

Annual report

2018/19

Five-year financial highlights and key ratios

DKK million	2018/19	2017/18	2016/17	2015/16	2014/15
Income statement					
Revenue	17,939	16,449	15,528	14,681	13,909
Research and development costs	-692	-640	-574	-509	-442
Operating profit before interest, tax, depreciation and amortisation	5,807	5,716	5,635	4,624	2,020
Operating profit (EBIT) before special items	5,556	5,091	5,024	4,846	4,535
Special items ¹⁾	-400	0	0	-750	-3,000
Operating profit (EBIT)	5,156	5,091	5,024	4,096	1,535
Net financial income and expenses	-128	-82	-72	-13	-289
Profit before tax	5,028	5,009	4,950	4,082	1,245
Net profit for the year	3,873	3,845	3,797	3,143	899
Revenue growth					
Annual growth in revenue, %	9	6	6	6	12
Growth breakdown:					
Organic growth, %	8	8	7	7	7
Currency effect, %	1	-4	-1	-1	5
Acquired operations, %	0	1	1	-	-
Other matters, %	-	1	-1	-	-
Balance sheet					
Total assets	12,732	11,769	12,050	11,007	10,817
Capital invested	8,748	8,468	7,977	5,551	4,702
Net interest-bearing debt	539	754	826	-813	-1,300
Equity at year end	6,913	6,418	5,952	5,068	4,706
Cash flows and investments					
Cash flows from operating activities	4,357	4,361	3,251	3,028	3,337
Cash flows from investing activities	-591	-947	-1,619	-603	-468
Investments in property, plant and equipment, gross	-617	-616	-661	-627	-583
Free cash flow	3,766	3,414	1,632	2,425	2,869
Cash flows from financing activities	-3,714	-3,430	-1,863	-2,868	-2,963
Key ratios					
Average number of employees, FTEs	11,821	11,155	10,420	9,817	9,303
Operating margin before special items, EBIT before special items, %	31	31	32	33	33
Operating margin, EBIT, %	29	31	32	28	11
Operating margin, EBITDA, %	32	35	36	31	15
Return on average invested capital before tax (ROIC), % ²⁾	62	57	61	63	62
Return on average invested capital after tax (ROIC), % ²⁾	48	44	47	49	48
Return on equity, %	65	72	77	69	16
Equity ratio, %	54	55	49	46	44
Net asset value per outstanding share, DKK	33	30	28	24	22
Per share data					
Share price, DKK	825	657	511	514	473
Share price/net asset value per share	25	22	18	21	22
Average number of outstanding shares, millions	212	212	212	212	211
PE, price/earnings ratio	45	36	29	29	111
Dividend per share, DKK ³⁾	17.0	16.0	15.0	13.5	12.5
Pay-out ratio, % ⁴⁾	86	88	84	77	82
Earnings per share (EPS), diluted	18.18	18.10	17.87	14.78	4.20
Free cash flow per share	18	16	8	11	14

¹⁾ Special items include costs of settlements and costs in connection with the lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products.

²⁾ This item is provided before special items. After special items, ROIC before tax was 60%/62%/74%/80%/28%, and ROIC after tax was 46%/47%/57%/62%/21%.

³⁾ The figure shown for the 2018/19 financial year is the proposed dividend.

⁴⁾ For the 2018/19, 2015/16 and 2014/15 financial years, this item is before special items. After special items, the pay-out ratio is 93%/91%/294%. The key ratios have been calculated and applied in accordance with "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts.

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Letter from the Chairman

Dear shareholders,

I am pleased to present our Annual Report, which looks back on a strong year that confirms the quality of Coloplast's business model to deliver robust performance and create significant value.

Our products have helped making life easier for people with intimate healthcare conditions. This is what defines us, and this is what drives our work.

2018/19 was a year marked by leadership change. As businesses evolve, the biggest challenge of many companies is to ensure smooth leadership succession and cultural continuity. I am confident that Coloplast has managed to strike the right balance between continuity and renewal.

I am very proud of, and grateful for, what Coloplast achieved during my tenure as CEO. Because we placed great emphasis on ensuring talent development and preserving Coloplast's culture and values, we now have a leadership team that is ready for the future. Kristian Villumsen will lead a strong team with outstanding business acumen and leadership qualities.

It was an honour to be elected Chairman of the Board. Following in Michael Pram Rasmussen's footsteps is a privilege and a great responsibility, and I am excited to continue meeting the challenges that come with this chairmanship.

In my new role I am seeking to apply all the relevant insights and expertise I have gained during the last 30 years at Coloplast and in my other Board positions. I firmly believe that effective boardrooms are built on a foundation of collaboration and trust. Likewise, I place great emphasis on strong collaboration between Board and Executive Management. Most importantly, I strive to always serve the interests of the users we serve and the shareholders who are invested in the company.

With the full support of the Board of Directors, the Executive Management team has focused on delivering on our current LEAD 20 strategy that expires next year. We arrived at an important conclusion during the year with respect to the interventional urology business. We view the business as core to

the company's mission and our value creation agenda.

Unfortunately, the lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products continue to weigh on our results. We are firmly committed to a legal strategy that aims to protect the value of the interventional urology business.

The Board of Directors remains confident that the growth strategy for Coloplast and its execution by the management over the past year provides an excellent basis for continued, positive developments in the coming years. Together with my peers on the Board of Directors, I look forward to reviewing and shaping the company's next strategy, which will be presented next year.

Coloplast has been committed to the UN Global Compact since 2002, and we are also committed to contributing to the success of the Sustainable Development Goals through collaboration wherever relevant. We will make sustainability an integral part of our business model and a core element of Coloplast's upcoming strategy.

In conclusion, based on our company's solid financial performance in 2018/19, the Board of Directors will propose a total dividend of DKK 17.00 per share at the Annual General Meeting in December 2019.

On behalf of the Board of Directors, I would like to thank Coloplast's leadership team for steering the organisation through a year of leadership changes. Thank you to our employees for their hard work and dedication. I would also like to thank you, our shareholders, for your trust and support.

Coloplast is a growth company. We will continue to invest for the future. We strongly believe that if we innovate to solve real user problems, market opportunity and value creation will follow.



Lars Rasmussen
Chairman of the Board of Directors

CEO letter

Dear shareholders,

Since being appointed as Chief Executive Officer of Coloplast last December, one of my key priorities has been to meet with our users, our employees and with you – our shareholders.

What I heard at those meetings was inspiring. Over and over, people expressed deep admiration for what Coloplast stands for and in our achievements. As many of you remarked, our company has unique strengths. These include our market leadership, our passion for serving our customers, our focus on innovation, and our financial discipline. People also asked me how we continue to outgrow the market, how can we avoid product commoditisation. All very good questions.

In my first year as CEO, my priority has been to deliver on our current LEAD20 strategy, which I participated in developing in my former role as EVP, Chronic Care. I “grew up” in Chronic Care and know this part of the company well, so this year I have been focused on embracing and engaging with the entire company.

I am fundamentally optimistic about the future of our company. My optimism comes from meeting with our teams and customers around the globe. But it also comes from our performance and from the strong results we achieved in 2018/19. We delivered 8% organic growth, and before special items, a 31% EBIT margin and a 48% ROIC. I am particularly pleased about the broad-based growth across all business areas and the large contribution to growth from new innovative products. Put differently, we helped make life easier for millions of people with intimate healthcare needs. This makes me very proud. I firmly believe that purpose and enduring profits are inextricably linked. We are already a successful company, but I use an internal tagline - “we have more work to do” – to remind our organization that more people need our help and that we can always improve our game.

Investing to remain a growth company

We take a balanced approach to investing, meaning that we invest to drive both short-term growth and to build a stronger and more competitive company for the medium and long term. We continue to invest in incremental R&D, sales force expansion

and consumer initiatives. In recent years, we have also invested in building new competencies including next level innovation, direct distribution in more markets and market access. Critical competencies for where we wish to take the company. We do all this to remain a growth company. In our view, long term growth is the finest expression of a company's ability to drive demand and stay competitive.

In 2017, we increased our investment level to pursue more growth opportunities. Two years on, we are satisfied with two years of 8% organic growth. Our European business continues to perform strongly but given the higher investment level we need to see stronger growth in the US and in Emerging Markets. Next year, we will present our new strategy for the Group. The strategy will represent both a continuation of our past as well as new steps into a future that will demand more of us.

Building the next generation Coloplast

Healthcare is changing. Consumers have become more involved in healthcare. Demographic development presents huge pressure on healthcare systems. Consolidation of channels creates market players pushing “good enough” products to drive margins. Healthcare information is becoming digital. We are building a consumer healthcare company to respond to these challenges.

Building the next generation products

Our belief is: it all starts with superior products and innovation. We have the strongest product portfolio in the market to date, but we have set our sights higher. Our ambition is to build clinically superior products backed by clinical trials, that make a real difference, and that will reduce the total cost for payers. We call this our *Clinical Performance Programme* in Ostomy and Continence Care. This is an ambitious programme with higher execution risk, but we are committed to meeting the challenge in close corporation with healthcare professionals and users. In 2018/19, we made progress in clinical trials and filed several patents within skin protecting technology and digital health. We will launch the first products from this effort in the upcoming strategy period.

CEO letter

Partnering with healthcare professionals

We will continue to partner with and work closely with healthcare professionals and support them in their professional development. This year we hosted one of the largest educational conferences in our industry, Continence Days, which was attended by around 1,000 healthcare professionals. The event focused on the neurogenic bladder and bowel with an emphasis on the causes of urinary tract infections. We had the opportunity to share knowledge and engage with nurses from all around the world. Our partnership with healthcare professionals is still fundamental for all our work.

Connecting and engaging with consumers

We will continue to connect with consumers on their terms and to have real conversations with them to help solve their problems. Our Care program and consumer teams are key elements in our dedication to support consumers at every step of their journey. Each day we speak to thousands of users and we now have a database of 1.5m users in Ostomy and Continence Care in 30+ countries. In the future, we believe that products and services will converge to improve user experiences. Our support to consumers happens in close collaboration with healthcare professionals to ensure that it becomes an extension of their work and not a replacement for it.

Collaborating with payers to reduce costs

We continue to see price pressure in our categories, as evidenced by the French price reform this year. In the future, we need closer collaboration and more innovation between government and industry to tackle the challenge of rising healthcare costs. Governments demand data and proof. This will be a key challenge for every 21st century healthcare company. This is not the company we have today – we are making progress, but *we have more work to do!*

Concluding review of Interventional Urology

We have firmly concluded that Coloplast is the best owner of the interventional urology business from a value creation perspective. Fundamentally, we observe large, fast-growing markets and real unmet clinical needs. We have market leading positions and significant opportunities exist for continued innovation, treatment penetration in existing

segments and geographical expansion. Similarly to the situation in Chronic Care we see demand from consumers and surgeons for less invasive solutions and we see a similar need for physician education and for raising patient awareness.

The business has matured significantly in recent years from a commercial, financial, organisational and risk perspective. Today, it outpaces the market, delivering strong growth, profitability and returns. This is a good outset from which to invest and develop the business further.

A sustainable future

I am very pleased to release this year's Corporate Responsibility Report together with the Annual Report. A few noteworthy achievements this year include reducing occupational injuries by 30%. We also renewed our commitment to Inclusion and Diversity and broadened our definition of diversity – it is more than gender. It is also about generation and nationality. Our ambition is to raise the level of diverse teams year-on-year through natural employee turnover.

Finally, I am proud that this year marks the first year we are using 100% renewable electricity at all our production sites. This is part of our continued efforts to minimise our environmental footprint.

Looking ahead

I am proud to be part of Coloplast and I look forward to engaging with our organisation and the Board of Directors in our strategy process leading up to the announcement of our new strategy next year.

A sincere thank you to our users to our shareholders and to all the employees at Coloplast who work passionately each day to build our company and deliver on our mission.



Kristian Villumsen
President & CEO

The year at a glance

Financial highlights of the year

The financial results for 2018/19 were in line with the guidance provided in the 2017/18 Annual Report.

- Organic revenue growth was 8%, and reported revenue increased by 9% to DKK 17,939m.
- Organic growth rates by business area: Ostomy Care 7%, Continence Care 8%, Interventional Urology 10% and Wound & Skin Care 8%.
- Strong momentum in Europe with 6% organic growth in 2018/19, driven by all business areas. The French reimbursement reform in Ostomy Care, Continence Care and Wound Care was announced during last quarter of the financial year, Coloplast has mitigated around half of the impact.
- Chronic Care continued to perform well, as Europe maintained its strong momentum despite negative impact from the French price reform and the US delivered double-digit growth.
- The wound care business delivered 8% organic growth mainly driven by the Biatain® Silicone portfolio in Europe, in particular France and the UK.
- The interventional urology business delivered another strong year with 10% organic growth, driven by sales and marketing investments in the US.
- EBIT before special items amounted to DKK 5,556m, a 9% increase, corresponding to an EBIT margin of 31% on par with 2017/18. EBIT before special items includes restructuring costs of DKK 43m, against DKK 50m in 2017/18, in connection with the reduction of production staff in Denmark and closure of the factory in Thisted, Denmark.
- EBIT was impacted by a further provision of DKK 400m to cover potential settlements and costs in connection with the existing lawsuits in the United States alleging injury resulting from the use of trans-vaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence.
- ROIC after tax before special items was 48% against 44% in 2017/18.
- The Board of Directors recommends that the shareholders attending the general meeting approve a year-end dividend of DKK 12.00 per share. In addition to the dividend of DKK 5.00 per share paid out in connection with the half-year results, this brings the total dividend paid for the year to DKK 17.00 per share, as compared with DKK 16.00 per share last year.

Strategy

LEAD20 strategy

The focus of Coloplast's LEAD20 growth strategy is to deliver on the company's mission and build what Coloplast believes is the consumer healthcare company of the future. 2019/20 is the final year of the LEAD20 strategy period and a new corporate strategy will be launched in 2020. LEAD20 targets four themes:

1. Superior products and innovation
2. A unique user-focused market approach
3. Unparalleled efficiency
4. Strong leadership development

Delivering **superior products and innovation** is the cornerstone of Coloplast's core values in each of our business areas. In Ostomy Care, Coloplast's new generation of products aims to reduce the burden of leakage. In Continence Care, Coloplast aims to reduce the burden of bladder management and urinary infection. In Wound Care, Coloplast intends to help users have fewer days with wounds. In the interventional urology business, Coloplast intends to innovate to make a real difference by broadening the product portfolio. Superior products and innovation are essential to Coloplast's mission: Making life easier for people with intimate healthcare needs. Over the past three years, Coloplast has increased innovation investment from 3% to 4% of revenue and intends to maintain this level of investment going forward.

By taking a **unique user-focused market approach**, Coloplast consistently challenges industry standards. Through its ostomy care and continence care businesses, Coloplast continues to focus on direct interaction with users, for example by setting up direct sales in its top five markets, through the Coloplast Care programme and by building stronger relations with healthcare professionals through Coloplast Professional. In the wound care business, Coloplast intends to make wound care more intuitive for both healthcare professionals and users through wound assessment tools. In the Interventional urology business, focus will be on building an understanding of user needs through partnerships with physicians.

Unparalleled efficiency is already a part of Coloplast's DNA. Coloplast aims to deliver unparalleled efficiency through ambitious global operations plans, including the 'Global Operations Plan 4'. At

the same time, scalable and efficient support functions combined with a global IT landscape (of ERP and CRM systems) and infrastructure will enable subsidiaries to focus efficiently on commercial priorities.

Strong leadership development is the key to supporting growth at Coloplast. To that end, Coloplast runs an extensive programme to recruit and develop the next generation of leaders across geographies and functions. The goal is to develop most of our future leaders in-house.

Coloplast is prepared to invest up to 2% of revenue in new growth initiatives. The investment focus targets strategic initiatives in innovation, market access as well as geographic focus areas, including North America, China, the UK, and selected growth markets.



Long-term financial guidance and dividend policy

Coloplast's long-term financial guidance for the LEAD20 strategy period running until end 2019/20:

- Annual organic growth of 7-9%, and
- EBIT margin of more than 30% at constant exchange rates.

In addition, the Board of Directors intends to distribute excess liquidity to the shareholders through dividends and share buybacks.

Markets

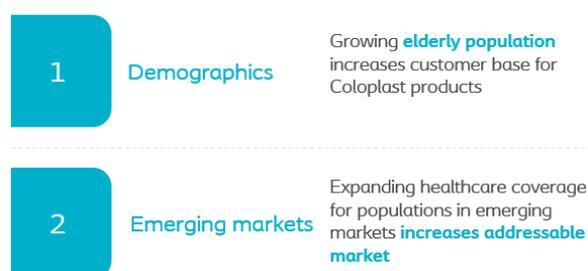
Market position

Coloplast markets and sells its products and services globally. In most markets, the products are eligible for reimbursement from local healthcare authorities. Products are supplied to hospitals, institutions as well as wholesalers, distributors and pharmacies. In selected markets, Coloplast is also a direct supplier to users. Coloplast has wholly owned sales subsidiaries in its principal markets and employed about 12,000 people at the end of the financial year.

Market conditions

The value of Coloplast's addressable markets increased by 4-5% in the 2018/19 financial year. Coloplast's markets are generally driven by the factors set out below.

Drivers for Coloplast



Limiters for Coloplast



The main drivers of Coloplast's markets remain the growing population of elderly people and increased access to healthcare in Emerging Markets. Coloplast continues to generate attractive growth rates in the Emerging Markets region despite volatile currencies and macroeconomic conditions.

The main limiters impacting sales growth are medical advancements in surgery and pharmaceuticals as well as healthcare reforms that lower the price of medical equipment such as ostomy care, continence care and wound care products. According to Coloplast estimates, like for like pricing and healthcare reforms limit growth by up to 1% per year.

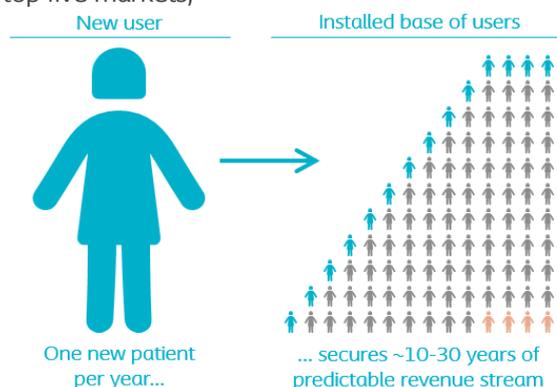
The chronic care business

The ostomy care and continence care businesses are referred to as Chronic Care, because in most cases the products address chronic disorders. On average, people with a stoma use stoma pouches for about 10 years and users of intermittent catheter with a chronic condition use catheters for about 30 years. Common to both segments, more than 90% of product sales are reimbursed and less than 10% of product sales are made through a hospital or clinical setting, but rather directly in the community after users have been discharged from hospital. As these chronic product segments command a high degree of product loyalty, the choice of product and sales through a hospital or a clinical setting is essential for Coloplast.

The chronic care user flow

Coloplast has over the past several years invested in building stronger ties with end users and to become a consumer healthcare company offering not only

the most innovative products, but also supporting services to users through Coloplast Care program providing them with the support and knowledge they need to know about living with incontinence or a stoma. Coloplast maintains a database of currently around 1.5 million users and offers direct support to end users in more than 30 countries. Coloplast also sells products directly to end users in its top five markets;



Markets

the US, the UK, France, Germany and China, ensuring end users access to the most innovative products in the market.

Ostomy Care

A stoma is created in an operation made necessary because of intestinal dysfunction resulting from a disease, an accident or a congenital disorder. A part of the intestine is surgically redirected through an opening in the abdominal wall, enabling the patient to empty the colon (colostomy), the small intestine (ileostomy) or the urinary bladder (urostomy). About 50-60% of stoma operations are performed because of cancer. Ostomy bags consist either of an adhesive base plate bonded together with a bag (1-piece system) or of two separate parts in which the bag is replaced more often than the base plate (2-piece system).

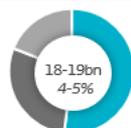
It is important for users to avoid leakage and skin irritation, so they can live as normal a life as possible. As a result, the adhesive must ensure a constant and secure seal, and it must be easy to remove without causing damage or irritation to the skin.

The global market for ostomy care products is worth an estimated DKK 18-19bn and is influenced by the extent to which reimbursement is available for the products. Market growth is driven by the aging western population and the increased access to healthcare in growth economies.

- European markets
- Other developed markets
- Emerging markets

Addressable market

Size in DKK
Growth in %



Coloplast regional market shares 40-50%
15-25%
40-50%

Coloplast total market share 35-40%

Coloplast market position #1

Source: Coloplast

The annual market growth is estimated at 4-5%, and Coloplast is the global market leader, holding a market share of 35-40%. Its highest market share is in Europe and Emerging Markets, while the lowest is in the US.

The definition of the market for ostomy products now also includes accessory products for people with a stoma. Coloplast markets accessories such as the Brava® range of products, which include the Brava® Protective Seal and Brava® Elastic Tape.

The market for ostomy accessory is estimated at about DKK 2-3bn with annual market growth of 6-8%. Coloplast has a market share of 30-35% in the market for accessory.

Continence Care

This business area addresses two types of continence control issues: people unable to empty their bladder or bowel, and people suffering from urinary or faecal incontinence.

People unable to empty their bladder can use an intermittent catheter, which is inserted through urethra of the urinary tract to empty the bladder. The main group of users of intermittent catheters are people with spinal cord injury that very often is the result of an accident. Other user groups are people with multiple sclerosis and people with congenital spina bifida.

Coloplast's portfolio of intermittent catheters spans the full range from uncoated catheters to discreet, compact, coated catheters ready to use in a saline solution.

Urinary incontinence means that a person has lost the ability to hold urine, resulting in uncontrolled or involuntary release, also called stress urinary incontinence. Incontinence affects older people more often than younger people, because the sphincter muscle and the pelvic muscles gradually weaken as people grow older. Coloplast has a wide range of urine bags and urisheaths for capturing and storing urine.

People suffering from bowel or sphincter muscle dysfunction can use the Peristeen® anal irrigation system for controlled emptying of the bowels. A typical Peristeen® user has a spinal cord injury and has therefore lost the ability to control bowel movements.

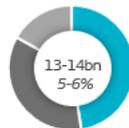
Markets

Coloplast is the global market leader in the continence care market, with a market share of about 40%. The market is growing by 5-6% per year and is worth about DKK 13-14bn.

- European markets
- Other developed markets
- Emerging markets

Addressable market

Size in DKK
Growth in %



Coloplast regional market shares	45-55%
	20-30%
	30-40%

Coloplast total market share	~40%
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Coloplast market position	#1
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Source: Coloplast

In the fastest growing segment of the market, catheters, growth is driven by the increasing use of intermittent catheters as an alternative to permanent catheters and by a change in consumption patterns of users and professional care staff towards more advanced catheter solutions.

The urisheath and urine bag segments are growing at a slower rate than catheters. Growth is supported by increased demand resulting from the growing population of older people and an increase in the use of urisheaths and urine bags as an alternative to adult diapers. This is a market with many suppliers, including low-cost providers.

Interventional Urology

Interventional Urology involves diseases and symptoms of the urinary system, pelvic floor prolapse and the male reproductive system, such as urinary incontinence, kidney stones, enlarged prostate and impotence. The business area consists of a broad portfolio of products used in connection with urological and gynaecological surgery procedures and includes implants and disposable articles.

Coloplast manufactures and markets disposable products for use before, during and after surgery, such as prostate catheters and stents, some of them under the Porgès brand. The implant business manufactures vaginal slings used to restore continence and synthetic mesh products used to treat weak pelvic floor. The business also includes penile implants

for men experiencing severe impotence that cannot be treated by using drugs.

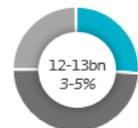
The part of the urology market in which Coloplast operates is worth about DKK 12-13bn and market growth is estimated at 3-5% per year.

Being the fourth largest manufacturer of interventional urology products, Coloplast holds a market share of about 15% and continues to outgrow the market.

- European markets
- Other developed markets
- Emerging markets

Addressable market

Size in DKK
Growth in %



Coloplast regional market shares	20-25%
	15-20%
	5-10%

Coloplast total market share	~15%
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Coloplast market position	#4
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Source: Coloplast

Market growth in Interventional Urology is driven by the aging population and lifestyle diseases, as well as ongoing innovation leading to more cost-efficient surgical procedures.

As for implants, market growth drivers include a growing awareness of the treatment options available for men with severe impotence and women with urological disorders.

Markets

Wound & Skin Care

In Wound Care, patients are treated for exudate or chronic wounds such as leg ulcers, which are typically caused by insufficient or impaired circulation in the veins of the leg, pressure ulcers caused by extended bed rest, or diabetic foot ulcers. A good wound dressing should provide optimum conditions for wound healing, be easy for healthcareers to change, and should ensure that patients are not inconvenienced by exudate, liquid or odours. A moist wound environment provides the best conditions for wound healing for optimum exudate absorption.

The Coloplast product portfolio consists of advanced foam dressings sold under the Biatain® Silicone with 3DFit Technology™ and Biatain® brand and hydrocolloid dressings sold under the Comfeel® brand.

Coloplast's skin care products consist of disinfectant liquids or creams used to protect and treat the skin and to clean wounds. For treatment and prevention of skin fold problems such as fungal infections, damaged skin or odour nuisance, Coloplast produces InterDry®, a textile placed in a skin fold to absorb moisture. Coloplast mostly sells skin care products to hospitals and clinics in the US and Canadian markets.

Unlike in the chronic care business, the wound and skin care markets are addressed mainly through acute channels, meaning hospitals and clinics where patients are treated with the products and stop using the products when treatment ends.



Source: Coloplast

Wound Care

The market is estimated to be worth DKK 22-24bn. There is a large number of direct competitors as well as various alternative options, such as negative pressure wound therapy and simple wound dressings. The market is defined as advanced wound care products other than the negative pressure wound therapy segment.

Coloplast is the world's fifth-largest manufacturer of advanced wound care products, holding a market share of 5-10%.

Growth in the part of the global wound care segment in which Coloplast competes is expected to be 2-4%, driven mainly by volume growth due to the generally increasing life expectancy, the growing diabetes population and a growing number of patients receiving preventive treatment. The silicone dressings market, in which Coloplast markets its Biatain® Silicone products, represents 20% of the global wound care market and is growing significantly above average, at 5-7% per year.

Increased competition between manufacturers and pricing pressure originating from lower public healthcare budgets in Europe has a negative impact on market growth.

Skin Care

The market for skin care products, in which Coloplast competes, is estimated at DKK 4-5bn, with an estimated market growth of 2-4%.

Coloplast holds a market share of 10-15% in the Skin Care segment, which is mainly a US-based business.

Financial review and guidance

Sales performance

The full-year organic growth rate was 8%. Reported revenue in DKK was up by 9% to DKK 17,939m. Exchange rate developments increased revenue by 1% due to a favourable development in USD against DKK which was partly offset by the depreciation of the Argentinian Peso (ARS) against DKK. Revenue from acquisitions contributed less than 1%, resulting from the acquisitions of French distributor Lilial and German distributor Inco-Care in the second quarter of 2017/18.

Sales performance by business area

	DKK million		Growth composition			Reported growth
	2018/19	2017/18	Organic growth	Acquired operations	Exchange rates	
Ostomy Care	7,166	6,643	7%	0%	1%	8%
Continence Care	6,459	5,926	8%	1%	0%	9%
Interventional Urology	1,970	1,740	10%	-	3%	13%
Wound & Skin Care	2,344	2,140	8%	0%	2%	10%
Net revenue	17,939	16,449	8%	0%	1%	9%

Sales performance by region

	DKK million		Growth composition			Reported growth
	2018/19	2017/18	Organic growth	Acquired operations	Exchange rates	
European markets	10,573	9,941	6%	1%	-1%	6%
Other developed markets	4,380	3,791	11%	-	5%	16%
Emerging markets	2,986	2,717	12%	-	-2%	10%
Net revenue	17,939	16,449	8%	0%	1%	9%

Ostomy Care

Ostomy Care generated 7% organic sales growth for the 2018/19 financial year, with reported revenue in DKK growing by 8% to DKK 7,166m.

The SenSura[®] Mio portfolio and the Brava[®] range of supporting products continued to be the main drivers of revenue growth. At product level, SenSura[®] Mio Convex continues to be the main contributor to growth driven predominantly by Europe. SenSura[®] Mio Concave is now available in 16 countries and continues to increase its contribution to the overall ostomy growth. The new SenSura[®] Mio Baby & Kids portfolio, setting a new standard for paediatric ostomy care products, has been launched in 13 countries.

The SenSura[®] and Assura/Alterna[®] portfolios also delivered satisfactory sales growth in the markets where they are being actively promoted, most notably China.

Sales of the Brava[®] range of supporting products continue to contribute to growth and was driven especially by growth in China and the US.

From a country perspective, China, the UK, France and the US were the key drivers of growth.

Continence Care

Continence Care generated 8% organic sales growth for the 2018/19 financial year, with reported revenue in DKK growing by 9% to DKK 6,459m.

SpeediCath[®] intermittent catheters and Peristeen[®] continued to be the main drivers of revenue growth. Sales of SpeediCath[®] compact catheters contributed positively to growth driven by good momentum in the UK, the US and France.

Financial review and guidance

SpeediCath® Flex contributed positively to growth, especially in the US and across the European markets. Growth in sales of SpeediCath® standard catheters was driven by the US and Japan. SpeediCath® Navi, the new hydrophilic catheter specifically designed for emerging markets and lower priced developed markets, has been launched in four markets.

The Peristeen® portfolio continued to show good results driven by France, Italy and the UK. The sales performance of urisheaths and urine bags also developed positively as a result of higher sales in France and the US.

From a country perspective, growth was driven by the US and France. The upgrade to hydrophilic catheters continues to drive growth in the US. Weaker demand in North Africa had a negative impact on growth.

Interventional Urology

Interventional Urology generated 10% organic sales growth in 2018/19 financial year, with reported revenue in DKK growing by 13% to DKK 1,970m.

Growth was mainly driven by Titan® penile implants, Axis™ biologics portfolio as well as Altis® single incision slings in the US. Sales of disposable surgical products also contributed positively to growth driven by Europe.

From a country perspective, the US market continues to drive growth in Interventional Urology as a result of commercial investments made over the last two years.

Wound & Skin Care

Wound & Skin Care generated 8% organic sales growth for the 2018/19 financial year, with reported revenue in DKK growing by 10% to DKK 2,344m.

The wound care business delivered 8% organic growth for the 2018/19 financial year. At a product level, the Biatain® Silicone portfolio continued to be the main contributor to growth, driven by France and the UK. The Biatain® Silicone Sizes & Shapes portfolio accounted for a significant part of the revenue growth in the Biatain® Silicone portfolio.

From a country perspective, France, the UK and China were the main contributors to growth.

The Compeed contract manufacturing business continued to contribute to growth in the 2018/19 financial year. Likewise, the skin care business reported positive growth for the full-year driven by the InterDry® products.

Gross Profit

Gross profit was up by 10% to DKK 12,153m from DKK 11,066m last year. The gross margin was 68%, against 67% last year. The gross margin was positively impacted by operating leverage driven by revenue growth as well as ongoing efficiency improvements. On the other hand, the gross margin was negatively impacted by product mix as well as salary inflation in Hungary.

Restructuring costs for the period amounted to DKK 43m, against DKK 50m last year. Restructuring costs relate to the closure of the factory in Thisted, Denmark which was completed in June 2019.

Costs

Distribution costs amounted to DKK 5,206m, a DKK 485m increase (10%) from DKK 4,721m last year. Distribution costs amounted to 29% of revenue which was on par with last year. The higher distribution costs reflect an increase in investments in sales and marketing activities across a number of markets in Chronic Care, Wound Care and Interventional Urology.

Administrative expenses amounted to DKK 757m, against DKK 653m last year. The increase of DKK 104m (16%) was mainly related to an increase in costs within IT and legal as well as DKK 15m related to the strategic review of Interventional Urology. Administrative expenses accounted for 4% of revenue in line with last year.

The R&D costs were DKK 692m, a DKK 52m (8%) increase which was due to a general increase in R&D activities. R&D costs amounted to 4% of revenue on par with last year.

Other operating income and other operating expenses amounted to a net income of DKK 58m, against DKK 39m last year. The increase was

Financial review and guidance

mainly due to a gain of DKK 16m on the sale of former production facilities in Denmark.

Special items

On 30 September 2019, Coloplast made a further provision of DKK 400m to cover potential settlements and costs in connection with lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence. It is estimated that more than 95% of the known cases have been settled at the date of this annual report. The additional provision was made because the remaining lawsuits are taking longer to resolve than initially expected, hence incurring higher costs. The provision is the current best estimate of the cost associated with resolving the lawsuits. We have not seen an increase in the inflow of new lawsuits. See note 18 to the consolidated financial statements for more details.

Operating profit (EBIT)

EBIT before special items amounted to DKK 5,556m, a DKK 465m (9%) increase from DKK 5,091m last year. The EBIT margin before special items was 31% on par with last year and includes a neutral impact from currencies.

EBIT after special items was DKK 5,156m, including special items of DKK 400m in connection with the lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence. EBIT margin after special items was 29%.

Financial items and tax

Financial items were a net expense of DKK 128m, compared to a net expense of DKK 82m last year. The net expense of DKK 128m was mainly due to losses on currency hedges of DKK 121m, including the appreciation of the USD and GBP against DKK. This was only partly offset by a hyperinflationary adjustment of DKK 32m related to the accounting treatment of the Argentinian Peso.

The tax rate was 23%, which was in line with last year. The tax expense amounted to DKK 1,155m against DKK 1,164m last year.

Net profit

Net profit before special items was DKK 4,185m, a DKK 340m (9%) increase from DKK 3,845m last year. Diluted earnings per share (EPS) before special items increased by 9% to DKK 19.64 per share.

Net profit after special items was DKK 3,873m and diluted earnings per share (EPS) after special items was DKK 18.18 per share.

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 4,357m, against DKK 4,361m last year, and included a negative impact from increased tax payments, mainly due to higher tax deductions last year in connection with the payments made in respect of settlements in lawsuits in the USA alleging injury resulting from the use of transvaginal surgical mesh products. Payments made in respect of the above-mentioned lawsuits in the US amounted to DKK 0.4bn in the financial year, bringing total payments to date to DKK 5.1bn.

Investments

Coloplast made investments (CAPEX) of DKK 636m in 2018/19, not including investments made through finance leases of DKK 54m, compared with DKK 669m last year. As a result, CAPEX accounted for 4% of revenue on par with last year.

Total cash flows from investing activities were a DKK 591m outflow, against a DKK 947m outflow last year, mainly due to the acquisitions of French distributor Lillial and German distributor IncoCare in the second quarter of 2017/18.

Free cash flow

As a result, the free cash flow was an inflow of DKK 3,766m which was up 10% from DKK 3,414m in the same period last year.

Capital resources

At 30 September 2019, Coloplast had net interest-bearing debt, including securities, of DKK 539m, against DKK 754m at 30 September 2018.

Financial review and guidance

Balance sheet and equity

Balance sheet

At DKK 12,732m, total assets increased by DKK 963m relative to 30 September 2018.

Intangible assets amounted to DKK 2,502m, which was DKK 16m less than at 30 September 2018. Property, plant and equipment increased by DKK 80m relative to 30 September 2018 to stand at DKK 3,249m.

Other non-current assets amounted to DKK 622m, a DKK 130m increase. As a result, non-current assets increased by a total of DKK 194m to DKK 6,373m.

Working capital was 24% of revenue. Inventories increased by DKK 208m to DKK 1,933m due to an increase of inventories of strategic products to avoid back orders. Trade receivables increased by DKK 276m to DKK 3,153m. Trade payables increased by DKK 108m relative to 30 September 2018 to stand at DKK 859m.

Amounts held in escrow in connection with the lawsuits in the US alleging injury resulting from use of transvaginal surgical mesh products increased by a net amount of DKK 1m from previous financial year to stand at DKK 13m at 30 September 2019. Amounts held in escrow were released on receipt of confirmation from claimants waiving further claims in accordance with the agreed settlements.

Security holdings amounted to DKK 313m, DKK 3m more than at the beginning of the financial year, while cash and cash equivalents were increased by DKK 59m to stand at DKK 356m. Current assets increased by a total of DKK 769m relative to 30 September 2018 to stand at DKK 6,359m.

Equity

Equity increased by DKK 495m relative to 30 September 2018 to DKK 6,913m. Total comprehensive income for the period of DKK 3,878m, share-based remuneration of DKK 40m and tax on equity entries of DKK 95m were only partly offset by payment of dividends amounting to DKK 3,398m, along with the net effect of treasury shares bought and sold of DKK 120m.

Share buy-backs

In 2017/18, Coloplast launched a DKK 1bn share buy-back programme running until the end of the 2018/19 financial year. The first part of the share buy-back programme of DKK 500m was completed in May 2018. The second part of the programme, also for DKK 500m, was completed in August 2019.

Treasury shares

At 30 September 2019, Coloplast's holding of treasury shares consisted of 3,577,155 B shares, which was 56,275 fewer than at 30 September 2018. The decrease was due to the exercise of share options which was only partly offset by the share buy-back programme.

Other matters

Organisational changes to Executive management and Board of Directors

As of December 4th, 2018, Kristian Villumsen was appointed new President & CEO by the Board of Directors following Lars Rasmussen's decision to step down as CEO and pursue the role of Chairman of the Board of Directors of Coloplast A/S, succeeding Michael Pram Rasmussen who did not stand for re-election at the Annual General Meeting. Following Kristian Villumsen's appointment as CEO, Paul Marcun was appointed as Kristian's successor and joined Coloplast's Executive Management as Executive Vice President, Chronic Care in mid-January 2019.

Coloplast's Executive Management now consists of four members: Kristian Villumsen, President & CEO, Anders Lonning-Skovgaard, EVP & CFO, Allan Rasmussen, EVP Global Operations and Paul Marcun, EVP Chronic Care.

French price reform within Ostomy Care, Continence Care and Wound Care

As announced in announcement nr. 6/2019, the French Ministry of Health has published new classifications and prices within Ostomy Care, Continence Care and Wound Care in France. The new classifications and prices were implemented as of 1 July 2019 for Ostomy Care and Continence Care and as of 1 June 2019 for Wound Care.

For Coloplast, the price reform represents an average reduction in prices in France for Ostomy Care

Financial review and guidance

and Continence Care of ~9% and Wound Care of ~2%. For 2018/19, Coloplast reported revenues of around DKK 1.9bn in Ostomy Care and Continence Care in France. Coloplast has mitigated around half of the impact.

Unconditional strategic review of interventional urology business concluded

Coloplast has finalised the strategic review of the interventional urology business concluding that the business remains core to the Coloplast mission and future value creation. Interventional Urology represents an attractive high growth market driven by demographics, ageing and the increasing demand for minimally invasive procedures. The business has matured significantly in recent years from a commercial, financial, organisational and risk perspective. Interventional Urology has consistently outgrown the market – growing at 2 to 2.5 times the market over the last five years – and steadily grown earnings.

This is testament to a solid performance track record, which is a strong outset to continue to take market share and derive even greater long-term value. Coloplast continues to see numerous growth opportunities for the business within innovation and penetration of treatment and geographical expansion. Especially in Men's Health and Women's Health in the US and Endourology in Europe, Coloplast has shown strong performance and Coloplast is uniquely positioned to capture further value through geographical expansion within these segments.

Due to the different class of products the business has inherently different regulatory and clinical requirements. Coloplast is committed to ensuring and investing for full compliance with the above-mentioned requirements. For example, significant investments have been made to ensure compliance with the new EU Medical Device Regulation requirements and investments into 522 studies within Women's Health.

As a result of the lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products over the last 8 years, it is Coloplast's view that the Women's Health business has been largely de-risked. Having owned the business for 10+ years, Coloplast has a clear understanding of the

risks involved in this business that has matured significantly. The mass tort litigation is behind us and there is a limited inflow of new cases in the Women's Health business. In addition, there is limited litigation in the other interventional urology segments.

As part of the strategic review, Coloplast has appointed Steven Blum as new Senior Vice President, Interventional Urology. Steven Blum joined Coloplast three years ago and has delivered strong growth rates in North America as Head of North America sales. Prior to joining Coloplast, Steven gained 20 years' experience in the medical device industry from Boston Scientific and AMS.

Financial review and guidance

Financial guidance for 2019/20

- We expect organic revenue growth of 7-8% at constant exchange rates. Reported growth in DKK is forecasted at 7-8%.
- We expect an EBIT margin of ~31% at constant exchange rates and a reported EBIT margin of ~31% in DKK. The EBIT margin guidance reflects additional incremental investments of up to 2% of revenue for innovation and sales and marketing purposes.
- Capital expenditure is expected to be DKK ~850m.
- The effective tax rate is expected to be ~23%.

The financial guidance takes account of known reforms. Our expectations for long-term price pressures, of up to 1% 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 production capacity for new and existing products and will provide for the construction of a new factory facility in Costa Rica, which is expected to be operational by the end of 2020.

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

Exchange rate exposure

Our financial guidance for the 2019/20 financial year has been prepared on the basis of the following assumptions for the company's principal currencies:

DKK	GBP	USD	HUF
Average exchange rate 2017/18	842	627	2.36
Average exchange rate 2018/19	844	662	2.31
<i>Change in average exchange rates for 2018/19 versus 2017/18</i>	0%	5%	-2%
Spot rate, 4 November 2019	865	669	2.28
<i>Change in spot rates compared with average exchange rate 2018/19</i>	2%	1%	-1%

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 2018/19)	Revenue	EBIT
USD	-390	-170
GBP	-270	-170
HUF	0	110

Forward-looking statements

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

Risk management

Risk reporting

The management of each individual business units and staff functions are responsible for identifying and managing risks in their specific parts of the organisation. The most significant risks are reported quarterly to Risk Management. The reporting process and supporting interviews form the basis of the quarterly risk update submitted to the Executive Management and the Board of Directors.

The Executive Management is responsible for defining Coloplast's overall risk profile, and for setting standards for risk taking and for aligning it with the overall strategies and policies. The Executive Management is also responsible for launching and approving activities to address the most significant risks.

The Board of Directors monitors the overall risk landscape and reviews, on a quarterly basis, the conclusions and recommendations submitted by the Executive Management.

Current risk landscape

In its risk reporting, Coloplast has identified a range of significant risks believed to have the potential to threaten and adversely impact the Group's business model, strategy and future performance. Those risks are categorised and described below, along with examples of action taken to mitigate them. Each risk is linked to one or more of the four major themes of Coloplast's strategy.

Coloplast's five most significant risk categories are largely unchanged from last year.

Top 5 risks



Pricing and reimbursement

A large part of Coloplast's products are sold in markets that are subsidised and eligible for reimbursement from local healthcare authorities. As a result, the prices of Coloplast's products are influenced by the economic and political developments in national markets, budgetary constraints of governments and healthcare reforms, bargaining power of large wholesalers and distributors, and Coloplast's ability to convince buyers of the economic value of its products based on clinical evidence, costs and patient outcome.

In July 2019, a new price reform was adopted in France, resulting in price reductions across Ostomy Care, Continence Care and Wound & Skin Care. These reductions had been expected and have not changed the overall risk assessment.

Risk examples

- Lower reimbursements and increasing price pressure due to healthcare and price reforms.
- Lack of or inadequate clinical evidence to support reimbursement levels.
- Global or local political and economic matters, such as interest rate or currency volatility.

Risk response

- Monitoring economic and political developments, and changes to public sector guidelines and reimbursement schemes.
- Interaction with healthcare authorities, patient associations and industry associations to try to prevent, postpone or minimise the impact.
- Financial risk management, including hedging in accordance with Coloplast's financial mandate.

Risk management

Product quality and safety

As a manufacturer of medical devices, Coloplast is committed to ensuring the quality of its products and the safety of its users, including organising the security of personal data. The products the Group develops and manufactures must comply with medical device directives and legislation imposed by local healthcare authorities, such as the US Food and Drug Administration (FDA) and the new EU Medical Device Regulation (MDR).

Risk examples

- Loss of licences to sell or manufacture due to non-compliance with new laws and regulations on medical devices in force from time to time.
- Defects and omissions and critical product quality and safety issues in product design and manufacturing that could disrupt operations, sales, lead to product recalls, bodily injury and product liability claims.
- Non-compliance with data protection legislation or personal data leaks that could lead to monetary fines and damage Coloplast's reputation.

Risk response

- Ensuring that Coloplast continuously develops and improves its control processes and quality procedures, from the design phase to post-market surveillance.
- Monitoring legislation and market standards to ensure that any amendments or changes are incorporated into internal procedures, including investing to ensure compliance with the new EU Medical Device Regulation.
- Certification of our Quality Management Systems to national and international standards and carrying out internal and external audits.

Product innovation and development

It is essential that Coloplast maintains a competitive and innovative product pipeline that meets the needs of the users. To achieve this, Coloplast relies on its ability to interact with end users and healthcare professionals, to protect intellectual property against infringement from competitors, and to understand surgical and medical trends that may impact or limit sales.

Risk examples

- Medical and technological innovations disrupting Coloplast's core business.
- Lack of innovation increasingly resulting in a commoditisation trend, allowing the entry of low-cost competitors, potentially increasing price pressures, and diminishing clinical differentiation of the products on the market and resulting in a loss of market share.
- Infringement of intellectual property rights may reduce Coloplast's competitive advantages and negatively impact sales.

Risk response

- Investing in new innovative growth initiatives for the purpose of developing superior and clinically differentiated products, such as Coloplast's Clinical Performance Program.
- Patenting to prevent competitors from copying Coloplast products or from producing technical equivalent alternatives.
- Monitoring surgical and medical developments that may impact the various business areas.

Legal and compliance-related risks

Coloplast operates in a heavily regulated industry that is subject to various laws and regulations across geographies and business areas. The different legal environments can be unpredictable and politically motivated, and as a market leader, Coloplast could face legal risks at any given time. In addition, there is growing public awareness of business ethics, enforcement of anti-corruption laws and protection of personal data. It is at the heart of Coloplast's culture to act with respect and responsibility and to comply with laws and regulations. Despite these efforts, Coloplast recognises that mistakes may happen when people are involved and takes relevant action should a situation arise.

Since January 2016 when the FDA changed the classification of transvaginal mesh from Class II to Class III, Coloplast has cooperated with the authorities on 522 studies to document efficacy of transvaginal mesh products. Nevertheless, the FDA decided in April 2019 to eliminate one specific anterior transvaginal synthetic mesh products as a

Risk management

treatment option for pelvic organ prolapse, and the sale of Restorelle DirectFix Anterior was stopped in the US and the rest of the world. Coloplast does not expect the FDA's decision to have an impact on the pending product liability lawsuits concerning transvaginal mesh products in the US.

Risk examples

- Violations of anti-corruption laws and non-compliance with Coloplast's own and the industry's codes of conduct could damage Coloplast's reputation and involve a risk of monetary fines.
- Lawsuits filed by competitors or customers or investigations by authorities into certain business practices could have a negative reputational and financial impact.

Risk response

- Ensuring that all employees receive training in Coloplast's Code of Conduct, including training in the company's IT policies and that business partners are aware of Coloplast's ethical standards and work with Coloplast to continuously maintain and develop compliance practices.
- Independent and confidential ethics hotline for reporting of unethical situations, violations and misconduct.

Production and business continuity

Coloplast operates facilities all over the world, the most recent addition being the establishment of a new production facility in Costa Rica. Most production takes place at central facilities and in some cases, Coloplast purchases raw materials and components used in production from sole suppliers for reasons of availability, quality assurance and cost effectiveness.

During 2018/19 Coloplast has seen an increasing number of cyberattacks e.g. phishing from hackers and other cyber criminals against the company, that in worst case scenario can affect the production and delivery performance.

Risk examples

- A major IT breakdown due to sabotage, criminal acts or negligence, resulting in disruption of sales and shipments to customers.

- Major disruption at a manufacturing facility due to natural disasters or other emergencies, such as fire, may disrupt Coloplast's ability to manufacture and distribute its products.
- A major disruption of the supply chain due to force majeure situations, strikes or other events beyond Coloplast's control, which could result in, for example, the inability to source critical raw materials and disrupt supply to customers.

Risk response

- Annual test and review of ISO 27001-certified IT contingency plans, investments in IT security, and cyber insurance.
- Implemented emergency response and contingency plans, keeping critical processes and workflows physically separated, having all facilities certified to 'highly-protected risk' industry standards.
- Identified high-risk suppliers and prepared contingency plans, including maintaining multiple inventories, dual supplier qualification for raw materials and qualification of substitute materials where applicable.
- Building up additional inventory as a contingency plan for potential supply chain disruptions as a result of Brexit

Corporate responsibility

Corporate responsibility at Coloplast

Corporate responsibility is Coloplast's values in action and Coloplast welcomes the broader responsibility that comes with being a market-leader – responsibility to our users, to clinicians, to our employees, to business partners, to society, to the environment and to our shareholders. Coloplast has been committed to the ten business principles of the UN Global Compact since 2002 and works to make positive contributions to the UN Sustainable Development Goals (SDGs) where possible. Coloplast's approach to corporate responsibility is driven by three aspirations.

Coloplast aspiration	Key targets	Status	UN Global Compact	UN Sustainable Development Goals
Empowering people	- Reduce phthalates use	Achieved	Human rights	3 – Good health and well being
	- Approve new Access to Healthcare projects annually	On track		
Acting respectfully	- Train all white-collar employees in Code of Conduct	On track	Human rights, Labour rights, Anti-corruption	8 – Decent work and economic growth
	- Reduce injuries measured by LTI frequency	On track		
	- Increase share of women in top management	On track		16 – Peace, justice and strong institutions
	- Increase share of diverse teams	New		
- All raw material suppliers screened for human and labour rights	Achieved - ongoing			
Minimising environmental impact	- Increase recycling rate of production waste	Not on track	Environment	12 – Responsible consumption and production
	- Continuously reduce waste per product	On track		
	- Continuously reduce energy use per product	Not on track		13 – Climate action
	- All electricity use from renewable sources	Achieved		
- Reduce goods transported by air to 3%	On track			

Empowering people

By contributing to better health outcomes, Coloplast strives to empower people to live the life they want. Whether that is to enjoy their social lives, to progress in their careers or to explore their passions.

Coloplast contributes to better health outcomes and the fundamental right to health by innovating safe products, supporting beyond expectations, fighting for better care and community engagement. These contributions are driven by Coloplast's mission and Coloplast's growth strategy LEAD20 with its focus on challenging the industry through a

user-focused market approach as well as delivering superior products and innovation.

Through its global corporate partnership programme, Access to Healthcare, Coloplast is committed to improving conditions for people with intimate healthcare needs. The programme contributes to raising the standard of care and developing addressable markets. Over its twelve year history, the Access to Healthcare programme has had multiple projects, among other places in China. Previous projects include creating wound care centres of excellence and training of healthcare professionals. Together with the China Foundation for Disabled

Corporate responsibility

Persons and the China Association of People with Physical Disability, Coloplast has this year entered into a strategic framework agreement to raise the standard of care patients with spinal cord injury. Today, around two million Chinese citizens, with spinal cord injury, deal with multiple challenges on a daily basis. These conditions affect not only the patients, but also their families and society in general.

Other examples of recent projects include raising awareness on intermittent catheterisation in Australia, Brazil, Canada, Japan and Russia as well as educational training for children with spina bifida in Poland. Overall, the programme has supported 62 projects in more than ten countries.

Delivering safe and reliable products is essential to Coloplast's mission. All Coloplast products are safe for intended use and Coloplast adopts a proactive approach in scouting for alternative substances.

Coloplast recognises that there are concerns about the use of phthalates, and has therefore adopted a precautionary approach limiting the use of phthalates in products. This is an area where Coloplast leads by example by offering phthalate-free alternatives to 97% of the company's product range containing classified phthalates. Coloplast has also worked to reduce the use of phthalates in the existing portfolio, having reduced the absolute use of phthalates by 51% since 2015.

Acting respectfully

Progress	2018/19	2017/18	2016/17	2015/16	Target
White-collar employees trained in Code of Conduct	99%	99%	95%	96%	100%
Share of female top managers	21%	20%	14%	15%	Year-on-year increase
LTI Frequency ¹⁾	3.0	4.3	4.5	4.1	3.0 by 2020

¹⁾ Number of injuries resulting in absence from work of more than eight hours per one million working hours

Acting respectfully towards people and local customs is fundamental to Coloplast. In line with Coloplast values, Coloplast supports Human and Labour Rights and works against corruption in all its forms. To ensure Coloplast is acting respectfully, Coloplast

works to ensure compliance with our Code of Conduct, reduce occupational injuries, as well as the creation of an inclusive leadership culture.

During the 2018/19 financial year, Coloplast rolled out an updated version of the code of conduct, Coloplast BEST. Coloplast BEST has undergone a review to ensure compliance to updated regulation and industry codes. It is mandatory for all white-collar employees at Coloplast to train in Coloplast BEST, and a total of 99% of employees have completed the training.

Strong leadership development is essential in the support of Coloplast's LEAD20 strategy for growth. Coloplast works to integrate inclusion and diversity into existing processes, and believes diversity creates a higher degree of innovation as well as better decisions. That is why Coloplast is committed to building an inclusive leadership culture that leverages diversity at all levels.

Coloplast's target is to increase the share of women in senior management positions year-on-year. This year, the share of women in senior management positions increased from 20% to 21%. In addition, Coloplast recognises that all diversity factors are important. To increase diversity, Coloplast will track and monitor the mix of diversity in all teams at director level and above. Diversity is broader than gender and also includes generation and nationality. The ambition is to raise the level of diverse teams year-on-year through natural turnover.

Providing a safe and healthy work environment for employees is a core value for Coloplast. Working in production at Coloplast is relatively low-risk compared to other industries, and Coloplast has never had a fatal workplace injury. Coloplast aims to reduce the number of workplace injuries by 33% relative to the 2016/17 level by 2020. This year, Coloplast has reached this target ahead of time and considers that a strong achievement. The primary reason for the improved performance is a strengthened safety culture driven by internal campaigning activities and management engagement both globally and locally. Coloplast will continue to work with safety behaviours and believes that there is room for even further improvement.

Corporate responsibility

Coloplast is aware that human rights and labour rights may be subject to different standards when it comes to suppliers. To address this issue, Coloplast takes a systematic approach to approving suppliers of raw materials in terms of human rights and labour rights. Coloplast has screened all relevant suppliers. If an issue is identified, Coloplast will seek to have conditions improved through dialogue with the supplier. However, when necessary, Coloplast has terminated cooperation. To date, the company has successfully helped more than 25 suppliers improve their conditions.

Minimising the environmental impact

Progress	2018/19	2017/18	2016/17	2015/16	Target
Production waste per product (grams)	12.2	12.5	13.0	12.3	Continuous reduction
Recycling rate of production waste	32%	33%	31%	31%	35% by 2020
Energy use per product (kWh)	0.14	0.14	0.15	0.14	Continuous reduction
Renewable electricity consumption at all sites	100%	50%	0%	0%	100% by 2019

Coloplast projects 7-9% organic revenue growth annually in the LEAD20 strategy. This means increased production output and, consequently, an increased impact on the environment. In order to minimise its environmental footprint, Coloplast works to achieve a more sustainable material consumption and to reduce energy consumption and climate impacts.

Coloplast takes a structured approach to ensuring sustainable materials consumption by optimising waste and its recycling capacity in existing production processes. This year, Coloplast has launched an updated version of SpeediCath® Flex with new aluminium-free packaging. This reduces the product's carbon footprint by up to 16%. Reporting a recycling rate of 32% for the current financial year, Coloplast is not on track to achieving the 2020 target of 35%. The performance on this target is challenged by the high degree of mixed polymers among the waste produced.

To support SDG 13 of taking urgent action to combat climate change, Coloplast is purchasing renewable energy certificates for electricity consumption at all production sites. Electricity accounts for more than 60% of total energy consumption in production. At the conclusion of the 2018/19 financial year, Coloplast had achieved a 100% coverage of renewable energy for electricity use, effectively reducing greenhouse gas emissions by more than 30,000 tonnes.

Many users of Coloplast products rely on receiving stable and adequate supplies of the products they need. If extraordinary events occur in the supply chain, Coloplast will give priority to user needs for products and if necessary send products by air to ensure that they reach users in time. Coloplast works with a long-term goal for how products are transported to a maximum of 3.0% air transportation. In the past year, Coloplast has reduced the use of air transportation from 10.7% to 5.1%. The improved performance this year can be attributed to increased internal focus and strengthened governance on using air transportation.

Coloplast uses almost 40,000 tonnes of raw materials a year, about 70 per cent of which are plastics. There are very limited alternatives to using plastics in medical consumables, due to product performance as well as hygiene and quality standards. However, Coloplast wants to improve raw material use by testing new sustainable materials and product technologies. To deliver on this ambition, sustainability has been singled out as a distinct focus area in our new strategy.

Where to find more information

For more information on Coloplast's statutory report on corporate social responsibility issued in compliance with sections 99a and 99b of the Danish Financial Statements Act and the full wording of the data sets, see the Corporate Responsibility Report for 2018/19, which is available at:

<http://www.coloplast.com/About-Coloplast/Responsibility/Policies/>

Corporate governance

Corporate governance at Coloplast

At least once a year, Coloplast's Board of Directors and Executive Management review the principles of corporate governance originating from legislation, custom and recommendations, among other things.

The Board of Directors and the Executive Management assess the company's business processes, the definition and implementation of the mission, the organisation, stakeholder relations, strategy, risks, business objectives and controls.

The Board of Directors determines the Group's objectives, strategies and overall action plans. On behalf of the shareholders, the Board of Directors supervises the company's organisation, day-to-day management and results. The Board of Directors also sets guidelines for the Executive Management's execution of the day-to-day management of the company and for assigning tasks among the individual executives. No person is a member of both the Board of Directors and the Executive Management.

Recommendations on corporate governance in Denmark

The recommendations of the committee on corporate governance were revised in November 2017 and applies to financial years commencing on or after 1 January 2018. Nasdaq Copenhagen's Rules for issuers of shares also require the company to prepare a statement on corporate governance according to the recommendations of the committee on corporate governance. The Board of Directors reviews the rules in force on a regular basis. The Board of Directors and the Executive Management share the committee's views and generally follow the recommendations. See the corporate website for a presentation of which recommendations Coloplast partly follows and the reasons why.

Objective of the reporting

Coloplast accounts for views and activities relating to corporate governance in the Annual Report, at investor meetings and on the corporate website. The purpose is:

- To ensure that investors receive information.
- To increase investor and employee insights into the company's strategy, objectives and risks.

- To create stakeholder confidence in the company.

Coloplast's "Statutory report on corporate governance", cf. section 107b of the Danish Financial Statements Act, is available in its entirety on the corporate website:

<http://www.coloplast.com/corporate-governance/>

Internal controls and risk management systems in relation to the financial reporting process

A central unit of the Corporate Finance department conducts regular control inspections at Coloplast's subsidiaries to ensure that corporate standards for internal controls have been implemented and operate effectively. Conclusions from these inspections and any proposals for improvement are reported to the Executive Management, the audit committee and the independent auditors.

The overall duties of the audit committee are to monitor the following:

- The financial reporting and associated processes.
- The structuring of the accounting function, accounting policies and accounting estimates.
- The need for an internal audit function.
- The company's internal control systems and risk management systems, including insurance matters.
- The Group's IT security and the auditors' annual review of the company's IT security in respect of the financial reporting.
- The statutory audit of the financial statements, including reporting the results to the Board of Directors.
- The independence of the auditors, including in particular the provision of non-audit services to the Group.
- The procedure of selecting and making recommendation to the Board of Directors in respect of the appointment of auditors.
- Activities reported on the Coloplast Ethics Hotline.

Corporate governance

The committee holds four ordinary meetings annually. The committee held four meetings during the 2018/19 financial year, all with full attendance. Please find the committee charter here:

<http://www.coloplast.com/corporate-governance/>

For the statutory report on corporate governance in compliance with section 107b of the Danish Financial Statements Act, see Internal controls and risk management systems in relation to the financial reporting process at:

<http://www.coloplast.com/corporate-governance/>

Openness and transparency

Investor relations

Coloplast has established a policy for communicating information to shareholders and investors, under which the Executive Management and the Investor Relations team are in charge of communications pursuant to guidelines agreed with the Board of Directors. The communication of information complies with the rules laid down by Nasdaq Copenhagen, comprising:

- Full-year and interim financial statements and the annual report.
- Replies to inquiries from equity analysts, investors and shareholders.
- Site visits by investors and analysts.
- Presentations to Danish and foreign investors.
- Capital markets days for analysts and investors.
- Conference calls in connection with the release of financial statements.
- Dedicated investor relations section on Coloplast's corporate website.

Duties and responsibilities of the Board of Directors

Rules of procedure

A set of rules of procedure governs the work of Coloplast's Board of Directors. These rules are reviewed annually by the Board of Directors and updated as necessary. The rules set out guidelines for the activities of the Board of Directors including the supervision of the company's organisation, day-to-day management and results.

Eight board meetings were held in the 2018/19 financial year. Attendance rate by shareholder-elected board members at the meetings was 96%.

Composition of the Board of Directors

Board committees

The Board of Directors has established (i) an audit committee consisting of Jørgen Tang-Jensen as chairman and Lars Rasmussen, Birgitte Nielsen and Carsten Hellmann as ordinary members and (ii) a remuneration and nomination committee consisting of Lars Rasmussen as chairman and Niels Peter Louis-Hansen and Jette Nygaard-Andersen as ordinary members.

The Remuneration and Nomination Committee was established in December 2018 with the purpose of assisting the Board of Directors in, among other things, the oversight of:

- The competence profile and composition of the Board of Directors.
- Nomination of members to the Board of Directors.
- Nomination of members to the Board committees.
- The leadership pipeline.
- The remuneration policy for the members of the Board of Directors and the Executive Management and other tasks on an ad hoc basis as specifically determined by the Board of Directors.

The committee holds three ordinary meetings annually. The committee held 3 meetings during the 2018/19 financial year, all with 100% attendance. Please find the committee charter here:

<http://www.coloplast.com/corporate-governance/>

Assessment of the work performed by the Board of Directors

Every year, the Board of Directors conducts a self-assessment. Based on the result of this assessment, the organisation and efficiency of the Board of Directors' work are discussed at a Board meeting.

Corporate governance

In 2019, the annual evaluation of the Board of Directors was performed by an independent external consultancy firm. The evaluation consisted of individual, personal interviews with each board member as well as each member of the executive management and a bespoke, online questionnaire in which board members as well as the executive management participated anonymously.

Additionally, the evaluation included desk-research analysis, including an analysis on how time was spent at the board meetings, the composition of the board and board composition benchmarking.

The conclusions of the evaluation are that the board is very efficient in several areas. Further, the results show that there is a high level of respect and trust, a constructive and encouraging ambiance and a very good understanding and practice regarding the board's stewardship role and the management team's executive role.

The board also wish to continue its work on ensure compliance with the recommendations on corporate governance and increase transparency by frequently updating and publishing which recommendations the company follows, and which few recommendations it has chosen to follow partly and why. Lastly, as Coloplast operates in an industry that is constantly changing and where innovation is crucial, the Board has broadened the scope of its strategic work to ensure Coloplast maintains its position as market leader.

The assessment did not give rise to any comments.

Remuneration of the Board of Directors and the Executive Management

Coloplast's guidelines for incentive pay were adopted at the annual general meeting held on 5 December 2016. Following an amendment to Section 139 and the adoption of a new Section 139(a) of the Danish Companies Act, an updated remuneration policy will be submitted for approval at the annual general meeting to be held on 5 December 2019. The remuneration report is available on the corporate website at:

<https://www.coloplast.com/remuneration-report/>

The guidelines for remuneration of the Board of Directors and the Executive Management is available on the corporate website at:

<https://www.coloplast.com/management-remuneration/>

Severance schemes

As per 30 September 2019, a provision of DKK 2.6m was made for a now discontinued post-service remuneration scheme for retired Board members. The scheme comprises one person. If a member of the Executive Management is given notice of termination by the company, the company will have an obligation to pay such member two years' pay.

Other executive functions

Board of Directors

Chairman

Lars Rasmussen (60, male)

1 year on the Board, not considered an independent Board member.

H. Lundbeck A/S (C)

Demant A/S (BM)

Igenomix (C)

Deputy Chairman

Niels Peter Louis-Hansen (72, male)

51 years on the Board, not considered an independent Board member.

Aage og Johanne Louis-Hansen Fond (C) and Director of its wholly owned subsidiary

N. P. Louis-Hansen ApS, Director and Director of its wholly owned subsidiary

Civiløkonom Niels Peter Louis-Hansen, Agriculture and forestry

Jørgen Tang-Jensen (63, male)

12 years on the Board, considered an independent Board member.

Danish Green Investment Fund (C)

Rockwool International A/S (BM)

VKR Holding A/S (BM)

Villum Fonden (BM)

Maj Invest Holding A/S (BM) and BM of two of its wholly owned subsidiaries.

Birgitte Nielsen (56, female)

4 years on the Board, considered an independent Board member.

Matas A/S (BM)

Kirk Kapital A/S (BM)

Gigtforeningen (BM)

De Forenede Ejendomsselskaber A/S (BM)

Jette Nygaard-Andersen (51, female)

4 years on the Board, considered an independent Board member.

Carsten Hellmann (55, male)

2 years on the Board, considered an independent Board member.

ALK-Abelló A/S, CEO

Dansk Erhverv (BM)

Thomas Barfod (49, male)

13 years on the Board, not considered an independent Board member.

Senior Controller

Elected by the employees

Roland V. Pedersen (57, male)

1 year on the Board, not considered an independent Board member.

Lead Negotiator

Elected by the employees

Nikolaj Kyhe Gundersen (50, male)

1 year on the Board, not considered an independent Board member.

Skilled Precision Engineer

Elected by the employees

Executive Management

Chief Executive Officer

Kristian Villumsen (49, male)

Chr. Hansen Holding A/S (BM)

Executive Vice President

Anders Lonning-Skovgaard (47, male)

Executive Vice President

Allan Rasmussen (52, male)

Executive Vice President

Paul Marcun (53, male)

Listed on this page are the board memberships of the members of the Board of Directors and the Executive Management of Coloplast A/S as reported by them on 5 November 2019.

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

All shareholder-elected board members stand for election every year at the annual general meeting.

(C) Chairman - (DC) Deputy Chairman - (BM) Board Member

Other matters

Intellectual capital

Coloplast develops its products and services in close interaction between employees, users, healthcare professionals and opinion-makers. Coloplast believes that retaining employees, developing their skills and empowering them to engage in this interaction is a prerequisite for safeguarding its position as a market leader.

At Coloplast, innovation is a team effort between marketing, R&D, production and sales. Marketing prepares market research and manages relationships with users so as to build an understanding of their needs. This is then used to chart the course for innovation within the individual business areas.

Next, Coloplast develops products and services consistent with that course. Concurrently with the development process, clinical tests are conducted and legal issues are clarified at an early stage, including prices and the potential for reimbursement.

Based on the ambition to deliver innovative solutions of enhanced clinical relevance, Coloplast consistently adapts its efforts to ensure eligibility for reimbursement. In its capacity as a market leader, Coloplast is in regular dialogue with national reimbursement authorities for the purpose of ensuring reimbursement eligibility for new products in established markets and to establish general reimbursement for entire product categories in new markets.

Human resources

At 30 September 2019, Coloplast had 12,234 employees, of whom 10,960 worked in international locations. During the financial year, the number of employees increased by 4%.

Share classes and authorisations

Coloplast has two share classes: A and B. Both share classes have a denomination of DKK 1 per share. The 18 million class A shares entitle the holders to ten votes per A share and the 198 million class B shares entitle the holders to one vote per B share. The class A shares are non-negotiable instruments. The class B shares are negotiable instruments and were listed on the Copenhagen Stock Exchange (Nasdaq Copenhagen) in 1983. Any change of ownership or pledging of class A

shares requires the consent of the Board of Directors, whereas class B shares are freely negotiable.

The Board of Directors may increase the company's share capital by a nominal value of up to DKK 15 million in one or more issues of class B shares either with or without pre-emption rights for existing shareholders. The authorisation is valid until and including 4 December 2023. Moreover, the Board of Directors has been authorised to acquire treasury shares of up to 10% of the company's share capital. The highest and lowest amount to be paid for the shares by the company is the price applicable at the time of purchase +/- 10%. This authorisation is valid until the annual general meeting to be held in 2019.

At general meetings, matters are decided by a simple majority of votes. Resolutions to amend the company's articles of association require that not less than half of the share capital is represented and that the resolution is adopted by not less than two-thirds of the votes cast as well as of the voting share capital represented at the general meeting. The resolution lapses if the abovementioned share capital is not represented, or if a resolution is not adopted by two-thirds of the votes cast. If a resolution is adopted by two-thirds of the votes cast but without at least half of the share capital being represented, the Board of Directors must convene a new extraordinary general meeting within two weeks.

If at this meeting the resolution is adopted by not less than two-thirds of the votes cast and of the voting share capital represented, it will be passed irrespective of the amount of the share capital represented at the meeting.

In the event of a change of control in the company resulting from a change of ownership, the share options will be subject to accelerated vesting. No other important agreements are in place that would be affected in the event of a change of control of the company resulting from a takeover, and no special agreements have been made between the company, its management or employees if their positions are discontinued due to a change of ownership. There are no special provisions governing the election of members to Coloplast's Board of Directors.

Other matters

Ownership and shareholdings

The company had 39,452 shareholders at the end of the financial year, which was 2,216 fewer than last year. Institutional investors based outside Denmark held 34% of Coloplast's shares at 30 September 2019, compared to 33% a year earlier.

Registered shareholders represented 95% of the entire share capital. Pursuant to the company's articles of association, shares must be registered in the name of the holder to carry voting rights. Three shareholders have reported to the company, pursuant to section 55 of the Danish Companies Act, that at the date of this annual report they held 5% or more of the share capital or voting rights.

Shareholders with ownership or voting rights of more than 5%

Name	Residence	Ownership %	Voting rights %
Niels Peter Louis-Hansen ¹⁾	Vedbæk	20.7%	41.1%
Aage og Johanne Louis-Hansens ApS ²⁾	Nivå	11.4%	15.2%
Benedicte Find	Humblebæk	3.7%	5.4%

¹⁾ In addition to the personally held shares, Niels Peter Louis-Hansen's wholly owned company N.P. Louis-Hansen ApS, has an additional 0.5% ownership representing 0.3% of the votes.

²⁾ Wholly owned by Aage og Johanne Louis-Hansens Fond.

Coloplast A/S held 3,577,155 treasury shares at 30 September 2019, equivalent to 2% of the share capital.

Coloplast's ownership structure

30 September 2019	A shares 1,000 units	B shares 1,000 units	Ownership %	Voting rights %
Holder of A shares and their families	18,000	78,826	45%	68%
Danish institutionals		12,546	6%	3%
Foreign institutionals		74,375	34%	20%
Coloplast A/S ³⁾		3,577	2%	
Other shareholders		16,993	8%	4%
Non-registered shareholders ³⁾		11,683	5%	
Total	18,000	198,000	100%	96%

³⁾ No voting rights

Shareholdings

30 September 2019	A shares 1,000 units	B shares 1,000 units	Number of insiders
Board of Directors	12,285	33,879	9
- of which independent Board members		13	4
Executive Management		91	4
Total	12,285	33,970	13

Statement of comprehensive income

1 October - 30 September

Note	DKK million	
	2018/19	2017/18
Income statement:		
3 Revenue	17,939	16,449
4,10,11 Production costs	-5,786	-5,383
Gross profit	12,153	11,066
4,10,11 Distribution costs	-5,206	-4,721
4,10,11 Administrative expenses	-757	-653
4,10,11 Research and development costs	-692	-640
Other operating income	77	66
Other operating expenses	-19	-27
Operating profit (EBIT) before special items	5,556	5,091
5 Special items	-400	0
Operating profit (EBIT)	5,156	5,091
6 Financial income	54	125
6 Financial expenses	-182	-207
Profit before tax	5,028	5,009
7 Tax on profit for the year	-1,155	-1,164
Net profit for the year	3,873	3,845
Other comprehensive income:		
Items that will not be reclassified to the income statement:		
17 Remeasurements of defined benefit plans	-5	30
Tax on remeasurements of defined benefit plans	3	-5
	-2	25
Items that may be reclassified to income statement:		
Value adjustment of currency hedging	-143	-28
Transferred to financial items	121	-89
Tax effect of hedging	5	26
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries	35	-62
Tax effect of currency adjustment, assets in foreign currency	-11	-3
	7	-156
Total other comprehensive income	5	-131
Total comprehensive income	3,878	3,714
8 Earnings per Share, DKK (EPS)	18.25	18.12
8 Earnings per Share, DKK (EPS), diluted	18.18	18.10

Balance sheet

At 30 September

		DKK million	
Note		2019	2018
Non-current assets			
10	Intangible assets	2,502	2,518
11	Property, plant and equipment	3,249	3,169
	Other equity investments	5	10
12	Deferred tax asset	590	460
	Other receivables	27	22
	Total non-current assets	6,373	6,179
Current assets			
13	Inventories	1,933	1,725
14	Trade receivables	3,153	2,877
	Income tax	231	13
	Other receivables	197	195
	Prepayments	163	161
15	Amounts held in escrow	13	12
	Marketable securities	313	310
23	Cash and cash equivalents	356	297
	Total current assets	6,359	5,590
	Total assets	12,732	11,769

Balance sheet

At 30 September

		DKK million	
Note		2019	2018
	Equity		
	Share capital	216	216
	Currency translation reserve	-175	-161
	Reserve for currency hedging	-53	-36
	Proposed ordinary dividend for the year	2,549	2,336
	Retained earnings	4,376	4,063
8,9,16	Total equity	6,913	6,418
	Liabilities		
	Non-current liabilities		
17	Provisions for pensions and similar liabilities	200	192
12	Provision for deferred tax	264	282
18	Other provisions	257	49
	Lease liability	134	91
25	Prepayments	22	29
	Total non-current liabilities	877	643
	Current liabilities		
17	Provisions for pensions and similar liabilities	9	3
18	Other provisions	201	222
19	Other credit institutions	1,066	1,262
	Trade payables	859	751
	Income tax	1,068	823
18	Other payables	1,720	1,628
	Lease liability	8	8
25	Prepayments	11	11
	Total current liabilities	4,942	4,708
	Total liabilities	5,819	5,351
	Total equity and liabilities	12,732	11,769

Statement of changes in equity

DKK million	Share capital		Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
	A shares	B shares					
2018/19							
Balance at 1.10.	18	198	-161	-36	2,336	4,063	6,418
Comprehensive income:							
Net profit for the year					3,611	262	3,873
Other comprehensive income that will not be reclassified to the income statement:							
Remeasurements of defined benefit plans						-5	-5
Tax on remeasurements of defined benefit plans						3	3
Other comprehensive income that may be reclassified to the income statement:							
Value adjustment of currency hedging					-143		-143
Transferred to financial items					121		121
Tax effect of hedging					5		5
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries						49	35
Tax effect of currency adjustment, assets in foreign currency						-11	-11
Total other comprehensive income	0	0	-14	-17	0	36	5
Total comprehensive income	0	0	-14	-17	3,611	298	3,878
Transactions with shareholders:							
Acquisition of treasury shares						-500	-500
Sale of treasury shares						380	380
Share-based payment						40	40
Tax on share-based payment, etc.						95	95
Interim dividend paid out in respect of 2018/19					-1,062		-1,062
Dividend paid out in respect of 2017/18					-2,336		-2,336
Total transactions with shareholders	0	0	0	0	-3,398	15	-3,383
Balance at 30.9.	18	198	-175	-53	2,549	4,376	6,913

Statement of changes in equity

DKK million	Share capital		Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
	A shares	B shares					
2017/18							
Balance at 1.10.	18	198	-86	55	2,228	3,539	5,952
Comprehensive income:							
Net profit for the year					3,395	450	3,845
Other comprehensive income that will not be reclassified to the income statement:							
Remeasurements of defined benefit plans						30	30
Tax on remeasurements of defined benefit plans						-5	-5
Other comprehensive income that may be reclassified to the income statement:							
Value adjustment of currency hedging				-28			-28
Transferred to financial items				-89			-89
Tax effect of hedging				26			26
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries			-75			13	-62
Tax effect of currency adjustment, assets in foreign currency						-3	-3
Total other comprehensive income	0	0	-75	-91	0	35	-131
Total comprehensive income	0	0	-75	-91	3,395	485	3,714
Transactions with shareholders:							
Transfers					1	-1	0
Acquisition of treasury shares						-500	-500
Sale of treasury shares						454	454
Share-based payment						35	35
Tax on share-based payment, etc.						51	51
Interim dividend paid out in respect of 2017/18					-1,059		-1,059
Dividend paid out in respect of 2016/17					-2,229		-2,229
Total transactions with shareholders	0	0	0	0	-3,287	39	-3,248
Balance at 30.9.	18	198	-161	-36	2,336	4,063	6,418

Cash flow statement

1 October - 30 September

		DKK million	
Note		2018/19	2017/18
	Operating profit	5,156	5,091
	Depreciation and amortisation	651	625
21	Adjustment for other non-cash operating items	213	-82
22	Changes in working capital	-291	-422
	Ingoing interest payments, etc.	20	101
	Outgoing interest payments, etc.	-207	-78
	Income tax paid	-1,185	-874
	Cash flows from operating activities	4,357	4,361
	Investments in intangible assets	-73	-53
	Investments in land and buildings	-63	-90
	- of which finance leases	54	0
	Investments in plant and machinery and other fixtures and fittings, tools and equipment	-80	-99
	Investments in property, plant and equipment under construction	-474	-427
	Property, plant and equipment sold	47	11
	Acquisition of operations	0	-293
	Net sales/purchase of marketable securities	-2	4
	Cash flows from investing activities	-591	-947
	Free cash flow	3,766	3,414
	Dividend to shareholders	-3,398	-3,288
	Acquisition of treasury shares	-500	-500
	Sale of treasury shares	380	454
	Financing from shareholders	-3,518	-3,334
	Drawdown on credit facilities	-196	-96
	Cash flows from financing activities	-3,714	-3,430
	Net cash flows	52	-16
	Cash and cash equivalents at 1.10.	297	314
	Value adjustment of cash and bank balances	7	-15
	Cash and cash equivalents, acquired operations	0	14
	Net cash flows	52	-16
23	Cash and cash equivalents at 30.9.	356	297
23	Cash	356	297
24	Unutilised credit facilities	3,981	3,492
	Financial reserves at 30.9.	4,337	3,789

The statement of cash flows cannot be derived solely from the published financial information.

List of notes

		Contains accounting policies	Contains significant estimates and judgments		Contains accounting policies	Contains significant estimates and judgments
Note 1	Key accounting policies	x		Note 18	Other provisions	x x
Note 2	Significant estimates and judgments			Note 19	Credit institutions	x
Note 3	Segment information	x		Note 20	Financial instruments	x
Note 4	Staff costs	x		Note 21	Adjustment for other non-cash operating items	
Note 5	Special items	x	x	Note 22	Changes in working capital	
Note 6	Financial income and expenses	x		Note 23	Cash and cash equivalents	x
Note 7	Tax on profit for the year	x		Note 24	Unutilised credit facilities	
Note 8	Outstanding shares and earnings per share (EPS)	x		Note 25	Public grants	x
Note 9	Dividend per share	x		Note 26	Financial liabilities	
Note 10	Intangible assets	x	x	Note 27	Contingent liabilities and guarantees	
Note 11	Property, plant and equipment	x		Note 28	The Executive Management's and the Directors' remuneration	
Note 12	Deferred tax	x	x	Note 29	Related party transactions	
Note 13	Inventories	x		Note 30	Fees to appointed auditors	
Note 14	Receivables and Trade receivables	x	x	Note 31	Events occurring after the balance sheet date	
Note 15	Amounts held in escrow	x		Note 32	Overview of Group companies	
Note 16	Treasury shares and share options	x		Note 33	Definitions of key ratios	
Note 17	Provisions for pensions and similar obligations	x				

Notes

Note

1. Key accounting policies

This section provides a summary of significant accounting policies, new IASB requirements and other general accounting policies. A detailed description of the accounting policies applied and the estimates made relative to each individual item is provided in relevant notes, such that all information about a specific accounting item can be found there.

Basis of preparation

The consolidated financial statements for 2018/2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements pursuant to the Danish Financial Statements Act.

General information

The annual report has been prepared on the basis of the historical cost principle, modified in that certain financial assets and liabilities are measured at fair value. Subsequent to initial recognition, assets and liabilities are measured as described below in respect of each individual item or in the relevant note.

Accounting policy changes

Effective from the 2018/19 financial year, the Coloplast group has implemented all new, updated or amended international financial reporting standards and interpretations (IFRSs) as issued by the IASB and IFRSs adopted by the EU that are effective for the 2018/19 financial year.

An analysis of IFRS 9 and the new recognition and measurement principles for financial instruments, including trade receivables and forward exchange contracts (used for hedging purposes) shows that the current accounting practice is in line with the new standard. The monetary effect of the implementation is not material, and for this reason, accounting policies for recognition and measurement remain unchanged and no adjustments have been made to the opening balance.

An analysis of the new framework for recognising revenues per IFRS 15 has shown that the current accounting practice is in line with the new standard. For this reason, accounting policies for recognition and measurement remain unchanged.

As a result, the implementation of new, updated or amended international financial reporting standards and interpretations (IFRSs and IFRICs) did not, in all material respects, affect the financial statements.

New financial reporting standards to be adopted

New and amended standards are implemented when taking effect.

IFRS 16 "Leases" will apply from the 2019/20 financial year. This standard will require the Group to capitalise most of its leases, and its implementation is expected to increase total assets by approximately 3% to 4%. Implementation of IFRS 16 will reclassify lease payments, which will be divided into a depreciation charge and interest expenses. Implementation is expected to have an immaterial, positive effect on EBIT and net profit for the year. Coloplast expects to implement the financial reporting standard using the simplified method without restating comparatives for the year prior to implementation.

Other relevant standards or interpretations adopted by the IASB, but not adopted by the EU, have not been applied in this annual report.

Notes

Note

1. Key accounting policies, continued

Foreign currency

The financial statement items of individual Group entities are measured in the currency used in the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the parent company. Other currencies are considered foreign currencies.

Foreign currency translation

Transactions denominated in foreign currencies are translated into an entity's functional currency at the exchange rate prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Exchange adjustments arising as the difference between exchange rates at the balance sheet date and exchange rates at the transaction date of monetary items are recognised in the income statement as financial income or expenses.

On translation of entities with a functional currency other than DKK, balance sheet items are translated at the exchange rates at the balance sheet date and income statement items are translated at the exchange rates at the transaction date. The resulting exchange adjustments are taken directly to other comprehensive income.

The Argentinian economy has been considered a hyperinflation economy effective from 1 July 2018. Accordingly, the Group's Argentinian subsidiary is recognised in accordance with IAS 29. The subsidiary's financial statements were inflation adjusted at a retail price index increase of 62.9% (source: Bloomberg) prior to recognition in the consolidated financial statements. The income statement and the balance sheet of the inflation-adjusted financial statements are included in the consolidated financial statements at the exchange rate applying at the balance sheet date.

Consolidation, business combinations and associates

The consolidated financial statements comprise the financial statements of Coloplast A/S (the parent company) and enterprises (subsidiaries) controlled by the parent company. The parent company is considered to exercise control when it has power over the relevant activities of the enterprise, is exposed or has rights to a variable return from the investment and has the ability to affect those returns through its power.

The consolidated financial statements are prepared by aggregating the financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the Group's accounting policies. Intra-group transactions, balances, dividends and unrealised gains and losses on transactions between group enterprises are eliminated.

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

Enterprises recently acquired or divested are included in the consolidation in the period in which the Coloplast Group has control of the enterprise. Comparative figures are not restated to reflect acquisitions. Divested activities are shown separately as discontinued operations.

Notes

Note

1. Key accounting policies, continued

Acquisitions are accounted for using the purchase method, according to which the assets and liabilities and contingent liabilities of enterprises acquired are measured at fair value at the date of acquisition.

Goodwill on acquisition of subsidiaries or associates is calculated as the difference between the fair value of the consideration and the fair value of the group companies' proportionate share of identifiable assets less liabilities and contingent liabilities at the date of acquisition.

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

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

Goodwill arising in connection with the acquisition of subsidiaries is recognised in the balance sheet under intangible assets in the consolidated financial statements and tested annually for impairment.

Revenue

Revenue comprises income from the sale of goods after deduction of any price reductions, quantity discounts or cash discounts. Sales transactions are recognised in the income statement at the point in time when control of the goods is transferred to the customer, and when the consideration is assessed to be collectible. Revenues from sales transactions are measured at the amount of consideration to which Coloplast expects to be entitled.

Within all segments, revenues are typically recognised when the customer takes possession of the goods. Exceptions to this comprise of Urology Care revenues, as revenues from certain surgical products are generated from consignment sales as well as the Compeed contract manufacturing. Certain surgical products within Urology Care are always available at our partner hospitals to ensure that all sizes and fits are always available. Revenues from consignment sales are recognised as the goods are used (i.e. in surgery). Revenues from contract manufacturing of Compeed is recognised when the products are available for delivery when this coincides with the transfer of control of the products.

Coloplast generates most of its sales through distributors who operate under various conditions and who for that reason require varying sales agreements. Coloplast's distributor agreements contain volume and product-specific rebates, which require data management and monitoring of sales to individual distributors at product level. In addition, the sales agreements contain various right-of-product-return requirements.

Payment terms for Trade Receivables from customers depend on creditworthiness, customary business practices and contract negotiations. Payment terms for some customers include a period of credit which commences when the products are shipped while other customers are requested to pay in advance or provide appropriate collateral for the payment. Prepayments from customers are recognised as revenue in the following period upon satisfying the performance obligations.

Notes

Note

1. Key accounting policies, continued

Variable considerations include volume and product-specific rebates which, for some markets, are accumulated and paid annually or quarterly. Accruals for variable considerations are constrained by uncertainty of future events, such as the expected volume of sales, and require significant judgment.

Revenue is measured at the fair value of the agreed consideration. All discounts granted are recognised in revenue. An estimate of expected returns is also recognised in revenue.

Coloplast has chosen to adopt the practical expedient in IFRS 15, para 63 associated with the determination of whether a significant financing component exists for transactions where payment is expected in less than 12 months from the delivery of goods (transfer of control).

Marketable securities

Marketable securities are designated at fair value through profit or loss under the fair value option, as the marketable securities are part of a portfolio which is managed and measured on a fair value basis.

Bonds forming part of repo transactions, i.e. the sale of bonds that are bought back at a later date remain classified as financial assets in the balance sheet, while amounts received from repo transactions are recognised as repo debt. Returns on such bonds are recognised under financials.

Cash flow statement

The consolidated cash flow statement, which is presented according to the indirect method, shows the Group's cash flow from operating, investing and financing activities as well as the Group's cash and cash equivalents and short-term debt to credit institutions at the beginning and end of the year. Cash and cash equivalents comprise cash and debt to credit institutions recognised under current assets and current liabilities, respectively. Marketable securities include bonds with maturities of more than three months and are recognised under investing activities.

2. Significant estimates and judgments

In connection with the practical use of the accounting policies described, it may be necessary for Management to make estimates in respect of the accounting items. The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. In addition, the company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events.

Management has made significant estimates in respect of the following items: Special Items, Intangible assets, Receivables and Trade receivables, Deferred tax, Uncertain tax positions and Other provisions. A further description of the principal accounting estimates and judgments is provided in notes 5, 10, 12, 14 and 18.

Notes

Note

3. 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, Interventional Urology and Wound & Skin Care.

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

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

The shared/non-allocated comprises support functions (production units and staff) and eliminations, as these functions do not generate revenue. While costs of R&D for Interventional Urology are included in the segment operating profit/loss for that segment, R&D activities for Chronic Care and Wound & Skin Care are shared functions which are comprised in shared/non-allocated. 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, distribution, sales and marketing costs and administrative expenses. Costs are allocated directly to segments. Certain immaterial indirect costs are allocated systematically to the shared/non-allocated and the reporting segments.

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

Coloplast A/S' registered office is situated in Denmark. Revenue from external customers in Denmark amounted to DKK 257m (2017/18: DKK 314m), while revenue from external customers in other countries amounted to DKK 17,682m (2017/18: DKK 16,135m). Total non-current assets except for financial instruments and deferred tax assets (there are no pension assets or rights pursuant to insurance contracts) placed in Denmark amounted to DKK 2,803m (2017/18: DKK 2,941m). Total non-current assets placed in other countries amounted to DKK 2,980m (2017/18: DKK 2,778m), of which non-current assets placed in Hungary amounted to DKK 1,222m (2017/18: DKK 1,165m).

In addition, revenue from three countries each accounted for more than 10% of consolidated revenue. These countries were: the USA with revenue of DKK 3,377m (2017/18: DKK 2,884m), the UK with revenue of DKK 2,607m (2017/18: DKK 2,408m) and France with revenue of DKK 2,312m (2017/18: DKK 2,177m).

Notes

Note

3. Segment information, continued

Operating segments	Chronic Care		Interventional Urology		Wound & Skin Care ¹⁾		Total	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
DKK million								
Segment revenue								
Ostomy Care	7,166	6,643	0	0	0	0	7,166	6,643
Contenance Care	6,459	5,926	0	0	0	0	6,459	5,926
Interventional Urology	0	0	1,970	1,740	0	0	1,970	1,740
Wound & Skin Care	0	0	0	0	2,344	2,140	2,344	2,140
External revenue as per the Statement of comprehensive income	13,625	12,569	1,970	1,740	2,344	2,140	17,939	16,449
Segment operating profit/loss	7,798	7,344	728	653	914	826	9,440	8,823
Shared/non-allocated							-3,884	-3,732
Special items not included in segment operating profit/loss. See note 5							-400	0
Operating profit before tax (EBIT) as per the Statement of comprehensive income							5,156	5,091
Net financials							-128	-82
Tax on profit/loss for the year							-1,155	-1,164
Profit/loss for the year as per the Statement of comprehensive income							3,873	3,845

¹⁾ The comparison figures for Wound & Skin Care are adjusted to reflect organisational changes where certain segment functions are changed to group functions.

4. Staff costs

Accounting policy

Staff costs are recognised in the financial year in which the staff performed the relevant work.

DKK million	2018/19	2017/18
Salaries, wages and directors' remuneration	4,513	4,003
Pension costs - defined contribution plans (note 17)	309	280
Pension costs - defined benefit plans (note 17)	16	13
Other social security costs	440	393
Total	5,278	4,689

Notes

Note

4. Staff costs, continued

DKK million	2018/19	2017/18
Production costs	1,243	1,167
Distribution costs	3,206	2,808
Administrative expenses	461	387
Research and development costs	368	327
Total	5,278	4,689
Average number of employees, FTEs	11,822	11,155
Number of employees at 30.9., FTEs	12,074	11,569
Number of employees at 30.9., headcounts	12,234	11,738

See note 28 for information on the Executive Management's and the Directors' remuneration.

5. Special items**Accounting policy**

Special items comprise material amounts of a non-recurring nature, such as costs relating to divestment, closure or restructuring, provisions for lawsuits, etc. These items are presented separately to facilitate the comparability of the income statement and to provide a better picture of the operating results.

The separation of special items requires the making of accounting estimates when stating special items in the income statement. Management reviews transactions presented as special items and considers whether such items are part of ordinary operations.

Special items contain expenses to cover further costs to resolve the remaining claims in connection with legal assistance relating to litigation about transvaginal surgical mesh products as the process takes longer than previously anticipated.

See note 18 to the financial statements for more information about mesh litigation.

DKK million	2018/19	2017/18
Provisions for litigation about transvaginal surgical mesh products	400	0
Total	400	0

6. Financial income and expenses**Accounting policy**

Financial income and expenses include interest, financing costs of finance leases, realised and unrealised foreign exchange adjustments, gains on net monetary items in hyperinflationary economies, fair value adjustment of forward contracts transferred from other comprehensive income, fair value adjustments of cash settled share options, fees, market value adjustments of securities and dividend received on shares recognised under securities.

Notes

Note

6. Financial income and expenses, continued

DKK million	2018/19	2017/18
Financial income		
Interest income	19	10
Fair value adjustments of forward contracts transferred from Other comprehensive income	0	89
Net exchange adjustments	2	0
Hyperinflationary adjustment of monetary position	32	24
Other financial income	1	2
Total	54	125
Financial expenses		
Interest expenses	6	12
Fair value adjustments of forward contracts transferred from Other comprehensive income	121	0
Fair value adjustments of cash-based share options	7	1
Net exchange adjustments	0	162
Other financial expenses and fees	48	32
Total	182	207

7. Tax on profit for the year**Accounting policy**

Coloplast A/S is jointly taxed with wholly owned Danish subsidiaries. The jointly taxed Danish enterprises are covered by the Danish on-account tax scheme.

Additions, deductions and allowances relating to the on-account tax scheme are included in financial items.

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

DKK million	2018/19	2017/18
Current tax on profit for the year	1,269	1,180
Change in deferred tax on profit for the year	-110	-48
Tax on profit from ordinary activities for the year	1,159	1,132
Adjustment of tax relating to prior years	-5	-7
Change due to change in tax rate	1	39
Total	1,155	1,164

Notes

Note

7. Tax on profit for the year, continued

Reconciliation of tax rate differences:	2018/19	2017/18
Danish tax rate, %	22.0	22.0
Effect of reduction of tax rates, %	0.0	0.8
Deviation in foreign subsidiaries' tax percentage, %	0.0	0.3
Non-taxable income and non-deductible expenses, %	0.3	0.3
Other taxes and other adjustments, net, %	0.7	-0.2
Effective tax rate, %	23.0	23.2
Tax on equity and other comprehensive income entries, income	92	69

8. Outstanding shares and earnings per share (EPS)

Accounting policy

Earnings per share reflects the ratio between profit for the year and the year's weighted average of issued, ordinary shares, excluding ordinary shares purchased by the Group and held as treasury shares (note 16). Earnings per share, diluted is calculated as the net profit for the year divided by the average number of outstanding shares adjusted for the dilutive effect of outstanding share options in the money.

DKK million	2018/19	2017/18		
Net profit for the year	3,873	3,845		
Net profit for the year before special items	4,185	3,845		
Weighted average no. of shares (in millions of units)	212.3	212.2		
Dilutive effect of outstanding options	0.8	0.2		
Average number of unrestricted shares including dilutive effect of outstanding options	213.1	212.4		
Earnings per share before special items (DKK), (A and B shares)	19.72	18.12		
Earnings per share (DKK), (A and B shares)	18.25	18.12		
Earnings per share before special items (DKK), (A and B shares), diluted	19.64	18.10		
Earnings per share (DKK), (A and B shares), diluted	18.18	18.10		
	2018/19	2017/18		
Outstanding shares ('000):	A shares	B shares	A shares	B shares
Outstanding shares at 1.10.	18,000	194,367	18,000	194,190
Sale of treasury shares		742		1,116
Acquisition of treasury shares		-686		-939
Outstanding shares at 30.9.	18,000	194,423	18,000	194,367

Outstanding shares ('000):	A shares	B shares
Issued shares	18,000	198,000
Holding of treasury shares (note 16)		3,577
Outstanding shares	18,000	194,423

Both share classes have a face value of DKK 1 per share. Class A shares carry 10 votes each, while class B shares carry 1 vote each. The class A shares are non-negotiable instruments. Any change of ownership or pledging of class A shares requires the consent of the Board of Directors. B shares are negotiable instruments, and no restrictions apply to their negotiability. No special dividend rights attach to either share class.

Notes

Note

9. Dividend per share

Accounting policy

Dividend is recognised in the balance sheet as a liability when adopted at the annual general meeting. Proposed but not yet paid dividend for the financial year is recognised in equity until approved by the shareholders at the general meeting.

The Board of Directors recommends that the shareholders attending the general meeting approve an additional dividend of DKK 12.00 per share of DKK 1 (2017/18: DKK 11.00). An interim dividend of DKK 5.00 per share was distributed in the financial year (2017/18: DKK 5.00), bringing total dividend per share for the year to DKK 17.00 per share (2017/18: DKK 16.00), for total dividends of DKK 3,611m (2017/18: DKK 3,395m). The increase in dividend per share thus amounts to 6%, and the pay-out ratio is 93% (2017/18: 88%).

10. Intangible assets

Accounting policy

Intangible assets with a finite life are measured at cost less accumulated amortisation and impairment losses. Borrowing costs are recognised as part of cost. Amortisation is made on a straight-line basis over the expected useful lives of the assets, which are:

Software	3-5 years
Acquired patents and trademarks etc.	5-15 years

Goodwill and other intangible assets with indefinite lives are tested for impairment annually or whenever there is an indication of impairment, while the carrying amount of intangible assets with finite lives, property, plant and equipment and investments measured at cost or amortised cost are assessed if there is an indication of impairment. If a write-down is required, the carrying amount is written down to the higher of net selling price and value in use. For the purpose of assessing impairment, assets are grouped in the smallest group of assets that generates identifiable cash inflows (cash-generating units). The cash-generating units are defined as the smallest identifiable group of assets that generates cash inflows and which are largely independent of cash flows from other assets or groups of assets.

For other intangible assets, the amortisation period is determined on the basis of Management's best estimate of the expected economic lives of the assets. The expected economic lives are assessed at least annually, and the amortisation period is determined based on the latest assessment. For purposes of calculating amortisation, the residual value of the assets is nil, unless a third party has committed to purchasing the asset after its use or there is an active market for the asset. With the exception of goodwill, all intangible assets have a finite life.

Gains or losses on the disposal of intangible assets are stated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal and are included in the income statement under other operating income or other operating expenses, respectively.

Notes

Note

10. Intangible assets, continued**Significant estimates and judgments**Goodwill and other intangible assets

The measurement of intangible assets, including goodwill, could be materially affected by significant changes in estimates and assumptions underlying the calculation of values. The carrying amount of intangible assets was DKK 2,502m as at 30 September 2019 (30 September 2018: DKK 2,518m).

Research and development

All in-house research costs are recognised in the income statement as incurred. Management believes that product development does not allow for a meaningful distinction between the development of new products and the continued development of existing products. As a result of mandatory regulatory approvals of products, completing the development of new products involves a high degree of uncertainty, for which reason the technical feasibility criteria are not considered to have been met. All in-house research and development costs are therefore recognised in the income statement as incurred. In 2018/19, DKK 692m (2017/18: DKK 640m) was expensed as research and development costs.

DKK million	Acquired patents and trademarks etc.	Goodwill	Software	Prepayments and intangible assets in progress	Total intangible assets
2018/19					
Total cost at 1.10.	1,743	1,984	396	48	4,171
Exchange adjustment	84	46	0	0	130
Additions and improvements during the year	0	0	33	40	73
Transfers	0	0	38	-38	0
Disposals during the year	0	0	-51	0	-51
Total cost at 30.9.	1,827	2,030	416	50	4,323
Total amortisation at 1.10.	1,317	0	336	0	1,653
Exchange adjustment	68	0	0	0	68
Amortisation for the year	118	0	33	0	151
Amortisation reversed on disposals during the year	0	0	-51	0	-51
Total amortisation at 30.9.	1,503	0	318	0	1,821
Carrying amount at 30.9.	324	2,030	98	50	2,502

Notes

Note

10. Intangible assets, continued**Goodwill**

Goodwill relates mainly to the acquisitions of Mentor's urology and continence business in 2006, Mpathy in 2010, Comfort Medical in 2016 and Lilial in 2018. Goodwill from the acquired businesses has been allocated on the individual cash-generating units according to earnings at the date of acquisition. The allocation was made to the cash-generating units Chronic Care and Interventional Urology.

Pursuant to IAS 36, a goodwill impairment test is performed when there is an indication of impairment, but at least once a year. In the impairment test, the carrying amount is compared with the recoverable amount (value in use) of each cash-generating unit, calculated as the discounted expected future cash flows.

Future cash flows are determined using forecasts based on realised sales growth, earnings and strategy plans, etc. These forecasts are based on specific assumptions for each cash-generating unit during the planning period with respect to sales, results of operations, working capital, capital investments and assumptions for cost of capital, inflation and the level of interest rates.

Growth rates during the terminal period correspond to the expected long-term rate of inflation.

Key assumptions applied in the impairment tests performed

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

	2018/19		2017/18	
	Chronic Care	Interventional Urology	Chronic Care	Interventional Urology
Revenue growth in terminal period	2%	2%	2%	2%
Tax percentage	23%	27%	23%	27%
Carrying amount of trademarks ¹⁾ , DKK million	50	0	50	0
Carrying amount of goodwill, DKK million	1,672	358	1,645	339

¹⁾ Carrying amount includes only those trademarks with indefinite useful lives.

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

	2018/19		2017/18	
	Before tax	After tax	Before tax	After tax
Chronic Care	7.0%	5.7%	7.4%	6.0%
Interventional Urology	11.7%	8.7%	11.8%	9.0%

Special assumptions applied in impairment tests performed in Interventional Urology

The interventional urology business consists of the production and sale of products used in surgical procedures in urology and gynaecology, including prostate catheters, stents, vaginal slings used to restore continence, mesh products used to treat weak pelvic floor and penile implants for men experiencing severe impotence.

The impairment test performed for Interventional Urology was based on forecasts for the 2019/20 financial year. Assumptions for the long-term strategy of the urology business were applied for the financial years 2020/21 to 2022/23.

Notes

Note

10. Intangible assets, continued

Revenue growth rates of 5-9% were assumed for the budget period, which rates are supported by the Interventional Urology organic growth rates of the most recent financial years. On the other hand, it was assumed that the gross margin will decrease slightly until the terminal period due to anticipated price pressures and healthcare reforms. It was also assumed that the Group's focus on cost management and regular efficiency improvements will ensure that overhead costs would increase at a rate lower than revenue, which will in turn produce an annual margin improvement.

The tax rate applied in the impairment test for Interventional Urology was higher than the rate applied for the Group, because sales and production mostly take place in the United States, which imposes a corporate tax rate higher than the Group average.

Working capital invested has been projected using the same growth rate as that for revenue.

Special assumptions applied in impairment tests performed in Chronic Care

Chronic Care consists of the Ostomy Care and the Continence Care businesses. The Ostomy Care business involves the production and sale of ostomy pouches and accessories. The Continence Care business involves the production and sales of disposable catheters and various types of products designed for people suffering from urinary or faecal incontinence.

The impairment test performed for Chronic Care was based on forecasts for the 2019/20 financial year. Assumptions for Coloplast's long-term strategy were applied for the financial years 2020/21 to 2022/23.

Revenue growth rates of 6-8% were assumed for the budget period, which rates are supported by the Chronic Care organic growth rates of the most recent financial years. On the other hand, it was assumed that the gross margin will decrease slightly until the terminal period due to anticipated price pressures and healthcare reforms. It was also assumed that the Group's focus on cost management and regular efficiency improvements will ensure that overhead costs will increase at a rate lower than revenue, which will in turn produce an annual margin improvement.

The Group's general tax rate was applied in the impairment test for Chronic Care, because these products are sold in all of the Group's markets.

Working capital invested has been projected using the same growth rate as that for revenue.

Acquired patents and trademarks etc.

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

Notes

Note

10. Intangible assets, continued

DKK million	Remaining amortisation period	Carrying amount	
		2019	2018
Patented technologies and unprotected technologies	0-7 years	79	114
Trademarks	2-7 years	69	92
Customer lists/loyalty	2-6 years	40	51
Total		188	257

Patented technologies and unprotected technologies

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

1. inventions not patentable/protectable
2. trade secrets
3. know-how
4. confidential information
5. copyrights on computer software, databases or instruction manuals and the like

Most relate to know-how regarding various materials and processes used in production. Division of the individual components into small intangible assets is not considered material or relevant.

Trademarks

In addition to patents, Coloplast acquired a large number (more than 150) of registered and unregistered trademarks, including pending applications for trademark registration, but Coloplast did not acquire the Mentor trademark.

Individual acquired trademarks, each representing a limited value, are not material for Coloplast's sales, as is also the case for patented and unprotected technologies.

On acquiring Mpathy, Coloplast acquired a small number (less than 20) of trademarks.

Customer lists/loyalty

Coloplast also acquired a substantial number of customer relationships when acquiring both Mentor and Mpathy. As long-term customer contracts are rarely made in the field of urology, customer lists are valued as a whole at the date of acquisition.

DKK million	2018/19	2017/18
Amortisation breaks down as follows:		
Production costs	76	86
Distribution costs	62	57
Administrative expenses	10	12
Research and development costs	3	2
Total	151	157

Notes

Note

10. Intangible assets, continued

DKK million	Acquired patents and trademarks etc.	Goodwill	Software	Prepayments and intangible assets in progress	Total intangible assets
2017/18					
Total cost at 1.10.	1,657	1,724	369	23	3,773
Exchange adjustment	21	13	0	0	34
Additions from acquisitions	65	247	0	0	312
Additions and improvements during the year	0	0	8	44	52
Transfers	0	0	19	-19	0
Total cost at 30.9.	1,743	1,984	396	48	4,171
Total amortisation at 1.10.	1,177	0	301	0	1,478
Exchange adjustment	18	0	0	0	18
Amortisation for the year	122	0	35	0	157
Total amortisation at 30.9.	1,317	0	336	0	1,653
Carrying amount at 30.9.	426	1,984	60	48	2,518

11. Property, plant and equipment**Accounting policy**

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises the cost of acquisition and expenses directly attributable to an acquisition until the asset is ready for use. In case of assets manufactured by the company, cost comprises materials, components, sub-supplier services, direct labour and costs directly attributable to the manufactured asset. In addition, borrowing costs are recognised as part of cost.

Leases, under which substantially all risks and rewards of ownership of an asset are transferred, are classified as finance leases. Other leases are classified as operating leases. Assets held under a finance lease are measured in the balance sheet at the lower of fair value and the present value of future minimum lease payments at the date of acquisition. The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised as an expense in the income statement as incurred. Assets held under finance leases are depreciated according to the same principles as the Group's other property, plant and equipment.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are:

Land	not depreciated
Buildings	15-25 years
Building installations	5-10 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-7 years

Notes

Note

11. Property, plant and equipment, continued

At the balance sheet date, the residual values, remaining useful lives and depreciation pattern of the assets are assessed. Any changes are treated as changes to accounting estimates. Gains and losses on the sale or scrapping of an item of property, plant and equipment are recognised in the income statement as other operating income and other operating expenses, respectively.

DKK million	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total property, plant and equipment
2018/19					
Total cost at 1.10.	2,590	4,447	1,053	270	8,360
Exchange and other adjustments	2	-7	4	-4	-5
Transfers	70	172	82	-324	0
Additions and improvements during the year	63	15	65	474	617
Disposals during the year	-68	-90	-97	-5	-260
Total cost at 30.9.	2,657	4,537	1,107	411	8,712
Total depreciations at 1.10.	1,323	3,155	713	0	5,191
Exchange and other adjustments	3	3	3	0	9
Depreciations for the year	111	240	149	0	500
Depreciation reversed on disposals during the year	-53	-88	-96	0	-237
Total depreciations at 30.9.	1,384	3,310	769	0	5,463
Carrying amount at 30.9.	1,273	1,227	338	411	3,249
Of which finance leased assets	130	0	0	0	130
Gross amounts of property, plant and equipment fully depreciated	605	1,468	473	0	2,546

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery for DKK 65m (2017/18: DKK 66m).

DKKm	2018/19	2017/18
Depreciations breaks down as follows:		
Production costs	385	376
Distribution costs	29	25
Administrative expenses	33	36
Research and development costs	53	30
Total	500	467

Notes

Note

11. Property, plant and equipment, continued

2017/18	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total property, plant and equipment
Total cost at 1.10.	2,364	4,195	935	382	7,876
Exchange and other adjustments	-33	-31	-4	-6	-74
Additions from acquisitions	0	2	4	0	6
Transfers	186	255	77	-518	0
Additions and improvements during the year	90	55	44	427	616
Disposals during the year	-17	-29	-3	-15	-64
Total cost at 30.9.	2,590	4,447	1,053	270	8,360
Total depreciations at 1.10.	1,250	2,950	604	0	4,804
Exchange and other adjustments	-12	-13	-3	0	-28
Depreciations for the year	101	254	112	0	467
Depreciation reversed on disposals during the year	-16	-36	0	0	-52
Total depreciation at 30.9.	1,323	3,155	713	0	5,191
Carrying amount at 30.9.	1,267	1,292	340	270	3,169
Of which finance leased assets	92	0	0	0	92
Gross amounts of property, plant and equipment fully depreciated	607	1,388	399	0	2,394

12. Deferred tax**Accounting policy**

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

Deferred tax relating to differences between initial recognition of assets or liabilities is not recognised if at the transaction date neither the accounting profit nor the taxable income is affected, unless such differences occurred in a business combination.

Uncertain tax positions generally relate to transfer pricing disputes and are recognised under provision for deferred tax.

Deferred tax is measured on the basis of the tax rates applicable at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future positive taxable income will be generated, against which the temporary differences and tax losses can be offset. Deferred tax assets are measured at expected net realisable values.

Notes

Note

12. Deferred tax, continued**Significant estimates and judgments**

The recognition of deferred tax assets and uncertain tax positions requires an assessment by management. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised if management estimates that the tax assets can be utilised within a foreseeable future by offsetting against future positive taxable income. The assessment is made annually on the basis of budgets and business plans for the following years, including any scheduled business measures. As the Group conducts business globally, transfer pricing disputes may arise with tax authorities in respect of settlement prices etc. Management applies a probability-weighted assessment to determine obligations in connection with transfer pricing disputes.

DKK million	2018/19	2017/18
Deferred tax, beginning of year	-178	-211
Exchange adjustments	-6	5
Additions from acquisitions	0	17
Adjustment due to change in tax rate	1	39
Prior-year adjustments	11	8
Other changes in deferred tax – charged to income statement	-110	-48
Change in deferred tax - charged to equity	-44	12
Total	-326	-178
Of which deferred tax asset	590	460
Provision for deferred tax	264	282
Calculation of deferred tax is based on the following items:		
Intangible assets	275	263
Property, plant and equipment	61	31
Indirect production costs	15	14
Unrealised gain from intra-group sale of goods	-271	-206
Provisions	-178	-126
Jointly taxed companies (recaptured balances)	9	9
Share options	-104	-46
Tax losses carried forward and tax credits	-58	-57
Other	-75	-60
Total	-326	-178

Taxable temporary differences regarding investments in subsidiaries and branches are insignificant and no deferred tax has been provided, because the company controls the timing of the elimination of the temporary difference, and because it is probable that the temporary difference will not be eliminated in the foreseeable future.

The Group's tax losses expiring after more than five years amount to DKK 33m (2017/18: DKK 29m). Of these tax losses, the Group has recognised a tax asset of DKK 3m on a DKK 13m tax loss (2017/18: DKK 9m).

The tax value of the Group's tax credits amounts to DKK 175m (2017/18: DKK 190m). This amount includes a recognised tax asset of DKK 55m (2017/18: DKK 57m). The tax credits expire after more than five years.

Notes

Note

13. Inventories**Accounting policy**

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the FIFO principle. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overheads. Production overheads comprise indirect material and labour costs, maintenance and depreciation of the machinery and production buildings used in the manufacturing process as well as costs of production administration and management. Net realisable value is the expected selling price less cost of completion and costs to sell.

Assessments

Capitalised production overheads have been calculated using a standard cost method, which is reviewed regularly to ensure relevant assumptions concerning capacity utilisation, lead times and other relevant factors in the calculation of actual costs of sales. Changes to the calculation method for production overheads, including levels of capacity utilisation, lead times, etc. could affect the gross margin and the overall valuation of inventories. The carrying amount of capitalised production overheads was DKK 513m as at 30.09.2019 (30.09.2018: DKK 473m).

DKK million	2018/19	2017/18
Raw materials and consumables	308	253
Work in progress	441	403
Manufactured goods	1,184	1,069
Inventories	1,933	1,725
Inventory writedowns at 1.10.	41	45
Inventory writedowns used	-20	-29
Inventory writedowns reversed	-9	-9
Inventory writedowns for the year	24	34
Inventory writedowns at 30.9.	36	41

Production costs include directly attributable production costs for goods sold in the amount of DKK 3,540m (2017/18: DKK 3,177m).

14. Receivables and Trade receivables**Accounting policy**

Receivables consist mainly of trade receivables. On initial recognition, receivables are measured at fair value and subsequently at amortised cost. Receivables are written down on the basis of an individual assessment and the simplified approach in accordance with IFRS 9 where loss allowances are based on lifetime expected credit losses.

Notes

Note

14. Receivables and Trade receivables, continued**Significant estimates and judgments**

Receivables and Trade receivables are recognised at amortised cost less provisions for losses. The individual provision is made for losses considered likely to arise. If the financial position of a customer deteriorates, making it unable to make payments, it may prove necessary to make additional provisions in future accounting periods. The allowance for lifetime expected losses is based on credit risk characteristics for a group of customers and days past due. When assessing whether the Group has made adequate provisions for bad and doubtful debts, management reviews the receivables, including previous losses on trade receivables, the customer's creditworthiness, current economic conditions and changes to customer payment terms and conditions.

Provisions for bad and doubtful debts, DKK million:	2018/19	2017/18
Provisions at 1.10.	95	93
Exchange adjustment	1	-3
Change of provisions during the year	11	9
Losses realised during the year	-14	-4
Provisions at 30.9.	93	95

The provisions are generally due to a customer's inability to pay resulting from bankruptcy or expected bankruptcy. Overdue receivables do not only reflect customers' general ability to pay, but also the payment patterns in markets in which Coloplast operates.

Receivables due are specified as follows:

Up to 30 days	304	362
Between 30 and 90 days	193	179
More than 90 days	409	383
Total receivables due	906	924

Receivables at 30 September:

DKK	107	114
EUR	1,121	1,070
GBP	671	303
USD	334	558
Other currencies	920	832
Total carrying amount	3,153	2,877

Long-term receivables

The portion of long-term receivables, which are falling due after more than one year after the balance sheet date, is recognised in the balance sheet as follows:

Other receivables	27	21
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Most of the long-term receivables fall due within three years of the balance sheet date. Interest accruing on receivables is 0%.

Notes

Note

15. Amounts held in escrow**Accounting policy**

Amounts held in escrow consist of cash held in escrow with third parties for litigation purposes.

Amounts paid into escrow accounts in connection with pending litigation and not yet released by the courts. See note 18 to the financial statements for more information about mesh litigation.

DKK million	2019	2018
Amounts held in escrow	13	12

16. Treasury shares and share options**Treasury shares****Accounting policy**

The price paid by Coloplast for treasury shares or the selling price on exercise of equity-based share remuneration is deducted from retained earnings.

	2018/19	2017/18	2018/19	2017/18
Treasury shares	B shares of DKK 1 in millions		% of B share capital	
Holdings of treasury shares at 1.10.	3.6	3.8	1.8%	1.9%
Acquired during the year	0.7	0.9	0.4%	0.5%
Sold during the year	-0.7	-1.1	-0.4%	-0.6%
Holdings of treasury shares at 30.9.	3.6	3.6	1.8%	1.8%

The Group does not hold A shares.

Share-based payment**Accounting policy**

Share options are granted to the Executive Management and senior management.

For equity-settled schemes, the fair value of options is determined at the grant date. The option value is subsequently recognised over the vesting period as staff costs. For cash-settled schemes, the fair value of options granted during the period is recognised as staff costs, whereas the fair value adjustment of granted options from previous periods is recognised under financial items. The purchase and selling prices of treasury shares on exercise are deducted from or added to equity, as the case may be.

Share option programmes (B shares) have been set up for members of the Executive Management and senior managers.

Share options have affected the profit for the year as follows:	2018/19	2017/18
Staff costs - equity-settled programmes	40	35
Financial costs - fair value adjustment of cash-settled programmes	7	1
Total share option cost	47	36

Notes

Note

16. Treasury shares and share options, continued

At 30 September 2019, the accounting liability of the option programmes was DKK 2m (2017/18: DKK 1m), while the fair value of all option programmes amounted to DKK 605m (2017/18: DKK 365m).

Outstanding options	2018/19			2017/18		
	No. of options	Avg. exercise price	Avg. share price	No. of options	Avg. exercise price	Avg. share price
Outstanding at 1.10.	2,468,117	521		3,044,415	485	
Options awarded	653,718	625		672,040	516	
Options forfeited	-20,865	533		-126,636	486	
Options exercised	-749,857	511	761	-1,121,702	404	602
Outstanding at 30.9.	2,351,113	547		2,468,117	521	

Issued in	Number	Share options lapsed	Options exercised	Not exercised at 30.09.2019	Exercise price, DKK ¹⁾²⁾	Exercise period
2014	862,335	461,516	385,935	14,884	566.74	31/12/17 - 31/12/19
2014 adjusted	245,265	11,924	229,448	3,893	482.67	31/12/17 - 31/12/19
2014 US	81,305	0	81,305	0	501.83	31/12/17 - 31/12/19
2015	828,388	465,542	69,304	293,542	613.80	31/12/18 - 31/12/20
2015 adjusted	199,877	17,029	111,120	71,728	482.67	31/12/18 - 31/12/20
2015 US	69,074	0	65,213	3,861	501.83	31/12/18 - 31/12/20
2016	636,673	62,178	0	574,495	482.67	31/12/19 - 31/12/21
2016 US	116,785	7,419	0	109,366	501.83	31/12/19 - 31/12/21
2017	596,363	37,731	0	558,632	507.64	31/12/20 - 31/12/22
2017 US	107,767	3,807	0	103,960	534.00	31/12/20 - 31/12/22
2018	501,877	4,385	0	497,492	630.08	31/12/21 - 31/12/23
2018 US	119,260	0	0	119,260	635.08	31/12/21 - 31/12/23

¹⁾ Adjusted by DKK 6.76 due to payment of dividend. Does not include US programmes.

²⁾ Average exercise price for options exercisable at the balance sheet date was DKK 585.32.

Share options are granted to members of the Executive Management and other senior management for the purpose of motivating and retaining a qualified management group and in order to align the interests of Management with those of the shareholders. Options are awarded as unconditional allocations at the date of grant, but vest over a three-year period. The value of options at the date of grant equalled an average of three months' salary for each recipient, with the exception of the Executive Management.

Coloplast's holding of treasury shares fully covers the option programmes, so options exercised under the programme will not influence the Group's cash position by forcing it to buy up shares in the market.

Notes

Note

16. Treasury shares and share options, continued

The value of the options was calculated using the Black-Scholes formula, in which the interest rate applied was the yield on Danish government securities. Volatility in the share is calculated as monthly movements (period-end to period-end) over five years. Options are assumed to be exercised on average one year into the exercise period.

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

	2018	2017
Black-Scholes value	72.71	57.78
Share price (DKK)	604.84	494.67
Exercise price (DKK)	635.08	519.40
Expected dividend per share	1.50%	1.50%
Expected duration	4.00	4.00
Volatility	22.07%	21.37%
Risk-free interest	-0.36%	-0.22%
Value (DKKm)	45.16	38.80

17. Provisions for pensions and similar obligations**Accounting policy**

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

Costs for defined contribution plans are recognised in the income statement as Coloplast assumes an obligation to make the payment.

In defined benefit plans, the Group is under an obligation to pay a defined benefit on retirement. The actuarially calculated present value less the fair value of any plan assets is recognised in the balance sheet under provision for pension and similar obligations or in plan assets in the balance sheet. The total service costs of the year plus calculated interest based upon actuarial estimates and financial assumptions at the beginning of the year are recognised in the income statement. The difference between the forecast development in plan assets and liabilities and the realised values at the end of the year is called actuarial gains or losses and is recognised in other comprehensive income. In connection with a change in benefits regarding the employees' employment with the Group to date, there will be a change in the actuarial calculation of the net present value, which is taken directly to the income statement.

Defined contribution plans

The Group offers pension plans to certain groups of employees in Denmark and abroad. Most of the pension plans are defined contribution plans. The Group funds the plans through regular payments of premiums to independent insurance companies responsible for the pension obligations towards the beneficiaries. Once the pension contributions for defined contribution plans have been made, the Group has no further obligation towards current or former employees. Contributions to defined contribution plans are recognised in the income statement when paid. In 2018/19, DKK 309m (2017/18: DKK 280m) was recognised.

Notes

Note

17. Provisions for pensions and similar obligations, continued**Defined benefit plans**

For certain groups of employees in foreign subsidiaries (France: 58%, the UK 16%, Germany 24% and Italy 2% of the net obligation), the Group has signed agreements to pay defined benefits, including pension payments. These liabilities are not or are only partly covered by insurance (in the UK). Uncovered liabilities are recognised in the balance sheet and in the income statement as indicated below.

Coloplast effects payments to the plans. The plans in the UK and Italy have been closed, and no further payments are made.

The figures below include liabilities regarding the post-service remuneration scheme applicable to Board members prior to the amendment to the articles of association adopted at the annual general meeting held in 2002.

The pension plans are based on the individual employee's salary and years of service with the company, and benefits are paid as a life-long pension. The active plans are not exclusive to any particular employee group. Special funding requirements apply in the UK, while this is not the case for the other countries. In the UK, employee interests are handled by a Trustee Board. Accounts are prepared every three years and funding of any deficit is determined. Any surplus reverts to Coloplast. The plans have no requirements for risk diversification on equities or for matching strategies. The plans have a duration of an average of 15 years, and all plans generally mature after more than 10 years.

DKK million	2018/19	2017/18
The following is recognised in the consolidated income statement:		
Defined contribution plans	309	280
Defined benefit plans	16	13
Total	325	293
The costs regarding defined benefit plans are recognised in the following income statement items:		
Production costs	3	3
Distribution costs	13	10
Total	16	13
Pension costs recognised in the income statement:		
Pension costs concerning current financial year	9	9
Pension costs concerning prior financial years	4	0
Net interest expenses	3	4
Total amount recognised in income statement for defined benefit plans	16	13
Pension costs recognised in other comprehensive income:		
Actuarial gains/losses on pension obligations	-43	28
Actuarial gains/losses on plan assets	38	2
Total amount recognised in other comprehensive income regarding defined benefit plans	-5	30

Notes

Note

17. Provisions for pensions and similar obligations, continued

DKK million	2018/19	2017/18
Plan assets at 1.10.	314	324
Exchange adjustments	1	-2
Actual rate of interest	9	8
Actuarial gains/losses on plan assets	38	2
Paid by the Coloplast Group	6	5
Benefit paid out	-11	-23
Plan assets at 30.9.	357	314
Specification of plan assets:		
Shares, listed	35	36
Bonds	314	271
Cash and similar assets	8	7
Plan assets at 30.9.	357	314
Specification of present value of defined benefit obligation:		
Obligation at 1.10.	509	540
Exchange adjustments	0	-2
Additions from acquisitions	0	1
Current service costs	9	9
Past service costs	4	0
Calculated interest on liability	12	12
Actuarial gains/losses, financial assumptions	76	-15
Actuarial gains/losses, demographic assumptions	0	-10
Actuarial gains/losses, experience	-33	-3
Benefit paid out	-11	-23
Present value of liability at 30.9.	566	509
Fair value of plan assets	-357	-314
Net liability recognised in the balance sheet	209	195
Net liability recognised in the balance sheet at 1.10.	195	216
Additions from acquisitions	0	1
Expenditure for the year	16	13
Actuarial gains/losses on pension obligation	43	-28
Exchange adjustment	-1	0
Actuarial gains/losses on plan assets	-38	-2
Payments received	-6	-5
Net liability recognised in the balance sheet at 30.9.	209	195

The Group expects to pay DKK 9m to the defined benefit plans in 2019/20.

Notes

Note

17. Provisions for pensions and similar obligations, continued

DKK million	2018/19	2017/18
Assumptions of actuarial calculations as at the balance sheet date (expressed as an average):		
Discount rate, %	0.7	2.0
Future rate of salary increases, %	2.3	2.3
Inflation, %	1.7	1.9

The sensibility analysis shows that a given change in the main assumptions will trigger changes in the gross liability as follows:	2018/19		2017/18	
	+1%	-1%	+1%	-1%
Discount rate	-20%	22%	-21%	23%
Future rate of salary increases	3%	-3%	3%	-3%
Inflation	17%	-15%	17%	-15%

The above sensibility analysis shows the change in one of the assumptions, while other assumptions are constant. In practice, a change in one of the assumptions will in many instances be matched by a change in the other assumptions.

18. Other provisions**Accounting policy**

Provisions are recognised when the Group has a legal or constructive obligation arising from a past event, and it is probable that an outflow of the Group's financial resources will be required to settle the obligation. Provisions are measured as Management's best estimate of the amount with which the liability is expected to be settled. The Group recognises a provision for the replacement of products covered by warranties at the balance sheet date.

Significant estimates and judgments

Provisions for legal obligations consist of provisions for pending litigation. Management makes assessments of provisions and contingent liabilities, including the probable outcome of pending and possible future litigation, which is inherently subject to uncertain future events. Based on information available, Management believes that adequate provisions have been made for pending litigation, but there can be no assurance that the scope of these matters will not be extended, nor that material lawsuits, claims, legal proceedings or investigations will not arise in the future.

2018/19	Legal claims	Other	Total
DKK million			
Provisions at 1.10.	255	16	271
Provisions during the year	404	2	406
Unused amounts reversed during the year	-3	-1	-4
Charged to the income statement	401	1	402
Use of provisions during the year	-214	-10	-224
Exchange adjustments	9	0	9
Provisions at 30.9.	451	7	458

Notes

Note

18. Other provisions, continued

2018/19	Legal claims	Other	Total
DKK million			
Expected maturities:			
Current liabilities	200	1	201
Non-current liabilities	251	6	257
Provisions at 30.9.	451	7	458

Legal claims

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 the 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 and in September 2019 Judge Goodwin started to remand the remaining cases to the relevant Courts. The process is a further step towards closure and full resolution of the MDL.

An additional expense of DKK 0.4bn was recognised in the 2018/19 financial year to cover further costs to resolve the remaining claims as the process takes longer than previously anticipated. The expense is recognised under special items in the income statement. This brings the total amount recognised since the 2013/14 financial year for expected costs of litigation in the USA to DKK 5.65bn 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 September 2019 amounted to DKK 0.5bn (30 September 2018: DKK 0.2bn) plus DKK 0.1bn recognised under other debt (30 September 2018: DKK 0.3bn). 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.

Other

Other liabilities relate to provisions for expenses associated with the vacating of leased premises, restructuring, guarantees and other non-legal claims.

Notes

Note

19. Credit institutions

Accounting policy

Debt is recognised at fair value less expenses incurred and subsequently at amortised cost. Repo debt relates to mortgage bonds forming a part of repo transactions. Repo debt is recognised at amortised cost plus accumulated repo interest.

DKK million	2019	2018
Breakdown of debt to financial institutions stated in the balance sheet:		
Current liabilities	1,066	1,262
DKK	1,026	1,233
EUR	1	16
USD	5	0
Other currencies	34	13
Total carrying amount	1,066	1,262

Current financial liabilities including interest have the following terms to maturity:

Less than one year	1,925	2,013
Total	1,925	2,013

Net interest-bearing debt at 30.9.

Repo debt	215	213
Other credit institutions	851	1,049
Marketable securities	-313	-310
Bank balances	-356	-297
Lease liability	142	99
Total	539	754

Specification of currency split and interest structure for net interest-bearing debt**2019**

Principal in DKK million/		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Effective interest rate p.a. %												
Less than 1 year	Receivables	-42	0 - 2	-11	0	-157	-1	-266	-1	-193	-1 - 18	-669
	Liabilities	5	3	12	0 - 2	9	1 - 3	1,026	1	22	1 - 18	1,074
Total, less than 1 year		-37		1		-148		760		-171		405
1 to 5 yrs	Receivables											0
	Liabilities			20	2	38						58
Total, 1 to 5 yrs				20		38						58
More than 5 years	Receivables											0
	Liabilities			34	2	42						76
Total, more than 5 year				34		42						76
Total		-37		55		-68		760		-171		539

Notes

Note

19. Credit institutions, continued**Specification of currency split and interest structure for net interest-bearing debt****2018**

Principal in DKK million/ Effective interest rate p.a. %		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Less than 1 year	Receivables	-25	0 - 2	-145	0	-141	-1 - 3	-117	-1	-179	-1 - 25	-607
	Liabilities			5	0	24	1 - 3	1,233	1	8	1 - 33	1,270
Total, less than 1 year		-25		-140		-117		1,116		-171		663
1 to 5 yrs	Receivables											0
	Liabilities					38	2 - 3					38
Total, 1 to 5 yrs						38						38
More than 5 years	Receivables											0
	Liabilities					53	3					53
Total, more than 5 year						53						53
Total		-25		-140		-26		1,116		-171		754

Coloplast has concluded repo transactions on mortgage bonds, according to which Coloplast has an obligation to buy back the bonds at a fixed price. Repo transactions are accounted for as lending transactions. Repo debt amounted to DKK 215m at 30 September 2019 (30 September 2018: DKK 213m) with the due date of 4 October 2019. The repo debt carries a fixed rate of interest of minus 0.4% from the transaction date (30 September 2018: minus 0.4%).

Bonds for which the ownership has been transferred to the counterpart as part of a repo transaction had a carrying amount of DKK 215m at 30 September 2019 (30 September 2018: DKK 213m). See note 20 for information on interest rate risk relating to bonds.

20. Financial instruments**Accounting policy**

Derivative financial instruments are recognised in the balance sheet under other receivables and other payables, respectively, and are adjusted to fair value in an ongoing process.

Adjustment of derivative financial instruments used to hedge expected future transactions (effective) is recognised in the fair value reserve under equity through other comprehensive income. The reserve is recognised in the income statement on realisation of the hedged transactions. If a derivative financial instrument used to hedge expected future transactions expires, is sold or no longer qualifies for hedge accounting, any accumulated fair value reserve remains in equity until the hedged transaction is concluded. If a transaction is no longer expected to be concluded, any fair value reserve accumulated under equity is transferred to the income statement. Adjustment of derivative financial instruments used to hedge assets denominated in foreign currency is recognised at fair value at the balance sheet date. Value adjustments are recognised in the income statement together with any adjustments of the value of the hedged asset that concern the hedged risk.

The Group's risk management policy

Financial risks are managed centrally and, accordingly, all derivative instruments are managed and controlled by the parent company. The framework is determined by the financial policy approved annually by the Board of Directors. The financial policy comprises policies for foreign exchange, funding, liquidity and financial counterparts. The core principle is for financial risk to be managed with a view to reducing significant risk.

Notes

Note

20. Financial instruments, continued

Financial instruments by category

2019

Assets	Amortised cost	Fair value through profit or loss (level 1) ¹⁾	Hedging instruments at fair value (level 2) ²⁾	Total
Trade receivables and other receivables	3,373	0	17	3,390
Marketable securities	0	313	0	313
Cash and cash equivalents	356	0	0	356
Total	3,729	313	17	4,059

Equity and liabilities	Amortised cost	Fair value through profit or loss (level 1) ¹⁾	Hedging instruments at fair value (level 2) ²⁾	Total
Other credit institutions	1,066	0	0	1,066
Trade payables	859	0	0	859
Other payables	1,782	0	80	1,862
Total	3,707	0	80	3,787

There were no movements between levels 1 and 2 during the period.

Financial instruments by category

2018

Assets	Amortised cost	Fair value through profit or loss (level 1) ¹⁾	Hedging instruments at fair value (level 2) ²⁾	Total
Trade receivables and other receivables	3,094	0	12	3,106
Marketable securities	0	310	0	310
Cash and cash equivalents	297	0	0	297
Total	3,391	310	12	3,713

Equity and liabilities	Amortised cost	Fair value through profit or loss (level 1) ¹⁾	Hedging instruments at fair value (level 2) ²⁾	Total
Other credit institutions	1,262	0	0	1,262
Trade payables	751	0	0	751
Other payables	1,669	0	58	1,727
Total	3,682	0	58	3,740

¹⁾ The securities portfolio consists of mortgage bonds and corporate bonds. The bond portfolio carried an effective rate of interest of 1-6% (2017/18: 1-6%).

²⁾ Financial instruments measured at fair value are broken down according to the following measuring hierarchy:

Level 1: Observable market prices of identical instruments.

Level 2: Valuation models primarily based on observable prices or traded prices of comparable instruments.

Level 3: Valuation models primarily based on non-observable prices.

Notes

Note

20. Financial instruments, continued

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

Foreign exchange risk

The objective of the foreign exchange policy is to neutralise and delay the effect of exchange rate fluctuations in the income statement and thereby enhance the predictability of the financial results. Foreign exchange risk is calculated applying the principles of a cash-flow-at-risk model, with the Board of Directors determining the level of risk as a percentage of EBIT. This is done by hedging significant balance sheet items denominated in foreign currency and a part of expected 12-month rolling cash flows. Sources of hedging ineffectiveness comprise mainly those that arise from assumptions of future events. Currency hedging is achieved by means of forward contracts and options. As at 30.09.2019, an average of 65% of the following twelve months of expected net cash flows were hedged (2017/18: 66% of the following twelve months of cash flows). The Group does not hedge amounts in euro.

Holdings of derivative financial instruments**2019**

DKK million	Contract amount ¹⁾	Avg. hedging price/interest	Loss/gain when stated at market value	Amount incl. in income statement for 2018/19	Transferred to currency hedging reserve	Expiry period
Forward exchange contracts and options outstanding at 30.9. to hedge future cash flows						
USD	771	642.5	-36	0	-36	Oct. 19 - Aug. 20
GBP	1,308	832.9	-1	0	-1	Oct. 19 - Sep. 20
JPY	182	6.0	-8	0	-8	Oct. 19 - Sep. 20
HUF	-406	2.3	-12	0	-12	Oct. 19 - Sep. 20
Other currencies	860	N/A	-11	0	-11	Oct. 19 - Sep. 20
Total	2,715		-68	0	-68	
Other forward exchange contracts, including fair value hedges at 30.9.						
HUF	339	2.3	5	5	0	Oct. 19 - Dec. 19
Total	339		5	5	0	

¹⁾ + indicates sale of currency in question; - indicates purchase of currency in question.

The Group had no material foreign exchange risks relating to debt in foreign currency as at 30 September 2019. The Group's receivables and payables are to some extent affected by exchange rate fluctuations, and, accordingly, the Group's balance sheet is impacted to some extent by changes in exchange rates prevailing at 30 September 2019.

Notes

Note

20. Financial instruments, continued

The tables below show the effect of derivative financial instruments on the income statement and other comprehensive income from a change of +/- 5% in all currencies against Danish kroner²⁾ and the effect on all major currencies:

DKK million	2018/19	USD	GBP	HUF	2017/18	USD	GBP	HUF
Income statement	+/-139	+/-16	+/-17	-/+5	+/-106	+/-4	+/-5	-/+6
Other comprehensive income	-/+161	-/+41	-/+66	+/-20	-/+152	-/+35	-/+66	+/-15

²⁾ The increase/decrease resulting from a 5% change is the same in the income statement because the financial instruments are all forward contracts.

Interest rate risk

As the Group's interest-bearing debt is insignificant, the interest rate risk is also considered insignificant. The Group's cash reserve is placed in money market deposits and bonds with selected counterparties. Cash reserves are placed at an average duration not exceeding four years. As a result, the interest rate risk is considered to be limited.

Liquidity risk

The funding policy is intended to ensure that the Group maintains a minimum cash reserve that will cover the Group's liquidity requirements at any given time. The cash policy stipulates that the Group must obtain a competitive return and high liquidity when investing its excess cash. Cash pools are one of the means of achieving effective management of the Group's cash.

The Group's cash reserve comprises cash and cash equivalents and securities.

Credit risk

Pursuant to the counterparty policy, credit risk is managed and mitigated by making money market deposits only with selected financial institutions holding a satisfactory credit rating. In addition, maximum credit limits have been defined for each financial counterparty. There is only a limited credit risk involved in bonds as investments are made in selected liquid bonds with a high credit rating.

The Group's credit risks relate partly to receivables and cash holdings, partly to derivative financial instruments with a positive fair value. The maximum credit risk related to financial assets equals the values recognised in the balance sheet. The Group's credit risk relating to trade receivables is diversified over a large number of customers and is therefore not material. The Group's policy for undertaking credit risks involves an ongoing credit assessment of major customers and other key business partners.

Capital management

The capital management objective of the Group is to raise new debt only for acquisition purposes or for other special purposes.

The Board of Directors generally intends to distribute excess cash to the shareholders by way of dividends and share buybacks. It is expected that dividends will be paid twice a year; after the annual general meeting and after the release of the half-year interim report. However, share buybacks and distribution of dividend will always be made with due consideration for the Group's liquidity requirements and plans.

Notes

Note

20. Financial instruments, continued

The Group assesses the capital on the basis of the solvency ratio, which is calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts.

Holdings of derivative financial instruments

DKK million	Contract amount ¹⁾	Avg. hedging price/interest	Loss/gain when stated at market value	Amount incl. in income statement for 2017/18	Transferred to currency hedging reserve	Expiry period
2018						
Forward exchange contracts and options outstanding at 30.9. to hedge future cash flows						
USD	658	603.7	-29	0	-29	Oct. 18 - Aug. 19
GBP	1,303	830.0	-3	0	-3	Oct. 18 - Sep. 19
JPY	161	5.7	0	0	0	Oct. 18 - Sep. 19
HUF	-298	2.3	-6	0	-6	Oct. 18 - Sep. 19
Other currencies	838	N/A	-8	0	-8	Oct. 18 - Sep. 19
Total	2,662		-46	0	-46	
Other forward exchange contracts including fair value hedges at 30.9.						
USD	-89	632.4	1	1	0	Oct. 18
HUF	344	2.3	-1	-1	0	Oct. 18 - Dec. 18
Total	255		0	0	0	

¹⁾ + indicates sale of currency in question; - indicates purchase of currency in question.

21. Adjustment for other non-cash operating items

DKK million	2018/19	2017/18
Net gain/loss on divestment of non-current assets	-24	0
Change in other provisions	197	-117
Other non-cash operating items	40	35
Total	213	-82

22. Changes in working capital

DKK million	2018/19	2017/18
Inventories	-197	-88
Trade receivables	-222	-26
Other receivables, including amounts held in escrow	-17	552
Trade and other payables etc.	145	-860
Total	-291	-422

Notes

Note

23. Cash and cash equivalents**Accounting policy**

Cash and cash equivalents, recognised under current assets, comprise bank deposits and cash at hand and are measured at fair value.

DKK million	2018/19	2017/18
Cash	0	1
Short term bank balances	356	296
Total	356	297

DKK million	Finance lease liability	Credit facilities	Total
Balance at 1.10.2018	99	1,262	1,361
Additions during the year	54	0	54
Cash flows	-8	-196	-204
Market value adjustments	-3	0	-3
Balance at 30.09.2019	142	1,066	1,208

24. Unutilised credit facilities

DKK million	2018/19	2017/18
Unutilised credit facilities	3,981	3,492

25. Public grants**Accounting policy**

Public grants comprise grants for research, development and other investments. Grants for investments are recognised as deferred income, which is recognised systematically in the income statement under production costs from the date when the conditions attaching to them are deemed to be complied with until the date on which the deadline for retaining such conditions expires. Other grants are recognised as income on a systematic basis, so that they are matched with the related costs for which they compensate.

In the financial year, the Group received DKK 2m in public grants for research and development purposes (2017/18: DKK 1m). The Group received DKK 1m (2017/18: DKK 4m) in public grants for investments. An income of DKK 11m relating to investment grants has been recognised under production costs in the income statement (2017/18: DKK 12m).

Notes

Note

26. Financial liabilities

DKK million	2018/19	2017/18
Operating leases fall due		
In less than one year	195	202
Within 1 to 5 years	246	297
After more than 5 years	7	5
Total	448	504

Operating lease payments recognised in the income statement amount to DKK 229m (2017/18: DKK 221m).

Operating leases represent primarily leasing of cars and rent. There are no purchasing rights attaching to assets held under operating leases. Liabilities concerning rent and other operating leases are limited to the minimum lease payments.

27. Contingent liabilities and guarantees

Other than as set out in note 18 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.

Bonds in repo transactions have been provided as collateral for repo debt. Bonds provided as collateral were valued at DKK 215m at 30.09.2019 (30.09.2018: DKK 213m). See note 20 for information on interest rate risk relating to bonds.

28. The Executive Management's and the Directors' remuneration

The current policy for remuneration of the Board of Directors and Executive Management was adopted in 2016 and sets out the general guidelines for remuneration of the Group's management. The guidelines for remuneration of the Board of Directors and Executive Management are available on the Group website at this address:

<https://www.coloplast.com/management-remuneration/>

In addition to the disclosures provided in this note, more details on the remuneration of Executive Management and Directors are provided in the separate Remuneration report for the Coloplast group, which is not a part of the audited financial statements. The report is available on the Group website.

Fees to Board members in respect of the current financial year

Fees to Board members make up DKK 6.6m (2017/18: DKK 6.5m) of the total staff costs (see note 4) and are specified as follows:

DKK million	2018/19	2017/18
Ordinary board member fee	5.3	5.8
Audit Committee	1.0	0.7
Nomination and Remuneration Committee ¹⁾	0.3	-
Total	6.6	6.5

¹⁾The Nomination and Remuneration Committee was established during the 2018/19 financial year.

Notes

Note

28. The Executive Management's and the Directors' remuneration, continued

Additionally, the accounting cost of not-yet-vested share options held by the Chairman amount to DKK 4.1m in 2018/19 of the total staff costs (see note 4). The accounting cost is calculated in line with IFRS 2 and covers the period in which Lars Rasmussen has held the position as Chairman of the Board of Directors.

Remuneration of members of the Executive Management in respect of the current financial year

Remuneration of members of Executive Management make up DKK 51.8m (2017/18: DKK 47.2m) of the total staff costs (see note 4) and are specified as follows:

DKK million	2018/19	2017/18
Net salaries	26.9	26.9
Pension	4.0	4.0
Other benefits	1.2	0.9
Cash bonus ²⁾	8.0	3.3
Total, excluding value of share options and contingent salary items	40.1	35.1
Share options	8.6	12.1
Contingent bonus schemes ³⁾	3.1	0.0
Total	51.8	47.2

²⁾The cash bonus expense of DKK 8.0m in 2018/19 comprise a carry-over from 2017/18 of DKK 1.7m related to a change in the estimated bonus pay-out for 2017/18. The adjusted cash bonus expense for 2018/19 is DKK 6.3m (2017/18: DKK 5.0m).

³⁾When Paul Marcun joined Executive Management in 2018/19, he was offered a contingent cash bonus as compensation for waiving long-term incentive schemes offered by his previous employer. The cash bonus is contingent on continued employment and is payable in two instalments in December 2020 and in December 2021. The cash bonus is expensed in the income statement over the vesting period.

The value of share options, which is calculated as the fair value of share options at the grant date using the Black-Scholes Formula in line with IFRS 2, comprise the annual accounting cost of share options awarded in the current and in prior years in accordance with the accounting policies applied. Consequently, it does represent the fair value of share options awarded or exercised in the current financial year.

If a member of Executive Management is given notice of termination by the company and such termination is not due to breach on the part of the member of Executive Management, such member is entitled to compensation corresponding to a maximum of two years' salary and pension contribution.

Share options are granted to members of Executive Management and senior management. See note 16 to the financial statements for further information regarding share-based payments as well as the separate Remuneration report for the Coloplast group, which is not part of the audited financial statements. The report is available on the Group website.

29. Related party transactions

Related parties to the Coloplast Group include members of the Board of Directors and the Executive Management and main shareholders of the parent company, Coloplast A/S. There were no major transactions with related parties. Information about remuneration of the Management is set out in note 28.

Notes

Note

30. Fees to appointed auditors

DKK million	2018/19	2017/18
Overall fees to PricewaterhouseCoopers	21	14
Of which:		
Statutory audit	8	8
Tax advice	0	1
Other services	13	5

Fee for non-audit services provided to the Group by PricewaterhouseCoopers in Denmark amounts to DKK 9m (2017/18: DKK 2m) consists of due diligence, other assurance opinions, as well as advice regarding compliance.

Certain of the Group's subsidiaries are not subject to an audit by PricewaterhouseCoopers.

31. Events occurring after the balance sheet date

No events have occurred after the balance sheet date which are deemed to have a material impact on the financial results or equity at 30 September 2019.

Notes

Note

32. Overview of Group companies

	Country	Ownership (%)		Country	Ownership (%)
Parent company					
Coloplast A/S	Denmark				
Sales and/or manufacturing subsidiaries					
Coloplast de Argentina S.A.	Argentina	100	Coloplast Slovakia s.r.o.	Slovakia	100
Coloplast Pty. Ltd.	Australia	100	Coloplast Productos Médicos S.A.	Spain	100
Coloplast Belgium S.A.	Belgium	100	Coloplast Limited	Great Britain	100
Coloplast do Brasil Ltda.	Brazil	100	Coloplast Medical Limited	Great Britain	100
Coloplast Canada Corporation	Canada	100	Charter Healthcare Limited	Great Britain	100
Coloplast Volume Manufacturing			Porgès UK Limited	Great Britain	100
Costa Rica S.A.	Costa Rica	100	Coloplast AB	Sweden	100
Coloplast Danmark A/S	Denmark	100	Coloplast Taiwan Co., Ltd.	Taiwan	100
Coloplast Oy	Finland	100	Coloplast Turkey AS	Turkey	100
Laboratoires Coloplast S.A.S.	France	100	Coloplast GmbH	Germany	100
Coloplast Manufacturing France S.A.S.	France	100	Coloplast Distribution GmbH	Germany	100
Lilial S.A.S.	France	100	Coloplast Hungary Kft.	Hungary	100
Lilial Care S.A.S.	France	100	Coloplast Corp.	USA	100
Lilial Executives S.A.S.	France	100	Coloplast Manufacturing US, LLC	USA	100
Lilial Preference S.A.S.	France	100	Comfort Medical, LLC	USA	100
Coloplast B.V.	Netherlands	100	Coloplast Ges.m.b.H.	Austria	100
Coloplast (India) Private Limited	India	100	Other companies		
Coloplast Israel Ltd.	Israel	100	Coloplast Ejendomme A/S	Denmark	100
Coloplast S.p.A.	Italy	100	Ejendomsselskabet Kromosevej A/S	Denmark	100
Coloplast K.K.	Japan	100	IctalCare A/S	Denmark	9
Coloplast (China) Ltd.	China	100	Coloplast Business Centre Sp. zo.o.	Poland	100
Coloplast (China) Medical Devices Ltd.	China	100	Acarix AB	Sweden	7
Coloplast (Hong Kong) Ltd.	China	100	Representative offices and branches		
Coloplast Korea Limited	Korea	100	Croatia	Saudi Arabia	
Coloplast Norge AS	Norway	100	Czech Republic	Singapore	
Coloplast Sp. zo.o.	Poland	100	Dubai	Slovakia	
Coloplast Portugal Lda.	Portugal	100	Egypt	Slovenia	
Coloplast II Portugal Lda.	Portugal	100	Hungary	South Africa	
Coloplast OOO	Russia	100	New Zealand	Ukraine	
Coloplast AG	Switzerland	100			

Definitions of key ratios

 Note

33. Definitions of key ratios

EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Invested capital	Assets less cash, less marketable securities plus accumulated goodwill amortised before 1 October 2002 less non-interest bearing debt including provisions
EBIT margin (%)	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Return on average invested capital (ROIC), %	$\frac{\text{EBIT} \times 100}{\text{Average invested capital}}$
Return on equity, %	$\frac{\text{Profit for the year attributable to Coloplast} \times 100}{\text{Average equity before minority interests}}$
Equity ratio, %	$\frac{\text{Total equity} \times 100}{\text{Assets}}$
Net asset value per share, DKK	$\frac{\text{Equity excluding minority interests}}{\text{Number of unrestricted shares}}$
Market price/net asset value per share	$\frac{\text{Market price per share}}{\text{Net asset value per share}}$
PE, price/earnings ratio	$\frac{\text{Market price per share}}{\text{Earnings per share (EPS)}}$
Pay-out ratio, %	$\frac{\text{Dividend declared} \times 100}{\text{Profit for the year attributable to Coloplast}}$
Earnings per share (EPS)	$\frac{\text{Profit for the year attributable to Coloplast}}{\text{Number of unrestricted shares (average of four quarters)}}$
Free cash flow per share	$\frac{\text{Free cash flow}}{\text{Number of unrestricted shares (average of four quarters)}}$

The ratios are calculated and applied in accordance with "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts. Key ratios are shown on page 2.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and approved the Annual Report of Coloplast A/S for the financial year 1 October 2018 – 30 September 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements set out in the Danish Financial Statements Act. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and

the parent company's assets, liabilities and financial position at 30 September 2019 and of the results of the Group's and the parent company's operations and the cash flows for the Group for the financial year 1 October 2018 – 30 September 2019.

In our opinion, the Management's report includes a fair account of the development and performance of the Group and the parent company, the results for the year and of the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that the Group and the parent company face.

We recommend the annual report for adoption at the Annual General Meeting.

Humblebæk, 5 November 2019

Executive Management:

Kristian Villumsen
President, CEO

Anders Lonning-Skovgaard
Executive Vice President, CFO

Allan Rasmussen
Executive Vice President

Paul Marcun
Executive Vice President,

Board of Directors:

Lars Rasmussen
Chairman

Niels Peter Louis-Hansen
Deputy Chairman

Carsten Hellmann

Birgitte Nielsen

Jette Nygaard-Andersen

Jørgen Tang-Jensen

Thomas Barfod
Elected by the employees

Roland Vendelbo Pedersen
Elected by the employees

Nikolaj Kyhe Gundersen
Elected by the employees

Independent auditors' report

To the shareholders in Coloplast A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2019 and of the results of the Group's operations and cash flows for the financial year 1 October 2018 to 30 September 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 30 September 2019 and of the results of the Parent Company's operations for the financial year 1 October 2018 to 30 September 2019 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Coloplast A/S for the financial year 1 October 2018 to 30 September 2019 comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Coloplast A/S for the financial year 1 October 2018 to 30 September 2019 comprise income statement, balance sheet and notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Coloplast A/S on 12 June 1998 for the financial year 1997/98. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 22 years including the financial year 2018/19.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018/19. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Effect of pending and potential transvaginal mesh cases Since 2011, Coloplast has been a party to individual lawsuits in different federal and state courts in the USA where claims of product liability have been registered relating to the use of transvaginal mesh for the treatment of pelvic organ prolapse and stress urinary incontinence. We focused on the assessment of the liability relating to the transvaginal mesh cases as the valuation is subject to significant judgement, including expected settlement amounts and legal costs per case as well as the number of cases.	We discussed the principles for the assessment of the liability relating to the transvaginal mesh cases with Management. We tested the principles for identification and assessment of potential and on-going transvaginal mesh cases, and we discussed and obtained statements from internal and external legal counsel on the likely economic consequences of the transvaginal mesh cases, including the expected number of cases, the expected settlement amounts and the expected legal costs.

Independent auditors' report (continued)

We refer to note 18 in the Consolidated Financial Statements for detailed information on the transvaginal mesh cases.

Based on the historical development of the overall proceedings of the transvaginal mesh cases, we assessed the reasonableness of Management's expectations of the settlement amount per case with respect to cases not yet settled and expectations for any additional registration of claims as well as additional legal costs.

We also assessed the disclosures relating to the cases.

Recognition of revenue

The preparation and negotiation of sales agreements take place with due consideration of territorial healthcare reforms, diverse legislation, increased competition, growth strategies and requirements relating to various tenders. The main part of Coloplast's sales are carried out through distributors, who operate under diverse circumstances and consequently have different requirements that affects the sales agreements.

Coloplast's agreements with distributors include volume and product dependent discounts, which requires data management and monitoring of sales at product level to the individual distributors.

IFRS 15 was implemented in 2018/19 and did not have a significant effect on Coloplast's principles for recognition and measurement of revenue. The implementation has resulted in a number of additional disclosure requirements.

We focused on the recognition of revenue as the accounting rules are complex and involve assessments of the timing and amount of the revenue to be recognised.

We refer to note 1 in the Consolidated Financial Statements.

We discussed the recognition principles applied to distributor agreements and the related sales transactions with Management.

We reviewed and assessed the procedures and internal controls relating to revenue and tested relevant controls with special focus on controls relating to the conclusion of agreements and collection of relevant data. We applied data analysis to revenue transactions in order to obtain an understanding of the transaction flow in the Group and in relation hereto, we tested a sample of revenue transactions.

Moreover, we tested a sample of revenue transactions to sales agreements, tested provisions for discounts and tested the time of recognition of sales transactions. Finally, we evaluated Management's assessment of the accounting consequences of the implementation of IFRS 15 in 2018/19.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditors' report (continued)

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 5 November 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab, CVR nr. 33 77 12 31

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Kim Tromholt
State Authorised Public Accountant
mne33251

**Coloplast A/S
Parent company
Financial statement
for 2018/19**

Income statement

1 October - 30 September

Note	DKK million	
	2018/19	2017/18
2 Revenue	12,853	11,735
3 Production costs	-6,204	-6,010
Gross profit	6,649	5,725
3,5 Distribution costs	-1,499	-1,011
3,4 Administrative expenses	-479	-384
3 Research and development costs	-702	-650
Other operating income	45	45
Other operating expenses	-7	-14
Operating profit (EBIT)	4,007	3,711
11 Profit after tax on investment in subsidiaries	681	855
6 Financial income	50	122
7 Financial expenses	-148	-168
Profit before tax	4,590	4,520
8 Tax on profit for the year	-826	-782
Net profit for the year	3,764	3,738
Profit distribution		
Retained earnings	153	343
Dividend paid during the year	1,062	1,059
Proposed dividend for the year	2,549	2,336
Total	3,764	3,738

Balance sheet

At 30 September

		DKK million	
Note		2019	2018
	Assets		
9	Intangible assets	986	1,121
10	Property, plant and equipment	662	786
11	Financial assets	3,113	3,338
	Non-current assets	4,761	5,245
12	Inventories	925	889
	Trade receivables	570	530
	Receivables from Group enterprises	3,011	2,473
	Other receivables	93	103
	Prepayments	78	64
13	Amounts held in escrow	13	12
	Receivables	3,765	3,182
	Marketable securities	313	310
	Cash and bank balances	55	56
	Current assets	5,058	4,437
	Assets	9,819	9,682
	Equity and liabilities		
	Share capital	216	216
	Reserve for currency hedging	-53	-36
	Proposed dividend for the year	2,549	2,336
	Retained earnings	3,216	3,064
14	Total equity	5,928	5,580
15	Provisions for pensions and similar obligations	3	3
16	Provision for deferred tax	17	71
15	Other provisions	248	32
	Provisions	268	106
15	Other provisions	192	212
	Credit institutions	1,211	1,404
	Trade payables	282	256
	Payables to Group enterprises	645	895
	Income tax	769	660
	Other payables	524	569
	Current liabilities	3,623	3,996
	Liabilities other than provisions	3,623	3,996
	Equity and liabilities	9,819	9,682
17	Contingent items and other financial liabilities		

Notes

Note

1. Accounting policies

Basis of preparation

The parent company financial statements are presented in accordance with the Danish Financial Statements Act (reporting class D enterprises) and additional Danish disclosure requirements for listed companies.

The accounting policies of the parent company are the same as those of the Group, however, with the addition of the policies described below. The Group's accounting policies are set out in note 1 to the financial statements on page 38. Other than as set out above, there have been no changes to the accounting policies relative to last year.

Cash flow statement

No separate cash flow statement has been prepared for the parent company as per the exemption clause of section 86(4) of the Danish Financial Statements Act. The consolidated cash flow statement is set out on page 36.

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful life, estimated at 10 years. This estimate was made on the basis of estimated useful lives of the other assets acquired in the transaction.

Financial assets

In the parent company's financial statements, investments in subsidiaries and associates are recognised according to the equity method. The share of the results of subsidiaries less unrealised intra-group gains is recognised in the parent company's income statement. Net revaluation of investments in subsidiaries and associates exceeding the dividend declared by such enterprises is recognised in equity as reserve for net revaluation according to the equity method.

Financial instruments

The accounting policies and other information about derivative financial instruments are set out in note 20 to the consolidated financial statements on page 66.

Tax

The parent company is taxed jointly with its domestic subsidiaries. The jointly taxed Danish enterprises are covered by the Danish on-account tax scheme. Current tax for jointly taxed companies is recognised in each individual company.

2. Revenue

DKK million	2018/19	2017/18
Business area		
Intimate healthcare	12,853	11,735
Total	12,853	11,735
Geographical markets		
Europe	8,947	8,229
The Americas	2,438	2,119
Rest of the world	1,468	1,387
Total	12,853	11,735

Notes

Note

3. Staff costs

DKK million	2018/19	2017/18
Salaries, wages and directors' remuneration	1,162	1,062
Pensions	91	87
Other social security costs	4	10
Total	1,257	1,159
Average number of employees, FTEs	1,425	1,483

See note 28 to the consolidated financial statements for information on the Executive Management's and the Directors' remuneration.

4. Fees to appointed auditors

DKK million	2018/19	2017/18
Overall fees to PricewaterhouseCoopers	15	7
Of which:		
Statutory audit	6	5
Tax advice	0	1
Other services	9	1

5. Distribution costs

Distribution costs include expected costs relating to pending litigation. See note 18 to the consolidated financial statements for more information about mesh litigation.

DKK million	2018/19	2017/18
Costs related to pending litigation	400	0

6. Financial income

DKK million	2018/19	2017/18
Interest income, etc.	10	5
Interest income from Group enterprises	21	28
Net exchange adjustments	19	0
Fair value adjustments, forward contracts	0	89
Total	50	122

Notes

Note

7. Financial expenses

DKK million	2018/19	2017/18
Interest expenses, etc.	19	18
Interest expenses to Group enterprises	8	5
Net exchange adjustments	0	145
Fair value adjustments, forward contracts	121	0
Total	148	168

8. Tax on profit for the year

DKK million	2018/19	2017/18
Current tax on profit for the year	888	804
Change in deferred tax on profit for the year	-63	-17
Prior-year adjustments	1	-5
Total	826	782
Tax on equity entries, income	32	60

9. Intangible assets

DKK million	Goodwill	Acquired patents and trademarks	Software	Prepayments and intangible assets in progress	2018/19 Total	2017/18 Total
Total cost at 1.10.	1,506	1,461	335	48	3,350	3,298
Transfers	0	0	38	-38	0	0
Additions and improvements during the year	0	0	32	40	72	52
Disposals during the year	0	0	-50	0	-50	0
Total cost at 30.9.	1,506	1,461	355	50	3,372	3,350
Total amortisation at 1.10.	732	1,216	281	0	2,229	2,011
Amortisation for the year	99	78	30	0	207	218
Depreciation reversed on disposals during the year	0	0	-50	0	-50	0
Total amortisation at 30.9.	831	1,294	261	0	2,386	2,229
Carrying amount at 30.9.	675	167	94	50	986	1,121

Notes

Note

10. Property, plant and equipment

DKK million	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	2018/19 Total	2017/18 Total
Total cost at 1.10.	851	772	147	1,770	1,779
Transfers	45	68	-113	0	0
Additions and improvements during the year	34	56	93	183	197
Disposals during the year	-194	-100	-3	-297	-206
Total cost at 30.9.	736	796	124	1,656	1,770
Total depreciation at 1.10.	473	511	0	984	871
Depreciation for the year	73	127	0	200	179
Depreciation reversed on disposals during the year	-92	-98	0	-190	-66
Total depreciation at 30.9.	454	540	0	994	984
Carrying amount at 30.9.	282	256	124	662	786

11. Financial assets

DKK million	Investment in Group enterprises	Receivables from Group enterprises	Other securities and investments	2018/19 Total	2017/18 Total
Total cost at 1.10.	3,594	207	11	3,812	4,331
Capital investments during the year	16	63	0	79	534
Divestments during the year	0	-14	0	-14	-1,053
Total cost at 30.9.	3,610	256	11	3,877	3,812
Value adjustment at 1.10.	-472	0	-2	-474	-839
Profit after tax	681	0	0	681	855
Dividend received	-968	0	0	-968	-435
Exchange adjustments	26	0	0	26	-94
Other adjustments	-24	0	-5	-29	39
Value adjustment at 30.9.	-757	0	-7	-764	-474
Carrying amount at 30.9.	2,853	256	4	3,113	3,338

An overview of subsidiaries is provided in note 32 to the consolidated financial statements.

Notes

Note

12. Inventories

DKK million	2019	2018
Raw materials and consumables	46	43
Work in progress	205	185
Manufactured goods	674	661
Inventories	925	889

The company has not provided inventories as security for debt obligations.

13. Amounts held in escrow

Amounts paid into escrow accounts in connection with pending litigation and not yet released by the courts. See note 18 to the consolidated financial statements for more information about mesh litigation.

DKK million	2019	2018
Amounts held in escrow	13	12

14. Statement of changes in equity

DKK million	Share capital		Reserve for currency hedging	Proposed dividend	Retained earnings	2018/19	2017/18
	A shares	B shares				Total	Total
Equity at 1.10.	18	198	-36	2,336	3,064	5,580	5,231
Value adjustment for the year			-143			-143	-28
Transferred to financial items			121			121	-89
Tax effect of hedging			5			5	26
Tax on equity entries					27	27	34
Dividend paid out in respect of 2017/18				-2,336		-2,336	-2,229
Interim dividend paid out in respect of 2018/19				-1,062		-1,062	-1,059
Currency adjustment of opening balances and other adjustments relating to subsidiaries					5	5	-57
Acquisition of treasury shares					-500	-500	-500
Sale of treasury shares					440	440	488
Share-based payment					27	27	25
Net profit for the year					3,764	3,764	3,738
Proposed dividends				3,611	-3,611	0	0
Equity at 30.9.	18	198	-53	2,549	3,216	5,928	5,580

Notes

Note

15. Provisions

DKK million	Legal claims	Pension	2018/19 Total	2017/18 Total
Provisions at 1.10.	244	3	247	373
Provisions during the year	400	0	400	2
Use of provisions during the year	-213	0	-213	-133
Exchange adjustments	9	0	9	5
Provisions at 30.9.	440	3	443	247
Expected maturities:				
Current liabilities	192	0	192	212
Non-current liabilities	248	3	251	35
Provisions at 30.9.	440	3	443	247

See note 18 to the consolidated financial statements for more information about mesh litigation.

16. Deferred tax

DKK million	2018/19	2017/18
Calculation of deferred tax is based on the following items:		
Intangible assets	65	74
Property, plant and equipment	61	51
Production overheads	15	14
Provisions	-106	-57
Jointly taxed companies (recaptured balances)	9	9
Other	-27	-20
Total	17	71

Notes

Note

17. Contingent items and other financial liabilities

DKK million	2019			2018		
	Other operating leases	Rent	Total	Other operating leases	Rent	Total
Falling due in:						
Less than one year	20	1	21	23	3	26
Within 1 to 5 years	28	3	31	13	4	17
After more than 5 years	0	0	0	0	0	0
Total	48	4	52	36	7	43

At 30 September 2019, the parent company had provided guarantees for loans raised by Group enterprises amounting to DKK 500m (2017/18: DKK 502m).

The parent company has issued a letter of subordination to the benefit of other creditors of subsidiaries.

The parent company is involved in minor lawsuits, which, other than as described in note 18 to the consolidated financial statements, are not expected to influence the parent company's future earnings.

The parent company is jointly and severally liable for tax on the Group's jointly taxed Danish income, etc.

Bonds in repo transactions have been provided as collateral for repo debt. Bonds provided as collateral were valued at DKK 215m at 30 September 2019 (30 September 2018: DKK 213m).

Shareholder information

Announcements 2018/19

2018

- 8/2018 Lars Rasmussen steps down as CEO of Coloplast A/S
- 9/2018 Announcement of full-year financial results 2017/18
- 10/2018 Annual report 2017/18
- 11/2018 Paul Marcun to join Coloplast A/S Executive Management as Executive Vice President, Chronic Care
- 12/2018 Notice of Annual General Meeting 2018
- 13/2018 Annual General Meeting of Coloplast A/S
- 14/2018 Articles of Association of Coloplast A/S
- 15/2018 The Board of Directors of Coloplast A/S elected its own Chairman and Deputy Chairman

2019

- 1/2019 Interim financial report, Q1 2018/19
- 2/2019 Coloplast initiates the second part of the DKK 1bn share buy-back programme
- 3/2019 Coloplast responds to FDA's decision to remove Surgical Transvaginal Mesh as Treatment Option for Pelvic Organ
- 4/2019 Interim financial report, H1 2018/19
- 5/2019 Comment on market rumours
- 6/2019 The French Ministry of Health has announced a price reform within Ostomy Care, Continence Care and Wound Care
- 7/2019 Interim financial report, 9M 2018/19
- 8/2019 Coloplast Meet the Management Event
- 9/2019 Financial calendar 2019/20

Financial calendar 2019/20

2019

- 7.10. Closing period until 5 November
- 23.10. Notice of submission of agenda points for the Annual General Meeting
- 5.11. Financial Statements for the full year 2018/19 and Annual Report 2018/19
- 5.12. Annual General Meeting
- 10.12. Dividends for 2018/19 at the disposal of shareholders

2020

- 2.01. Closing period until 6 February
- 6.02. Interim Financial Statements for Q1 2019/20
- 6.04. Closing period until 6 May
- 6.05. Interim Financial Statements for H1 2019/20
- 13.07. Closing period until 18 August
- 18.08. Interim Financial Statements for 9M 2019/20
- 5.10. Closing period until 3 November
- 21.10. Notice of submission of agenda points for the Annual General Meeting
- 3.11. Financial Statements for the full year 2019/20 and Annual Report 2019/20
- 3.12. Annual General Meeting
- 8.12. Dividends for 2019/20 at the disposal of shareholders

Banks and stockbroking companies following Coloplast

ABG Sundal Collier	Credit Suisse AG	Morningstar Inc.
Alm. Brand Markets	Danske Bank Markets	Nordea Markets
AlphaValue	DnB Markets	Nykredit
Barclays	Exane BNP Paribas	Redburn
Berenberg Bank	Goldman Sachs International	SEB
BoA Merrill Lynch	Handelsbanken Capital Markets	Sydbank
Carnegie Bank	Jefferies International Ltd.	UBS Investment Bank
CFRA	J.P. Morgan	
Citi	Kepler Cheuvreux	
Commerzbank AG	Morgan Stanley	

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The Coloplast story begins back in 1954. Elise Sørensen is a nurse. Her sister Thora has just had an ostomy operation and is afraid to go out in public, fearing that her stoma might leak. Listening to her sister's problems, Elise conceives the idea of the world's first adhesive ostomy bag.

Based on Elise's idea, Aage Louis-Hansen, a civil engineer and plastics manufacturer, and his wife Johanne Louis-Hansen, a trained nurse, created the ostomy bag. A bag that does not leak, giving Thora – and thousands of people like her – the chance to live the life they want.

A simple solution that makes a difference.

Today, our business includes Ostomy Care, Continence Care, Wound & Skin Care and Interventional Urology. We operate globally and employ about 12,000 employees.

Our mission

Making life easier for people with intimate healthcare needs

Our values

Closeness... to better understand
Passion... to make a difference
Respect and responsibility... to guide us

Our vision

Setting the global standard for listening and responding



Ostomy Care / Continence Care / Wound & Skin Care / Interventional Urology



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, continence care, wound and skin care and interventional urology. We operate globally and employ about 12,000 employees.

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