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16 August 2017

Coloplast

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

Coloplast A/S
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# 9M 2016/17

## Interim financial report, 9M 2016/17

(1 October 2016 - 30 June 2017)

## Highlights

- Q3 organic revenue growth was 8%, and revenue in DKK was up by 6% to DKK 3,912m. In the first nine months, organic revenue growth was 7% and revenue in DKK was up by 6% to DKK 11,548m.
- Reported Q3 revenue was reduced by a DKK 90m one-off revenue adjustment made after Coloplast identified incorrect management of contractual obligations relating to a 2009 agreement with the U.S. Department of Veterans Affairs (the U.S. Veterans Affairs). The DKK 90m one-off relates to continence care products and is adjusted directly in the Q3 revenue. The matter has not affected the organic growth rate for the reporting period. Coloplast has now opened a dialogue with the U.S. Veterans Affairs in order to resolve the matter.
- Organic growth rates by business area in the first nine months were as follows: Ostomy Care 7%, Continence Care 8%, Urology Care 11% and Wound & Skin Care 0%.
- The US Chronic Care business reported double-digit organic sales growth in the third quarter.
- Pricing reforms in Greece and France had a negative impact on sales growth in the Wound and Skin Care business in the third quarter. The effect was offset by a stronger momentum for the Wound Care business in China and for the Skin Care business in the USA.
- EBIT was up by 9% at constant exchange rates and before the one-off revenue adjustment related to the U.S. Veterans Affairs, and up by 4% in DKK to DKK 3,705m. At constant exchange rates and before the one-off revenue adjustment the EBIT margin was at 33%, which was in line with the same period of last year.
- Net profit was up by 3% to DKK 2,787m, and diluted earnings per share were up by 3% to DKK 13.13.
- The free cash flow was DKK 322m, DKK 1,321m less than in the same period of last year. Adjusted for payments made in connection with lawsuits alleging injury resulting from the use of transvaginal surgical mesh products, the acquisition of Comfort Medical, and timing differences in tax payments, the underlying free cash flow was in line with last year's cash flow.

## Financial guidance for 2016/17

- We continue to expect organic revenue growth of 7–8% at constant exchange rates. The guidance for organic revenue growth has not been affected by the one-off revenue adjustment of DKK 90m. The guidance for reported revenue growth is revised to 6% in DKK instead of as previously 7–8%, due to the one-off revenue adjustment of DKK 90m and to exchange rate developments with especially the depreciation of the USD and GBP having a negative impact.
- The EBIT margin guidance remains at 33–34% at constant exchange rates. The EBIT margin guidance at constant exchange rates includes the one-off revenue adjustment of DKK 90m. The reported EBIT margin guidance in DKK is revised to about 32% instead of as previously about 33%, due to the one-off revenue adjustment of DKK 90m and to exchange rate developments with especially the depreciation of the USD and GBP having a negative impact.
- Capital expenditure is still expected to be around DKK 700m.
- We continue to expect the effective tax rate to be about 23%.

**Conference call**

Coloplast will host a conference call on 16 August 2017 at 15.00 CET. The call is expected to last about one hour. To attend the conference call, call +45 3271 1659, +44 (0)20 3427 1917 or +1 646 254 3362. Conference call reference number is 7022463.
A webcast will be posted on www.coloplast.com shortly after the conclusion of the conference call.

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# Financial highlights and key ratios

1 October - 30 June

**(Unaudited)**

| Consolidated | DKK million | | | DKK million | | |
|---|---|---|---|---|---|---|
| | 2016/17 9 mths | 2015/16 9 mths | Change | 2016/17 Q3 | 2015/16 Q3 | Change |
| **Income statement** | | | | | | |
| Revenue | 11,548 | 10,942 | 6% | 3,912 | 3,686 | 6% |
| Research and development costs | -436 | -380 | 15% | -146 | -132 | 11% |
| Operating profit before interest, tax, depreciation and amortisation (EBITDA) | 4,156 | 3,955 | 5% | 1,387 | 1,333 | 4% |
| Operating profit (EBIT) | 3,705 | 3,562 | 4% | 1,233 | 1,201 | 3% |
| Net financial income and expenses | -85 | -31 | N/A | -50 | 69 | N/A |
| Profit before tax | 3,620 | 3,531 | 3% | 1,183 | 1,270 | -7% |
| Net profit for the year | 2,787 | 2,719 | 3% | 910 | 978 | -7% |
| **Revenue growth** | | | | | | |
| Period growth in revenue, % | 6 | 6 | | 6 | 4 | |
| Growth break down: | | | | | | |
| Organic growth, % | 7 | 7 | | 8 | 8 | |
| Currency effect, % | -1 | -1 | | -2 | -4 | |
| Acquired business, % | 1 | 0 | | 2 | 0 | |
| Other matters, % | -1 | 0 | | -2 | 0 | |
| **Balance sheet** | | | | | | |
| Total assets | 12,247 | 11,280 | 9% | 12,247 | 11,280 | 9% |
| Capital invested | 8,174 | 6,094 | 34% | 8,174 | 6,094 | 34% |
| Equity end of period | 4,958 | 4,499 | 10% | 4,958 | 4,499 | 10% |
| **Cash flow and investments** | | | | | | |
| Cash flow from operating activities | 1,668 | 1,702 | -2% | 1,110 | 608 | 83% |
| Cash flow from investing activities | -1,346 | -59 | N/A | -140 | -151 | -7% |
| Investments in property, plant and equipment, gross | -402 | -370 | 9% | 140 | -153 | N/A |
| Free cash flow | 322 | 1,643 | -80% | 970 | 457 | N/A |
| Cash flow from financing activities | -2,871 | -2,903 | -1% | -966 | -1,332 | -27% |
| **Key ratios** | | | | | | |
| Operating margin, EBIT, % | 32 | 33 | | 32 | 33 | |
| Operating margin, EBITDA, % | 36 | 36 | | 35 | 36 | |
| Return on average invested capital before tax (ROIC), % 1) | 59 | 60 | | 53 | 60 | |
| Return on average invested capital after tax (ROIC), % 1) | 45 | 46 | | 41 | 46 | |
| Return on equity, % | 78 | 80 | | 73 | 83 | |
| Equity ratio, % | 40 | 40 | | 40 | 40 | |
| Net asset value per outstanding share, DKK | 23 | 21 | 10% | 23 | 21 | 10% |
| **Share data** | | | | | | |
| Share price, DKK | 544 | 498 | 9% | 544 | 498 | 9% |
| Share price/net asset value per share | 23.3 | 23.4 | 0% | 23.3 | 23.4 | 0% |
| Average number of outstanding shares, millions | 212.1 | 211.9 | 0% | 212.3 | 211.9 | 0% |
| PE, price/earnings ratio | 31.1 | 29.1 | 7% | 31.6 | 26.9 | 17% |
| Earnings per share (EPS), diluted | 13.13 | 12.78 | 3% | 4.29 | 4.60 | -7% |
| Free cash flow per share | 1.5 | 7.8 | -81% | 4.6 | 2.2 | N/A |

1) This item is before Special items. After Special items, ROIC before tax is 72% (2015/16: 88%), and ROIC after tax is 55% (2015/16: 68%).

# Management's report

## Sales performance

Coloplast generated 7% organic growth in the first nine months. Revenue in DKK was up by 6% to DKK 11,548m. Currency developments reduced revenue by 1% as particularly GBP depreciated against DKK, and the effect was only partly offset by the appreciation of the USD. Acquired growth contributed 1% and was driven by the acquisition of the US distributor Comfort Medical, acquired in December 2016. Other matters reduced revenue growth by 1% due to the one-off revenue adjustment related to the U.S. Veterans Affairs.

### Sales performance by business area

| | DKK million | | Growth composition | | | | | DKK million | Growth composition | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016/17 9 mths | 2015/16 9 mths | Organic growth | Acquired operations | Exchange rates | Other matters | Reported growth | 2016/17 Q3 | Organic growth | Acquired operations | Exchange rates | Other matters | Reported growth |
| Ostomy Care | 4,694 | 4,416 | 7% | 1% | -2% | - | 6% | 1,638 | 7% | 1% | 0% | - | 8% |
| Continence Care | 4,119 | 3,839 | 8% | 2% | -3% | - | 7% | 1,431 | 10% | 3% | -1% | - | 12% |
| Urology Care | 1,251 | 1,121 | 11% | - | 1% | - | 12% | 423 | 10% | - | 1% | - | 11% |
| Wound & Skin Care | 1,574 | 1,566 | 0% | - | 1% | - | 1% | 510 | 1% | - | - | - | 1% |
| Other matters | (90) | 0 | 0% | - | - | -1% | -1% | (90) | 0% | - | - | -2% | -2% |
| **Net revenue** | **11,548** | **10,942** | **7%** | **1%** | **-1%** | **-1%** | **6%** | **3,912** | **8%** | **2%** | **-2%** | **-2%** | **6%** |

### Sales performance by region

| | DKK million | | Growth composition | | | | | DKK million | Growth composition | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016/17 9 mths | 2015/16 9 mths | Organic growth | Acquired operations | Exchange rates | Other matters | Reported growth | 2016/17 Q3 | Organic growth | Acquired operations | Exchange rates | Other matters | Reported growth |
| European markets | 7,049 | 6,943 | 5% | - | -3% | - | 2% | 2,394 | 4% | - | -2% | - | 2% |
| Other developed markets | 2,694 | 2,291 | 9% | 6% | 3% | - | 18% | 949 | 14% | 8% | 3% | - | 25% |
| Emerging markets | 1,895 | 1,708 | 10% | - | 1% | - | 11% | 659 | 14% | - | 2% | - | 16% |
| Other matters | (90) | - | 0% | - | - | -1% | -1% | (90) | 0% | - | - | -2% | -2% |
| **Net revenue** | **11,548** | **10,942** | **7%** | **1%** | **-1%** | **-1%** | **6%** | **3,912** | **8%** | **2%** | **-2%** | **-2%** | **6%** |

### Ostomy Care

Ostomy Care products generated 7% organic sales growth in the first nine months of 2016/17, whereas revenue in DKK increased by 6% to DKK 4,694m. Acquired growth contributed 1% and was driven by the acquisition of US distributor Comfort Medical. The sales growth was driven mainly by the portfolio of SenSura® products and the Brava® accessories range. For the SenSura® portfolio, sales performances in the UK, Germany and China were the main drivers. The SenSura® Mio portfolio, and the SenSura® Mio Convex range in particular, were the main drivers of European sales growth. Sales of the Assura/Alterna® portfolio was also satisfactory, driven mainly by the Emerging Markets region, including China and Russia. Sales of the Brava® range of accessories performed particularly well in the Chinese, UK and French markets, driven especially by the new Brava® Protective Seal. The product is now available in 13 countries and feedback on the product has been positive.

From a country perspective, the UK reported satisfactory sales growth, which was partly driven by the Charter homecare business. China and Russia were also contributors to revenue growth in the first nine months of 2016/17. Inventory reductions by large US distributors in the first quarter and a weaker momentum in the Netherlands had a negative impact on sales growth in the first nine months.

Organic growth in Q3 was 7%, while revenue in DKK increased by 8% to DKK 1,638m. Acquired growth contributed with 1% and was driven by the acquisition of US distributor Comfort Medical. As in the first six months of the financial year, the SenSura® portfolio and the Brava® range of accessories contributed strongly to performance. Growth in SenSura® portfolio sales was based on positive performances in the UK and German markets driven especially by the SenSura® Mio Convex. Q3 sales growth in the Brava® range of accessories was driven largely by positive trends in the Chinese, UK and French markets.

From a country perspective, the UK, China and Russia all reported satisfactory growth rates. A weaker momentum in the Netherlands had an adverse impact on Q3 sales growth.

### Continence Care

In the first nine months, Continence Care generated revenue of DKK 4,119m, an improvement of 8% organically and of 7% in DKK. Acquired growth contributed 2% and was driven by the acquisition of US distributor Comfort Medical. Growth remained driven by sales of SpeediCath® intermittent catheters and Peristeen®. The performance was driven in particular by sales of compact catheters in northern Europe and the USA.

Sales of standard catheters were driven mainly by the US market and by Emerging Markets, but adversely affected by Saudi Arabia mainly due to a lower tender value in that market in the first quarter relative to last year.

SpeediCath® Flex is now available in 14 countries, and feedback on the product is positive. Sales of urine bags and urisheaths were up slightly due to an improved momentum in France, whereas growing competition in the Netherlands, the UK and the US weighed on performance. Peristeen® sales continued to grow at a fair rate, driven especially by good performances in Europe and the USA.
From a country perspective, the US, French and Argentinian markets were positive contributors. Russia, Japan, South Korea and Australia all maintained good momentum. For Japan, South Korea and Australia, the performance was due to enhanced reimbursement schemes for intermittent catheters introduced in 2016 and 2017, respectively. Inventory reductions by US major distributors in the first quarter and a lower momentum in the Saudi Arabian and the Dutch markets had a negative impact on sales growth in the first nine months.

Organic growth in Q3 was 10%, and revenue in DKK grew by 12% to DKK 1,431m. Revenue from acquisitions contributed 3% and was related to the acquisition of US distributor Comfort Medical. Organic growth was driven by SpeediCath® intermittent catheters and Peristeen®. Sales of compact catheters in the US, French and UK markets contributed particularly well to performance. In addition, SpeediCath® Flex was a positive contributor to Q3 growth, driven by Europe and the USA. Sales growth for standard catheters was driven by positive performances in the USA, Saudi Arabia and Argentina.
Sales of urine bags and urisheaths was primarily driven by France, but the positive effect was offset by challenges in the UK and the Netherlands. Sales of Peristeen® improved in most markets, particularly in southern Europe and the USA.
From a country perspective, the USA and France contributed favourably to growth. A weaker momentum in Greece had a negative impact on sales growth.

## Urology Care

Urology Care generated 11% organic growth in the first nine months, and revenue in DKK was up by 12% to DKK 1,251m. Growth was driven primarily by the US market by Altis® slings and Restorelle® products designed to treat stress urinary incontinence and pelvic organ prolapse. This is a market where Coloplast continues to take market share. Growth in sales of disposable surgical products was supported by an increase in tender activity in Saudi Arabia and an improved momentum in Europe.
From a country perspective, the US market continued to drive growth in the Urology Care business, with Europe and France in particular, also contributing.

The 10% organic growth in the third quarter was mainly driven by the strong performance in sales of Altis® slings and Titan® implants in the US market. Growth in sales of disposable surgical products was supported by an increase in tender activity in Saudi Arabia and by sales in the European markets.
From a country perspective, the US market drove growth in the Urology Care business, as it did in the first six months of the financial year, but with Europe also contributing in the third quarter.

## Wound & Skin Care

Sales of wound and skin care products amounted to DKK 1,574m in the first nine months. The organic growth rate was 0%, while sales growth in DKK was 1%. The Wound Care business alone generated 3% organic growth. In Wound Care, growth was driven by sales of Biatain® foam dressings, especially by Biatain® Silicone and Biatain® Super. Biatain® Silicone sales growth was driven by the European markets, including in particular the German, UK, French and Spanish markets. The negative sales performance of Biatain® foam dressings was mainly driven by Greece, but with China offsetting part of the effect. Pricing reforms in Greece introduced in the first quarter have led to a shift in the product portfolio to products such as Biatain® Super, causing a negative effect on sales to the Greek market during the period. The Biatain® Silicone Sizes & Shapes product portfolio is now available in 21 countries, and feedback on the product has been positive. The Comfeel® Plus portfolio featuring a new and improved design and user experience has now been relaunched in fifteen countries. Contract production of Compeed detracted from sales growth due to order timing differences.
From a country perspective, the US market detracted from performance in the Skin Care business, due to strong sales in the US market in the same period last year. In the Wound Care business, Germany and China were positive contributors to sales growth, whereas France and Greece reported challenging performances due to pricing reforms introduced in the first half of the financial year.

Wound & Skin Care reported a Q3 organic growth rate of 1% with the Wound Care business alone accounting for negative growth of 1%. Biatain® foam dressings drove negative growth in Wound Care, especially in Greece and France due to the abovementioned pricing reforms. The negative performance in Greece was due to significant inventory reductions in

the third quarter resulting from inventory build-ups in the first six months of the financial year triggered by the above-mentioned pricing reforms. On the other hand, the Biatain® foam dressing sales performance was lifted by an improved momentum in China. While sales growth for skin care products was positive, the performance was due to weak sales in the US market in the third quarter of last year.
From a country perspective the US and China both contributed favourably to growth in the Wound & Skin Care business, whereas Greece and France were negative contributors.

## Gross Profit

Gross profit was up by 5% to DKK 7,854m from DKK 7,471m in the first nine months of 2015/16. The gross margin was 68%, which was in line with last year. The ongoing efficiency enhancements supported the gross margin, including especially the production relocation of SenSura® Mio and Compeed products to Hungary. Wage inflation in Hungary, the product mix and depreciation charges reduced the gross margin in the first nine months. In addition, Coloplast incurred restructuring costs of about DKK 16m in the first nine months in relation to the reduction of production staff in Denmark. At constant exchange rates, the gross margin was 68%, against 68% last year. When adjusted for the one-off revenue adjustment related to the U.S. Veterans Affairs, the gross margin for the period was 68%.

The Q3 gross profit was up by 6% to DKK 2,652m from DKK 2,512m in the same period of last year. The Q3 gross margin was 68%, against 68% in Q3 2015/16. At constant exchange rates, both this year's and last year's Q3 gross margins were 68%. When adjusted for the revenue adjustment related to the U.S. Veterans Affairs, the gross margin for the Q3 period was 69%.

## Costs

Distribution costs amounted to DKK 3,260m, a DKK 146m increase from DKK 3,114m last year. The distribution costs amounted to 28% of revenue in the first nine months, compared with 28% in the same period of last year. The distribution costs included sales and marketing initiatives, mainly in the USA and in the Wound Care business. The Q3 distribution costs amounted to DKK 1,116m, equal to 29% of revenue, against 28% in the same period of last year. The costs are stated inclusive of the increase in investment initiatives.

Administrative expenses for the first nine months amounted to DKK 468m, a DKK 45m increase from DKK 423m last year. The increase is mainly due to legal costs in respect of patent rights and transaction costs of about DKK 7m relating to the Comfort Medical acquisition. Administrative expenses thus accounted for 4% of revenue for the first nine months, which was in line with last year. The Q3 administrative expenses amounted to DKK 167m against DKK 148m in the year-before period. The Q3 administrative expenses amounted to 4% of revenue, which was in line with the third quarter of last year.

R&D costs were DKK 436m for the first nine months, a DKK 56m (15%) increase over the same period last year that was due to a general increase in activity. R&D costs amounted to 4% of revenue, compared with 3% in the same period of last year. The Q3 R&D costs amounted to DKK 146m, which was DKK 14m higher than the Q3 2015/16 figure. Accordingly, R&D costs amounted to 4% of revenue, compared with 4% in the same period of last year.

Other operating income and other operating expenses amounted to net income of DKK 15m in the first nine months of 2016/17, against net income of DKK 8m in the first nine months of 2015/16.
Other operating income and other operating expenses amounted to net income of DKK 10m in the third quarter, against net income of DKK 6m in Q3 2015/16.

## Operating profit (EBIT)

EBIT was DKK 3,705m for the first nine months, a DKK 143m (4%) increase from DKK 3,562m in the same period last year. The EBIT margin was 32% against 33% in the same period last year. At constant exchange rates, the EBIT margin for the first nine months was 32%, against 32% in the same period in 2015/16. When adjusted for the one-off revenue adjustment of DKK 90m related to the U.S. Veterans Affairs, the EBIT margin for the first nine months was 33%.

The Q3 EBIT was DKK 1,233m against DKK 1,201m last year, for an Q3 EBIT margin of 32%, against 33% in Q3 2015/16. At constant exchange rates, the Q3 EBIT margin was 32%, against 33% in Q3 2015/16. When adjusted for the one-off revenue adjustment related to the U.S. Veterans Affairs, the EBIT margin for the Q3 period was 33%.

## Financial items and tax

Financial items were a net expense of DKK 85m, relative to a net expense of DKK 31m last year.
Foreign exchange adjustments for the first nine months amounted to an expense of DKK 64m against an expense of DKK 20m in the first nine months of 2015/16. The DKK 64m net expense represents a loss on currency hedging, mainly on BRL and ARS and offset by a significant gain on GBP.

The Q3 financial items were a DKK 50m net expense due to foreign exchange regulations, against a DKK 69m net income in Q3 2015/16.

The tax rate was 23%, which was in line with last year. Tax expenses for the first nine months were DKK 833m as against DKK 812m in the year-earlier period.

## Net profit

Net profit in the first nine months was DKK 2,787m, a DKK 68m (3%) increase over last year's net profit of DKK 2,719m. When adjusted for the one-off revenue adjustment related to the Veterans Affairs, the net profit for the reporting period amounted to DKK 2,856m, while earnings per share, diluted were also up by 3% to DKK 13.13.

For the third quarter, the net profit amounted to DKK 910m against DKK 978m in the Q3 2015/16 period. Earnings per share (EPS), diluted, fell by 7% to DKK 4.29 in the third quarter. When adjusted for the one-off revenue adjustment related to the Veterans Affairs, the Q3 net profit amounted to DKK 979m.

## Cash flow and investments

### Cash flows from operating activities

Cash flows from operating activities amounted to DKK 1,668m, against DKK 1,702m last year. Most of the decline was due to payments in connection with settlements in lawsuits in the USA alleging injury resulting from the use of transvaginal surgical mesh products. The decline was partly offset by an increase in EBIT. Payments made in respect of the lawsuits in the United States in the first nine months of 2016/17 period amounted to DKK 1.7bn, bringing total payments made to date to DKK 4.1bn.

### Investments

Coloplast made net investments of DKK 423m in the first nine months of 2016/17 compared with DKK 386m in the year-earlier period. The increase was due to investment in machinery to be used for new and existing products and for factory extension purposes. CAPEX accounted for 4% of revenue. The Comfort Medical acquisition was a DKK 1.1bn investment, and net sales of securities amounted to DKK 176m, DKK 142m less than in the same period of last year. Total cash flows from investing activities were a DKK 1,346m outflow.

### Free cash flow

The free cash flow was an inflow of DKK 322m against an inflow of DKK 1,643m in the same period of last year, which was primarily due to the Comfort Medical acquisition and payments made in connection with lawsuits in the USA alleging injury resulting from the use of transvaginal surgical mesh products. Adjusted for payments made in connection with the above-mentioned lawsuits and the acquisition of Comfort Medical, the free cash flow was an inflow of DKK 2,527m against DKK 2,905m in the first nine months of 2015/16. The difference was mainly due to lower tax payments in the year-earlier period, which brought the underlying free cash flow for the reporting period in line with last year's cash flow.

### Capital resources

At 30 June 2017, Coloplast had interest-bearing net debt including securities of DKK 1,920m, against DKK 299m at 30 June 2016. Liquidity outflows due to settlements in lawsuits in the USA alleging injury resulting from the use of transvaginal surgical mesh products and the Comfort Medical acquisition are covered by the credit facilities established for those purposes.

## Statement of financial position and equity

### Balance sheet

At DKK 12,247m, total assets increased by DKK 1,240m relative to 30 September 2016. Intangible assets amounted to DKK 2,284m, which was DKK 887m more than at 30 September 2016. The increase was due to the Comfort Medical acquisition.
Property, plant and equipment increased by DKK 12m relative to 30 September 2016 to stand at DKK 2,937m. Other non-current assets declined by DKK 13m from DKK 521m to DKK 508m. As a result, non-current assets increased by a total of DKK 886m to DKK 5,729m.

Working capital was 26% of revenue, against 24% at 30 September 2016. Inventories were DKK 224m higher at DKK 1,742m due to inventory build-ups in connection with the replenishment of inventories following back orders on urostomy bags and product launch preparations. Trade receivables were up by

DKK 166m to DKK 2,845m, while trade payables were down by DKK 170m, or 24%, to DKK 527m relative to 30 September 2016.

Coloplast reached a number of additional agreements during the first nine months of 2016/17 relating to lawsuits in the USA alleging injury resulting from the use of transvaginal surgical mesh products. In that connection, amounts held in escrow increased by DKK 312m net relative to 30 September 2016 to stand at DKK 769m. Management estimates that more than 95% of the known lawsuits in the USA have now been settled.

Security holdings amounted to DKK 313m, DKK 176m less than at the beginning of the financial year, while cash and cash equivalents were reduced by DKK 232m to stand at DKK 314m. Current assets rose by DKK 354m relative to 30 September 2016 to stand at DKK 6,518m.

**Equity**

Equity fell by DKK 110m relative to 30 September 2016 to DKK 4,958m. Payment of dividends in the total amount of DKK 2,864m was offset by the comprehensive income for the period of DKK 2,736m, the net effect of treasury shares bought and sold of DKK 7m and share-based remuneration of DKK 25m.

**Dividends and share buy-backs**

Coloplast paid interim dividends totalling DKK 955m in the third quarter, equal to DKK 4.50 per share.

In 2015/16, Coloplast launched a DKK 1bn share buy-back programme running until the end of the 2016/17 financial year. The first part of the share buy-back programme of DKK 500m was completed in August 2016. The second part of the programme, also for DKK 500m, was launched in the second quarter and was completed by the end of July 2017.

**Treasury shares**

At 30 June 2017, Coloplast's holding of treasury shares consisted of 3,601,724 B shares, which was 658,852 fewer than at 30 September 2016. The holding was reduced due to the exercise of options for 1,356,333 shares, which was partly offset by 697,481 shares bought back.

## Financial guidance for 2016/17

- We continue to expect organic revenue growth of 7-8% at constant exchange rates. The guidance for organic revenue growth has not been affected by the one-off revenue adjustment of DKK 90m. The guidance for reported revenue growth is revised to 6% in DKK instead of as previously 7-8%, due to the one-off revenue adjustment of DKK 90m and to exchange rate developments with especially the depreciation of the USD and GBP having a negative impact.
- The EBIT margin guidance remains at 33-34% at constant exchange rates. The EBIT margin guidance at constant exchange rates includes the one-off revenue adjustment of DKK 90m. The reported EBIT margin guidance in DKK is revised to about 32% instead of as previously about 33%, due to the one-off revenue adjustment of DKK 90m and to exchange rate developments with especially the depreciation of the USD and GBP having a negative impact.
- Capital expenditure is still expected to be around DKK 700m.
- The effective tax rate is expected to be about 23%.

The financial guidance takes account of reforms with known effects. Expectations for long-term price pressures, of about 1.0% in annual price pressure, are unchanged.

Also, the financial guidance assumes sustained and stable sales growth in Coloplast's core markets and a continuation of the successful roll-out of new products.

The EBIT margin guidance assumes that Coloplast, in addition to achieving its growth target, will continue to deliver scale economies and efficiency improvements.

The capital investments will boost the production capacity for new and existing products and will provide for the completion of a new factory facility during the 2017/18 financial year.

The provision made to cover costs relating to transvaginal surgical mesh products remains subject to a degree of estimation.

## Other matters

**Agreement with the U.S. Veterans Affairs**

Coloplast has identified a case of incorrect management of contractual obligations relating to a 2009 agreement with the U.S. Veterans Affairs. It is estimated that Coloplast will be required to refund the U.S. Veterans Affairs DKK 90m in this matter. Coloplast has now opened a dialogue with the U.S. Veterans Affairs in order to resolve the matter. In response to the situation, Coloplast has strengthened its internal controls and procedures relating to customer contracts and pricing adjustments. The one-off revenue adjustment of DKK 90m is recognised directly in the Q3 revenue. Due to the nature of this one-off amount relating to prior reporting periods, this adjustment is not reflected in the organic growth rates for the reporting period.

**Transvaginal mesh litigation**

In June 2017, Judge Joseph Goodwin issued a court order stating that plaintiffs may no longer direct claims against Coloplast in the ongoing multidistrict litigation (MDL). The court order is a further step towards closure and full resolution of the MDL.

**Reimbursement for SpeediCath® Flex Coudé in the USA**

Ahead of the launch of SpeediCath® Flex Coudé in the USA in February of this year, the SpeediCath® Flex Coudé was given FDA approval and approval by the Pricing, Data Analysis and Coding Contractor (PDAC) for the HCPCS reimbursement category A4352, which has an average Medicare reimbursement of USD 6.60. As the PDAC approval has been contested by the marketplace, PDAC has conducted another review of SpeediCath® Flex Coudé and concluded that the A4351 reimbursement category is the appropriate code for the product, which has an average Medicare reimbursement of USD 1.80. SpeediCath® Flex Coudé has now been assigned to the A4351 reimbursement category effective 3 July 2017. SpeediCath® Flex Coudé is recognised as an innovative Coudé product and has been very well received by users and healthcare professionals. Coloplast is in an appeals process with PDAC.

**Patent cases involving SpeediCath® patent**

In February 2017, the European Patent Office, which forms part of the European Patent Organisation (EPO), validated Coloplast's "SpeediCath®" patent EP1145729 issued on 23 November 2005.

In June, Coloplast won an injunction case before the Maritime and Commercial High Court in Copenhagen against MBH-International A/S and OneMed A/S claiming an infringement of Coloplast's "SpeediCath®" patent EP1145729 issued on 23 November 2005. The Court has issued an interim injunction against both parties for the distribution of the Qufora® Onestep product in Denmark until the patent expires on 18 September 2017. Coloplast intends to claim damages for the patent violation.

In July, Coloplast won an injunction case before the Landgericht Düsseldorf against Hollister Inc. and Teleflex Medical GmbH claiming an infringement of Coloplast's "SpeediCath®" patent EP1145729 issued on 23 November 2005. The Court has issued an interim injunction against both parties for the distribution of the products VaPro, VaPro Plus, VaPro Pocket, VaPro Plus Pocket, Infyna, Infyna Plus and Teleflex Liquick X-treme in Germany until the patent expires on 18 September 2017. Coloplast intends to claim damages for the patent violation.

**Compeed**

HRA Pharma has agreed to acquire Compeed in a deal with Johnson & Johnson. The transaction is expected to close in the autumn of 2017. As a result of the transaction, Coloplast will enter into agreements with Johnson & Johnson and HRA Pharma for the manufacturing of Band-Aid for Johnson & Johnson and Compeed for HRA Pharma.

**Meet the Management Event in London on 18 August 2017**

Coloplast will host a Meet the Management Event in London, England on 18 August 2017. The event is intended to give institutional investors and equity analysts an opportunity to meet with the Executive Management and to be updated on our business and learn about our main strategic themes.

**Exchange rate exposure**
Our financial guidance for the 2016/17 financial year has been prepared on the basis of the following assumptions for the company's principal currencies:

| DKK | GBP | USD | HUF | EUR |
|---|---|---|---|---|
| Average exchange rate 2015/16[1)] | 956 | 671 | 2.39 | 745 |
| Spot rate, 19 January 2017 | 858 | 699 | 2.41 | 744 |
| Spot rate, 1 May 2017 | 877 | 682 | 2.38 | 744 |
| Spot rate, 14 August 2017 | 819 | 630 | 2.45 | 744 |
| Estimated average exchange rate 2016/17[2)] | 851 | 673 | 2.41 | 744 |
| Change in estimated average exchange rate 2016/17 compared with last year | -11% | 0% | 1% | 0% |
| Change in spot rate at 14 August 2017 compared with average exchange rate 2016/17 | -4% | -6% | 2% | 0% |

1) Average exchange rate from 1 October 2015 to 30 September 2016.

2) Estimated average exchange rate is calculated as the average exchange rate for the first nine months combined with the spot rates at 14 August 2017.

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

| In DKK millions over 12 months on a 10% initial drop in exchange rates (Average exchange rates 2015/16) | Revenue | EBIT |
|---|---|---|
| USD | -290 | -130 |
| GBP | -260 | -170 |
| HUF | 0 | 50 |

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

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

# Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and approved the interim report of Coloplast A/S for the period 1 October 2016 – 30 June 2017. The interim report, which has neither been audited nor reviewed by the company's auditors, is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets, equity, liabilities and financial position at 30 June 2017 and of the results of the Group's operations and cash flows for the period 1 October 2016 – 30 June 2017.

Also, in our opinion, the management's report includes a fair account of the development and performance of the Group, the results for the period and of the financial position of the Group. Other than as set forth in the interim report, no changes have occurred to the significant risks and uncertainty factors compared with those disclosed in the annual report for 2015/16.

Humlebæk, 16 August 2017

Executive Management:

Lars Rasmussen
President, CEO

Anders Lonning-Skovgaard
Executive Vice President, CFO

Allan Rasmussen
Executive Vice President, Global Operations

Kristian Villumsen
Executive Vice President, Chronic Care

Board of Directors:

Michael Pram Rasmussen
Chairman

Niels Peter Louis-Hansen
Deputy Chairman

Per Magid

Birgitte Nielsen

Jette Nygaard-Andersen

Brian Petersen

Jørgen Tang-Jensen

Thomas Barfod
Elected by the employees

Martin Giørtz Müller
Elected by the employees

Torben Rasmussen
Elected by the employees

# Tables

**The financial figures are unaudited**



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Coloplast

Ostomy Care
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Urology Care

# Statement of comprehensive income

1 October - 30 June

**(Unaudited)**

| Consolidated | | DKK million | | | DKK million | | |
|---|---|---|---|---|---|---|---|
| | | 2016/17 | 2015/16 | | 2016/17 | 2015/16 | |
| Note | | 9 mths | 9 mths | Index | Q3 | Q3 | Index |
| 1 | Revenue | 11,548 | 10,942 | 106 | 3,912 | 3,686 | 106 |
| | Production costs | -3,694 | -3,471 | 106 | -1,260 | -1,174 | 107 |
| | **Gross profit** | **7,854** | **7,471** | **105** | **2,652** | **2,512** | **106** |
| | Distribution costs | -3,260 | -3,114 | 105 | -1,116 | -1,037 | 108 |
| | Administrative expenses | -468 | -423 | 111 | -167 | -148 | 113 |
| | Research and development costs | -436 | -380 | 115 | -146 | -132 | 111 |
| | Other operating income | 31 | 30 | 103 | 10 | 10 | 100 |
| | Other operating expenses | -16 | -22 | 73 | 0 | -4 | 0 |
| | **Operating profit (EBIT)** | **3,705** | **3,562** | **104** | **1,233** | **1,201** | **103** |
| 2 | Financial income | 33 | 20 | 165 | 3 | 9 | 33 |
| 3 | Financial expenses | -118 | -51 | >200 | -53 | 60 | -88 |
| | **Profit before tax** | **3,620** | **3,531** | **103** | **1,183** | **1,270** | **93** |
| | Tax on profit for the period | -833 | -812 | 103 | -273 | -292 | 93 |
| | **Net profit for the period** | **2,787** | **2,719** | **103** | **910** | **978** | **93** |
| | **Other comprehensive income** | | | | | | |
| | Items that will not be reclassified to income statement: | | | | | | |
| | Remeasurements of defined benefit plans | 33 | -46 | | 11 | -19 | |
| | Tax on remeasurements of defined benefit plans | -7 | 12 | | -2 | 6 | |
| | | **26** | **-34** | | **9** | **-13** | |
| | Items that may be reclassified to income statement: | | | | | | |
| | Value adjustment of currency hedging | 45 | 62 | | 101 | 5 | |
| | Of which transferred to financial items | -20 | 12 | | 0 | -49 | |
| | Tax effect of hedging | -6 | -17 | | -23 | 11 | |
| | Currency adjustment of opening balances and other currency adjustments relating to subsidiaries | -98 | -67 | | -148 | -31 | |
| | | **-79** | **-10** | | **-70** | **-64** | |
| | **Total other comprehensive income** | **-53** | **-44** | | **-61** | **-77** | |
| | **Total comprehensive income** | **2,734** | **2,675** | | **849** | **901** | |
| | Earnings per Share (EPS) | 13.16 | 12.85 | | 4.30 | 4.62 | |
| | Earnings per Share (EPS), diluted | 13.13 | 12.78 | | 4.29 | 4.60 | |

# Balance sheet

At 30 June

**(Unaudited)**

| Consolidated | | DKK million | |
|---|---|---|---|
| Note | 30.06.17 | 30.06.16 | 30.09.16 |
| **Assets** | | | |
| Acquired patents and trademarks etc. | 524 | 497 | 468 |
| Goodwill | 1,665 | 847 | 844 |
| Software | 58 | 72 | 65 |
| Prepayments and intangible assets in progress | 37 | 14 | 20 |
| **Intangible assets** | **2,284** | **1,430** | **1,397** |
| Land and buildings | 1,031 | 986 | 1,089 |
| Plant and machinery | 1,210 | 965 | 1,075 |
| Other fixtures and fittings, tools and equipment | 336 | 321 | 344 |
| Prepayments and property, plant and equipment under construction | 360 | 490 | 417 |
| **Property, plant and equipment** | **2,937** | **2,762** | **2,925** |
| Investment in associates | 12 | 11 | 11 |
| Deferred tax asset | 481 | 416 | 495 |
| Other receivables | 15 | 15 | 15 |
| **Other non-current assets** | **508** | **442** | **521** |
| **Non-current assets** | **5,729** | **4,634** | **4,843** |
| **Inventories** | **1,742** | **1,502** | **1,518** |
| Trade receivables | 2,845 | 2,769 | 2,679 |
| Income tax | 77 | 226 | 37 |
| Other receivables | 300 | 266 | 312 |
| Prepayments | 158 | 107 | 126 |
| **Receivables** | **3,380** | **3,368** | **3,154** |
| **Amounts held in escrow** | **769** | **1,152** | **457** |
| **Marketable securities** | **313** | **200** | **489** |
| **Cash and cash equivalents** | **314** | **424** | **546** |
| **Current assets** | **6,518** | **6,646** | **6,164** |
| **Assets** | **12,247** | **11,280** | **11,007** |

# Balance sheet

At 30 June

**(Unaudited)**

| Consolidated<br>Note | | DKK million<br>30.06.17 | <br>30.06.16 | <br>30.09.16 |
|---|---|---|---|---|
| | **Equity and liabilities** | | | |
| | Share capital | 216 | 216 | 216 |
| | Currency translation reserve | -68 | -128 | -78 |
| | Reserve for currency hedging | 61 | 50 | 41 |
| | Proposed dividend for the year | 0 | 0 | 1,905 |
| | Retained earnings | 4,749 | 4,361 | 2,984 |
| | **Total equity** | **4,958** | **4,499** | **5,068** |
| | Provisions for pensions and similar liabilities | 209 | 196 | 236 |
| | Provision for deferred tax | 123 | 19 | 106 |
| 7 | Other provisions | 70 | 206 | 258 |
| | Other payables | 0 | 1 | 1 |
| | Prepayments | 51 | 42 | 29 |
| | **Non-current liabilities** | **453** | **464** | **630** |
| | Provisions for pensions and similar liabilities | 2 | 22 | 14 |
| 7 | Other provisions | 341 | 1,024 | 814 |
| | Other credit institutions | 2,547 | 923 | 222 |
| | Trade payables | 527 | 525 | 697 |
| | Income tax | 647 | 335 | 111 |
| | Other payables | 2,768 | 3,484 | 3,436 |
| | Prepayments | 4 | 4 | 15 |
| | **Current liabilities** | **6,836** | **6,317** | **5,309** |
| | **Current and non-current liabilities** | **7,289** | **6,781** | **5,939** |
| | **Equity and liabilities** | **12,247** | **11,280** | **11,007** |

8 Contingent liabilities
9 Acquisition

# Statement of changes in equity

**(Unaudited)**

| Consolidated<br>DKK million | Share capital<br>A shares | <br>B shares | Currency translation reserve | Reserve for currency hedging | Proposed dividend | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **2016/17** | | | | | | | |
| Balance at 1.10. | 18 | 198 | -78 | 41 | 1,905 | 2,984 | 5,068 |
| *Comprehensive income:* | | | | | | | |
| Net profit for the year | | | | | 955 | 1,832 | 2,787 |
| Other comprehensive income that will not be reclassified to income statement: | | | | | | | |
| Remeasurements of defined benefit plans | | | | | | 33 | 33 |
| Tax on remeasurements of defined benefit plans | | | | | | -7 | -7 |
| Other comprehensive income that may be reclassified to income statement: | | | | | | | |
| Value adjustment of currency hedging | | | | 46 | | | 46 |
| Of which transferred to financial items | | | | -20 | | | -20 |
| Tax effect of hedging | | | | -6 | | | -6 |
| Currency adjustment of opening balances and other currency adjustments relating to subsidiaries | | | 10 | | | -107 | -97 |
| *Total other comprehensive income* | *0* | *0* | *10* | *20* | *0* | *-81* | *-51* |
| *Total comprehensive income* | *0* | *0* | *10* | *20* | *955* | *1,751* | *2,736* |
| *Transactions with shareholders:* | | | | | | | |
| Transfers | | | | | 4 | -4 | 0 |
| Acquisition of treasury shares | | | | | | -374 | -374 |
| Sale of treasury shares | | | | | | 367 | 367 |
| Share-based payment | | | | | | 25 | 25 |
| Dividend paid out in respect of 2016/17 | | | | | -955 | | -955 |
| Dividend paid out in respect of 2015/16 | | | | | -1,909 | | -1,909 |
| *Total transactions with shareholders* | *0* | *0* | *0* | *0* | *-2,860* | *14* | *-2,846* |
| **Balance at 30.06.** | **18** | **198** | **-68** | **61** | **0** | **4,749** | **4,958** |

Coloplast

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

# Statement of changes in equity

**(Unaudited)**

| Consolidated<br>DKK million | Share capital<br>A shares | <br>B shares | Currency translation reserve | Reserve for currency hedging | Proposed dividend | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **2015/16** | | | | | | | |
| Balance at 1.10. | 18 | 202 | -54 | -7 | 1,691 | 2,856 | 4,706 |
| *Comprehensive income:* | | | | | | | |
| Net profit for the year | | | | | 954 | 1,765 | 2,719 |
| Other comprehensive income that will not be reclassified to income statement: | | | | | | | |
| Remeasurements on defined benefit plans | | | | | | -46 | -46 |
| Tax on remeasurements on defined benefit plans | | | | | | 12 | 12 |
| Other comprehensive income that may be reclassified to profit or loss: | | | | | | | |
| Value adjustment of currency hedging | | | | 62 | | | 62 |
| Of which transferred to financial items | | | | 12 | | | 12 |
| Tax effect of hedging | | | | -17 | | | -17 |
| Currency adjustment of opening balances and other currency adjustments relating to subsidiaries | | | -74 | | | 7 | -67 |
| *Total other comprehensive income* | *0* | *0* | *-74* | *57* | *0* | *-27* | *-44* |
| *Total comprehensive income* | *0* | *0* | *-74* | *57* | *954* | *1,738* | *2,675* |
| *Transactions with shareholders:* | | | | | | | |
| Transfers | | | | | 5 | -5 | 0 |
| Acquisition of treasury shares | | | | | | -473 | -473 |
| Sale of treasury shares | | | | | | 219 | 219 |
| Share-based payment | | | | | | 19 | 19 |
| Tax on equity entries | | | | | | 3 | 3 |
| Reduction of share capital | | -4 | | | | 4 | 0 |
| Dividend paid out in respect of 2015/16 | | | | | -954 | | -954 |
| Dividend paid out in respect of 2014/15 | | | | | -1,696 | | -1,696 |
| *Total transactions with shareholders* | *0* | *-4* | *0* | *0* | *-2,645* | *-233* | *-2,882* |
| **Balance at 30.06.** | **18** | **198** | **-128** | **50** | **0** | **4,361** | **4,499** |

Coloplast

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

# Cash flow statement

1 October - 30 June

**(Unaudited)**

| Note | Consolidated | 2016/17 9 mths | 2015/16 9 mths |
|---|---|---|---|
| | | DKK million | |
| | Operating profit | 3,705 | 3,562 |
| | Depreciation and amortisation | 451 | 393 |
| 4 | Adjustment for other non-cash operating items | -667 | -2,139 |
| 5 | Changes in working capital | -1,512 | 291 |
| | Ingoing interest payments, etc. | 26 | 20 |
| | Outgoing interest payments, etc. | -9 | -104 |
| | Income tax paid | -326 | -321 |
| | **Cash flows from operating activities** | **1,668** | **1,702** |
| | Investments in intangible assets | -21 | -16 |
| | Investments in land and buildings | -12 | -17 |
| | Investments in plant and machinery | -43 | -56 |
| | Investments in property, plant and equipment under construction | -347 | -297 |
| | Property, plant and equipment sold | 45 | 9 |
| | Acquisition of operations | -1,144 | 0 |
| | Net sales/(-purchase) of marketable securities | 176 | 318 |
| | **Cash flow from investing activities** | **-1,346** | **-59** |
| | **Free cash flow** | **322** | **1,643** |
| | Dividend to shareholders | -2,864 | -2,650 |
| | Acquisitions of treasury shares | -374 | -473 |
| | Sale of treasury shares | 367 | 220 |
| | **Cash flows from financing activities** | **-2,871** | **-2,903** |
| | **Net cash flows** | **-2,549** | **-1,260** |
| | Cash, cash equivalents and short-term debt with credit institutions at 1.10. | 323 | 781 |
| | Value adjustment of cash and bank balances | -7 | -20 |
| | Net cash flows | -2,549 | -1,260 |
| 6 | **Cash, cash equivalents and short-term debt with credit institutions at 30.06.** | **-2,233** | **-499** |

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

# Notes

**(Unaudited)**

## Consolidated

### 1. Segment information

***Operating segments***

The operating segments are defined on the basis of the monthly reporting to the Executive Management, which is considered the Senior Operational Management, and the management structure. Reporting to Management is based on three operating segments: Chronic Care, Urology Care and Wound & Skin Care.

The operating segment Chronic Care covers the sale of ostomy care products and continence care products.
The operating segment Urology Care covers the sale of urological products, including disposable products.
The operating segment Wound & Skin Care covers the sale of wound and skin care products.

Revenues within the operating segment Chronic Care for 2016/17 to date include a one-off payment to the U.S. Department of Veterans Affairs which impacts the reported revenue of Continence Care products negatively by DKK 90m.

The reporting segments are also Chronic Care, Urology Care and Wound & Skin Care. The segmentation reflects the structure of reporting to the Executive Management.

Shared/non-allocated comprises support functions (Production units, R&D and Staff) and eliminations, as these functions do not generate revenue. Financial items and income tax are not allocated to the operating segments.

Management reviews each operating segment separately based on EBIT before internal items and eliminations (market contribution) and allocates resources on that background. Costs are allocated directly to segments. Certain immaterial indirect costs are allocated systematically to Shared/Non-allocated and the reporting segments.

Management does not receive reporting on asset and liabilities by the reporting segments. Accordingly, the reporting segments are not measured in this respect, nor are there resources allocated this background. No single customer accounts for more than 10% of revenue.

| **Operating segments** | Chronic Care | | Urology Care | | Wound & Skin Care | | Shared/ Non-allocated | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| DKK million | **2016/17** | 2015/16 | **2016/17** | 2015/16 | **2016/17** | 2015/16 | **2016/17** | 2015/16 | **2016/17** | 2015/16 |
| Segment revenue | | | | | | | | | | |
| Ostomy Care | 4,694 | 4,416 | 0 | 0 | 0 | 0 | 0 | 0 | 4,694 | 4,416 |
| Continence Care | 4,029 | 3,839 | 0 | 0 | 0 | 0 | 0 | 0 | 4,029 | 3,839 |
| Urology Care | 0 | 0 | 1,251 | 1,121 | 0 | 0 | 0 | 0 | 1,251 | 1,121 |
| Wound & Skin Care | 0 | 0 | 0 | 0 | 1,574 | 1,566 | 0 | 0 | 1,574 | 1,566 |
| **Group external revenue as per the Statement of comprehensive income** | **8,723** | **8,255** | **1,251** | **1,121** | **1,574** | **1,566** | **0** | **0** | **11,548** | **10,942** |
| Segment operating profit/loss | 5,198 | 4,966 | 486 | 403 | 567 | 573 | -2,546 | -2,380 | 3,705 | 3,562 |
| Costs not included in segment operating profit/loss | | | | | | | | | 0 | 0 |
| **Operating profit before tax as per the Statement of comprehensive income** | | | | | | | | | **3,705** | **3,562** |
| Net financials | | | | | | | | | -85 | -31 |
| Tax of profit for the year | | | | | | | | | -833 | -812 |
| **Profit/loss for the year as per the Statement of comprehensive income** | | | | | | | | | **2,787** | **2,719** |

# Notes

**(Unaudited)**

| Consolidated | DKK million | |
|---|---|---|
| | 2016/17 | 2015/16 |
| **2. Financial income** | | |
| Interest income | 13 | 20 |
| Fair value adjustments of forward contracts transferred from Other comprehensive income | 20 | 0 |
| **Total** | **33** | **20** |
| **3. Financial expenses** | | |
| Interest expense | 9 | 3 |
| Fair value adjustments of forward contracts transferred from Other comprehensive income | 0 | 12 |
| Fair value adjustments of cash-based share options | 0 | 4 |
| Net exchange adjustments | 84 | 8 |
| Other financial expenses and fees | 25 | 24 |
| **Total** | **118** | **51** |
| **4. Adjustment for other non-cash operating items** | | |
| Net gain/loss on divestment of non-current assets | 0 | 2 |
| Change in other provisions | -667 | -2,141 |
| **Total** | **-667** | **-2,139** |
| **5. Changes in working capital** | | |
| Inventories | -227 | -27 |
| Trade receivables | -169 | -331 |
| Other receivables | -340 | -1,169 |
| Trade and other payables etc. | -776 | 1,818 |
| **Total** | **-1,512** | **291** |
| **6. Cash, cash equivalents and current debt with credit institutions** | | |
| Cash | 1 | 1 |
| Short-term bank balances | 313 | 423 |
| **Cash and bank balances** | **314** | **424** |
| Short-term debt | -2,547 | -923 |
| **Total** | **-2,233** | **-499** |

# Notes

**(Unaudited)**

**Consolidated**

## 7. Other provisions

**Product liability case regarding transvaginal surgical mesh products**

The amounts are gross amounts relating to certain legal claims.

Since 2011, Coloplast, along with a number of other major manufacturers, has been named as a defendant in individual lawsuits in various federal and state courts around the United States alleging injury resulting from use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence.

A multidistrict litigation (MDL) was formed in 2012 in Southern District of West Virginia to consolidate federal court cases in which Coloplast is the first named defendant.

Since the first lawsuits were filed, Coloplast has been intent on disputing the current and any future litigation, and has continually considered which strategy and other steps may serve the company's best interests.

Against this background, Coloplast has from the outset reached settlements with groups of law firms. In June 2017, Judge Joseph Goodwin issued a Pre-Trial Court Order stating that plaintiffs may no longer direct claims against Coloplast and Mentor in the Coloplast MDL. This is another step towards closure and full resolution of the MDL.

The total amount recognised since the 2013/14 financial year for expected costs of litigation in the USA to DKK 5.25bn including legal costs (before insurance cover of DKK 0.5bn).

The total expense is based on a number of estimates and assumptions and is therefore subject to substantial uncertainty.

The remaining provision made for legal claims at 30 June 2017 amounted to DKK 0.4bn (30 September 2016: DKK 1.1bn) plus DKK 1.6bn recognised under other debt (30 September 2016: DKK 2.4bn). Liabilities are classified as other debt when settlements are reached and amounts and timing become known.

With reference to the prejudicial exemption in IAS 37, Coloplast will not disclose any further information about the assumptions for the provision, including any details about current and the expected number of lawsuits and settled claims.

The disclosure of such information is believed to be detrimental to Coloplast in connection with the ongoing confidential negotiations and could inflict financial losses on Coloplast and its shareholders.

## 8. Contingent liabilities

Other than as set out in note 7 Other provisions, the Coloplast Group is a party to a few minor legal proceedings, which are not expected to influence the Group's future earnings.

# Notes

**(Unaudited)**

## Consolidated

### 9. Acquisition

On 20 December 2016, Coloplast agreed to acquire all shares and voting rights of Comfort Medical, LLC. Comfort Medical, LLC is a US direct-to-consumer Durable Medical Equipment (DME) nationwide dealer of catheters and ostomy supplies. The acquisition is expected to expand Coloplast's footprint in the US market and enable the company to offer innovative products and services to a broader part of the US market, including through the CARE program. The acquisition also represents an opportunity for Coloplast to build closer relationships with end-users and to attract new users through Comfort Medical's business model of direct response advertising and physician referrals.

Comfort Medical is recognised in the consolidated income statement at a revenue of DKK 126m for the period. The pro forma effect on consolidated revenue for 2016/17, as if the company had been acquired on 1 October 2016, amounted to approximately DKK 179m.

| | Preliminary fair value at date of acquisition (20.12.16) DKKm |
|---|---|
| Intangible assets | 188 |
| Property, plant and equipment | 1 |
| Other non-current assets | 2 |
| Receivables | 46 |
| Trade payables | -9 |
| Other payables | -3 |
| **Net assets acquired** | **225** |
| Goodwill | 919 |
| **Cash consideration** | **1,144** |

Intangible assets consist of customer lists (DKK 143m), trademarks (DKK 34m) and software (DKK11m).
Customer lists consist of access to Comfort Medical's existing customer base.
Trademarks represent the Comfort Medical brand and name, both associated with sales of catheters and ostomy supplies.
Trade receivables represent a gross amount of DKK 112m, implying that a DKK 66m writedown has been recognised.

After recognition at fair value of identifiable assets and liabilities, goodwill related to the acquisition amounts to DKK 919m, which is deductible for tax purposes. Goodwill expresses the synergies expected to be achieved from the broader geographical coverage of the US market, access to providing innovative products and services and the opportunity to attract new users through Comfort Medical's business model of direct response advertising and physician referrals.

Coloplast incurred transaction costs relating to the acquisition of approximately DKK 7m in the 2016/17 financial year, which amount was recognised in administrative expenses in the statement of comprehensive income.

The agreed consideration for the shares amounted to USD 160m, which amount fell due for payment on the date of acquisition.

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

# Income statement, quarterly

**(Unaudited)**

**Consolidated**

| DKK million | 2016/17 Q3 | 2016/17 Q2 | 2016/17 Q1 | 2015/16 Q4 | 2015/16 Q3 | 2015/16 Q2 | 2015/16 Q1 |
|---|---|---|---|---|---|---|---|
| Revenue | 3,912 | 3,881 | 3,755 | 3,739 | 3,686 | 3,600 | 3,656 |
| Production costs | -1,260 | -1,259 | -1,175 | -1,178 | -1,174 | -1,147 | -1,150 |
| **Gross profit** | **2,652** | **2,622** | **2,580** | **2,561** | **2,512** | **2,453** | **2,506** |
| Distribution costs | -1,116 | -1,077 | -1,067 | -1,017 | -1,037 | -1,036 | -1,041 |
| Administrative expenses | -167 | -153 | -148 | -138 | -148 | -140 | -135 |
| Research and development costs | -146 | -152 | -138 | -129 | -132 | -122 | -126 |
| Other operating income | 10 | 13 | 8 | 12 | 10 | 13 | 7 |
| Other operating expenses | 0 | -7 | -9 | -5 | -4 | -1 | -17 |
| **Operating profit before special items** | **1,233** | **1,246** | **1,226** | **1,284** | **1,201** | **1,167** | **1,194** |
| Special items | 0 | 0 | 0 | -750 | 0 | 0 | 0 |
| **Operating profit (EBIT)** | **1,233** | **1,246** | **1,226** | **534** | **1,201** | **1,167** | **1,194** |
| Profit/loss after tax on investment in associates | 0 | 0 | 0 | -1 | 0 | 0 | 0 |
| Financial income | 3 | -7 | 37 | 46 | 9 | 3 | 8 |
| Financial expenses | -53 | -30 | -35 | -28 | 60 | 20 | -131 |
| **Profit before tax** | **1,183** | **1,209** | **1,228** | **551** | **1,270** | **1,190** | **1,071** |
| Tax on profit for the period | -273 | -278 | -282 | -127 | -292 | -274 | -246 |
| **Net profit for the period** | **910** | **931** | **946** | **424** | **978** | **916** | **825** |
| Earnings per Share (EPS) before special items | 4.30 | 4.39 | 4.47 | 4.77 | 4.62 | 4.33 | 3.90 |
| Earnings per Share (EPS) | 4.30 | 4.39 | 4.47 | 2.00 | 4.62 | 4.33 | 3.90 |
| Earnings per Share (EPS) before special items, diluted | 4.29 | 4.38 | 4.46 | 4.75 | 4.60 | 4.31 | 3.87 |
| Earnings per Share (EPS), diluted | 4.29 | 4.38 | 4.46 | 2.00 | 4.60 | 4.31 | 3.87 |

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This announcement is available in a Danish and an English-language version. In the event of discrepancies, the Danish version shall prevail.



Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare.

Our business includes Ostomy Care, Urology Care, Continence Care and Wound and Skin Care. We operate globally and employ about 11,000 people.