Announcement no. 2/2018
1 February 2018

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

Q1 2017/18

Interim financial report, Q1 2017/18

(01 October 2017 - 31 December 2017)

Coloplast A/S
Holtedam 1
DK-3050 Humlebæk
Denmark

Company reg. (CVR)
no. 69749917

Highlights

- Coloplast generated 8% organic growth in the first quarter. Reported revenue in DKK was up by 5% to DKK 3,955m.
- Organic growth rates by business area: Ostomy Care 9%, Continence Care 10%, Urology Care 11% and Wound & Skin Care -5%.
- The US chronic care business delivered double-digit organic growth, which was in part due to low comparative numbers as a result of inventory reductions by major distributors last year. Even when adjusted for this factor, the US chronic care business still reported double-digit organic growth in the first quarter.
- Q1 organic growth was affected by inventory reductions among distributors in Greece due to a large pricing reform involving both the chronic care and the wound care business.
- Coloplast expands its SenSura Mio ostomy care portfolio with the launch of SenSura® Mio Concave, a product which is specifically designed for people with curves or hernia. The product will be launched during 2018 and 2019.
- Sales and marketing initiatives were implemented across multiple markets and business areas during the first quarter in support of the ambition to drive higher organic growth during the period to 2019/2020.
- The acquisition of French distributor Lilial was completed in January 2018.
- EBIT amounted to DKK 1,207m or a 2% decline in DKK but a 4% increase at constant exchange rates. The EBIT margin at constant exchange rates was 31% against 33% in Q1 last year. In DKK, the EBIT margin was 31%, against 33% last year.
- ROIC after tax was 42% against 47% in the same period of last year.
- The Board of Directors has approved a new DKK 1bn share buy-back programme. The first part of the programme is expected to commence in the second quarter of the 2017/18 financial year.

Financial guidance for 2017/18

- We continue to expect organic revenue growth of ~7% at constant exchange rates. Guidance for reported growth in DKK lowered by 1pp to 5%–6% due to developments in the USD/DKK exchange rate.
- We continue to expect an EBIT margin to be 31%-32% at constant exchange rates and a reported EBIT margin of ~31% in DKK. The EBIT margin guidance also includes the effects of the above factors.
- Capital expenditure is still expected to be around DKK 700m.
- We continue to expect the effective tax rate will be about 23%.

Telephone conference

Coloplast will host a conference call on 1 February 2018 at 15.00 CET. The call is expected to last about one hour. To attend the conference call, call +45 3515 8049, +44 (0)33 0336 9105 or +1 323 701 0225. Conference call reference number is 2901028. A webcast will be posted on www.coloplast.com shortly after the conclusion of the conference call.

Financial highlights and key ratios

1 October - 31 December

(Unaudited)

Consolidated	DKK million 2017/18 Q1	2016/17 Q1	Change
Income statement			
Revenue	3,955	3,755	5%
Research and development costs	-158	-138	14%
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	1,366	1,368	0%
Operating profit (EBIT)	1,207	1,226	-2%
Net financial income and expenses	14	2	N/A
Profit before tax	1,221	1,228	-1%
Net profit for the year	940	946	-1%
Revenue growth			
Period growth in revenue, %	5	3	
Growth break down:			
Organic growth, %	8	6	
Currency effect, %	-4	-3	
Acquired operations, %	1	0	
Balance sheet			
Total assets	12,193	12,883	-5%
Capital invested	8,180	7,466	10%
Equity end of period	4,711	4,214	12%
Cash flow and investments			
Cash flow from operating activities	1,007	254	N/A
Cash flow from investing activities	-188	-1,087	-83%
Investments in property, plant and equipment, gross	-189	-107	77%
Free cash flow	819	-833	N/A
Cash flow from financing activities	-678	-1,831	-63%
Key ratios			
Operating margin, EBIT, %	31	33	
Operating margin, EBITDA, %	35	36	
Return on average invested capital before tax (ROIC), %[1)]	55	61	
Return on average invested capital after tax (ROIC), %[1)]	42	47	
Return on equity, %	71	82	
Equity ratio, %	39	33	
Net asset value per outstanding share, DKK	22	20	10%
Share data			
Share price, DKK	494	476	4%
Share price/net asset value per share	22.3	24.0	-7%
Average number of outstanding shares, millions	212.3	212.0	0%
PE, price/earnings ratio	27.8	26.6	5%
Earnings per share (EPS), diluted	4.42	4.46	-1%
Free cash flow per share	3.9	-3.9	N/A

1) This item is before Special items. After Special items, ROIC before tax is 59% (2016/17: 75%), and ROIC after tax is 46% (2016/17: 58%).

Management's report

Sales performance

Coloplast generated 8% organic growth in the first quarter of 2017/18. Reported revenue in DKK was up by 5% to DKK 3,955m. Currency developments reduced revenue by 4% as USD and dollar-related currencies depreciated against DKK. Revenue from acquisitions contributed 1%, resulting from the acquisition of US distributor Comfort Medical in December 2016.

Sales performance by business area

	DKK million		Growth composition			
	2017/18 3 mths	2016/17 3 mths	Organic growth	Acquired operations	Exchange rates	Reported growth
Ostomy Care	1,613	1,509	9%	1%	-3%	7%
Continence Care	1,435	1,317	10%	2%	-3%	9%
Urology Care	434	408	11%	-	-5%	6%
Wound & Skin Care	473	521	-5%	-	-4%	-9%
Net revenue	**3,955**	**3,755**	**8%**	**1%**	**-4%**	**5%**

Sales performance by region

	DKK million		Growth composition			
	2017/18 3 mths	2016/17 3 mths	Organic growth	Acquired operations	Exchange rates	Reported growth
European markets	2,392	2,331	4%	-	-1%	3%
Other developed markets	928	821	18%	5%	-10%	13%
Emerging markets	635	603	10%	-	-5%	5%
Net revenue	**3,955**	**3,755**	**8%**	**1%**	**-4%**	**5%**

Ostomy Care

Ostomy Care generated 9% organic sales growth in the first quarter, with reported revenue in DKK growing by 7% to DKK 1,613m. Revenue from acquisitions contributed 1% due to the acquisition of US distributor Comfort Medical.

The SenSura® Mio portfolio and the Brava® range of accessories continued to be the main drivers of sales growth. The European and US markets were the main sales drivers of the Sensura® Mio portfolio. At product level, Sensura® Mio Convex is the main contributor to growth. The Sensura® Mio Hospital Assortment is now available in 13 countries, and feedback has been positive.

The Sensura® and Assura/Alterna® portfolios also generate satisfactory sales in markets where they are being promoted actively, including China, Argentina and Brazil.

The Brava® range of accessories produced satisfactory sales performances in all markets, and especially in the USA. The Brava® Elastic Tape and the new Brava® Protective Seal were the main contributors to growth among accessory products.

From a country perspective, China, the US and the UK all contributed favourably to growth. Sales in Argentina and Brazil also contributed nicely. The sales growth in the US market was partly due to low comparative numbers as a result of inventory reductions by major distributors in that market last year. However, when adjusted for this factor, the growth performance in the US market remained satisfactory.

Inventory reductions among distributors in Greece due to pricing reforms implemented in October 2017 detracted from the Q1 sales performance.

Continence Care

Continence Care generated 10% organic sales growth in the first quarter, with reported revenue in DKK growing by 9% to DKK 1,435m. Revenue from acquisitions contributed 2% due to the acquisition of US distributor Comfort Medical.

SpeediCath® intermittent catheters and Peristeen® continued to drive growth in the Continence Care business. Sales of SpeediCath® compact catheters contributed to growth, driven especially by performances in the UK, French and US markets.
The sales increase for SpeediCath® standard catheter was driven mainly by the sales performance in the US, and generally across the Emerging Markets region. So far, the patent expiry of SpeediCath® standard catheters has had a limited impact.
The new SpeediCath® Flex also contributed to the Continence Care sales performance, especially in Europe with the UK, German and French markets in particular contributing to growth. SpeediCath® Flex is now available in 16 countries, and feedback on the product remains positive.
The Peristeen® portfolio continued to show good growth, with the performance driven mainly by the UK, Italian, French and US markets.
Overall sales of urine bags and urisheaths increased slightly, although growing competition in the Dutch, UK and US markets weighed on performance.

From a country perspective, the US and UK markets were positive contributors to sales growth. The sales growth in the US market was partly due to low comparative numbers as a result of inventory reductions by major distributors in that market last year. However, when adjusted for this factor, the growth performance in the US market remained satisfactory due to the continued upgrade to hydrophilic catheters.
Japan, South Korea and Australia all maintained good momentum, the performance being driven by enhanced reimbursement schemes for intermittent catheters introduced in 2016 and 2017, respectively.
With the exception of Greece, the Emerging Markets region was also a strong contributor to Q1 revenue growth, with Argentina and Saudi Arabia as the main drivers.
Inventory reductions among distributors in Greece due to a pricing reform implemented in October 2017 detracted from the Q1 growth performance.

Urology Care

Urology Care generated 11% organic sales growth in the first quarter, with reported revenue in DKK growing by 6% to DKK 434m. With the US market as primary driver of sales growth, the reported growth in DKK was strongly affected by the depreciation of USD against DKK.
Organic growth was driven mainly by the US market for Titan® penile implants. Sales growth of disposable surgical products, in particular of endourological products, also contributed, driven by the French and Saudi Arabian markets.

From a country perspective, the US market continued to drive growth in Urology Care as a result of the sales and marketing initiatives made in the USA and with France and Saudi Arabia also contributing.

Wound & Skin Care

Wound & Skin Care reported a 5% decline in organic sales in the first quarter. Reported revenue in DKK declined by 9% to DKK 473m. Wound Care in isolation reported a 7% decline in organic sales in the first quarter.
The negative growth in Wound Care was mainly due to inventory reductions by distributors in Greece following pricing reforms implemented in October 2017. This development was further impacted by inventory build-ups among Greek distributors during the year-earlier period, which were also due to pricing reforms.
At product level, the satisfactory sales performance for the Biatain® Silicone portfolio continued, driven by Europe and especially by the new Biatain® Silicone Sizes & Shapes product portfolio, which is now available in 23 countries.
The above-mentioned inventory reductions by distributors in Greece reduced sales of Biatain® foam dressings, which in turn detracted from the overall sales performance of the Biatain® product portfolio.
The Comfeel® Plus portfolio, featuring a new and improved design and user experience, also produced a satisfactory Q1 sales performance, especially in the French market. The Comfeel® Plus portfolio has now been relaunched in 17 countries.
The Compeed contract manufacturing detracted from growth in the first quarter due to inventory reductions related to Johnson & Johnson's sale of the Compeed trademark to HRA Pharma.
In addition, sales of skin care products continued to improve in the first quarter, with growth driven by new customer contracts in the US market.

From a country perspective, Wound and Skin Care was positively impacted by satisfactory growth for Skin Care in the US, but negatively impacted by Greece as well as China which reported a weak first quarter.

Gross profit

Gross profit was up by 3% to DKK 2,666m from DKK 2,580m last year. The gross margin was 67%, against 69% last year. At constant exchange rates, the gross margin was 68%, against 69% last year. The gross margin was negatively impacted by product mix, depreciation and by currency developments, the latter being especially due to the depreciation of the USD and dollar-related currencies against DKK. The ongoing efficiency enhancements and the relocation of production of SenSura® Mio to Hungary supported the gross margin for the reporting period.

Costs

Distribution costs amounted to DKK 1,174m, a DKK 107m increase from DKK 1,067m last year. The Q1 distribution costs amounted to 30% of revenue, compared with 28% in the same period of last year. The higher distribution costs reflect an increase in investments in sales and marketing activities across several markets in chronic care, Wound Care and Urology Care.

Administrative expenses for the reporting period amounted to DKK 151m, against DKK 148m last year. Administrative expenses accounted for 4% of revenue, which was in line with last year.

Q1 R&D costs were DKK 158m, a DKK 20m or 14% increase over the Q1 2016/17 period that was due to a general increase in business activity. R&D costs amounted to 4% of revenue, which was consistent with last year's percentage.

Other operating income and other operating expenses amounted to net income of DKK 24m in Q1, against a net expense of DKK 1m in Q1 last year. The increase was mainly due to non-recurring income from a settlement in a matter regarding the use of Urology Care patent rights.

Operating profit (EBIT)

EBIT amounted to DKK 1,207m, a DKK 19m (2%) decline from DKK 1,226m last year. The EBIT margin was 31%, against 33% last year. At constant exchange rates, EBIT was up by 4%, equal to an EBIT margin of 31% against 33% last year.

Financial items and tax

Financial items were a net income of DKK 14m, compared to a net income of DKK 2m last year. The change was due to foreign exchange adjustments, which amounted to a net income of DKK 23m against DKK 13m last year. The DKK 23m net income represents currency hedging gains on USD and GBP, in particular, against DKK that were partly offset by currency translation losses on balance sheet items denominated in ARS and BRL.

The tax rate was 23%, which was in line with last year. The tax expense amounted to DKK 281m against DKK 282m last year.

Net profit

The Q1 net profit was DKK 940m, a DKK 6m or 1% decrease from DKK 946m last year. Diluted earnings per share (EPS) also fell by 1% to DKK 4.42.

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 1,007m, against DKK 254m last year. Most of the increase was due to lower payments in Q1 this year compared to last year in connection with settlements in lawsuits in the USA alleging injury resulting from the use of transvaginal surgical mesh products. Total payments made in respect of the above-mentioned lawsuits in the US amount to DKK 4.2bn.

Investments

Coloplast made net investments of DKK 196m in the first quarter, compared with DKK 112m in Q1 2016/17. As a result, CAPEX accounted for 5% of revenue. The increase was due to the factory expansion at Nyírbátor, Hungary, which is scheduled to open in the second quarter, and machinery for new and existing products.

Total cash flows from investing activities amounted to DKK 188m against DKK 1,087m in Q1 2016/17. The change was mainly due to the DKK 1,106m acquisition of Comfort Medical in December 2016, which was only partly offset by a reduction in net sales of securities and the above CAPEX timing differences.

Free cash flow

The free cash flow was an inflow of DKK 819m against an outflow of DKK 833m in the same period of last year. The difference was due to the DKK 1,106m acquisition of Comfort Medical in December 2016 and lower payments in Q1 this year compared to last year in connection with lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products. Adjusted for payments made in connection with the abovementioned lawsuits and the acquisition of Comfort Medical, the free cash flow was an inflow of DKK 947m against DKK 1,439m in Q1 2016/17. The difference was due to timing differences in tax payments and lower tax payments in the same period last year, which brought the underlying free cash flow for the reporting period in line with last year's cash flow.

Capital resources

At 31 December 2017, Coloplast had net interest-bearing debt including securities of DKK 2,173m, against DKK 826m at 30 September 2017. The net interest-bearing debt was raised for the purpose of payments made in connection with settlements in lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products and for the acquisition of Comfort Medical.

Statement of financial position and equity

Balance sheet

At DKK 12,193m, total assets increased by DKK 143m relative to 30 September 2017.
Intangible assets amounted to DKK 2,248m, which was DKK 47m less than at 30 September 2017. The development was mainly attributable to depreciation and amortisation charges.
Property, plant and equipment increased by DKK 62m relative to 30 September 2017 to stand at DKK 3,134m.
Other non-current assets amounted to DKK 489m, which was in line with the figure at 30 September 2017.
As a result, non-current assets increased by a total of DKK 15m to DKK 5,871m.

Working capital amounted to 25% of revenue, which was in line with the percentage at 30 September 2017. Inventories were down by DKK 6m to DKK 1,686m. Trade receivables were down by DKK 135m to DKK 2,755m, while trade payables were down by DKK 125m relative to 30 September 2017 to DKK 550m.

Amounts held in escrow in connection with the lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products were DKK 584m, a DKK 53m increase relative to 30 September 2017. Management estimates that more than 95% of the known cases in the USA have now been settled.

Security holdings amounted to DKK 316m, DKK 1m more than at the beginning of the financial year, while cash and cash equivalents were increased by DKK 191m to stand at DKK 505m.
Current assets rose by DKK 128m relative to 30 September 2017 to stand at DKK 6,322m.

Equity

Equity fell by DKK 1,241m relative to 30 September 2017 to DKK 4,711m. Payment of dividends in the total amount of DKK 2,230m was partly offset by the comprehensive income for the period of DKK 912m, the net effect of treasury shares bought and sold of DKK 68m and share-based remuneration of DKK 9m.

Treasury shares

At 31 December 2017, Coloplast's holding of treasury shares consisted of 3,580,915 B shares, which was 229,351 fewer than at 30 September 2017. The reduction in the holding of treasury shares was due to options being exercised.

Financial guidance for 2017/18

- We continue to expect organic revenue growth of ~7% at constant exchange rates and lower the guidance for reported growth in DKK by 1pp to 5%–6% due to developments in the USD/DKK exchange rate. The guidance still includes a negative effect of DKK 100m due to the patent expiry of SpeediCath® standard catheters. It also still includes the effects of a comprehensive healthcare reform in Greece of DKK 100m, which is expected to impact all business areas and bring price pressure for the year to more than 1%.
- The EBIT margin guidance remains at 31-32% at constant exchange rates and at ~31% in DKK. The EBIT margin guidance also includes the effects of the above factors.
- Capital expenditure is still expected to be around DKK 700m.
- We continue to expect the effective tax rate will 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 economy 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 in the 2017/18 financial year.

Other matters

Launch of SenSura® Mio Concave

Coloplast announces an addition to the SenSura® Mio portfolio, the SenSura® Mio Concave, the first ostomy care product on the market in a new category that is specifically designed for people with hernias and curves. SenSura® Mio Concave will be launched in key markets in 2018 and 2019.

Acquisition of Lilial

Coloplast acquired Lilial, a French-based direct-to-consumer home delivery company, in early January 2018 at a cash consideration of EUR 35.5m equal to approx. DKK 264m on a cash and debt-free basis. Lilial is a nationwide distributor of catheters and ostomy supplies founded in 2003. The acquisition provides one more piece in Coloplast's overall ambition of bringing innovative products and services to the market and giving our users access to innovative products. In addition, this transaction will strengthen Coloplast's position and its product and service offering in France and will open for additional access to payers.

Establishing direct sales in Portugal

In response to a major reimbursement reform that includes changed reimbursement rules and reimbursement rates for ostomy care and catheter products, Coloplast will establish direct sales of ostomy care and catheter products in Portugal.

Capital Markets Day to be held in Copenhagen, Denmark on 18 September 2018

Coloplast will host a Capital Markets Day in Copenhagen, Denmark on 18 September 2018. The event is intended to give institutional investors and equity analysts an opportunity to update on our business and learn about our main strategic themes.

US tax reform

Coloplast has reviewed and analysed the effects on Coloplast of the US tax reform passed in December 2017. Management believes that the tax reform will not have a material effect in the current and subsequent financial years.

Exchange rate exposure
Our financial guidance for the 2017/18 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 2016/17[1)]	853	674	2.41	744
Spot rate, 24 January 2018	848	605	2.41	744
Estimated average exchange rate 2017/18[2)]	846	612	2.41	744
Change in estimated average exchange rates compared with last year	-1%	-9%	0%	0%

1) Average exchange rate from 1 October 2016 to 30 September 2017.

2) Estimated average exchange rate is calculated as the average exchange rate year to date combined with the spot rates at 24 January 2018.

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.

Mio. kr. over 12 måneder ved 10% kursfald initialt (Gennemsnitskurser 2016/17)	Revenue	EBIT
USD	-330	-130
GBP	-240	-160
HUF	0	75

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.

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 2017 – 31 December 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 31 December 2017 and of the results of the Group's operations and cash flows for the period 1 October 2017 – 31 December 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 2016/17.

Humlebæk, 1 February 2018

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	Carsten Hellmann
Per Magid	Birgitte Nielsen	Jette Nygaard-Andersen
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

Coloplast

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

Statement of comprehensive income

1 October - 31 December

(Unaudited)

Consolidated		DKK million		
		2017/18	2016/17	
Note		Q1	Q1	Index
	Income statement			
1	Revenue	3,955	3,755	105
	Production costs	-1,289	-1,175	110
	Gross profit	**2,666**	**2,580**	**103**
	Distribution costs	-1,174	-1,067	110
	Administrative expenses	-151	-148	102
	Research and development costs	-158	-138	114
	Other operating income	27	8	>200
	Other operating expenses	-3	-9	33
	Operating profit (EBIT)	**1,207**	**1,226**	**98**
2	Financial income	41	37	111
3	Financial expenses	-27	-35	77
	Profit before tax	**1,221**	**1,228**	**99**
	Tax on profit for the period	-281	-282	100
	Net profit for the period	**940**	**946**	**99**
	Other comprehensive income			
	Items that will not be reclassified to income statement:			
	Remeasurements of defined benefit plans	-4	18	
	Tax on remeasurements of defined benefit plans	1	-5	
		-3	**13**	
	Items that may be reclassified to income statement:			
	Value adjustment of currency hedging	31	-53	
	Of which transferred to financial items	-37	-33	
	Tax effect of hedging	1	19	
	Currency adjustment of opening balances and other market value adjustments relating to subsidiaries	-20	79	
		-25	**12**	
	Total other comprehensive income	**-28**	**25**	
	Total comprehensive income	**912**	**971**	
	Earnings per Share (EPS)	4.43	4.47	
	Earnings per Share (EPS), diluted	4.42	4.46	

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

Balance sheet

At 31 December

(Unaudited)

Consolidated	DKK million		
Note	31.12.17	31.12.16	30.09.17
Non-current assets			
Intangible assets	2,248	2,532	2,295
Property, plant and equipment	3,134	2,919	3,072
Investment in associates	10	11	10
Deferred tax asset	464	491	464
Other receivables	15	15	15
Total non-current assets	5,871	5,968	**5,856**
Current assets			
Inventories	1,686	1,626	1,692
Trade receivables	2,755	2,689	2,890
Income tax	38	41	36
Other receivables	278	304	264
Prepayments	160	151	152
Amounts held in escrow	584	1,180	531
Marketable securities	316	379	315
Cash and cash equivalents	505	545	314
Total current assets	**6,322**	**6,915**	**6,194**
Total assets	**12,193**	**12,883**	**12,050**

Coloplast

Ostomy Care
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Balance sheet

At 31 December

(Unaudited)

Consolidated		DKK million		
Note		31.12.17	31.12.16	30.09.17
	Equity			
	Share capital	216	216	216
	Currency translation reserve	-95	-58	-86
	Reserve for currency hedging	50	-26	55
	Proposed ordinary dividend for the year	0	0	2,228
	Retained earnings	4,540	4,082	3,539
	Total equity	4,711	4,214	**5,952**
	Liabilities			
	Non-current liabilities			
	Provisions for pensions and similar liabilities	221	221	213
	Provision for deferred tax	253	107	253
7	Other provisions	44	76	68
	Other payables	99	0	98
	Prepayments	39	45	41
	Total non-current liabilities	656	449	673
	Current liabilities			
	Provisions for pensions and similar liabilities	3	15	3
7	Other provisions	283	411	319
	Other credit institutions	2,895	2,880	1,358
	Trade payables	550	512	675
	Income tax	356	372	626
	Other payables	2,730	4,019	2,433
	Prepayments	9	11	11
	Total current liabilities	6,826	8,220	**5,425**
	Total liabilities	**7,482**	**8,669**	**6,098**
	Equity and liabilities	**12,193**	**12,883**	**12,050**

8 Contingent liabilities

9 Acquisition of operations

Statement of changes in equity

(Unaudited)

Consolidated DKK million	Share capital A shares	 B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2017/18							
Balance at 1.10.	18	198	-86	55	2,228	3,539	5,952
Comprehensive income:							
Net profit for the year						940	940
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements of defined benefit plans						-4	-4
Tax on remeasurements of defined benefit plans						1	1
Other comprehensive income that may be reclassified to income statement:							
Value adjustment of currency hedging				31			31
Of which transferred to financial items				-37			-37
Tax effect of hedging				1			1
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries			-9			-11	-20
Total other comprehensive income	0	0	-9	-5	0	-14	-28
Total comprehensive income	0	0	-9	-5	0	926	912
Transactions with shareholders:							
Transfers					2	-2	0
Sale of treasury shares						68	68
Share-based payment						9	9
Dividend paid out in respect of 2016/17					-2,230		-2,230
Total transactions with shareholders	0	0	0	0	-2,228	75	-2,153
Balance at 31.12.	**18**	**198**	**-95**	**50**	**0**	**4,540**	**4,711**

Coloplast

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Statement of changes in equity

(Unaudited)

Consolidated DKK million	Share capital A shares	 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						946	946
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements on defined benefit plans						18	18
Tax on remeasurements on defined benefit plans						-5	-5
Other comprehensive income that may be reclassified to profit or loss:							
Value adjustment of currency hedging				-53			-53
Of which transferred to financial items				-33			-33
Tax effect of hedging				19			19
Currency adjustment of opening balances and market value adjustments relating to subsidiaries			20			59	79
Total other comprehensive income	0	0	20	-67	0	72	25
Total comprehensive income	0	0	20	-67	0	1,018	971
Transactions with shareholders:							
Transfers					4	-4	0
Sale of treasury shares						78	78
Share-based payment						6	6
Dividend paid out in respect of 2015/16					-1,909		-1,909
Total transactions with shareholders	0	0	0	0	-1,905	80	-1,825
Balance at 31.12.	**18**	**198**	**-58**	**-26**	**0**	**4,082**	**4,214**

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Cash flow statement

1 October - 31 December

(Unaudited)

Note	Consolidated	2017/18 3 mths	2016/17 3 mths
		DKK million	
	Operating profit	1,207	1,226
	Depreciation and amortisation	159	142
4	Adjustment for other non-cash operating items	-51	-574
5	Changes in working capital	226	-435
	Ingoing interest payments, etc.	41	4
	Outgoing interest payments, etc.	-21	-103
	Income tax paid	-554	-6
	Cash flows from operating activities	**1,007**	**254**
	Investments in intangible assets	-7	-5
	Investments in land and buildings	-3	-2
	Investments in plant and machinery	-13	-7
	Investments in property, plant and equipment under construction	-173	-98
	Property, plant and equipment sold	9	21
	Acquisition of operations	0	-1,106
	Net sales/purchase of marketable securities	-1	110
	Cash flow from investing activities	**-188**	**-1,087**
	Free cash flow	**819**	**-833**
	Dividend to shareholders	-2,230	-1,909
	Sale of treasury shares	68	78
	Financing from shareholders	-2,162	-1,831
	Drawdown on credit facilities	1,484	0
	Cash flows from financing activities	-678	-1,831
	Net cash flows	**141**	**-2,664**
	Cash, cash equivalents and short-term debt with credit institutions at 1.10.	83	323
	Value adjustment of cash and bank balances	-3	6
	Net cash flows	141	-2,664
6	**Cash, cash equivalents and short-term debt with credit institutions at 31.12.**	**221**	**-2,335**

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.

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, applying their market contributions to earnings and allocating resources on that basis. The market contribution is defined as external revenue less the sum of direct production costs as well as distribution and marketing costs and administrative expenses. Costs are allocated directly to segments. Certain immaterial indirect costs are allocated systematically to the Shared/Non-allocated segment 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 do we allocate resource on this background. No single customer accounts for more than 10% of revenue.

Operating segments

	Chronic Care		Urology Care		Wound & Skin Care		Total	
DKK million	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
Segment revenue								
Ostomy Care	1,613	1,509	0	0	0	0	1,613	1,509
Continence Care	1,435	1,317	0	0	0	0	1,435	1,317
Urology Care	0	0	434	408	0	0	434	408
Wound & Skin Care	0	0	0	0	473	521	473	521
Group external revenue as per the Statement of comprehensive income	**3,048**	**2,826**	**434**	**408**	**473**	**521**	**3,955**	**3,755**
Segment operating profit/loss	1,793	1,706	166	155	162	177	2,121	2,038
Shared/Non-allocated							-914	-812
Costs not included in segment operating profit/loss							0	0
Operating profit before tax (EBIT) as per the Statement of comprehensive income							**1,207**	**1,226**
Net financials							14	2
Tax of profit/loss for the year							-281	-282
Profit/loss for the year as per the Statement of comprehensive income							**940**	**946**

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Notes

(Unaudited)

Consolidated		DKK million	
		2017/18	2016/17
2.	**Financial income**		
	Interest income	4	4
	Fair value adjustments of forward contracts transferred from Other comprehensive income	37	33
	Total	**41**	**37**
3.	**Financial expenses**		
	Interest expense	2	3
	Net exchange adjustments	14	20
	Other financial expenses and fees	11	12
	Total	**27**	**35**
4.	**Adjustment for other non-cash operating items**		
	Net gain/loss on divestment of non-current assets	-1	1
	Change in other provisions	-59	-581
	Other non-cash operating items	9	6
	Total	**-51**	**-574**
5.	**Changes in working capital**		
	Inventories	1	-92
	Trade receivables	128	66
	Other receivables, including amounts held in escrow	-81	-736
	Trade and other payables etc.	178	327
	Total	**226**	**-435**
6.	**Cash, cash equivalents and current debt with credit institutions**		
	Cash	1	1
	Short-term bank balances	504	544
	Cash and bank balances	**505**	**545**
	Short-term debt	-2,895	-2,880
	Of which credit facilities	-2,611	0
	Total	**221**	**-2,335**

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 start reached settlements with groups of law firms. In June 2017, Judge Joseph Goodwin issued a court order stating that plaintiffs may no longer direct claims against Coloplast in the ongoing MDL. The court order is a further 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 amounts 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 uncertainty.

The remaining provision made for legal claims at 31 December 2017 amounted to DKK 0.3bn (30 September 2017: DKK 0.4bn) plus DKK 1.1bn recognised under other debt (30 September 2017: DKK 1.2bn). Liabilities are classified as other debt when agreements are reached with the plaintiffs' legal counsel 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 8 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)

Group

9. Acquisitions

On 10 January 2018, Coloplast completed the acquisition of all shares and voting rights of Lilial. Lilial is a French-based direct-to-consumer home delivery company with nationwide distribution of catheter and ostomy supplies for the French market. The transaction strengthens Coloplast's position and its product and service offering in France and will open for additional access to payers. Coloplast expects to continue to work with healthcare professionals and channel partners through the various consumer programs with the intent of improving overall end user outcomes.

Lilial is not recognised in the consolidated financial statements for the reporting period, because the acquisition was completed in January 2018. The pro forma effect on consolidated revenues for 2017/18 to date as if the company had been acquired at 1 October 2017 amounts to approximately DKK 44m.

The fair value of net assets acquired was estimated on the basis of a preliminary balance sheet at the date of acquisition. As a result, minor adjustments to the preliminary statement of net assets at fair value at the date of acquisition should be expected.

	Preliminary fair value at date of acquisition (10/01/2018), DKK million
Intangible assets	58
Property, plant and equipment	7
Inventories	14
Receivables	13
Deferred tax	-15
Trade payables	-23
Other payables	-6
Net assets acquired	**48**
Goodwill	216
Consideration, cash and debt-free	**264**
Acquired cash and current debt to credit institutions	3
Other interest-bearing debt	-7
Cash consideration	**260**

Intangible assets consist of customer lists (DKK 42m) and trademarks (DKK 16m). Customer lists consist of access to Lilial's existing customer base (users) and physicians lists. Trademarks consist of the Lilial trademark and name, which are both associated with sales of catheter and ostomy supplies. Trade receivables represent a gross amount of DKK 10m and have only been subject to insignificant writedowns.

After recognition of identifiable assets and liabilities at fair value, goodwill related to the acquisition amounts to DKK 216m which is not deductible for tax purposes. Goodwill expresses expected future earnings and includes synergies expected to be achieved from Coloplast's strengthened position and stronger product and service offering in the French market.

Coloplast has 2017/18 to date incurred transaction costs relating to the acquisition of approximately DKK 3m which has been recognised under administrative expenses in the statement of comprehensive income.

The agreed cash consideration for the shares amounted to EUR 35.0m which fell due for payment on the date of acquisition. The agreed cash consideration for the shares corresponds to a consideration of EUR 35.5m on a cash and debt-free basis, which is consistent with the estimated value indicated in company announcement no. 1/2018. The transaction was made on locked-box terms, pursuant to which a fixed cash consideration is agreed for the shares on conclusion of the agreement with no adjustment for debt and changes in working capital in the period until closing. As a result, the final consideration on a cash and debt-free basis may differ from the estimated value prior to closing.

Income statement, quarterly

(Unaudited)

Consolidated

	2017/18		2016/17		
DKK million	Q1	Q4	Q3	Q2	Q1
Revenue	3,955	3,980	3,912	3,881	3,755
Production costs	-1,289	-1,263	-1,260	-1,259	-1,175
Gross profit	**2,666**	**2,717**	**2,652**	**2,622**	**2,580**
Distribution costs	-1,174	-1,111	-1,116	-1,077	-1,067
Administrative expenses	-151	-155	-167	-153	-148
Research and development costs	-158	-138	-146	-152	-138
Other operating income	27	15	10	13	8
Other operating expenses	-3	-9	0	-7	-9
Operating profit (EBIT)	**1,207**	**1,319**	**1,233**	**1,246**	**1,226**
Profit/loss after tax on investment in associates	0	-2	0	0	0
Financial income	41	40	3	-7	37
Financial expenses	-27	-27	-53	-30	-35
Profit before tax	**1,221**	**1,330**	**1,183**	**1,209**	**1,228**
Tax on profit for the period	-281	-320	-273	-278	-282
Net profit for the period	**940**	**1,010**	**910**	**931**	**946**
Earnings per Share (EPS) before special items	4.43	4.76	4.29	4.39	4.47
Earnings per Share (EPS)	4.43	4.76	4.29	4.39	4.47
Earnings per Share (EPS) before special items, diluted	4.42	4.75	4.28	4.38	4.46
Earnings per Share (EPS), diluted	4.42	4.75	4.28	4.38	4.46

Ostomy Care
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Wound & Skin Care
Urology Care

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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.