Announcement no. 1/2020
6 February 2020

Ostomy Care
Continence Care
Wound & Skin Care
Interventional Urology

Q1 2019/20

Interim financial report, Q1 2019/20

(01 October 2019 - 31 December 2019)

Coloplast A/S
Holtedam 1
DK-3050 Humlebaek,
Denmark

Company reg. (CVR)
no. 69749917

Coloplast delivers solid start to the year, guidance for 2019/20 maintained

- Coloplast delivered 8% organic growth in the first quarter. Reported revenue in DKK was up by 9% to DKK 4,712m.
- Organic growth rates by business area: Ostomy Care 9%, Continence Care 6%, Interventional Urology 9% and Wound & Skin Care 10%.
- Chronic Care delivered a solid performance in the first quarter, driven by satisfactory momentum in Europe despite the negative impact from the French price reform and a solid quarter for Emerging markets.
- In the US Ostomy business, Coloplast has been awarded a three-year group purchasing agreement for ostomy products with Premier Inc beginning April 1, 2020.
- Solid momentum in Emerging markets with 16% organic growth in the first quarter, driven in particular by Ostomy Care and strong performance in China, Latin America and timing of tenders in Russia.
- The Wound and Skin Care business delivered 10% organic growth in the first quarter. Wound Care delivered 8% organic growth driven by the Biatain® Silicone portfolio in Europe and Skin Care delivered a solid start to the year.
- The Interventional Urology business delivered 9% organic growth, driven by the Men's Health and Women's Health portfolios in the US.
- Incremental investments of up to 2% of revenue were made in the first quarter into sales and marketing initiatives across multiple markets and business areas.
- EBIT amounted to DKK 1,472m for Q1, a 13% increase, corresponding to an EBIT margin of 31% against 30% last year. The comparative period included restructuring costs of DKK 17m.
- ROIC after tax before special items was 47% for Q1 against 44% in the same period last year.
- In Q2 19/20, a new share buyback programme is expected to be launched, totalling DKK 500m and to be completed by the end of the 2019/20 financial year.

Financial guidance for 2019/20

- We continue to expect organic revenue growth of 7-8% at constant exchange rates and a reported growth in DKK of 7-8%.
- We continue to expect an EBIT margin of ~31% at constant exchange rates and ~31% in DKK. The EBIT margin guidance reflects additional incremental investments of up to 2% of revenue for innovation and sales and marketing initiatives.
- Coloplast is monitoring the Coronavirus outbreak in China closely. The financial impact of the situation is uncertain. Our full year guidance assumes that the situation normalises during Q2.
- Capital expenditure is still expected to be DKK ~850m.
- The effective tax rate is still expected to be about ~23%.

Conference call

Coloplast will host a conference call on 6 February 2020 at 15.00 CET. The call is expected to last about one hour. To attend the conference call, call +45 3272 7518, +44 (0) 203 0095710 or +1 917 720 0178. Conference call reference number is 6398101. A webcast will be posted on www.coloplast.com shortly after the conclusion of the conference call.

Financial highlights and key ratios

1 October - 31 December

(Unaudited)

Consolidated	DKK million		
	2019/20	2018/19 [2]	
	Q1	Q1	Change
Income statement			
Revenue	4,712	4,321	9%
Research and development costs	-169	-181	-7%
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	1,680	1,455	15%
Operating profit (EBIT)	1,472	1,297	13%
Net financial income and expenses	-54	-10	N/A
Profit before tax	1,418	1,287	10%
Net profit for the period	1,092	991	10%
Revenue growth			
Period growth in revenue, %	9	9	
Growth break down:			
Organic growth, %	8	8	
Currency effect, %	1	0	
Acquired operations, %	-	1	
Balance sheet			
Total assets	13,223	12,113	9%
Capital invested	9,501	8,888	7%
Net interest-bearing debt	2,754	2,400	15%
Equity end of period	5,451	5,192	5%
Cash flow and investments			
Cash flows from operating activities	1,030	772	33%
Cash flows from investing activities	-214	-114	88%
Investments in property, plant and equipment, gross	-205	-112	83%
Free cash flow	816	658	24%
Cash flows from financing activities	-662	-525	26%
Key ratios			
Operating margin, EBIT, %	31	30	
Operating margin, EBITDA, %	36	34	
Return on average invested capital before tax (ROIC), % [1]	60	57	
Return on average invested capital after tax (ROIC), % [1]	47	44	
Return on equity, %	71	68	
Equity ratio, %	41	43	
Net asset value per outstanding share, DKK	26	24	8%
Share data			
Share price, DKK	826	605	37%
Share price/net asset value per share	32.2	24.8	30%
Average number of outstanding shares, millions	212.4	212.4	0%
PE, price/earnings ratio	40.2	32.4	24%
Earnings per share (EPS), diluted	5.12	4.66	10%
Free cash flow per share	3.8	3.1	23%

1) This item is before Special items. After Special items, ROIC before tax was 63% (2018/19: 60%), and ROIC after tax was 48% (2018/19: 46%).

2) Comparative figures were not restated to reflect the adoption of IFRS 16 "Leases". See note 1 to the interim financial statements.

Management's report

Sales performance

The Q1 organic growth rate was 8%. Reported revenue in DKK was up by 9% to DKK 4,712m. Exchange rate developments increased revenue by 1% due to a favourable development in USD and GBP against DKK.

Sales performance by business area

	DKK million		Growth composition (3 mths)		
	2019/20 3 mths	2018/19 3 mths	Organic growth	Exchange rates	Reported growth
Ostomy Care	1,907	1,736	9%	1%	10%
Continence Care	1,686	1,579	6%	1%	7%
Interventional Urology	535	479	9%	3%	12%
Wound & Skin Care	584	527	10%	1%	11%
Net revenue	**4,712**	**4,321**	**8%**	**1%**	**9%**

Sales performance by region

	DKK million		Growth composition (3 mths)		
	2019/20 3 mths	2018/19 3 mths	Organic growth	Exchange rates	Reported growth
European markets	2,744	2,605	5%	0%	5%
Other developed markets	1,178	1,041	10%	3%	13%
Emerging markets	790	675	16%	1%	17%
Net revenue	**4,712**	**4,321**	**8%**	**1%**	**9%**

Ostomy Care

Ostomy Care generated 9% organic sales growth in the first quarter of 2019/20, with reported revenue in DKK growing by 10% to DKK 1,907m.
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 was the main contributor to growth driven predominantly by Europe and the US. SenSura® Mio Concave is now available in 17 countries and continues to increase its contribution to the overall ostomy growth. 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, the US and the UK.

From a country perspective, the Emerging markets region was the main contributor to growth in the first quarter led by China. In addition, the UK and the US also contributed to growth in the first quarter. France contributed to growth despite a negative impact from the French price reform introduced 1 July 2019.

Continence Care

Continence Care generated 6% organic sales growth for the first quarter of 2019/20, with reported revenue in DKK growing by 7% to DKK 1,686m.
SpeediCath® intermittent catheters and Peristeen® continued to be the main drivers of revenue growth. SpeediCath® Flex contributed positively to growth, especially in the US and across the European markets. Sales of SpeediCath® compact catheters also contributed positively to growth driven by good momentum in the UK, France and Germany. SpeediCath® Navi, the new hydrophilic catheter specifically designed for emerging markets and lower priced developed markets, has been launched in six markets.
The Peristeen® portfolio continued to show good results driven by the UK, France and the US. The sales performance of urisheaths and urine bags also developed positively as a result of higher sales in China.

From a country perspective, growth was driven by the UK and the US. Sales growth in France was flat due to the negative impact from the French price reform introduced 1 July 2019, which also dampened the overall growth in Continence Care in the first quarter.

Interventional Urology

Interventional Urology generated 9% organic sales growth in the first quarter of 2019/20, with reported revenue in DKK growing by 12% to DKK 535m.
Growth was driven by Titan® penile implants and Axis™ biologics portfolio 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 10% organic sales growth in the first quarter of 2019/20, with reported revenue in DKK growing by 11% to DKK 584m.

The wound care business delivered 8% organic growth in the first quarter of 2019/20. At a product level, the Biatain® Silicone portfolio continued to be the main contributor to growth, driven by France and the US. 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, China and the US were the main contributors to growth.

The skin care business reported a solid first quarter driven by the InterDry® and EasiCleanse™ products, Likewise, the Compeed contract manufacturing business continued to contribute to growth in the first quarter of 2019/20.

Gross profit

Gross profit was up by 11% to DKK 3,212m from DKK 2,903m last year. The gross margin was 68%, against 67% last year. The gross margin includes a positive impact from currencies, mainly related to the appreciation of USD and GBP against DKK and the depreciation of the HUF against the DKK.
The increased gross margin was driven by operating leverage from revenue growth as well as the Global Operations Plan 4 including the closure of the factory in Thisted, Denmark in 2019. Furthermore, the gross margin improvement was positively impacted by restructuring costs of DKK 17m in the comparison period last year whereas there were no restructuring costs in Q1 this year. On the other hand, the gross margin was negatively impacted by product mix as well as increasing costs in Hungary due to salary inflation and labour shortages.

Costs

Distribution costs amounted to DKK 1,415m, a DKK 159m increase (13%) from DKK 1,256m last year. Distribution costs amounted to 30% of revenue against 29% last year. The higher distribution costs reflect further investments in sales and marketing activities across multiple markets and business areas including China and other emerging markets as well as US and the UK.

Administrative expenses amounted to DKK 171m, against DKK 182m last year. The decrease of DKK 11m (6%) was mainly related to a number of one-off costs incurred last year within IT and legal. Administrative expenses accounted for 4% of revenue which was consistent with last year.

The R&D costs were DKK 169m, a DKK 12m (7%) decrease compared to the same period last year. The decrease in the first quarter of 2019/20 was mainly due to timing of spending on innovation projects in 2019/20. 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 15m, against DKK 13m last year.

Operating profit (EBIT)

EBIT amounted to DKK 1,472m, a DKK 175m (13%) increase from DKK 1,297m last year. The EBIT margin increased likewise to 31% from 30% last year. The EBIT margin includes a positive impact from currencies, mainly related to the appreciation of USD and GBP against DKK.

Financial items and tax

Financial items were a net expense of DKK 54m, compared to a net expense of DKK 10m last year. The net expense of DKK 54m was mainly due to losses on currency hedges of DKK 36m, incurred by the appreciation of the USD and GBP against DKK. This was only partly offset by a hyperinflationary adjustment of DKK 8m 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 326m against DKK 296m last year.

Net profit

Net profit was DKK 1,092m, a DKK 101m (10%) increase from DKK 991m last year. Diluted earnings per share (EPS) increased by 10% to DKK 5.12 per share.

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 1,030m, against DKK 772m last year, and included a positive impact of DKK 47m related to a reclassification of lease payments following the adoption of IFRS 16 "Leases"[1]. The positive development in cash flows from operating activities was mainly due to an increase in operating profit (EBIT) as well as a decrease in trade receivables.

Investments

Coloplast made investments (CAPEX) of DKK 223m in the first quarter of 2019/20 compared with DKK 131m last year. As a result, CAPEX accounted for 5% of revenues compared to 3% last year. The increase is mainly linked to investments in automation, IT and timing of investments in manufacturing equipment during the course of the year.

Total cash flows from investing activities were a DKK 214m outflow, against a DKK 114m outflow in the same period last year, mainly due to the mentioned timing of investments.

Free cash flow

As a result, the free cash flow was an inflow of DKK 816m which was up 24% from DKK 658m in the same period last year. Adjusted for the positive impact of DKK 47m related to a reclassification of lease payments following the adoption of IFRS 16 "Leases"[1], the free cash flow was up 17%.

Capital resources

At 31 December 2019, Coloplast had net interest-bearing debt, including securities, of DKK 2,754m, against DKK 539m at 30 September 2019. The increase in net interest-bearing debt is due to the payment of dividends in December 2019.

Statement of financial position and equity

Balance sheet

At DKK 13,223m, total assets increased by DKK 491m relative to 30 September 2019. The increase is mainly due to the adoption of IFRS 16 "Leases"[1] which entails that right-of-use assets are now recognised on the balance sheet along with a corresponding lease liability.

Working capital was 22% of revenue. Inventories decreased by DKK 16m to DKK 1,917m and trade receivables decreased by DKK 171m to DKK 2,982m. Trade payables decreased by DKK 180m relative to 30 September 2019 to stand at DKK 679m.

Equity

Equity decreased by DKK 1,462m relative to 30 September 2019 to DKK 5,451m. Payment of dividends amounting to DKK 2,549m were only partly offset by total comprehensive income for the period of DKK 1,070m, share-based remuneration of DKK 7m and treasury shares sold of DKK 10m.

Treasury shares

At 31 December 2019, Coloplast's holding of treasury shares consisted of 3,558,378 B shares, which was 18,777 fewer than at 30 September 2019. The decrease was due to the exercise of share options.

[1] Please refer to Note 1 "Accounting Policies".

Financial guidance for 2019/20

- We continue to expect organic revenue growth of 7-8% at constant exchange rates and a reported growth in DKK of 7-8%.
- We continue to expect an EBIT margin of ~31% at constant exchange rates and ~31% in DKK. The EBIT margin guidance reflects additional incremental investments of up to 2% of revenue for innovation and sales and marketing initiatives.
- Coloplast is monitoring the Coronavirus outbreak in China closely. The financial impact of the situation is uncertain. Our full year guidance assumes that the situation normalises during Q2.
- Capital expenditure is still expected to be DKK ~850m.
- The effective tax rate is still expected to be ~23%.

The financial guidance takes account of known reforms. Our expectations for long-term price pressure, 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 increase 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.

Other matters

Coronavirus outbreak in China

Coloplast is monitoring the situation closely, collaborating with the Chinese authorities and taking all necessary precautions. China represents around 5% of Coloplast's total revenues and Coloplast has approximately 2,000 employees in China. The Zhuhai factory which is situated in in the Guangdong province, represents around 10% of global production volumes, and is scheduled to open on February 10th. As of February 3rd, Coloplast began distributing products from the Chinese distribution centre again. The financial impact of the situation is uncertain. Our full year guidance assumes that the situation normalises during Q2.

Coloplast awarded Enterostomal Therapy products agreement with Premier Inc.

Coloplast has been awarded a three-year group purchasing agreement for ostomy products with Premier Inc. in the US. The agreement is multi-source and effective for three years beginning April 1, 2020. Premier is a leading healthcare improvement company, uniting an alliance of approximately 4,000 U.S. hospitals and hospital systems and more than 175,000 other providers to transform healthcare.

Save the date – Capital Markets Day in Humlebæk on 24 June 2020

Coloplast will host a Capital Markets Day in Humlebæk on 24 June 2020. The event is intended to give institutional investors and equity analysts an introduction to the new long term strategy for the company as well as the opportunity to meet with the broader Management team.

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 3M 2018/19	841	654	2.31
Average exchange rate 3M 2019/20	868	675	2.25
Change in average exchange rates for 2018/19 compared with the same period last year	3%	3%	-3%
Average exchange rate 2018/19[1)]	844	662	2.31
Spot rate, 4 February 2020	875	676	2.22
Estimated average exchange rate 2019/20[2)]	874	676	2.23
Change in estimated average exchange rates compared with average exchange rates 2018/19	3%	2%	-4%

1) Average exchange rates for 2018/19 are from 1 October 2018 to 30 September 2019.
2) Estimated average exchange rates are calculated as the average exchange rates for the first three months combined with the spot rates at 4 February 2020.

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

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and approved the interim report of Coloplast A/S for the period 1 October 2019 – 31 December 2019. The interim report, which has neither been audited nor reviewed by the company's auditors, is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's operations and cash flows for the period 1 October 2019 – 31 December 2019.

Furthermore, in our opinion, the Management's report includes a fair account of the development and performance of the Group, the results for the period and of the financial position of the Group. Other than as set forth in the interim report, no changes have occurred to the significant risks and uncertainty factors compared with those disclosed in the annual report for 2018/19.

Humlebæk, 6 February 2020

Executive Management:

Kristian Villumsen President, CEO	Anders Lonning-Skovgaard Executive Vice President, CFO
Allan Rasmussen Executive Vice President, Global Operations	Paul Marcun Executive Vice President, Chronic Care

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

Coloplast

Tables

Statement of comprehensive income

1 October - 31 December

(Unaudited)

Consolidated		DKK million		
		2019/20	2018/19	
Note		Q1	Q1	Index
	Income statement			
2	Revenue	4,712	4,321	109
	Production costs	-1,500	-1,418	106
	Gross profit	**3,212**	**2,903**	**111**
	Distribution costs	-1,415	-1,256	113
	Administrative expenses	-171	-182	94
	Research and development costs	-169	-181	93
	Other operating income	17	16	106
	Other operating expenses	-2	-3	67
	Operating profit (EBIT)	**1,472**	**1,297**	**113**
3	Financial income	10	28	36
4	Financial expenses	-64	-38	168
	Profit before tax	**1,418**	**1,287**	**110**
	Tax on profit for the period	-326	-296	110
	Net profit for the period	**1,092**	**991**	**110**
	Other comprehensive income			
	Items that will not be reclassified to income statement:			
	Remeasurements of defined benefit plans	19	2	
	Tax on remeasurements of defined benefit plans	-5	0	
		14	**2**	
	Items that may be reclassified to income statement:			
	Value adjustment of currency hedging	-46	9	
	Transferred to financial items	36	26	
	Tax effect of hedging	2	-8	
	Currency adjustment of opening balances and other market value adjustments relating to subsidiaries	-28	48	
		-36	**75**	
	Total other comprehensive income	**-22**	**77**	
	Total comprehensive income	**1,070**	**1,068**	
	Earnings per Share (EPS)	5.14	4.67	
	Earnings per Share (EPS), diluted	5.12	4.66	

Balance sheet

At 31 December

(Unaudited)

Consolidated		DKK million	
Note	31.12.19	31.12.18	30.09.19
Non-current assets			
Intangible assets	2,459	2,516	2,502
Property, plant and equipment	3,216	3,175	3,249
Right-of-use assets	570	0	0
Other equity investments	5	10	5
Deferred tax asset	584	462	590
Other receivables	28	21	27
Total non-current assets	6,862	6,184	6,373
Current assets			
Inventories	1,917	1,818	1,933
Trade receivables	2,982	2,894	3,153
Income tax	228	22	231
Other receivables	189	204	197
Prepayments	212	180	163
Amounts held in escrow	13	74	13
Marketable securities	304	305	313
Cash and cash equivalents	516	432	356
Total current assets	6,361	5,929	6,359
Total assets	**13,223**	**12,113**	**12,732**

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Ostomy Care
Continence Care
Wound & Skin Care
Interventional Urology

Balance sheet

At 31 December

(Unaudited)

Consolidated		DKK million		
Note		31.12.19	31.12.18	30.09.19
	Equity			
	Share capital	216	216	216
	Currency translation reserve	-185	-126	-175
	Reserve for currency hedging	-61	-9	-53
	Proposed ordinary dividend for the year	0	0	2,549
	Retained earnings	5,481	5,111	4,376
	Total equity	5,451	5,192	6,913
	Liabilities			
	Non-current liabilities			
	Provisions for pensions and similar liabilities	184	191	200
	Provision for deferred tax	264	284	264
8	Other provisions	237	43	257
	Lease liability	418	92	134
	Prepayments	21	30	22
	Total non-current liabilities	1,124	640	877
	Current liabilities			
	Provisions for pensions and similar liabilities	10	3	9
8	Other provisions	178	173	201
	Other credit institutions	2,989	3,039	1,066
	Trade payables	679	636	859
	Income tax	518	368	1,068
	Other payables	2,098	2,047	1,720
	Lease liability	167	6	8
	Prepayments	9	9	11
	Total current liabilities	6,648	6,281	4,942
	Total liabilities	**7,772**	**6,921**	**5,819**
	Total equity and liabilities	**13,223**	**12,113**	**12,732**

1 Accounting policies
9 Contingent liabilities

Statement of changes in equity

(Unaudited)

Consolidated DKK million	Share capital A shares	 B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2019/20							
Balance at 1.10.	18	198	-175	-53	2,549	4,376	6,913
Comprehensive income:							
Net profit for the period						1,092	1,092
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements of defined benefit plans						19	19
Tax on remeasurements of defined benefit plans						-5	-5
Other comprehensive income that may be reclassified to income statement:							
Value adjustment of currency hedging				-46			-46
Transferred to financial items				36			36
Tax effect of hedging				2			2
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries			-10			-18	-28
Total other comprehensive income	0	0	-10	-8	0	-4	-22
Total comprehensive income	0	0	-10	-8	0	1,088	1,070
Transactions with shareholders:							
Sale of treasury shares						10	10
Share-based payment						7	7
Dividend paid out in respect of 2018/19					-2,549		-2,549
Total transactions with shareholders	0	0	0	0	-2,549	17	-2,532
Balance at 31.12.	**18**	**198**	**-185**	**-61**	**0**	**5,481**	**5,451**

Ostomy Care
Continence Care
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Interventional Urology

Statement of changes in equity

(Unaudited)

Consolidated DKK million	Share capital A shares	 B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2018/19							
Balance at 1.10.	18	198	-161	-36	2,336	4,063	6,418
Comprehensive income:							
Net profit for the period						991	991
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements on defined benefit plans						2	2
Other comprehensive income that may be reclassified to income statement:							
Value adjustment of currency hedging				9			9
Transferred to financial items				26			26
Tax effect of hedging				-8			-8
Currency adjustment of opening balances and market value adjustments relating to subsidiaries			35			13	48
Total other comprehensive income	0	0	35	27	0	15	77
Total comprehensive income	0	0	35	27	0	1,006	1,068
Transactions with shareholders:							
Sale of treasury shares						33	33
Share-based payment						9	9
Dividend paid out in respect of 2017/18					-2,336		-2,336
Total transactions with shareholders	0	0	0	0	-2,336	42	-2,294
Balance at 31.12.	**18**	**198**	**-126**	**-9**	**0**	**5,111**	**5,192**

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Cash flow statement

1 October - 31 December

(Unaudited)

Consolidated		DKK million	
		2019/20	2018/19
Note		3 mths	3 mths
	Operating profit	1,472	1,297
	Depreciation and amortisation	208	158
5	Adjustment for other non-cash operating items	-35	-50
6	Changes in working capital	321	166
	Ingoing interest payments, etc.	2	2
	Outgoing interest payments, etc.	-67	-37
	Income tax paid	-871	-764
	Cash flows from operating activities	**1,030**	**772**
	Investments in intangible assets	-18	-19
	Investments in land and buildings	-6	-1
	Investments in plant and machinery and other fixtures and fittings, tools and equipment	-8	-9
	Investments in property, plant and equipment under construction	-191	-102
	Property, plant and equipment sold	0	11
	Net sales/purchase of marketable securities	9	6
	Cash flow from investing activities	**-214**	**-114**
	Free cash flow	**816**	**658**
	Dividend to shareholders	-2,549	-2,336
	Sale of treasury shares	10	34
	Financing from shareholders	**-2,539**	**-2,302**
	Repayment of lease liabilities	-47	0
	Drawdown on credit facilities	1,924	1,777
	Cash flows from financing activities	**-662**	**-525**
	Net cash flows	**154**	**133**
	Cash and cash equivalents at 1.10.	356	297
	Value adjustment of cash and bank balances	6	2
	Net cash flows	154	133
7	**Cash and cash equivalents at 31.12.**	**516**	**432**

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

Notes

(Unaudited)

Consolidated

1. Accounting policies

The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The accounting policies for recognition and measurement applied in the preparation of the interim report are consistent with those applied in the Annual Report 2018/19 except for new standards, amendments and interpretations that are effective from the 2019/20 financial year.

Adoption of IFRS 16 "Leases" with effect from 1 October 2019

The new reporting standard, IFRS 16 "Leases", was adopted with effect from 1 October 2019 using the modified retrospective approach. Consequently, comparative information was not restated and the cumulative effect from the initial application of the reporting standard was recognised in the opening balances at 1 October 2019.

The main change introduced by the new reporting standard is a revised accounting model for those lease contracts which were previously classified as operating leases. Previously, lease payments for operating leases were recorded as operating expenses and neither the leased asset nor the lease liability were recognised on the balance sheet. Pursuant to the new reporting standard, right-of-use assets are now recognised on the balance sheet for all lease contracts which were previously classified as operating leases, except for short-term leases and leases of low-value assets. Similarly, corresponding lease liabilities are also recognised on the balance sheet. The lease payments are now recorded partly as a repayment of the lease liability and partly as an interest charge. Conversely, a depreciation charge is recorded for the right-of-use assets.

As anticipated, the adoption of IFRS 16 "Leases" has had an immaterial, positive effect on EBIT for the current period due to the new classification of interest charges related to lease liabilities. The impact on net profit for and earnings per share the current period were also immaterial. Total assets increased by DKK 472 million at the initial date of application, corresponding to 4% of total assets. The right-of-use assets relate mainly to cars and buildings. There was no impact on the opening balance of equity

As a result of this, return on invested capital (ROIC) was negatively impacted by 2 percentage points due to the increase in assets recognised on the balance sheet which were only partly offset by an immaterial increase in EBIT due to the new classification of interest charges related to lease liabilities. Net interest-bearing debt (NIBD) increased by DKK 472 million at the initial date of application due to the recognition of lease liabilities related to those lease contracts which were previously classified as operating leases.

Cash flows were also impacted by the adoption of IFRS 16 "Leases". For the current period, cash flows from operating activities were improved by DKK 47 million because the principal repayment of lease liabilities is now classified as cash flows from financing activities. This change in classification is a result of the adoption of the new reporting standard. Free cash flows were likewise improved by the same amount while net cash flows remain unchanged.

Practical expedients applied at the initial application of IFRS 16 "Leases"

At the initial application of IFRS 16 "Leases", the following practical expedients were used:

- A single discount rate was applied to a portfolio of leases with similar characteristics
- Initial direct cost at the inception of the lease contract were excluded from the measurement of the right-of-use asset
- Hindsight was used when determining the remaining lease term from the initial date of initial application

Notes

(Unaudited)

Consolidated

1. Accounting policies, continued

New accounting policy for lease contracts from 1 October 2019
At the commencement date, when a leased asset is made available for use, a right-of-use asset and a corresponding lease liability is recognised on the balance sheet.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made prior to the commencement date and any initial direct costs. Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses, and adjusted for remeasurement of the lease liability. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the right-of-use asset.

Lease liabilities are initially measured at the present value of future lease payments. The lease payments are discounted using the implicit rate of the lease contract or, if not readily determinable, the incremental borrowing rate of Coloplast for loans with similar term and security. As a practical expedient, the discount rates are determined on basis of a portfolio of leases with similar characteristics, e.g. a portfolio of leased cars in a specific country. The lease liabilities are subsequently reduced by the portion of lease payments which is regarded as repayment of those lease liabilities. Lease liabilities are remeasured in the event of a lease modification or a reassessment of the lease term which in turn may also impact the carrying value of the right-of-use assets. The lease term is reassessed when a significant event or change, which is within the control of Coloplast, affects the prior assessment.

Short-term leases and leases of low-value assets are exempted from the above accounting model. Consequently, lease payments associated with such lease contracts are recognised as an operating expense on either a straight-line basis over the lease term or another systematic basis which is more representative of the pattern of the benefit the leased assets.

Notes

(Unaudited)

Consolidated

2. 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 and 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 (i.e. production units and staff functions) and eliminations, as these functions do not generate revenue. While costs of R&D activities for Interventional Urology is 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 costs, sales costs, 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 the 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.

Operating segments	Chronic Care		Interventional Urology		Wound & Skin Care		Total	
DKK million	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
Segment revenue								
Ostomy Care	1,907	1,736	0	0	0	0	1,907	1,736
Continence Care	1,686	1,579	0	0	0	0	1,686	1,579
Interventional Urology	0	0	535	479	0	0	535	479
Wound & Skin Care	0	0	0	0	584	527	584	527
External revenue as per the Statement of comprehensive income	**3,593**	**3,315**	**535**	**479**	**584**	**527**	**4,712**	**4,321**
Segment operating profit/loss	2,047	1,886	197	177	225	201	2,469	2,264
Shared/non-allocated							-997	-967
Operating profit before tax (EBIT) as per the Statement of comprehensive income							**1,472**	**1,297**
Net financials							-54	-10
Tax of profit/loss for the period							-326	-296
Profit/loss for the period as per the Statement of comprehensive income							**1,092**	**991**

Notes

(Unaudited)

Consolidated	DKK million 2019/20	2018/19
3. Financial income		
Interest income	2	2
Net exchange adjustments	0	14
Hyperinflationary adjustment of monetary position	8	12
Total	**10**	**28**
4. Financial expenses		
Interest expenses	4	1
Interest expenses, lease liabilities	3	1
Fair value adjustments of forward contracts transferred from Other comprehensive income	36	26
Net exchange adjustments	14	-1
Other financial expenses and fees	7	11
Total	**64**	**38**
5. Adjustment for other non-cash operating items		
Net gain/loss on divestment of non-current assets	0	-5
Change in other provisions	-42	-54
Other non-cash operating items	7	9
Total	**-35**	**-50**
6. Changes in working capital		
Inventories	20	-69
Trade receivables	171	-2
Other receivables, including amounts held in escrow	-42	-86
Trade and other payables etc.	172	323
Total	**321**	**166**
7. Cash and cash equivalents		
Short term bank balances	516	432
Total	**516**	**432**

Notes

(Unaudited)

Consolidated

8. Other provisions

Product liability case regarding transvaginal surgical mesh products

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 was 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 31 December 2019 amounted to DKK 0.4bn (30 September 2019: DKK 0.5bn) plus DKK 0.1bn recognised under other debt (30 September 2019: DKK 0.1bn). 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.

9. Contingent liabilities

Other than as set out in note 8 Other provisions, the Coloplast Group is a party to a few minor legal proceedings, which are not expected to influence the Group's future earnings.

Coloplast

Ostomy Care
Continence Care
Wound & Skin Care
Interventional Urology

Income statement, quarterly

(Unaudited)

Consolidated

	2019/20		2018/19		
DKK million	Q1	Q4	Q3	Q2	Q1
Revenue	4,712	4,618	4,599	4,401	4,321
Production costs	-1,500	-1,448	-1,476	-1,444	-1,418
Gross profit	**3,212**	**3,170**	**3,123**	**2,957**	**2,903**
Distribution costs	-1,415	-1,343	-1,330	-1,277	-1,256
Administrative expenses	-171	-197	-183	-195	-182
Research and development costs	-169	-165	-175	-171	-181
Other operating income	17	20	9	32	16
Other operating expenses	-2	-6	-6	-4	-3
Operating profit before special items	**1,472**	**1,479**	**1,438**	**1,342**	**1,297**
Special items	0	-400	0	0	0
Operating profit (EBIT)	**1,472**	**1,079**	**1,438**	**1,342**	**1,297**
Financial income	10	0	-1	27	28
Financial expenses	-64	-51	-50	-43	-38
Profit before tax	**1,418**	**1,028**	**1,387**	**1,326**	**1,287**
Tax on profit for the period	-326	-235	-319	-305	-296
Net profit for the period	**1,092**	**793**	**1,068**	**1,021**	**991**
Earnings per Share (EPS) before special items	5.14	5.21	5.03	4.81	4.67
Earnings per Share (EPS)	5.14	3.74	5.03	4.81	4.67
Earnings per Share (EPS) before special items, diluted	5.12	5.18	5.02	4.78	4.66
Earnings per Share (EPS), diluted	5.12	3.72	5.02	4.78	4.66

Ostomy Care
Continence Care
Wound & Skin Care
Interventional Urology

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

For more information, please contact:

Investors and analysts
Anders Lonning-Skovgaard
Executive Vice President, CFO
Tel. +45 4911 1111

Ellen Bjurgert
Vice President
Investor Relations
Tel. +45 4911 1800 / 4911 3376
E-mail dkebj@coloplast.com

Rasmus Sørensen
Senior Manager
Investor Relations
Tel. +45 4911 1800 / 4911 1786
E-mail dkraso@coloplast.com

Press and the media
Dennis Kaysen
Director
Corporate Communications
Tel. +45 4911 2608
E-mail dkdk@coloplast.com

Lina Danstrup
Senior Media Relations Manager
Corporate Communications
Tel. +45 4911 2607
E-mail dklina@coloplast.com

Address
Coloplast A/S
Holtedam 1
DK-3050 Humlebaek
Denmark
Business reg. (CVR) no. 69749917

Website
www.coloplast.com

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

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare. Our business includes Ostomy Care, Continence Care, Wound and Skin Care and Interventional Urology. We operate globally and employ about 12,000 employees.