statement and value creation for stakeholders

Coloplast's Mission and Values are the guiding stars of this report. They describe the company's business philosophy, the key characteristics of our business and the basic principles underlying the way we do business and meet our objectives. The report has five main sections, the four first sections dealing with our key stakeholders: customers, employees, society and shareholders. They describe the company's strategy and how management sets objectives and follows up on enablers and results in the process, the aim being to create value. The report is completed by a section on the UN Global Compact, which Coloplast joined in 2002.

Our stakeholders' interests converge across the board. To generate good financial results, a company needs satisfied customers and successful employees. Improved processes and new technology can reduce the environmental impact and ensure even more effective utilisation of materials, all for the benefit of society and Coloplast's performance.

More and more people and organisations are affected by Coloplast's activities. At the same time, the actions and attitudes of the surrounding world are of vital importance to the company.

The general public tends to increasingly expect companies to act in dialogue and in harmony with their surroundings. Companies must endeavour to achieve balanced value creation for key stakeholders. They must also strike a balance between short-term results and long-term considerations.

This report describes how the Coloplast business is managed with a view to increasing overall value creation. This year, Coloplast presents its seventh stakeholder report. This report includes a summary of Coloplast's Intellectual Capital Statement, which is available in full at www.coloplast.com. We hope the report will support the dialogue with our stakeholders and that it will be useful for other readers who would like to learn more about the way Coloplast is managed.



Proud to have contributed

"Well, I am not doing this to please Coloplast. I am doing it for my own sake. And I am proud to have contributed to creating a product that works", says Vibeke Sørensen, who volunteered for a focus group working closely with Coloplast's Continence Care Division during the development of **SpeediCath Compact**.

"That's what I want"

In autumn 2000 Allan Tanghøj from the development team shows Vibeke Sørensen the concept for a catheter which is not exactly like other catheters in the market. Just looking at the very first prototype of what was to become the SpeediCath Compact catheter, Vibeke Sørensen (42), who is active in the Danish Association of Spinal-Cord Injured (RYK), has no doubt:

"That's what I want" is her response on being shown the small catheter designed for women. "Most spinal-cord injured are men, and most continence care products are designed for men", says Vibeke Sørensen. Allan Tanghøj adds:

"Most catheters for women are, roughly speaking, just half-size male catheters".

Discreet in the handbag

Allan got the idea for a special female catheter when he attended one of RYK's weekend seminars. A catheter in a package which takes about half the space of existing female catheters and is therefore more discreet to bring in your handbag. And which is, in contrast to other coated, ready-to-use catheters, equipped with a dry, relatively large

handle, which makes it a lot easier to handle when catheterising.

"Both for spinal-cord injured and their helpers, the new generation of coated catheters may occasionally be difficult to handle, because they are so smooth", explains Allan Tanghøj, who has, over the years, participated as a helper at several seminars for spinal-cord injured.

Had not expected to have such a big say

Vibeke Sørensen is a member of one of the two focus groups who are involved in the development process and are encouraged to contribute by being open and explicit about every aspect of the product from functionality to packaging:

"I did expect to be listened to. But I did not expect such a big say. I feel I have been heard, and that I have made a contribution. This catheter is easier to handle, it is easier to use, and it is discreet. And then it does not look like a hospital product, it is a personal care product", concludes Vibeke Sørensen.

In October, **SpeediCath Compact** received The Danish Design Award 2004.

Customers

Coloplast wishes to maintain the closest possible bonds with customers to increase value creation. We therefore involve health professionals and product users in the development of new products and services.

Our products are supplied through dealers, by hospitals or directly to users supported by professional guidance. The market trend inclines toward more direct contact with users. When user needs and expectations change, we must be ready to change with them.

Overview of enablers and results

Indicator	Unit	99/00	00/01	01/02	02/03	03/04	Development	Group	Denmark	Enabler	Result
Cooperation with healthcare professionals and users	Index	46	73	99	100	100	⬆️		X	X	
Customer satisfaction measurements	Number	4	19	16	20	17	⬇️	X		X	
Development projects through AIM	Number	52	46	72	55	54	⬇️		X	X	
R&D costs	%	3.6	3.4	3.1	3.0	3.3	⬇️	X		X	
Complaints	Index	111	103	96	100	97	⬇️	X			X
Customer satisfaction	%	99.2	97.8	97.6	97.1	97.8	⬆️	X			X
Delivery performance	%	98.1	97.9	95.8	96.6	97.4	⬆️	X			X

Understanding customer needs and the market

Coloplast is working with health professionals and users to develop new products. We have dialogue panels known as Coloplast Ostomy Forums, Coloplast Continence Advisory Boards, Wound Advisory Boards, Skin Care Forums og Skin Health Advisory Boards. In 2003/04 the dialogue panels maintained the same high activity level as last year.

Charter Stoma Check, a mobile ostomy clinic which visited 28 towns in Great Britain, again provided valuable insight into the everyday situation of our users. This initiative was carried through in cooperation with patient associations and local stoma care nurses. It improved the level of care while also increasing the awareness of the general public of treatment options available to ostomists.

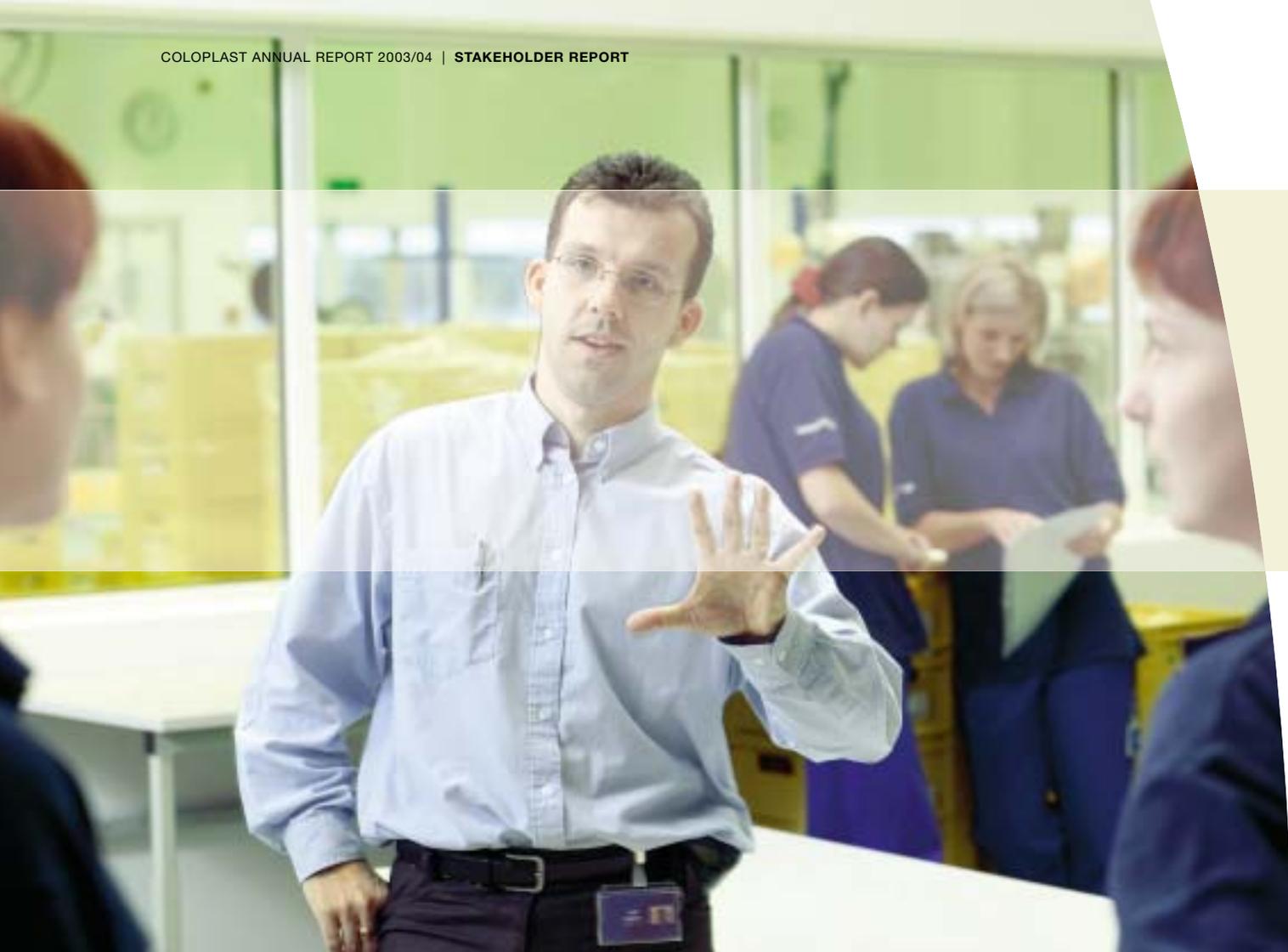
Innovation

Coloplast aims to be the most innovative supplier of our industry. Product and process development is anchored in the individual business units, where the projects are managed according to a uniform process, AIM, "Accelerate Ideas to Market". In 2003/04, 54 development projects went through this process. This is the same level as last year.

Quality of products and services

We measure satisfaction with our products and services with the various customer groups. In 2003/04, the overall, weighted satisfaction was 97.8%, a slight improvement on the year before. The company's delivery performance is monitored on an on-going basis and in 2003/04, 97.4% of supplies met the objective set.

Read more in the Intellectual Capital Statement at www.coloplast.com



”My friends and family can’t help feeling a little envious”

”Everybody here knows it is not easy to qualify for employment with Coloplast. There are many people who would like to work here. Coloplast has a fine reputation. Besides, I suppose it also plays a role that people know that the products we manufacture make life easier for the people needing them”, says team leader Istvánné Izing.

4000 candidates in the job bank

”Coloplast is extremely reputable. Not just in Tatabánya, but in the entire region”, says Tibor Galgan, who joined Coloplast in 2001 as project leader – and employee number seven – in the new Coloplast factory.

A steady inflow of colleagues

Today, Tibor Galgan holds the position of production manager and has more than 500 colleagues. One is HR team leader Ildiko Veghelyi, who has, during the past financial year, assisted in the recruitment of more than 200 new employees and who is making several job interview every day.

”We receive a steady flow of unsolicited applications and we are often able to find suitable candidates in our job bank for new positions. Roughly speaking, we don’t need to worry about attracting new employees. At the moment, our job bank includes applications from more than 4,000 candidates, and Coloplast is very reputable. Of course we advertise vacant jobs and – when we need to fill managerial positions. We are also present every year at the big and important job fair at the Budapest Technical University. There we make contact with new engineers, IT people, etc.”, says Ildiko Veghelyi.

Young organisation

”As a workplace, Coloplast’s Hungarian facility is developing by leaps and bounds. It is a young team, but not young in terms of not including people past their first youth. We also have employees with loads of experience, and that promotes a cooperative environment”, says Tibor Galgan.

”At first, we felt like one big family. Today, it is impossible to have personal relations with them all. But then things are better organised now, and we are in control of our systems and processes”, says Tibor Galgan, who made a mental note of it being a Danish company he applied for a job with when he was contacted by a headhunter company offering him the job with Coloplast back in 2001. Also Ildiko Veghelyi has learnt that Coloplast and neighbouring Grundfos are high on the list of attractive workplaces:

”Danish firms are known for having a positive company culture. You have an open and constructive dialogue with your superior, and people are free to make decisions within the limits of their responsibilities”.

Employees

Employee commitment and satisfaction are vital to the continued development and growth of Coloplast: Good ideas are conceived when individuals are given independence and have free scope in working life.

We expect our employees to take responsibility and to willingly face change. In turn, we offer them opportunities for development and training throughout their employment.

Overview of enablers and results

Indicator	Unit	99/00	00/01	01/02	02/03	03/04	Development	Group	Denmark	Enabler	Result
Employee satisfaction and loyalty measurements	Denmark	Number	2	1	1	2	3	↻	X		X
	Outside Denmark		8	6	8	7	9	↻			
Job rotations	Denmark	%	16	16	16	13	18	↻	X		X
	Outside Denmark		-	-	5	11	7	↻			
Employee satisfaction and loyalty measurements	Points Index	3.60	3.71	3.83	3.87	-	71		X		X
Staff turnover	Salaried, Denmark	%	9.9	9.0	6.8	6.6	7.1	↻	X		X
	Hourly-paid, Denmark		16.7	15.7	16.3	14.0	15.8	↻			
	Outside Denmark		-	-	20.9	24.5	18.4	↻			
Absence	Salaried, Denmark	%	-	2.1	2.0	1.6	2.5	↻	X		X
	Hourly-paid, Denmark		5.8	6.3	6.0	5.6	5.6	↻			
	Outside Denmark		-	-	2.7	2.5	2.4	↻			
Unsolicited applications	Salaried, Denmark	Number	616	677	1,441	1,679	960	↻	X		X
	Hourly-paid, Denmark		2,426	2,335	2,909	2,395	1,788	↻			
	Outside Denmark		-	-	2,585	4,688	7,023	↻			
Managerial positions filled internally	Denmark	%	72	64	67	65	61	↻	X		X
	Outside Denmark		53	54	51	52	57	↻			

Best possible working environment

Coloplast is a workplace with no unnecessary bureaucracy, where responsibility is given and taken. We have a systematic introduction programme, a comprehensive educational programme and talent and management development programmes.

Management at Coloplast is based on fairness and respect, and our social responsibility policy aims at increasing security of employment for our people. If an employee's capacity for work is reduced, we have measures for retaining the employee on part-time terms, in a senior job or other supported employment scheme.

In the past year, we carried through the first employee survey based on our new measuring tool ESLM (Employee Satisfaction and Loyalty Measurement). Therefore the results are not directly comparable with the results of previous years.

ESLM uses a 4-point scale, which is translated into an index with a maximum value of 100. Compared with other companies, Coloplast's employees are above average on satisfaction and loyalty. The overall loyalty index for the year's measurements at Coloplast is 71.0 while the average for the other 84 companies is 64.8. The loyalty index reflects the job satisfaction of our employees and their perception of the attractiveness of the company as a workplace. Staff turnover increased slightly; for Danish salaried employees

from 6.6% to 7.1%, for Danish production workers from 14.0% to 15.8%. Outside Denmark staff turnover decreased from 24.5% to 18.4%. In Denmark, salaried employees had an absence rate of 2.5%, production workers an absence rate of 5.6%, while employees outside Denmark had an absence rate of 2.4%.

Employee development

Our development programmes aim at increasing Coloplast's competitive power by enhancing the ability of our people to develop products, to accelerate them to market and to increase profit per unit produced. In the past year, each employee in Denmark spent 5.3 days and DKK 7,000 on training. The year before the number of days spent on training was 4.3, while the amount was the same.

Coloplast Academy implemented 13 different courses for 182 employees. The year before, 230 employees attended Academy courses. The number of days spent by managers on educational programmes increased from 350 last year to 600 this year. Coloplast has launched its own internationally accredited MBA degree in cooperation with the Henley Management College in Great Britain.

Read more in the Intellectual Capital Statement at www.coloplast.com



We must increase utilisation rate

"Our objective for the current financial year is to improve our utilisation rate for raw materials", says assistant quality manager Tu Yu in Zhuhai, adding, "In 2003/04 our utilisation rate was 70%. This year we aim to achieve 75%".

Ready for another certificate

In 2002 Coloplast's Chinese manufacturing site was certified according to the international quality standard ISO 9001. From early 2003 assistant quality manager Tu Yu has been heading the effort to obtain environmental certification according to the ISO 14001 standard. The Zhuhai site now complies with Chinese requirements, while also adhering to Coloplast's corporate environmental policy, which sets identical standards for Danish sites and sites in the rest of the world.

"For the financial year 2003/04 we had set two environmental objectives: We wanted to obtain environmental certification and we wanted to improve our waste handling system. We met both objectives", ascertains Tu Yu.

Turning the paper

"When I joined Coloplast, I became responsible for training colleagues at complying with Coloplast's environmental management system. I was very impressed by the many suggestions for environmental improvements that they put

forward. The enthusiasm of the employees means that, among other things, we now, whenever possible, also use the reverse side of paper when copying or printing written material", says Tu Yu.

Since my colleagues have already proved very appreciative of the importance of waste handling and recycling, I believe the scope for improvement in that area is limited. Even before certification we made good headway. Our main challenge now is to increase the utilisation rate for raw materials", says Tu Yu.

"Once you start manufacturing a product, many significant decisions regarding materials have already been made. Therefore we are now cooperating with the manufacturing and product development teams at achieving the highest possible utilisation rates for raw materials", explains Tu Yu, who is well into preparations for the next international certification, which involves health and safety at work at the Chinese site. Plans are to add the health and safety certificate in 2005.

Society

Coloplast assumes responsibility for and actively contributes to a sustainable development and value creation for society.

We want to improve the quality of life of the users of our products and services without impairing the quality of life of other stakeholders.

Overview of enablers and results

Indicator	Unit	99/00	00/01	01/02	02/03	03/04	Development	Group	Denmark	Enabler	Result
Volatile organic compounds	Index	127	135	121	100	94	↻		X		X
Electricity	Index	105	117	107	100	91	↻		X		X
Water	Index	125	121	106	100	82	↻		X		X
Waste	Index	105	108	100	100	82	↻		X		X
Industrial accidents	Number	51	46	59	54	54	→		X		X
Frequency of industrial accidents	Number per million hours of work	17.5	15.4	16.7	14.4	13.9	↻		X		X
New jobs created	Number	26	432	1,312	518	104	↻	X			X
Economic contribution, Denmark	mDKK	552	708	928	1,047	1,034	↻		X		X

Sustainable development

Coloplast's significant environmental aspects have been mapped for facilities representing 95% of revenue. It remains an important goal to reduce the amount of waste generated at our manufacturing sites. The year saw an 18% reduction in waste generation.

The industrial accident rate continues its downward trend, having fallen to 13.9 accidents per million hours of work. There were 54 accidents in all. The number of accidents causing permanent disability or sickness absence exceeding five weeks, was reduced from 5 to 1. The number of hours of work lost as a result of accidents totalled 2,378 hours, compared with 5,527 hours the year before, confirming a satisfactory trend.

Coloplast created a total of 106 new jobs. In terms of full-time equivalents, the number of employees increased by 236 outside Denmark, while it decreased by 129 in Denmark.

The greater part of the economic value generated by Coloplast's financial results flows into the public coffers. The amount contributed by the Danish operations came to DKK 2,280m, including DKK 1,034m which was returned to the national economy in the form of company tax, personal taxes and dividend tax. This contribution represents 45.4% of the value. 25.4% was claimed by the employees, 24.3% was set aside towards future operations, while 4.9% was paid out to shareholders as dividends.

Coloplast is included in three sustainability indexes for shares: Dow Jones Sustainability World Indexes (DJSI World), Dow Jones STOXX sustainability Indexes (DJSI STOXX) and FTSE4Good.

Read more in the Intellectual Capital Statement at www.coloplast.com





“The replies you get are above average”

“The atmosphere during a Coloplast telephone conference is less formal than with other companies. I think the management deserves praise for not just reading out of a manuscript. I prefer them to hesitate now and again, but then to give an honest reply. It increases credibility”, says senior analyst at Nordea, Rolf Sass Sørensen.

Direct dialogue with Group Management

A few hours after the publication of a financial statement, members of Coloplast’s executive management, the Corporate Communications director and the IR manager gather for a telephone conference with share analysts and investors. The conference starts out with a review of the financial statement and is concluded by questions.

“Telephone conferences are held to ensure that analysts and investors have access to simultaneous, uniform information – no matter where they are located”, says IR manager Jørgen Fischer Ravn.

The management’s spontaneous comments

“A telephone conference is a good opportunity to have spontaneous comments from the management right after a financial statement. This is a rational and concentrated way of communicating”, finds Rolf Sass Sørensen, who is on the line in his capacity of senior share analyst at Nordea when the Coloplast management hold telephone conferences.

“You might say a telephone conference is a routine product and that it does not always bring news to market. On the other hand I have seldom put down the phone without having added insight or new details about the company”, says Rolf Sass Sørensen.

No manuscript

“The replies given by the Coloplast management during telephone conferences are above the average replies offered by exchange-listed companies. They are seldom black-and-white replies or too obviously strategically correct. It increases credibility that there is no manuscript of prepared replies. The atmosphere at Coloplast’s telephone conferences is often a little less formal than with other companies. Correct, but less formal”, finds Rolf Sass Sørensen, who specialises in Danish and foreign healthcare shares.

Presentations used during telephone conferences may be downloaded from the IR section of Coloplast’s corporate website, where they are available shortly after the publication of a financial statement.

Shareholders

An aspect of Coloplast’s management philosophy envisions a balanced value creation for the company’s stakeholders in both the short and the long term. In the management’s opinion, this approach creates the highest value for the shareholders.

A company culture that attracts and retains the best people, and good relations with customers and society must ensure that the company’s shareholders receive a long-term, competitive return on their investment.

Overview of enablers and results

Indicator	Unit	99/00	00/01	01/02	02/03	03/04	Development	Group	Denmark	Enabler	Result	
Patent applications	Number	15	23	28	35	53	⬆️	X		X		
Patent rights	Number	170	180	217	244	255	⬆️	X		X		
New products' share of revenue	%	15.6	23.9	29.5	30.5	22.4	⬇️	X			X	
Revenue per employee	tDKK	946	1,008	1,146	972	997	⬆️	X			X	
Operating profit per employee	tDKK	133	155	180	157	162	⬆️	X			X	
Economic profit, EP, per employee	tDKK	26	50	56	45	47	⬆️	X			X	
Total Shareholder Return, TSR	TSR 1 year	%	0.0	59.9	-3.8	1.6	9.5	⬆️	X			X
	TSR 5 years		20.1	22.5	17.3	14.2	11.3	⬇️				

Total Shareholder Return

Total Shareholder Return (TSR) is the return on capital obtained by shareholders investing in Coloplast. The value of the Coloplast share reflects the combined effect of a favourable, long-term share price and the dividend paid out. From an investment perspective of one year, TSR amounted to 9.5%, while over a five-year timeframe the share returned 11.3% per year.

New products

The goal is for at least 20% of revenue to be generated by products launched within the last four years. In 2003/04, their share was 22.4%. In order to protect the company’s many new inventions from copying, Coloplast pursues an offensive patent strategy. Over the year, 53 new patent applications were filed, and at year-end the holding of patent rights was 255, an increase of 11 from last year.

Winning market shares

In 2003/04 Coloplast’s overall growth was 10% in local currencies. This performance meets the growth expectations expressed by Group Management.

Improved earnings capacity

With a profit margin exceeding 16%, the Group also confirmed profit expectations. Revenue per employee increased

by 3% to DKK 997,000 and operating profit per employee increased by 3% to DKK 162,000. Economic Profit was DKK 47,000, another 3% up.

Investors’ trust

On the first trading day of financial year 2003/04, Coloplast’s share was quoted at the Copenhagen Stock Exchange at 531. It closed the year at 581, reflecting an increase of 9%. The Copenhagen Stock Exchange’s index of ultraliquid shares (the KFX index) increased by 18%. Measured over a five-year period, the Coloplast share increased by 65%, while the KFX index dropped by 16%.

Investor dialogue

Our dialogue with investors and analysts has been systematised and involves meetings and telephone conferences supported by effective lines of communication. During the year, 165 meetings were held with investors and analysts, including 122 meetings outside Denmark. The total number of participants was 286.

Read more in the Intellectual Capital Statement at www.coloplast.com

Reporting on UN's Global Compact



The UN's Global Compact is a voluntary corporate citizenship initiative, which companies across the world may join. Its purpose is to establish partnerships between the UN and the international business establishment and thereby advance responsible corporate citizenship so that businesses undertake a commitment to meet the challenges of globalisation.

Coloplast joined The Global Compact in 2002. The Global Compact subscribes to ten principles in the areas of human rights, labour, the environment and anti-corruption which member companies must work to implement. These four areas have been chosen because businesses stand a real chance of impacting the global development in these areas. Besides, a number of generally recognised UN conventions support the principles.

Coloplast joined the UN's Global Compact because we consider the ten principles very suitable for substantiating central themes in our Mission and Values. In general, there is an expectation within Coloplast that activities issuing from The Global Compact may contribute to the long-term value creation for our key stakeholders.

In 2004/05, we will strengthen activities relating to human rights and labour rights. Where quantitative indicators have been defined, these are accounted for in the stakeholder report.

This page represents Coloplast's so-called "Communication on Progress". Further information about enablers and results is available at our corporate website. A detailed description of the environmental effort can be found in the environmental section.

Reporting on the UN's Global Compact - 2003/04

No.	Global Compact principles	Results 2003/04
1	Protect and respect internationally proclaimed human rights	New health and safety-at-work management system introduced in Denmark.
2	Make sure that we are not complicit in human rights abuses	Analysis made of Coloplast's activities in China. Strategy established for the integration of human rights and labour rights in cooperation with suppliers. In contracts with Chinese suppliers reference is made to Coloplast's membership of the UN's Global Compact. No code of conduct elaborated.
3	Secure employees' freedom of association and the right to collective bargaining	
4	Eliminate all forms of forced and compulsory labour	
5	Abolish child labour	
6	Eliminate discrimination	Measures have been taken to retain and develop own employees in Denmark in connection with the transfer of manufacturing operations to Hungary. Job trials have been organised for a number of people out of employment. One-on-one training has been implemented for non-Danish speakers and dyslexics.
7	Support a precautionary approach to environmental challenges	A charting of components in raw materials used by Coloplast has been carried out with a view to identifying critical ingredients. A system for registration of the components has been implemented.
8	Undertake initiatives to promote greater environmental responsibility	New environmental policy adopted. Coloplast's Chinese facility has been certified to the ISO 14001 environmental standard.
9	Encourage the development and diffusion of environmentally friendly technologies	Strategy for supplier cooperation, as described above, will include environmental aspects.
10	The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery	Code of conduct has been elaborated for cooperation with professional caregivers in the healthcare sector. Screening of other risks impacting relations with external cooperation partners has been commenced.

Definitions of key ratios

Invested capital	Assets less cash, less marketable securities plus accumulated goodwill amortised before 1.10.2002 less non-interest-bearing debt, less provisions
Net interest-bearing debt	Long-term debt plus short-term part of long-term debt plus mortgage debt, less cash, less marketable securities
Profit margin, EBIT, %	Operating profit (EBIT) as a percentage of revenue
Return on average invested capital (ROAIC), %	Operating profit (EBIT) as a percentage of invested capital (average for four quarters)
Economic Profit	EBITA plus profit from associates, etc. after tax, less cost of capital (cost of capital = average invested capital x weighted average cost of capital)
Return on equity, %	Coloplast's share of profit for the year as a percentage of equity (average for four quarters)
Ratio of net debt to EBITDA	Net interest-bearing debt divided by EBITDA
Interest cover	EBITDA divided by net of interest income and expenses
Equity interest, %	Total equity as a percentage of total assets
Ratio of debt to enterprise value, %	Net interest-bearing debt as a percentage of net interest-bearing debt plus market capitalisation
Market capitalisation, DKK	Share quotation at year-end multiplied by total contributed capital (assuming the same price valuation for A and B shares)
Book value per share, DKK	Equity divided by number of shares
Share price / Book value per share	Share quotation divided by book value per share
PE, price/earnings ratio	Share quotation divided by earnings per share, EPS
Pay-out ratio, %	Declared dividend as a percentage of Coloplast's share of profit for the year
Earnings per share, EPS	Coloplast's share of profit for the year divided by number of shares (average for four quarters)
Free cash flow per share	Free cash flow divided by number of shares (average for four quarters)

The key figures have been calculated and applied in accordance with "Recommendations and Key Figures 2004" issued by the Danish Society of Financial Analysts.

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Printed and electronic annual report

The printed Danish version represents Coloplast's annual report for 2003/04. Responding to the needs of website users to access our annual accounts, we also publish the annual report in electronic form on our corporate website: www.coloplast.com. Both the printed and electronic versions are available in English.

The contents of the electronic version of the annual report are identical with the contents of the printed version, except for the graphical layout and references.

Additional information

On our website you may also find detailed information about issues not covered by the annual report, eg corporate governance at Coloplast, managing business risks, intellectual capital accounts, environmental affairs and various general information.

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<http://coloplast0304.webannualreport.com>

Editors Coloplast A/S

Design and graphic production Boje & Mobeck as

Photos Jesper Westley, Thomas Tolstrup, Claus Peuckert

Printed by PrintDivision

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Artist of the year

Mette Hannemann

A break from chaos

"I made the paintings for Coloplast while expecting my daughter," says Mette Hannemann. "The basic values in life seemed to fill me, I painted cows in the field, idyllic rural landscapes, children.

I find it important that my paintings give people an opportunity to take a deep breath and recharge for whatever activities are ahead of them. I believe it was Matisse who once said that art should be rather like a good armchair which provides relaxation from a busy, chaotic life.

I would like to offer the viewers a pleasant contrast to the horror and violence that we face, make them seek beauty and poetry."

In her paintings, Mette Hannemann is preoccupied with aesthetics, beauty - in Nature, in life. She aims to reach unconscious layers in the viewers:

"I have realised that I have the power to touch people's hearts, make them feel they were once in the landscape or surroundings that I paint. Maybe I am luring them with romance, idyl. Although obviously it is not as simple as all that..."

My most recent pictures also mirror my life, I believe. My life as it is now, with a newborn daughter. She sets limits to the time I can spend painting, and she brings out a different awareness, makes me concentrate more when I am working."





Coloplast A/S
Holtedam 1
DK-3050 Humlebæk
Tel. +45 49 11 11 11
Fax +45 49 11 15 55
coloplast@coloplast.com
www.coloplast.com
Co. regis. no. 69 74 99 17

