Company registration (CVR) No. 69 74 99 17

2020/21

Kristian,
IC device user

Annual Report

Making life easier

Coloplast

Coloplast A/S
Holtedam 1, 3050 Humlebæk
1 October 2020 – 30 September 2021

Five-year financial highlights and key ratios

	2020/21	2019/20	2018/19	2017/18	2016/17
Income statement, DKK million					
Revenue	19,426	18,544	17,939	16,449	15,528
Research and development costs	-755	-708	-692	-640	-574
Operating profit before interest, tax, depr. and amort. (EBITDA)	6,947	6,705	5,807	5,716	5,635
Operating profit (EBIT) before special items	6,355	5,854	5,556	5,091	5,024
Special items[1)]	-200	-	-400	-	-
Operating profit (EBIT)	6,155	5,854	5,156	5,091	5,024
Net financial income and expenses	78	-388	-128	-82	-72
Profit before tax	6,233	5,466	5,028	5,009	4,950
Net profit for the year	4,825	4,197	3,873	3,845	3,797
Revenue growth					
Annual growth in revenue, %	5	3	9	6	6
Growth breakdown:					
Organic growth, %	7	4	8	8	7
Currency effect, %	-2	-1	1	-4	-1
Acquired operations, %	0	-	0	1	1
Other matters, %	-	-	-	1	-1
Balance sheet, DKK million					
Total assets	15,841	13,499	12,732	11,769	12,050
Capital invested	11,576	9,864	8,748	8,468	7,977
Net interest-bearing debt	2,112	1,162	539	754	826
Equity at year end	8,168	7,406	6,913	6,418	5,952
Cash flows and investments, DKK million					
Cash flows from operating activities	5,290	4,759	4,357	4,361	3,251
Cash flows from investing activities	-2,011	-901	-591	-947	-1,619
Investments in property, plant and equipment, gross	-919	-846	-617	-616	-661
Free cash flow	3,279	3,858	3,766	3,414	1,632
Cash flows from financing activities	-3,176	-3,857	-3,714	-3,430	-1,863
Key ratios					
Average number of employees, FTEs	12,578	12,250	11,821	11,155	10,420
Operating margin (EBIT margin) before special items, %	33	32	31	31	32
Operating margin (EBIT margin), %	32	32	29	31	32
Operating margin before interest, tax, depr. and amort. (EBITDA margin), %	36	36	32	35	36
Return on average invested capital before tax (ROIC), %[2)]	58	59	62	57	61
Return on average invested capital after tax (ROIC), %[2)]	45	46	48	44	47
Return on equity, %	70	66	65	72	77
Equity ratio, %	52	55	54	55	49
Net asset value per outstanding share, DKK	38	35	33	30	28
Share data					
Share price, DKK	1,007	1,004	825	657	511
Share price/net asset value per share	26	29	25	22	18
Average number of outstanding shares, in million	213	213	212	212	212
PE, price/earnings ratio	44	51	45	36	29
Dividend per share, DKK[3)]	19.0	18.0	17.0	16.0	15.0
Payout ratio, %[4)]	81	91	86	88	84
Earnings per share (EPS), diluted	22.63	19.67	18.18	18.10	17.87
Free cash flow per share	15	18	18	16	8

The Group has applied IFRS 16 "Leases" for the first time on 1 October 2019. The amounts for 2016/17-2018/19 have not been restated.
Key ratios have been calculated and applied in accordance with Recommendations & Financial Ratios issued by the Danish Society of Financial Analysts.
1) Special items include the 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 57%/61%/60%/62%/74%, and ROIC after tax was 44%/47%/46%/47%/57%. **3)** The figure shown for the 2020/21 financial year is the proposed dividend. **4)** For the 2020/21 and 2018/19 financial years, this item is before special items. After special items, the payout ratio is 84%/93%.

Table of contents

HIGHLIGHTS

A message from the Chairman

> *As a company, we continue to strive towards long-term value creation for all our stakeholders – consumers, healthcare professionals, employees, communities and shareholders.*

Dear shareholders,

As I write this letter, the world continues to grapple with the COVID-19 pandemic that has impacted us all, professionally and personally. At Coloplast, our mission continues to guide us. We are here to make life easier for people with intimate healthcare needs – today and tomorrow.

As the impact of the pandemic wanes across the world, we see a path to recovery and continue to focus on building the consumer healthcare company of the future. We launched a new corporate strategy last year, ***Strive25***, and despite the challenges presented by COVID-19, I look back on a year in which the company delivered solid results and took market shares across all business areas.

As a company, we continue to strive towards long-term value creation for all our stakeholders – consumers, healthcare professionals, employees, communities and shareholders.

In my role, I continue to firmly believe that effective boardrooms are built on a foundation of collaboration, respect and trust. I also place great emphasis on the strong collaboration between the Board and the Executive Leadership Team.

One of my key priorities since becoming Chairman of the Board has been to broaden the scope of the Board's strategic work. Over the past year, the Board has engaged extensively with management on navigating the impacts of COVID-19 as well as key strategic topics, including innovation, digitalisation, sustainability, culture, M&A and successful execution in the US and China. Let me highlight two key areas.

First, our strategy must evolve as the marketplace changes. To name a few key developments, COVID-19 has accelerated the digital transformation and introduced new ways of working that will have large ramifications in the years to come. COVID-19 has also put pressure on input costs which will be a key topic going forward.

Second, Sustainability is on top of the Board agenda. I firmly believe that sustainability is key to corporate competitiveness and a company's continued ability to operate. The Board is committed to addressing these concerns and to providing the adequate disclosure and transparency necessary to assess our progress. At Coloplast, we have always aspired to act responsibly. As part of ***Strive25***, Sustainability has been elevated to an enterprise theme backed by large investments.

The climate crisis is one of the most urgent issues of our time and we must act now. At Coloplast, we have taken key steps to advance our environmental commitment. I strongly support the recommendations of the Task Force on Climate-related Financial Disclosures and encourage other business leaders to join the effort.

As outlined in our Remuneration report, to underline our commitment to climate action and ensure solid progress, executive remuneration will be linked to climate-related non-financial metrics.

Inclusion & Diversity is another area that I feel passionate about.

In 2020, I became Chairman of the DI (Danish Industry) Committee on Diversity. Most recently, as part of the company's inclusion and diversity efforts, Coloplast has signed the Confederation of Danish Industry's Gender Diversity Pledge, committing to a target of a 40/60 gender distribution in management and our Board of Directors by 2030.

During the year, Coloplast undertook an independent Board evaluation to assess whether the board's composition, dynamics, operations and structure are effective for the company and its business environment in the short and long term. The review identified future development areas and also highlighted areas of strength.

At the Annual General Meeting in December, the Board will propose the election of a new Board member who has extensive commercial experience from the US market.

Today, I am pleased to present our Annual Report, which looks back on another challenging year due to COVID-19. Despite a significant negative impact on growth in our chronic care business due to the pandemic, it is fair to conclude that this year once again confirmed the strength of Coloplast's business model to deliver solid performance and earnings growth even in tough times. Most importantly, our products have continued to help make life easier for millions of people with intimate healthcare conditions.

In conclusion, based on our company's financial performance in 2020/21, the Board of Directors will propose a total dividend of DKK 19.00 per share at the Annual General Meeting in December 2021.

On behalf of the Board of Directors, I would like to thank Coloplast's Executive Leadership Team for guiding the organisation through this difficult and fast-moving environment.

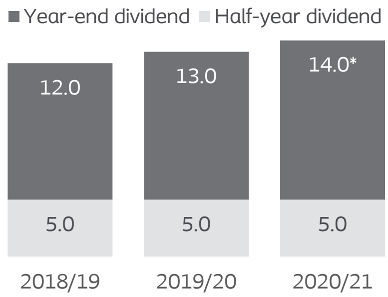
Once again, thank you to our employees for their dedication to the company and our mission. 2020/21 was not an easy year. The commitment, which has been shown by our approximately 12,500 employees worldwide, is truly humbling. I would also like to thank you, our shareholders, for your continued trust and support.

Lars Rasmussen
Chairman of the Board of Directors

Proposed dividend per share is DKK 14.00 on top of a half-year dividend of DKK 5.00.

The Board of Directors recommends that the shareholders attending the general meeting approve a year-end dividend of DKK 14.00 per share. In addition to a dividend of DKK 5.00 per share paid out in connection with the half-year results in May 2021, which brings the total dividend paid for the year to DKK 19.00 per share, compared with DKK 18.00 per share last year.

DIVIDEND PER SHARE (DKK)



* Proposed dividend per share.

Our CEOs view on the business

I am fundamentally optimistic about our future. Coloplast is a long-term growth company.

Dear shareholders,

At Coloplast, we work to make life easier for people with intimate healthcare needs. By listening to the people who use our products – users as well as the nurses and specialists who care for them – we get a better understanding of their needs and challenges. That knowledge inspires our innovation. This approach has brought us close to our customers. It has allowed us to deliver pioneering products and made us one of the best performing medical device companies in the world. We're very proud of that. But we have more work to do.

This year year, I am proud to say that we helped more than 2 million chronic users. Our key focus has been to keep our employees safe, continue to serve our customers and maintain business operations.

As we enter a new financial year, the world is still experiencing disruptions as a result of the global pandemic and its long-term effects will continue to impact us. But I am confident that the pandemic will also have lasting positive implications. I am fundamentally optimistic about our future. Coloplast is a long-term growth company. We operate in attractive underlying markets growing 4-5% driven by demographics, increasing health care standards in emerging markets and innovation. We continue to build the consumer healthcare company of the future with a strong commercial model based on category leadership through innovation, strong partnerships with clinicians and a large-scale direct-to-consumer setup. The pandemic has validated our model.

COVID-19 has accelerated digital trends

What we have witnessed over the past year is an acceleration of the digital transformation and we will not run our company the same way again. Triggered by the pandemic, healthcare professionals have been profoundly impacted by the shift to remote work, our employees found new ways of working and consumers became reliant on strong digital offerings. Coloplast has responded in turn and invested in digital tools, data security and artificial intelligence that will help us excel in a more digitised environment.

Solid 2020/21 results

Despite COVID-19, we delivered a strong set of numbers with 7% organic growth, 33% EBIT margin before special items and 45% return on invested capital after tax (before special items). COVID-19 had a large impact on our chronic care business, but on a positive note, the growth in new patients is recovering. Our smaller business areas, Interventional Urology and Wound & Skin Care, made a strong recovery this year as elective procedures and hospital activity resumed. Across all business areas we once again gained market shares. The strong EBIT margin was supported by the successful execution of our Global Operations Plans. We continued to invest in innovation and commercial growth initiatives, in particular in the US and China, as well as digital initiatives. Importantly, our employees remained engaged and our most recent employee engagement score was again above the benchmark.

Strive25 – Sustainable Growth Leadership

Last year, we announced our new strategy, ***Strive25***, with a clear emphasis on growth and innovation, US and China. Growth will be fuelled by incremental investments of up to 2% of revenues annually in innovation and commercial initiatives across all business areas. We will also actively pursue M&A opportunities to build growth options. A few highlights from the first year of ***Strive25***:

First, innovation. We aim to set the standard of care in the categories we compete in. With user needs at the centre, we have made progress on our Clinical Performance Programme in Chronic Care. The programme marks the start of an important transition to outcome-based innovation, which forces us to think differently and which will be key over the next decade as our healthcare ecosystem becomes increasingly value based. We need to demonstrate value to wider sets of stakeholders including consumers, clinicians and not least payers. Clinical evidence, data and demonstrating value will be critical.

In Wound Care, we have strengthened our product portfolio with the launch of Biatain Fiber. In Interventional Urology, we have taken steps to build new growth options into the pipeline through the acquisition of Nine Continents Medical, an early-stage technology company within the overactive bladder market.

Second, growth. It has been a tough year for healthcare systems. Despite challenging market conditions, we made key progress on our commercial growth agenda. In Chronic Care, we seek to continue to drive growth above the market with a strong contribution from our US and emerging market regions. In the US, we achieved a key milestone by securing access to the largest Ostomy GPOs. In China, we have initiated a large project with hundreds of ostomy nurses aimed at raising standards of care for ostomy users. In Poland, reimbursement for hydrophilic catheters has been significantly improved for adults and children with neurogenic bladder and is now on par with the European standard of care. This important step forward will help thousands of people to lead more dignified lives.

Our new strategy is supported by key growth enablers, including Efficiency, People and Culture and Sustainability.

We continue to strive for unparalleled efficiency and industry leading margins. Our ambitious 3-year Global Operations Plan 5 is off to a solid start. Our extensive automation programme is on track and our first volume factory in Costa Rica opened this year. Our second volume factory in Costa Rica will open next year. By the end of ***Strive25***, Costa Rica is expected to produce 25-30% of our global volumes, ensuring that we have a more diversified global production network. We also continue to see a positive scale effect in our business support organisation driven by the further utilisation of our Coloplast Business Centre in Poland. However, we also see headwinds from pressure on input costs, mainly from wage inflation in Hungary and increasing raw materials costs.

A purpose driven culture with the focus on Sustainability

At the heart of delivering on ***Strive25*** is our people and culture. The pandemic has been tough on all employees. As societies open again across the world, we are reconnecting with our colleagues. We are united around a strong purpose, but the pandemic has led to lasting changes in how we work. To succeed in this new environment, we are discovering new ways of organising and leading, along with new approaches to recruiting, developing and engaging employees. We have also set clear goals on diversity for all leaders in the company. We all need to make this a priority.

I am very pleased to release this year's Sustainability Report together with the Annual Report. Last year, Coloplast made Sustainability an enterprise theme. We have set a number of ambitious targets to support the UN Sustainable Development Goals and to reduce emissions from Scope 1, 2 and 3 in line with the Paris agreement to limit global temperature rise to 1.5°C. By submitting targets for validation to the Science-Based Targets initiative, we have increased transparency across our entire value chain. Our environmental sustainability initiatives are supported by investments of up to DKK 250 million over the strategy period. We are acting now.

Despite a challenging year, I remain optimistic about our future which holds many opportunities for growth. I want to say thank you to all the employees at Coloplast for your continued commitment to build our company and deliver on our mission. I would also like to thank our customers and investors for your confidence.

Kristian Villumsen
President & CEO

Coloplast across regions and business areas

Ostomy Care

Ostomy bags, plates and supporting products

7.8 bn

Reported revenue in DKK

+6%

Organic growth at constant exchange rates

Continence Care

Intermittent catheters, collecting devices and bowel management

7.0 bn

Reported revenue in DKK

+5%

Organic growth at constant exchange rates

Interventional Urology

Vaginal slings, penile implants and disposable products for use in surgery

2.1 bn

Reported revenue in DKK

+19%

Organic growth at constant exchange rates

Wound & Skin Care

Advanced wound care dressings, liquids and creams to treat wounds and contract manufacturing of consumer products

2.5 bn

Reported revenue in DKK

+8%

Organic growth at constant exchange rates

European markets

Western, Northern and Southern Europe

11.3 bn

Reported revenue in DKK

+4%

Organic growth at constant exchange rates

Other developed markets

USA, Canada, Japan, Australia and New Zealand

4.8 bn

Reported revenue in DKK

+8%

Organic growth at constant exchange rates

Emerging markets

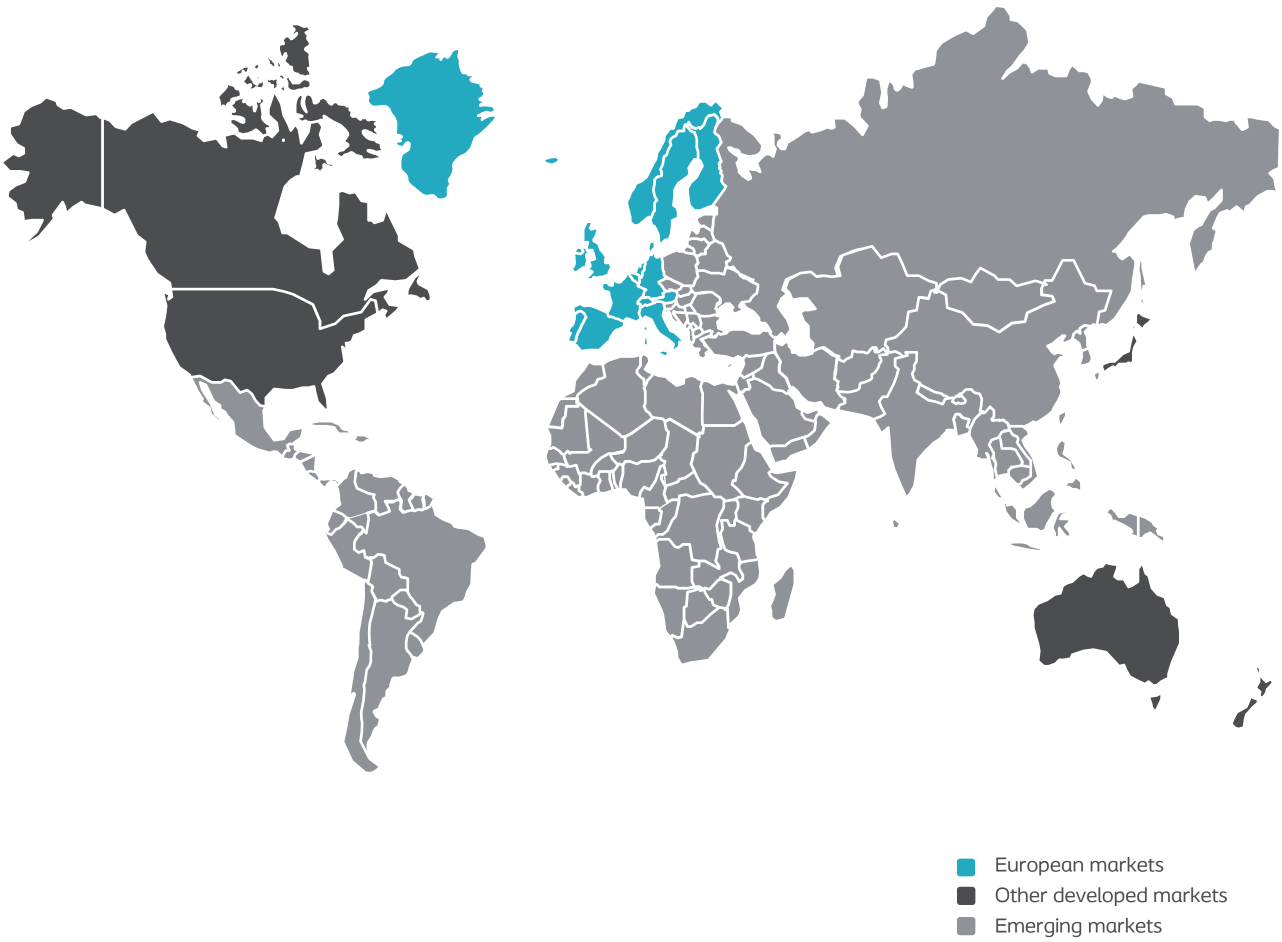
All other markets

3.4 bn

Reported revenue in DKK

+15%

Organic growth at constant exchange rates



HIGHLIGHTS

2020/21 in brief

7%

Organic revenue growth in 2020/21. Growth was broad-based

33%*

EBIT margin driven by efficiency gains and cost prudency

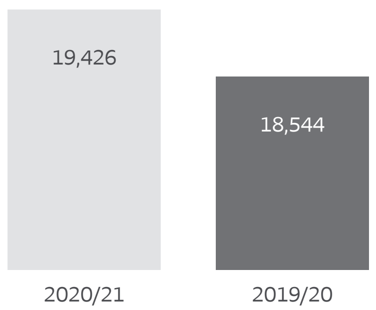
* Before special items

45%*

ROIC after tax compared to 46% last year

* Before special items

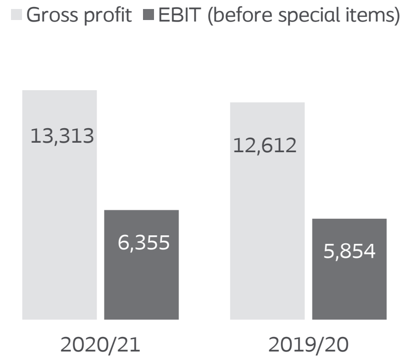
REVENUE (DKK MILLION)



Organic growth was 7%, with all business areas contributing to growth. Ostomy Care was the main growth contributor and grew 6% organically. Continence Care delivered 5% organic growth. Interventional Urology contributed with 19% organic growth. The wound and skin care business grew 8% organically.

Revenue in DKK amounted to 19,426 million, which is a 5% increase from 18,544 million last year.

GROSS PROFIT AND EBIT (DKK MILLION)

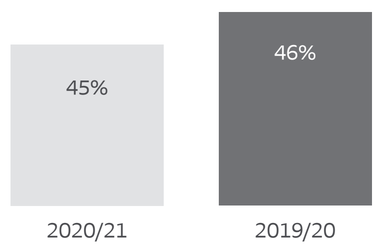


EBIT before special items amounted to DKK 6,355 million, which is a 9% increase from DKK 5,854 million last year.

The increase in EBIT was a result of increasing revenues, a gross margin that increased to 69% compared to 68% last year, driven by efficiency gains, and a lower level of commercial spending impacted by the COVID-19 pandemic.

The EBIT margin after special items was 32%.

DEVELOPMENT IN ROIC AFTER TAX



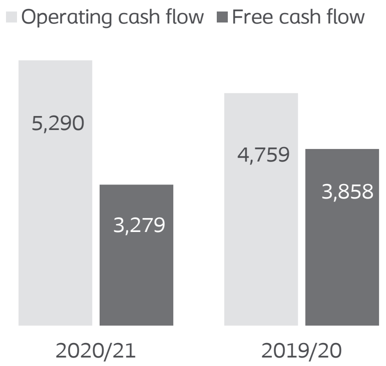
ROIC after tax before special items was 45% against 46% last year.

ROIC was negatively impacted by the acquisition of Nine Continents Medical in November 2020.

3,279 m

Free cash flow impacted by investments and acquisitions

CASH FLOW (DKK MILLION)



Cash flows from operating activities amounted to DKK 5,290 million, against DKK 4,759 million last year. The positive development in cash flows from operating activities was mainly due to an increase in operating profit (EBIT), an improvement on financial items and positive changes in working capital. Cash flow from operating activities was impacted by a one-off tax payment related to Nine Continents Medical exit taxation in the US.

Cash flows from investing activities was an outflow of DKK 2,011 million in 2020/21 compared with DKK 901 million last year mainly due to the acquisition of Nine Continents Medical.

The free cash flow was an inflow of DKK 3,279 million compared to an inflow of DKK 3,858 million in the same period last year, which was mostly impacted by the Nine Continents Medical acquisition.

Highlights from our ***sustainability*** agenda

58%

production waste is recycled, improved from 41% in 2019/20

10%

scope 3 emissions reduced per product compared to base year 2018/19.

2.2 ppm

lost time injury frequency, improved. From 2.5 ppm in 2019/20.

Please go to page 32 to read more about sustainability in Coloplast.

Download our Sustainability report
https://sustainability.coloplast.com/sustainability/reporting/reports/

Outlook and financial guidance

Our *guidance* for 2021/22

Around 7%
Organic revenue growth at constant exchange rates

Around 32%
Reported EBIT margin

Around 1.2 bn
Capital expenditure in DKK

22-23%
Effective tax rate

Key assumptions

Revenue growth
The impact of COVID-19 and the spread of the Delta variant are continuously monitored and evaluated on a short- and medium-term basis, and the financial guidance is subject to higher uncertainty. The ongoing COVID-19 pandemic has had a negative impact on the addressable market growth, and for 2021/22 we expect market growth to be at the lower end of the 4-5% range. Coloplast expects to grow above the market and gain market share.

Coloplast's full year guidance assumes the following:

a) Continued resumption of hospital activity across business areas
b) For the Chronic Care business, the assumptions by region include:
   - Europe – continued improvement in growth, as a result of a normalised growth in new patients in line with pre-COVID levels
   - US – continued improvement in growth driven by a gradual normalisation of growth in new patients to pre-COVID levels, especially in Continence Care
   - Emerging markets – broad-based double-digit growth. China is expected to remain impacted by COVID-19 and economic uncertainty.
c) Interventional Urology and Wound & Skin Care deliver in line with Strive 25 ambitions
d) No current knowledge of significant health care reforms
e) A stable supply and distribution of products across the company

Reported growth in DKK is expected to be around 8%.

The financial guidance takes account of known reforms. The company's expectations of long-term price pressure, of up to 1% annually is unchanged. The financial guidance further assumes a continuation of the successful roll-out of new products.

EBIT margin
The EBIT margin guidance reflects an increase in operating costs related to the resumption of business activity as the impact of COVID-19 recedes. The guidance also reflects cost inflation including a low single-digit increase in raw material costs and double-digit wage inflation in Hungary.

The EBIT margin guidance assumes leverage effect on fixed costs and continued efficiency improvements through the Global Operations Plan 5. The guidance also reflects additional incremental investments of up to 2% of revenue for innovation as well as sales and marketing purposes.

Capex
The capex guidance includes investments in automation initiatives at volume sites in Hungary and China as part of GOP5, establishment of the second volume site in Costa Rica, investments in new machines for existing and new products, IT investments and sustainability investments.

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

Long-term financial guidance

The long-term financial guidance for the ***Strive25*** strategy period running until end 2024/25 is the following:

7-9%
Organic growth p.a.

above 30%
EBIT margin at constant exchange rates

Dividend policy
The Board of Directors intends to distribute excess liquidity to the shareholders through dividends and share buybacks.

Forward-looking statements

The forward-looking statements in this 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.

Exchange rate exposure

Our financial guidance for the 2021/22 financial year has been prepared on the basis of the following assumptions for the company's principal currencies:

OVERVIEW OF EXCHANGE RATES FOR KEY CURRENCIES AGAINST DKK

	GBP	USD	HUF
Average exchange rate 2019/20	850	667	2.17
Average exchange rate 2020/21	852	622	2.08
Change in average exchange rates for 2020/21 versus 2019/20	0%	-7%	-4%
Spot rate on 27 October 2021	881	641	2.04
Change in spot rates compared with average exchange rate 2020/21	3%	3%	-2%

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

EFFECT OVER 12 MONTHS OF A 10% INITIAL DROP IN EXCHANGE RATES FOR KEY CURRENCIES (DKK MILLION)

	Revenue	EBIT
USD	-420	-170
GBP	-290	-200
HUF	-	120

The ostomy business continued solid growth, largely recovered from COVID-19

Ostomy Care

Performance

Ostomy Care generated 6% organic sales growth for the 2020/21 financial year, with reported revenue in DKK growing by 4% to DKK 7,841 million.

The SenSura® Mio portfolio and the Brava® range of supporting products continued to be the main drivers of revenue growth. At the product level, SenSura Mio Convex was the main contributor to growth driven by Germany, the UK and the US. SenSura Mio Concave continued to contribute to growth driven by the UK and Germany. The SenSura and Assura/Alterna® portfolios also contributed to growth in the markets where they are being actively promoted, such as China and other Emerging markets. Sales of the Brava range of supporting products continue to contribute to growth driven by China, the US, Germany and the UK.

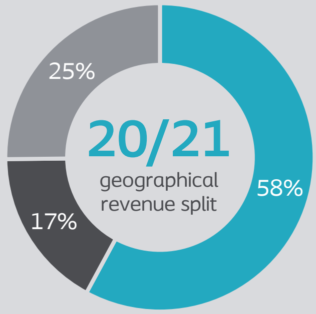
From a geographical perspective, the emerging markets region was the main contributor to growth, led by China and LATAM. Among the European markets, the UK and Germany were the main growth contributors. The US also contributed to growth.

During 2020/21, growth in Ostomy Care was negatively impacted by lower growth in new patients, as only the most acute ostomy surgeries took place due to the COVID-19 pandemic. The impact was most pronounced in Europe, in particular in the UK as well as the US.

Growth in new patients normalised during the second half of FY 2020/21, following the resumption of hospital activity.

In March 2021, Coloplast was awarded a contract for ostomy products with Vizient, Inc., the largest healthcare performance improvement company in the US. The agreement is multi-source and effective for three years beginning 1 July 2021. The new agreement allows Vizient members access to contracted pricing of Coloplast's full portfolio of ostomy products, including ostomy pouches and supporting products.

Vizient serves more than half of the healthcare organisations across the country – from large integrated delivery networks and academic medical centres to community hospitals, children's hospitals and non-acute care providers.



7.8 bn

Reported revenue in DKK for 2020/21

6%

Organic growth at constant exchange rates

4%

Reported growth in DKK

Reported revenue included a negative effect from FX rates.

- European markets
- Other developed markets
- Emerging markets

Market

MARKET DESCRIPTION
In 2020/21, the global market for ostomy care products was worth an estimated DKK 18-19 billion. Around 85% of the market is within the bags and plates category, the remaining 15% in the supporting products category. The market size is primarily impacted by the prevalence of colorectal and bladder cancer and inflammatory bowel diseases. Another significant driver is the availability of reimbursement for ostomy products across different geographies. The ostomy market is a chronic market, with the majority of product usage happening in community, i.e. after users have been discharged from the hospital.

MARKET GROWTH
The annual market growth is estimated at 4–5%, excluding any short-term impact from COVID-19.

Market volume growth is driven by the ageing Western population and increasing access to healthcare in emerging markets. Another volume growth driver is compliance and usage rates across markets. The incidence of temporary stomas, i.e. when ostomy products are only needed for a limited period of time, has increased due to medical advances. This trend has had a negative impact on volume growth over the past decade.

Price and mix also have an impact on market growth. As markets mature, there is an increased demand for more advanced product categories. Historically, prices have seen negative pressure due to healthcare reforms. No significant healthcare reforms were implemented during 2020/21.

The COVID-19 pandemic has had a negative impact on the market growth. The number of new patients entering the market during 2020/21 was depressed, as screening and treatment were either cancelled or postponed. Growth in new patients normalised towards pre-COVID levels across most markets in the second half of 2020/21, as hospital activity resumed.

The impact from COVID-19 on the ostomy market is expected to be temporary. The underlying dynamics and growth drivers of the ostomy market are not expected to change beyond the pandemic.

MARKET SHARES
Coloplast is the global market leader in ostomy care, with a market share of 35-40%.
There are three larger global manufacturers in the ostomy market, including Coloplast, and a few local manufacturers especially in the UK.

REGIONAL MARKET SHARES

40-50%
Share of European markets
15-25%
Share of Other developed markets
45-55%
Share of Emerging markets

SUPPORTING PRODUCTS MARKET
The market for ostomy supporting products is estimated to be around DKK 3 billion.

The annual segment growth is estimated at 6-8%, excluding any short-term impact from COVID-19.
Coloplast also has a market leading position within this segment, with a market share of 35–40%.

18-19 bn
Market size
globally in DKK

4-5%*
Market growth
annually

35-40%
Market share
globally

#1
Market position
globally

- European markets
- Other developed markets
- Emerging markets

** Excluding any impact from COVID-19*
Source: Coloplast

The continence business continued solid growth, not fully recovered from COVID-19

Continence Care

Performance

Continence Care generated 5% organic sales growth for the 2020/21 financial year, with reported revenue in DKK growing by 3% to DKK 7,003 million.

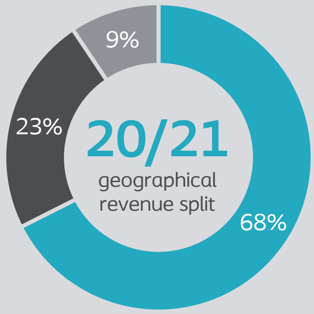
SpeediCath® intermittent catheters were the main drivers of revenue growth. The growth in sales of the SpeediCath portfolio was driven by compact catheters, standard catheters and flexible catheters, all of which are ready-to-use hydrophilic coated catheters. The growth in flexible catheters and compact catheters was mainly driven by the US, France, the UK and Germany. SpeediCath Navi, a hydrophilic catheter specifically designed for emerging markets and lower priced developed markets, also contributed to growth.

The Bowel Management business also contributed to growth, driven by Peristeen® in Europe. Growth in Collecting Devices was flat for the year, impacted by COVID-19.

From a geographical perspective, sales growth was mainly driven by Europe, in particular the UK and France, and the US.

During 2020/21, growth in Continence Care was negatively impacted by lower growth in new patients due to the COVID-19 pandemic, as only the most acute patient groups, such as spinal cord injured received treatment, while other patient groups, such as multiple sclerosis (MS), benign prostatic hyperplasia (BPH) and bowel management were deprioritised for treatment. The impact was most pronounced in Europe, in particular in the UK, and the US.

Growth in new patients increased during the second half of FY 2020/21, following the resumption of hospital activity. In Europe, it approached pre-COVID levels towards the end of the financial year. Growth in new patients in the US is improving, but it is still below pre-COVID levels.



7.0 bn

Reported revenue in DKK for 2020/21

5%

Organic growth at constant exchange rates

3%

Reported growth in DKK

Reported revenue included a negative effect from FX rates.

- European markets
- Other developed markets
- Emerging markets

Market

MARKET DESCRIPTION
In 2020/21, the global market for continence care products was worth an estimated DKK 14–15 billion.
Around 80% of the continence market is within the intermittent catheters category, and the remaining 20% in the collecting devices category.

The market size is primarily influenced by the number of people suffering from spinal cord injuries, benign prostatic hyperplasia (BPH), multiple sclerosis (MS) and people born with congenital spina bifida. Another driver is the availability of reimbursement for continence care products across markets. The continence market is a chronic market, and the majority of product usage happens in the community, i.e. after users have been discharged from the hospital.

MARKET GROWTH
The annual market growth is estimated at 5–6% excluding any short-term impact from COVID-19.

The fastest growing segment of the market is intermittent catheters. Growth in this segment is driven by the increasing use of intermittent catheters as an alternative to permanent or indwelling catheters. The underlying volume growth is driven by the number of spinal cord injured patients treated with intermittent catheterisation, the ageing Western population and increasing access to healthcare in emerging markets. Another volume growth driver is compliance and usage rates across developed markets.
Price and mix also have an impact on market growth. As markets mature, there continues to be an upgrade to more advanced product categories.

Historically, prices have been under negative pressure due to healthcare reforms. No significant healthcare reforms were implemented during 2020/21.

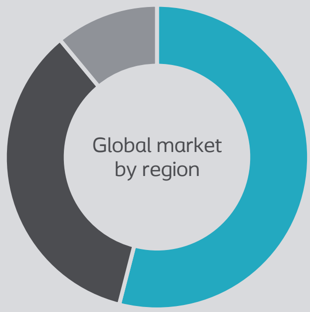
The COVID-19 pandemic has had a negative impact on the market growth. The number of new patients entering the market during 2020/21 was depresssed, as treatment was either cancelled or postponed. Growth in new patients started to increase across most markets in the second half of 2020/21, but it remained below pre-COVID levels, as some of the candidates for intermittent catheterisation were not prioritised or were given alternative treatments.

The impact of COVID-19 on the continence care market is expected to be temporary. The underlying dynamics and growth drivers of the continence care market are not expected to change beyond the pandemic.

MARKET SHARES
Coloplast is the global market leader in continence care, with a market share of 40–45%. The continence care market is characterised by four larger global manufacturers, including Coloplast. There are also a number of local and low-priced manufacturers.

REGIONAL MARKET SHARES

45-55%
Share of European markets
25-35%
Share of Other developed markets
35-45%
Share of Emerging markets



14-15 bn
Market size
globally in DKK

5-6%*
Market growth
annually

40-45%
Market share
globally

#1
Market position
globally

European markets
Other developed markets
Emerging markets

** Excluding any impact from COVID-19*
Source: Coloplast

Tailwind in Interventional urology business partly due to COVID-19 2019/20 baseline

Interventional Urology

Performance

Interventional Urology generated 19% organic sales growth in the 2020/21 financial year, with reported revenue in DKK growing by 14% to DKK 2,097 million.

During the year, elective procedures resumed across regions and business areas. Men's Health and the disposable surgical products segment returned to pre-COVID growth levels during the year. Women's Health is recovering at a slower pace, but the trend was positive in the second half of the year.

Growth was primarily driven by the Titan® penile implants in the US. Sales of disposable surgical products in Europe also contributed positively to growth as well as the Women's Health business in the US.

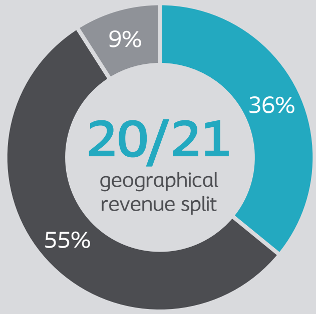
From a geographical perspective, the US market was the largest contributor to growth in Interventional Urology followed by France.

Coloplast is actively seeking long-term growth opportunities in adjacent segments in the Interventional urology business through inorganic means, including early-stage equity investments.

In November 2020, Coloplast acquired Nine Continents Medical, an early-stage company pioneering an implantable tibial nerve stimulation treatment for over-active bladder. The implantable tibial nerve stimulation treatment that Nine Continents has developed falls under the category of third line therapies for over-active bladder.

Today, the market for third line therapies is approx. USD 1 billion in size and growing mid-single digits. Coloplast expects to begin a pivotal study in the US before the end of 2021, with the ambition to obtain pre-market approval for a Class III device in the US and EU market approvals in the 2024-2025 time frame.

During 2020/21, Coloplast also participated in the Series B equity financing of Francis Medical, an early-stage company working on a water vapor treatment for prostate cancer. Coloplast made its first investment in Francis Medical in 2020, when Coloplast announced a minority equity investment in the company of USD 4 million (DKK 25 million).



2.1 bn

Reported revenue in DKK for 2020/21

19%

Organic growth at constant exchange rates

14%

Reported growth in DKK

Reported revenue included a negative effect from FX rates.

- European markets
- Other developed markets
- Emerging markets

Market

MARKET DESCRIPTION
In 2020/21, the global market for interventional urology products returned to growth as elective procedures resumed, increasing to an estimated DKK 12–13 billion from an estimated DKK 11–12 billion in the previous year. Thus, the market size was back to its pre-COVID level.

The interventional urology market consists of implantable products within men's health and women's health, and single-use devices within endourology and bladder health and surgery. Roughly half of the market is within the endourology segment, and the rest is almost equally divided between the other three areas.

MARKET GROWTH
The annual market growth is estimated at 3–5% excluding any short-term impact from COVID-19.

Market growth in the interventional urology market is driven by the ageing population and lifestyle diseases as well as ongoing innovation leading to more cost-efficient surgical procedures. For implants, market growth drivers include a growing awareness of the treatment options available for men with severe impotence and women with urological disorders.

COVID-19 had a significant negative impact on the urology market. At the beginning of the pandemic, during the first half of 2019/20, many hospitals postponed or cancelled elective procedures, and this resulted in negative market growth during 2019/20.

Over the course of 2020/21, elective procedures across most markets resumed, and market growth started to recover. The market was back to positive growth in 2020/21.

The impact of COVID-19 on the interventional urology market is expected to be temporary. The underlying dynamics and growth drivers of the interventional urology market are not expected to change beyond the pandemic.

MARKET SHARES
Coloplast holds a market share of about 15% in interventional urology and is the fourth largest manufacturer within this market.

Within men's health and women's health, which are mostly US markets, Coloplast has a market position of number two and three, respectively, in the US.

Within endourology in Europe, which accounts for roughly a quarter of the total endourology market, Coloplast has a number two market position.

REGIONAL MARKET SHARES
20-25%
Share of European markets
15-20%
Share of Other developed markets
5-10%
Share of Emerging markets

12-13 bn
Market size
globally in DKK

3-5%*
Market growth
annually

~15%
Market share
globally

#4
Market position
globally

European markets
Other developed markets
Emerging markets

** Excluding any impact from COVID-19*
Source: Coloplast

Wound and skin care business had a strong year partly due to COVID-19 19/20 baseline

Wound & Skin Care

Performance

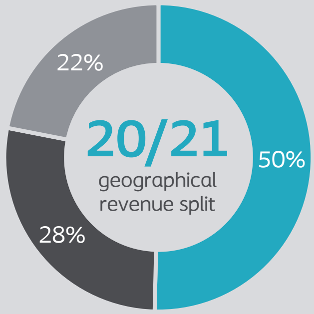
Wound & Skin Care generated 8% organic sales growth for the 2020/21 financial year, with reported revenue in DKK growing by 6% to DKK 2,485 million.

The wound care business in isolation delivered organic growth of 11% for the 2020/21 financial year.

The Biatain® Silicone portfolio was the main growth contributor, followed by the newly launched Biatain Fiber portfolio. Biatain Fiber, a gel-forming fibre dressing used for deeper wounds and wound cavities with exudate, has been launched in nine markets and continues to be well-received.

From a geographical perspective, the European markets and China were the main contributors to growth. China posted solid growth for the financial year, positively impacted by a lower baseline in 2019/20 due to COVID-19. The growth in the European wound care business was primarily driven by growth in the Biatain Silicone and Biatain Fiber portfolios in Germany, France and Spain.

Growth in the skin care business was flat for the year, driven by lower demand due to COVID-19. The Compeed contract manufacturing business made a modest positive contribution to growth as a result of strong growth in Q4, which was driven by a low baseline and an improved demand situation.



2.5 bn
Reported revenue
in DKK for 2020/21

8%
Organic growth
at constant exchange rates

6%
Reported growth
in DKK

Reported revenue included a negative effect from FX rates.

- European markets
- Other developed markets
- Emerging markets

Market

WOUND CARE MARKET DESCRIPTION

The market is estimated to be worth DKK 22–24 billion and is defined as advanced wound care products excluding the negative pressure wound therapy segment. Coloplast is focused on two of the fastest growing market segments within advanced wound care - Silicone Foams and Gelling Fibers, which account for roughly 45% of the market. Compared to the chronic care business, the wound care market is more of a hospital market, in particular in the US and China. In Europe, wounds are to a greater extent treated in the community.

MARKET GROWTH

The annual market growth is estimated at 2–4% excluding any short-term impact from COVID-19. The silicone foams market, in which Coloplast markets its Biatain® Silicone products, is growing faster, at 4–6% per year.

Underlying growth in the wound care market is driven by the ageing population, the growing diabetics population and a growing number of patients receiving preventive wound care treatment. Increased competition between manufacturers and pricing pressure originating from lower public healthcare budgets and reimbursement reforms in Europe have a negative impact on the market growth.

Growth in the part of the global wound care segment in which Coloplast competes has been negatively impacted by the COVID-19 pandemic. The underlying dynamics of the global wound care market are not expected to change beyond the pandemic.

MARKET SHARES

Coloplast's global market share in advanced wound care is 5-10%, making the company the world's fifth largest manufacturer of advanced wound care products.

The market consists of a large number of direct competitors ranging from global manufacturers to small, local manufactures as well as various alternative treatment options, such as negative pressure wound therapy and traditional wound dressings.

REGIONAL MARKET SHARES

5-10%
Share of European markets
0-5%
Share of Other developed markets
5-10%
Share of Emerging markets

SKIN CARE

The market for skin care products, in which Coloplast competes, is estimated at DKK 4–5 billion. Skin Care is a mainly a hospital business. Patients are treated in hospital with a variety of skin care products.

The annual market growth is estimated at 2–4% excluding any short-term impact from COVID-19. The underlying dynamics of the skin care market are not expected to change beyond the pandemic.

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

22-24 bn
Market size*
globally in DKK

2-4%**
Market growth*
annually

5-10%
Market share*
globally

#5
Market position*
globally

European markets
Other developed markets
Emerging markets

** Market data for Wound Care only*
*** Excluding any impact from COVID-19*
Source: Coloplast

EBIT growth of 9% before special items

Earnings

Revenue

The full-year organic growth was 7%, adversely impacted by lower growth in new patients due to the COVID-19 pandemic. Reported revenue in DKK was up by 5% to DKK 19,426 million. Exchange rate developments decreased revenue by 2% mainly related to the depreciation of the USD and several emerging markets currencies against DKK in particular ARS, BRL and RUB.

Gross profit

Gross profit was up by 6% to DKK 13,313 million compared to DKK 12,612 million last year and equivalent to a gross margin of 69%, against 68% last year. The gross margin included a negative impact from currencies, mainly related to the depreciation of USD, ARS and BRL against DKK, which was only partly offset by a positive impact from the depreciation of the HUF against the DKK. Around 80% of the company's production volumes are in Hungary.

The gross profit was positively impacted by leverage on the production costs and efficiency gains from the Global Operations Plan 4 and 5. This was partly offset by a negative impact from wage inflation and labour shortages in Hungary. Higher costs related to scaling up of activities in Costa Rica also impacted the gross profit negatively. The automation programme, which is a key component of the GOP5 plan, is progressing according to plan and has contributed to maintaining a flat level of blue-collar workers, while ramping up the volume site in Costa Rica. Increasing raw material prices had an immaterial impact on costs, but the impact increased during Q4.

Income statement, DKK million	2020/21	Index
Revenue	**19,426**	**105**
Production costs	-6,113	103
Gross profit	**13,313**	**106**
Distribution costs	-5,485	103
Administrative expenses	-762	100
Research and development costs	-755	107
Other operating income	73	149
Other operating expenses	-29	145
Operating profit (EBIT) before special items	**6,355**	**109**
Special items	-200	n/a
Operating profit (EBIT)	**6,155**	**105**
Financial income	137	685
Financial expenses	-59	14
Profit before tax	**6,233**	**114**
Tax on profit for the year	-1,408	111
Net profit for the year	**4,825**	**115**

Costs

Distribution costs amounted to DKK 5,485 million, a DKK 168 million increase (3%) from DKK 5,317 million last year. The increase was mainly due to commercial investments in Asia, the US, Interventional Urology and consumer and digital initiatives. The investments were partly offset by lower travel and sales & marketing expenses as a result of the COVID-19 pandemic. Increasing freight rates had an immaterial impact on logistic costs but the impact increased during Q4. Distribution costs amounted to 28% of revenue compared to 29% last year.

Administrative expenses amounted to DKK 762 million, at the same absolute level as last year. Administrative expenses accounted for 4% of revenue which was consistent with last year.

The R&D costs were DKK 755 million, a DKK 47 million (7%) increase compared to last year due to an increased activity level. 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 44 million, against DKK 29 million last year. The increase was due to the sale of a property in Denmark (DKK 16 million).

Special items

Coloplast made a further provision of DKK 200 million, in March 2021, 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. The process to resolve outstanding cases is taking longer than previously anticipated, including delays due to COVID-19, which led to an increase in legal advisory costs. Further settlement progress has been made and it is now estimated that 98% of MDL cases have been settled.

Operating profit (EBIT)
EBIT before special items amounted to DKK 6,355 million, a DKK 501 million (9%) increase from DKK 5,854 million last year. The EBIT margin before special items was 33% compared to 32% last year. The EBIT margin includes a negative impact from currencies, mainly related to the depreciation of USD against DKK.

EBIT after special items was DKK 6,155 million, including special items of DKK 200 million related to the aforementioned lawsuits. The EBIT margin after special items was 32%.

EBIT during 2020/21 was positively impacted by efficiency gains and lower travel and sales & marketing expenses following the COVID-19 outbreak. The company continued to invest in innovation and commercial activities in markets where the COVID-19 situation had normalised.

Financial items and tax
Financial items were a net income of DKK 78 million, compared to a net expense of DKK 388 million last year. The net income of DKK 78 million was mainly due to gains on balance sheet items denominated in several foreign currencies, including the British Pound and the Chinese Yuan, of DKK 95 million, and gains on currency hedges of DKK 19 million on mainly the US dollar. This was only partly offset, mainly by other financial expenses and fees of DKK 32 million.

The tax rate was around 23% for the financial year, which was in line with last year. The tax rate this year was impacted by two separate matters – the Nine Continents acquisition and a temporary increase in the tax-deductible value of R&D expenses in Denmark. The tax expense amounted to DKK 1,408 million against DKK 1,269 million last year.

Net profit
Net profit before special items was DKK 4,981 million, a DKK 784 million increase from DKK 4,197 million last year. Diluted earnings per share (EPS) before special items increased by 19% from DKK 19.67 last year to DKK 23.36.

Net profit after special items was DKK 4,825 million and diluted earnings per share (EPS) after special items was DKK 22.63.

Cash flows and investments

Cash flows from operating activities
Cash flows from operating activities amounted to DKK 5,290 million, against DKK 4,759 million last year. The positive development in cash flows from operating activities was mainly due to an increase in operating profit (EBIT), an improvement on financial items and positive changes in working capital.

Cash flow from operating activities was impacted by a one-off tax payment related to Nine Continents exit taxation in the US.

Continuous ***growth*** *(DKK)*

6,355 m*

EBIT up from 5,854 m last year

* Before special items

5,290 m

cash flows from ***operating activities***

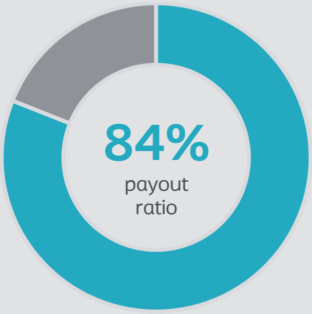
2,011 m

outflow from ***investing activities***

1,408 m

tax expense

Financial results



3,830 m

paid ***dividend*** *in DKK*

15,841 m

total assets *in DKK,* increased by 17%

24%

working capital in % of revenue

45%

return on invested capital

Investments

Coloplast made investments of DKK 1,966 million in 2020/21 compared with DKK 931 million last year. Investments related to the acquisition of Nine Continents Medical amounted to DKK 950 million. Excluding acquisitions, capex amounted to DKK 1,016 million or 5% of revenues on par with last year.

The increase in investments was mainly linked to the new factory in Costa Rica and the automation programme within Global Operations.

Free cash flow

As a result, the free cash flow was an inflow of DKK 3,279 million compared to an inflow of DKK 3,858 million last year. Adjusted for the acquisition of Nine Continents Medical, the free cash flow was DKK 4,547 million corresponding to an increase of 18%.

Capital resources

At 30 September 2021, Coloplast had net interest-bearing debt, including securities, of DKK 2,112 million, against DKK 1,162 million at 30 September 2020. The increase in net interest-bearing debt was mainly due to the acquisition of Nine Continents Medical in November 2020.

Statement of financial position and equity

Balance sheet

At 30 September 2021, total assets amounted to DKK 15,841 million, an increase of DKK 2,342 million compared to 30 September 2020. The increase was mainly due to an increase in intangible assets as a result of the DKK 950 million acquisition of Nine Continents Medical.

Working capital

Working capital was 24% of revenue, compared to 23% at 30 September 2020. Inventories increased by DKK 201 million to DKK 2,428 million and trade receivables increased by DKK 278 million to DKK 3,212 million.

Trade payables increased by DKK 222 million relative to 30 September 2020 to stand at DKK 1,036 million.

Equity

Equity increased by DKK 762 million relative to 30 September 2020 to DKK 8,168 million. Total comprehensive income for the year of DKK 4,704 million, share-based remuneration of DKK 50 million and tax on equity entries of DKK 32 million were only partly offset by the payment of dividends amounting to DKK 3,830 million, along with the net effect of treasury shares bought and sold of DKK 194 million.

Share buybacks

A share buyback programme of DKK 500 million was initiated in Q2 2020/21 and completed in August 2021.

Treasury shares

At 30 September 2021, Coloplast's holding of treasury shares consisted of 3,199,349 B shares, which was 119,646 fewer than at 30 September 2020. The decrease was due to the exercise of share options.

Return on invested capital

ROIC after tax before special items was 45% against 46% last year, negatively impacted by the acquisition of Nine Continents Medical.

Strive25
Sustainable Growth Leadership

In September 2020, we announced our new strategy, ***Strive25*** – Sustainable Growth Leadership.

'Sustainable' because it sends an important signal. Sustainability is an important enterprise theme.

'Growth' because we want Coloplast to continue to be an innovative growth company.

'Leadership' because we aspire to lead our categories but also because we aim to evolve the way we lead.

Our strategy has four enterprise wide themes: Innovation, Unparalleled efficiency, Sustainability and Talent, Leadership & Culture. These four themes are enablers of the revenue growth and value creation that our business areas will deliver.

We will continue to focus on value creation and our ambition with the ***Strive25*** strategy is to continue to deliver 7-9% organic growth year-on-year with an EBIT margin above 30%.[1]

In the strategy period, we will continue to invest up to 2% of annual revenue in incremental innovation and commercial activities to drive our growth and value creation agenda.

[1] Constant currencies, based on FX rates as at 29 September 2020.

Strategy and markets

We will pursue market leading growth across all our business areas with a common theme of innovation and a geographical emphasis on the US and China. The strategy will allow us to help millions more with intimate healthcare needs.

Innovation

Innovation is a core driver of organic growth, and we will continue to invest around 4% of sales in R&D across all business areas.

The most important initiative in this strategy period is to deliver on the Clinical Performance Programme in Chronic Care, and to launch clinically differentiated products backed by clinical evidence.

We will also continue to deliver new products across all business areas within existing technologies.

Finally, we are looking to build more options into the pipeline through organic initiatives, business development and M&A. The aim is to create long-term growth options beyond the strategy period.

Unparalleled efficiency

The first area of efficiency work is our Global Operations Plan 5 (GOP5). Since 2008, Global Operations has delivered significant value through Global Operations Plans. GOP5 will be different to the previous plans since opportunities for cost savings from offshoring manufacturing no longer exist.

In addition, external factors like wage inflation and labour shortage in Hungary put pressure on the overall financial performance.

In order to deliver a strong platform for supporting sustainable growth, five strategic themes in GOP5 have been selected. They are commercial focus, automation, seamless supply, network and footprint as well as simple and cost-efficient culture.

A key theme in GOP5 is automation at our volume sites in China and Hungary. The aim is to be headcount neutral at our manufacturing sites by the end of 2022/23 financial year.

We also expect to continue to see a positive scale effect in our business support organisation driven by further utilisation of our Coloplast Business Centre and investments in IT.

Sustainability

At Coloplast, we have always worked on our sustainability agenda. Now, as part of ***Strive25***, we have integrated sustainability into our corporate strategy. We will support sustainable development with a strong emphasis on improving our environmental performance and we will invest up to DKK 250 million over the next five years to support this agenda.

To do so, we have set two new priorities for sustainability: improving products and packaging and reducing emissions.

As part of the sustainability agenda, we will also continue to work on a number of priorities within the theme 'Responsible Operations'. Responsible Operations covers a multitude of topics, such as employee satisfaction, safety and health, gender representation in management, inclusion and diversity, business ethics and product safety and quality.

Each of these areas are detailed on pages 32 to 37.

Talent, leadership and culture

Coloplast is a global employer with a strong purpose driven culture. We have a strong start on employee engagement and talent promotion that we strive to maintain. At the heart of delivering on ***Strive25*** is our people and culture.

The People & Culture agenda is centred on three themes: evolving how we lead, talent for future as well as inclusion and diversity.

Each of these areas are detailed on pages 36 to 37.

Update on strategic priorities

In September 2020, Coloplast presented the new strategy "***Strive25*** – Sustainable Growth Leadership". Below are key highlights on the progress made during FY 2020/21.

Growth

US Chronic Care
Expanded the US Ostomy Care sales force in order, to capitalise on the Vizient and Premier GPO access.

China
Large project initiated with hundreds of ostomy nurses aimed at raising standards of care for users.

Poland
Significantly improved the reimbursement for hydrophilic catheters for people with neurogenic bladder, thereby allowing for a full upgrade to the European standard of care.

Interventional Urology
Enhanced commercial activities within Men's Health, focusing on patient awareness and education programmes.

Innovation

Chronic Care – Clinical Performance Programme
Payer pilot studies on the Digital Ostomy Tool in Germany and the UK initiated in Q4 2021.

Solid progress on the ostomy and new catheter platforms – pivotal studies to be initiated in 2021 and 2022.

Wound Care – launch new pipeline
Entered the gelling fibre market in nine markets with the launch of Biatain® Fiber, an absorbent fibre dressing.

Interventional Urology – enter adjacent segments
Acquisition of Nine Continents Medical, an early-stage company pioneering a treatment for over-active bladder. A pivotal study in the US is expected to be initiated before the end of 2021.

Sustainability

Improving products and packaging
Achieved a breakthrough in waste recycling, with 58% of production waste recycled, exceeding the 2025 ambition of 50%. New ambition set at 75% of production waste to be recycled by 2025.

Reducing emissions
Ambitious scope 1, 2 and 3 emission ambitions submitted for validation to the Science-Based Targets initiative.

Responsible operations
Increased tax transparency by implementing country-by-country tax reporting.

Operational efficiency

Global Operations Plan 5
Opened the first volume site in Costa Rica. Construction of the second volume site in Costa Rica in progress and expected to be operational in the second half of 2021/22 financial year.

The automation programme progressing according to plan, with 20% of the planned machines installed. The number of blue-collar FTEs remained flat vs last year.

Business Centre and IT infrastructure
Positive scale effect driven by the further utilisation of the Coloplast Business Centre and IT infrastructure, characterised by one ERP and CRM system.

Chronic Care

Strive25: Sustaining growth leadership

Our ambition for the Chronic Care business is to continue to deliver strong growth above the market. It all starts with innovation which is our first priority.

As market leader, we are fully committed to drive and improve standards of care through better treatments, technologies, product categories and training.

Our second priority is to deliver strong, double-digit growth in the US. With significant investments in the LEAD20 strategy, the ambition is to deliver consistent double-digit growth.

Our third priority is to build on our market leading position in China. At the core, we aim to sustain growth above the market in Ostomy Care which will constitute a significant share of our global Ostomy Care growth for the strategy period.

We will continue to drive value upgrade in Ostomy Care, build our intermittent catheter business and expand the consumer business with China-specific digital solutions.

Beyond China, our stance on Emerging Markets is to focus on the large core markets, build on our e-commerce business and secure Intermittent Catheters reimbursement in new markets. Market access is key in Emerging Markets to establish our categories in new markets and improve funding in existing markets. The ambition for Emerging Markets is to deliver double-digit growth.

In Europe, we aim to sustain our leadership position and continue to deliver above market growth. We will continue our current path of driving growth through our direct businesses and investing in market development initiatives to drive compliance and retention. We still see many pockets of growth in Europe.

Across markets, we continue to leverage Coloplast Care, our direct businesses and digital solutions to get closer to users.

SenSura® *Mio Concave*

Key highlights 2020/21

During the year, Coloplast made significant progress on the Clinical Performance Programme. Key highlights include:

- For the new Digital Ostomy Tool, the CE mark has been obtained and payer pilot studies in Germany and the UK have been initiated
- On the new Ostomy Platform, an optimised product design has been developed and a new pivotal study will be initiated towards the end of 2021
- On the new Catheter Platform, solid progress has been made on the product design and performance, and the products are now expected to launch in the first half of the ***Strive25*** strategy period

We also continued our commercial investments in high-priority markets. In the US, we now have access to around 75% of the acute channel, through the two biggest Group Purchasing Organisations, Vizient and Premier. To capitalise on this, we have significantly expanded our ostomy care sales force.

Finally, we continued our investments in China, especially focusing on digital offerings.

Chronic care market

The chronic care business
The ostomy care and continence care businesses are referred to as Chronic Care because in most cases the products are used to manage chronic conditions. On average, people with a stoma use stoma pouches for about 10 years and users of intermittent catheters with a chronic condition use catheters for about 30 years.

Common to both segments is that more than 90% of product sales are reimbursed. Less than 10% of product sales are made through a hospital or clinical setting, which leaves most of the sales in the community, after users have been discharged from a hospital or clinic. Users tend to be very loyal to products, and in most cases continue using the same product they have been discharged on from the hospital or clinic. Therefore, the choice of product and sales through a hospital or 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 embarked on a journey of becoming a consumer healthcare company, offering not only the most innovative products, but also supporting services to users through the Coloplast Care programme. The programme provides knowledge and support around living life with incontinence or a stoma.

Coloplast maintains a database of around two million users currently 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; the US, the UK, France, Germany and China, ensuring end users have access to the most innovative products in the market and providing a good service.

Ostomy Care
A stoma is created in an operation necessary in case of intestinal dysfunction due to a disease, an accident or a congenital disorder. Part of the intestine is surgically redirected through an opening in the abdominal wall, enabling the patient to empty the colon (colostomy), small intestine (ileostomy) or urinary bladder (urostomy). 50-60% of stoma operations are performed as a consequence 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. To ensure a personalised fit, users also turn to supporting products.

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 the urethra of the urinary tract to empty the bladder. The main group of users of intermittent catheters are people with a 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 and ready to use, coated in a saline solution, catheters.

Urinary incontinence means that a person has lost the ability to hold urine, resulting in uncontrolled or involuntary release, which is 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. This is a segment with many suppliers, including low-cost providers.

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.

Wound & Skin Care

Strive25: Drive growth with 3DFit Technology

Our view is that we have a stronger starting point for our wound & skin care business than we have ever had, and our aim is to deliver growth above the market and expand margins.
We will continue to focus on the fast-growing silicone category with our Biatain® Silicone portfolio with 3DFit Technology, which is our point of differentiation.

As with Chronic Care, two individual markets really matter – China and the US – and we will structure for success in these markets to deliver on the global ambition and strategy.

In China, we will scale our business by strengthening our commercial foundation and building a stronger position in the silicone market.

In the US, we will scale our business in the hospital channel with 3DFit Technology and maximise the commercial potential of our skin care portfolio.

In Europe, we will build on the momentum we have created with 3DFit Technology and aim to take market leadership positions.

In Emerging Markets, we will accelerate growth in key markets by investing in selected markets.

We must deliver innovations and strong life cycle management to the markets we want to grow in.

Key highlights 2020/21

During the year, we drove solid market share gains in the two market segments we are focused on – silicone foams and gelling fibres, especially in Europe.

The Biatain Silicone portfolio posted solid growth above the market and Coloplast is now the third largest player in the silicone foams market in Europe.

Coloplast entered the gelling fibre market this year with the launch of Biatain Fiber, an absorbent fibre dressing used to reduce exudate pooling in exuding wounds. The portfolio has been launched in nine markets and has been well received, especially in Germany and France.

***Biatain** Silicone*

Wound & Skin Care Market

In Wound Care, patients are treated for 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. Most chronic wounds contain exudate, varying from small amounts to high levels.

A good wound dressing should provide optimum conditions for wound healing, is easy for healthcare professionals 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 clean wounds. For the treatment and prevention of skin fold problems such as fungal infections, damaged skin or odour nuisance, Coloplast sells 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.

Interventional Urology

Strive25: On the move for patients

Interventional Urology represents an important growth opportunity for the Group in line with the conclusions from our strategic review concluded in 2019.

Interventional Urology transforms life for patients suffering from urological conditions by advancing interventional treatment solutions.

The base case for the business is to deliver high single digit organic growth and sustain strong profitability.

On the portfolio side, we will increase our investments into enhancing our core businesses by substantially increasing our investments in R&D.

We will actively pursue M&A and distribution agreements in high-growth adjacent segments.

We also see good organic opportunities in working with the existing portfolio in new geographies.

In North America, we currently mainly sell implantable devices. During the strategy period, we will drive our global market share in Endourology by launching the portfolio to the US.

In Europe, we will focus on driving growth in Men's Health through patient education and Endourology growth through portfolio expansion.

Finally, we will look into expanding our presence in Emerging Markets in a select number of high potential countries.

Key highlights 2020/21

During the year, Coloplast took the first steps towards expanding the endourology business in the US, through the launch of the product portfolio and investments into a specialised sales force.

As part of the strategy to pursue M&A in adjacent segments, Coloplast made two investments during 2020/21.

In November 2020, Coloplast acquired Nine Continents Medical, an early-stage company pioneering an implantable tibial nerve stimulation treatment for over-active bladder. A pivotal study in the US is expected to be initiated before the end of 2021.

In September 2021, Coloplast participated in the Series B financing of Francis Medical, an early-stage company working on a water vapor treatment for prostate cancer. Coloplast's stake in Francis Medical is around 13%.

Titan*® *Touch

Interventional urology market

Within Interventional Urology patients are treated for various urological conditions, such as kidney stones, pelvic floor prolapse and stress urinary incontinence (specific for women) and urinary incontinence, enlarged prostate and impotence (specific for men).

The business area consists of a broad portfolio of products used in connection with urological and gynaecological surgery procedures and includes both implants and disposable products.

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 a weak pelvic floor.

The business also includes penile implants for men experiencing severe impotence that cannot be treated by using drugs.

Making sustainability easy for users

Coloplast's mission supports social development in society. By making life easier for people with intimate health care needs, we enable people to take part in society.

Since 2002, Coloplast has been part of the UN Global Compact. This underlines our commitment to make sustainability easier for our users without compromising product safety and clinical performance. Our users do not choose their conditions and they should never be concerned about using Coloplast products in any way.

As part of our corporate strategy, ***Strive25***, we have assessed our impacts and priorities. We can do even more to reduce the impacts from products and packaging and reduce our emissions.

Furthermore, we have an ongoing commitment to ensure responsible operations, and we will invest up to DKK 250 million to deliver on our sustainability ambitions. Along with this, we are committed to report step-by-step according to the Task Force on Climate-related Financial Disclosures (TCFD) framework.

The Sustainability Report ensures compliance with the requirements of Section 99a, 99b and 107d of the Danish Financial Statements Act.

Download our Sustainability report
https://sustainability.coloplast.com/sustainability/reporting/reports/

Commitments	UN Global Compact principles	2025 ambitions	2020/21	2019/20
***Strive25* priority areas**				
Improving products and packaging	Principle 7-9	90% of packaging is recyclable	75%	75%
		80% of packaging consists of renewable materials	70%	70%
		75% of production waste is recycled	58%	41%
Reducing emissions[1]	Principle 7-9	Net-zero scope 1 and 2 emissions[2] [3]	23,100	21,000
		100% renewable energy	67%	67%
		50% electric company cars	2%	1%
		50% scope 3 emissions reduced per product by 2030[3]	10%	0.3%
		10% reduction of air travel vs 2018/19 and then freeze	81%	45%
		5% limit on goods transported by air	2%	4%
Ongoing commitment				
Responsible operations	Principle 1-6, 10	100% white collars trained in Code of Conduct	99%	98%
		2.0 lost time injury frequency[4]	2.2	2.5
		30% representation of female senior leaders	24%	24%
		75% share of diverse teams	50%	51%
		Engagement score above industry benchmark	8.2%	7.9%

[1] From base year 2018/19, [2] In tonnes CO_{2e}, [3] Targets submitted to Science-Based Targets initiative (SBTi) for validation, [4] In ppm

Our positions and ambitions

Our position on plastic

As a manufacturer of medical products made of plastic, Coloplast has a responsibility and has clear priorities;

- Product safety and clinical performance cannot be compromised.
- Single use products are the easiest and safest option for our users.
- Sustainability should be easy for our users.
- We need to identify new materials and support the development of new technologies.
- Partnerships across the industry are essential.

Read the full position on plastic on our website.

Our substance position

In 2020/21, Coloplast developed a position on substances to make its ambitions clear:

- All Coloplast products are biocompatible and safe for the intended purpose.
- Coloplast is mindful when selecting materials and substances used in its products and complies with international and local regulations and standards, including REACH and the California proposition 65 list.
- Coloplast monitors regulations, science and technology to identify opportunities and risks to proactively substitute substances if needed.

Read the full position on substances on our website.

Business Ambition for 1.5°C

In 2020/21, Coloplast committed to the Business Ambition for 1.5°C, aligning with the Paris Agreement and have submitted our scope 1, 2 and 3 emission reduction ambitions to the Science-Based Targets initiative (SBTi) for validation. Our ambition is to become net-zero in scope 1 and 2 and use 100% renewable energy by 2025 and by 2030, Coloplast aims to reduce 50% scope 3 emissions per product.
During 2020/21, Coloplast performed an emission screening to map all value chain activities. In additionally, Coloplast reached out to 50 of its raw material suppliers responsible for 70% of its scope 3 emissions from raw materials to improve data quality.

Our supplier ambitions

During 2020/21, Coloplast developed a new Supplier Sustainability Programme to map its supply chain impact within direct and indirect suppliers. This includes an evaluation of suppliers' sustainability practices. Coloplast developed a materiality assessment to identify which suppliers are exposed to sustainability risks e.g. violating human rights, environmental laws, health and safety or ethical standards.

Next year, Coloplast will initiate a pilot to verify the materiality assessment and evaluation process in order to develop and design the final programme. By 2025, Coloplast aims to address 100% of its direct and indirect suppliers in tier one through the Supplier Sustainability Programme.

Our new ***ambitions***

75%
production waste recycled by 2025

Net-zero
scope 1 and 2 emissions by 2025*

50%
scope 3 emissions reduced per product by 2030*

* Targets submitted to Science-Based Targets initiative (SBTi) for validation

Improving products and packaging

As a manufacturer of medical products made primarily of plastic, Coloplast embraces the responsibility to contribute to solving the problems with plastic waste and wants to support the UN Sustainable Development Goal (SDG) 12 on responsible production and consumption. However, within healthcare there are distinct clinical and regulatory limitations to reducing plastic waste.

Coloplast users depend on Coloplast products to live the life they want and are increasingly concerned about environmental impacts.

Coloplast incorporates environmental performance when developing new products, but we can do better in designing our products and packaging to be recyclable and made of renewable materials (such as recycled or biobased) with less environmental impact.

Renewable and recyclable packaging

While there are strict limitations on our products, there are more possibilities when it comes to packaging. For our products currently on the market, we have initiated packaging projects with the ambition of providing our users with 90% recyclable packaging and 80% packaging consisting of renewable materials by 2025. Our secondary and tertiary packaging material, such as retail and shipper boxes, are already consisting of renewable materials and are recyclable. Most of these come from sustainable forestry.

In 2020/21, we have focused our efforts on primary packaging, which is part of the product. We have carried out internal investigations to find recyclable solutions for converting multilayer foil packaging which helps to hold the saline solution in intermittent catheters. We also launched a project to convert virgin PET plastic trays to recycled PET plastic trays used in ostomy protective seals and baseplates within our supporting product portfolio.

Applying sustainability in innovation

The primary method used by Coloplast to address environmental challenges is to incorporate eco-design principles when developing new products.

Waste recycling

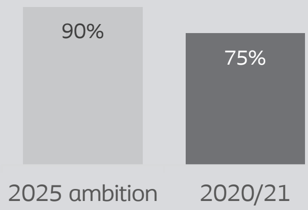
During 2020/21, a new pilot project in Hungary led to a breakthrough in Coloplast's waste recycling resulting in 58% of production waste being recycled – and exceeding our previously set ambition of 50% in 2025.

The recycled waste is used by a local waste handling company in producing rubber flooring for sports fields, railway systems, riding halls, building insulation and kindergartens.

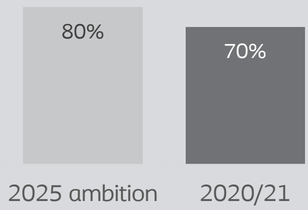
As Coloplast is committed to making further improvements, and as we have already achieved our previous 2025 ambition, we have set a new ambition of increasing our recycling rate to 75% by 2025.

Key figures

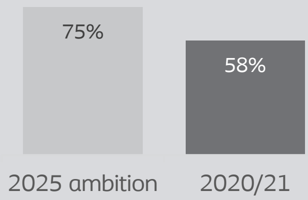
SHARE OF RECYCLABLE PACKAGING*



SHARE OF PACKAGING CONTAINING RENEWABLE MATERIALS*



RECYCLING RATE OF PRODUCTION WASTE



* Packaging ambitions covering products currently on the market

Reducing emissions

Using energy from renewable sources

With the ***Strive25*** strategy, Coloplast aims to use 100% renewable energy by 2025. Our plan is to procure electricity from renewable sources and phase out the use of natural gas. Coloplast has committed to investing approximately DKK 100 million in CAPEX to achieve this ambition.

Climate-related criteria in remuneration for Executive Management will be implemented from 2021/22 financial year.

Coloplast currently covers 100% of electricity use with renewable energy, effectively reducing our emissions with more than 29,000 tonnes CO_{2e}. Coloplast will replace our Renewable Energy Certificates covering electricity use with Power-Purchasing Agreements (PPAs) at all global sites that ensures additionality by establishing new renewable power sources on Coloplast's request. In 2020/21, we have been in dialogue with renewable energy suppliers globally and have initiated a project to install solar panels on the roof of our Minneapolis site in the US. Our new site in Costa Rica is already using 100% renewable electricity from the grid.

During 2020/21, we have investigated scenarios for phasing out natural gas at our global sites focusing on Denmark, Hungary and the US. We are currently working with engineering consultants to have the technical plans finalised and ready for implementation in 2021/22.

Electric company cars

Coloplast operates a car fleet consisting of around 2,000 cars, which emitted 11,500 tonnes CO_{2e} in 2020/21. To reduce its impact, Coloplast will shift to electric company cars with an ambition of 100% by 2030 and 50% by 2025.

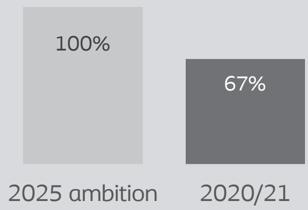
Reducing scope 3 emissions

Out of the total scope 3 emissions, 67% of Coloplast's scope 3 emissions are from raw materials. Therefore, in 2020/21, Coloplast initiated an engagement with 50 of its raw material suppliers responsible for 70% of the raw material emissions to start a dialogue about identifying materials with a lower environmental footprint and to get more detailed emission data from the suppliers.

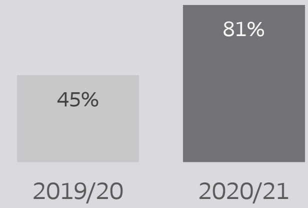
We will continue to increase our engagement with direct and indirect suppliers across the value chain. In 2020/21, Coloplast reduced scope 3 emissions by 10% per product. This was mainly due to using less air freight for the transportation of goods such as shipping items from our production site in Hungary to China using rail transport. Additionally, due to COVID-19, our business travel was significantly reduced.

Key figures

SHARE OF RENEWABLE ENERGY



BUSINESS TRAVELS*



* Reduction based on 2018/19 levels. Ambitions is 10% reduction vs. 2018/19 and then freeze.

- Scope 1 and 2 - Natural gas & company cars
- Scope 3 - Raw materials
- Scope 3 - Transportations of goods & fuel and energy-related activities
- Scope 3 - Other reported

People and culture

Evolving how we lead

During 2020/21 as a first priority, to enable strong execution of our ***Strive25*** strategy, Coloplast introduced our new leadership promise which builds on our existing strong purpose-driven company culture: we aim high, we simplify, we empower, and we are inclusive. This year, our focus has been on making our leadership promise come alive through our leaders. All our senior leaders (VP+) are going through an extensive leadership journey. We also continue to run our Business Leadership Programme for our Director level leaders.

To secure strong leadership focus, we track progress on two key metrics: employee engagement and voluntary employee turnover.

Employee engagement

Coloplast tracks employee engagement twice a year. Despite the continued interference from COVID-19, Coloplast sees a highly engaged workforce.

During 2020/21, the engagement score was 8.2 compared to 7.9 in 2019/20, with a response rate of 90%. The score is above the Healthcare industry benchmark and places Coloplast in the top 25th percentile.

Employee turnover

Voluntary turnover level in 2020/21 reached 10.1%, compared to 8.2% in 2019/20, which, however, is still below the pre-COVID-19 level. Coloplast has seen a positive effect on voluntary turnover rates during COVID-19.

Flexible working and safety

COVID-19 has had far-reaching consequences for our daily lives and ways of working together. Coloplast quickly adapted its ways of working, its processes, and digital platforms to support a home office set-up. Coloplast has now launched an updated global position on flexible working to stay an attractive, inclusive and modern workplace.

Providing a safe and healthy work environment for our employees is a core value for Coloplast. Safety is everybody's responsibility in Coloplast - both managers and employees.

This year, Coloplast's lost-time injury frequency was 2.2 ppm. Coloplast has thereby achieved the ambition to reduce the LTI frequency to 2.8 ppm by 2021. The ambition is to be 2.0 ppm by 2025.

Talent for future

Attracting and developing talent is a core element of ensuring Coloplast has the best people for the future. We hire for careers, not just jobs, which means that we mobilise and develop talent to secure strong succession for critical managerial positions.

This year, 59% of critical managerial positions were filled by internal candidates. This is below our 67% aspiration as we have taken in external talent in key leadership positions.

Key figures

12,728
Employees at year-end (FTEs)

8.2 of 10
employee ***engagement score***
compared to 7.9 in 2019/20

10.1%
voluntary employee ***turnover*** in 2020/21
compared to 8.2% in 2019/20

2.2 ppm
lost time injury ***frequency***
compared to 2.5 ppm in 2019/20

Inclusion and diversity

It is part of Coloplast's DNA to respect the individual and secure equal opportunities for all. Coloplast is committed to building an inclusive culture that leverages diversity at all levels. Inclusion and diversity are integrated in all our people processes including our global recruitment process and performance evaluation, and is now also an integrated element in our leadership promise 'We are inclusive'.

Inclusive workplace environment

Coloplast wants every employee to feel that they belong in the company, to bring their differences to work daily and to fulfil their potential because of and not despite of their differences. Coloplast prohibits any kind of discrimination or harassment of employees due to their gender identity, age, race, ethnicity, nationality, sexual orientation, religious belief, social and economic background, physical or mental ability etc. This is formalised in our Inclusion & Diversity policy, Anti-Harassment and Anti-Discrimination policy as well as the Anti-Retaliation policy which are available on our website.

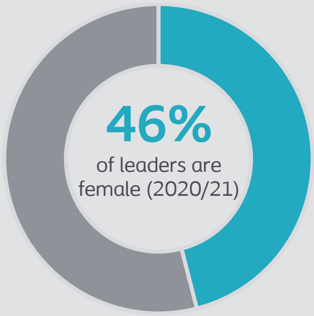
Diverse teams

We believe that diversity in teams leads to better innovation, performance and decisions. Therefore, we have chosen to lead and drive diversity through teams and strive to ensure a healthy balance of gender, generation and nationality in each team. To increase the share of diverse teams, we track and monitor the mix of diversity in all teams from the director level and above. It is Coloplast's ambition to reach a share of 75% diverse teams before 2025 through natural turnover. In 2020/21, the share of diverse teams was 50%, compared to 51% in 2019/20. Over the past two years, VPs and above have made five-year action plans for how to create diverse teams within their area of responsibility. This year, our Director level leaders will also create plans to meet our ambition. Successful diverse teams only flourish if we lead inclusively – we, therefore offer unconscious bias e-learning to all and inclusive leadership training to our leaders.

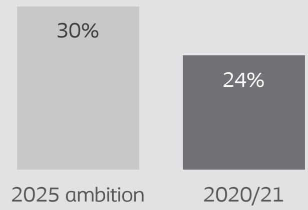
Gender representation in management

Coloplast continues to track and monitor progress on gender representation at all levels. During 2020/21, Coloplast signed the Confederation of Danish Industry's Gender Diversity Pledge, committing to a target of 40/60 gender distribution in management and our board of directors by 2030. In 2020/21, Coloplast had 46% female managers at or above manager level from 43% last year. However, looking at senior leadership* alone, there is an underrepresentation of females. This year, the share of female senior leaders is 24%, which is the same as last year. To ensure progress on gender representation, as well as diversity, Coloplast has implemented different initiatives including monitoring the diversity in our succession pipelines and talent pools, a new global recruitment process that mitigates biases and ensures diversity in all our recruitments and engagement in multiple diversity related events, boards and partnerships globally.

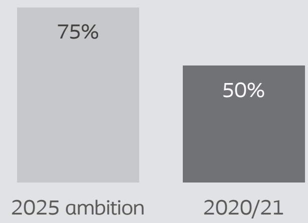
Gender composition of our people managers



Share of **female senior leaders***

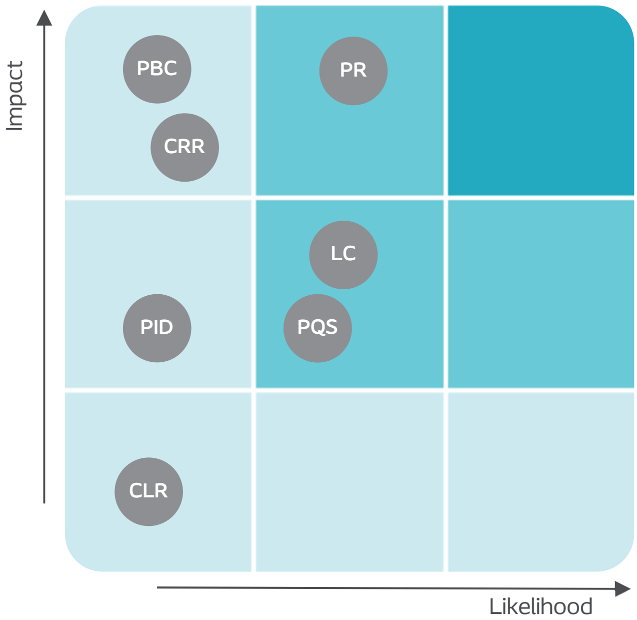


Diversity at team level



* Senior leadership comprising Vice Presidents, Senior Vice Presidents and the Executive Leadership Team.

The current risk landscape



Coloplast's most significant risk categories are:

- LC — Legal and compliance
- PR — Pricing and reimbursement
- PQS — Product quality and safety
- PID — Product innovation and development
- PBC — Production and business continuity
- CLR — Climate
- CRR — Cyber

Risk reporting process and governance

The management of the individual business units and group functions is responsible for identifying, assessing and managing risks in their specific parts of the organisation. The most significant risks to our business over a five-year horizon are reported quarterly to Group Risk Management. The reporting process and supporting interviews form the basis of the quarterly risk update submitted to the Executive Leadership Team and the Board of Directors.

The Executive Leadership Team 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 Leadership Team 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 Leadership Team.

In our risk reporting, we have 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 on the following pages, along with examples of action taken to mitigate them. Each risk is linked to one or more of the themes of Coloplast's strategy ***Strive25***.

Coloplast's most significant risk categories are largely unchanged as to impact and likelihood assessment compared to last year.

Legal and compliance

Risk description	Risk examples	Risk response
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 the laws and regulations. Despite these efforts, Coloplast recognises that mistakes may happen when people are involved and, therefore, takes relevant action should a situation arise.	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.	Ensuring that all employees receive training in Coloplast's Code of Conduct (BEST) which also include training in the company's IT policies. Currently 99% of all white collar are trained. Ensuring that business partners are aware of Coloplast's ethical standards including our codes of conduct for Distributors and Suppliers and that they work with us to continuously maintain and develop compliance practices. We have established an independent and confidential ethics hotline for reporting of unethical situations, violations, and misconduct.

Climate related risks

In 2020/21, Coloplast committed to report step-by-step according to the Task Force on Climate-related Financial Disclosures (TCFD) framework. Coloplast signed the business ambition for 1.5°C, aligning with the Paris agreement and submitted climate targets to the Science-Based Targets initiative (SBTi) for validation. The aim is to become net zero in scope 1 and 2 by 2025 and reduce scope 3 emissions per product by 50% by 2030.

Based on a preliminary climate risk assessment, physical risks such as rising water levels at Coloplast facilities and extreme weather patterns affecting supply chain were identified. Transitional risks such as demand for more sustainable products and packaging and further legal requirements with focus on ESG (Environmental, Social and Governance) for supply chain were also identified.

Going forward, climate-related risks and opportunities will be aligned with the business, strategy, and financial planning based on scenario analysis for reporting. Climate-related criteria in remuneration for Executive Management will be implemented from 2021/22 financial year.

Cyber-related risks

Coloplast follow the ISO 27001 to constantly drive improvement and validate performance of the Information Security Management System through audits and risk management. Coloplast received the initial ISO 27001 certification in October 2017 and added two manufacturing sites to our 2020 recertification. All certified sites are internally audited annually in addition to the external audits as required under the certification.

There is a robust Information Security risk management process to identify, assess, report, and mitigate risks with a direct link to the quarterly Group risk reporting process. Confidence in our internal organisational and technical controls are enhanced by external security assessments.

Coloplast do annual test and review of ISO 27001-certified IT contingency plans, investments in IT security and risk transfer solutions.

Coloplast ambition is to continuously raise our information security maturity in parallel to ensuring cyber resilient capabilities within IT service and business continuity.

How we manage the risks of doing business

Pricing and reimbursement

Description	Risk examples	Risk response
A large part of Coloplast's products is sold in markets that are subsidised and eligible for reimbursement from local health care 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 health care reforms, bargaining power of large wholesalers and distributors, as well as Coloplast's ability to convince buyers of the economic value of its products based on clinical evidence, costs, and patient outcomes.	Lower reimbursements and increasing price pressure due to healthcare and price reforms. No bigger healthcare reforms are currently expected for the next fiscal year 2021/22, and global price erosion remain up to 1% per year. Lack of or inadequate clinical evidence to support reimbursement levels. Global or local political and economic matters, such as interest rate or currency volatility.	Monitoring economic and political developments, and changes to public sector guidelines and reimbursement schemes. Interaction with health care 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 (see note 22 and 23 to the financial statements).

Product quality and safety

Description	Risk examples	Risk response
Coloplast is committed to ensuring the quality of its products and the safety of its users, including organising the security of personal data. All Coloplast products must comply with the medical device directives and legislation imposed by local health care authorities, such as the US Food and Drug Administration (FDA) and the new EU Medical Device Regulation (MDR). Coloplast has successfully passed the first key milestone of May 2021, including received the first MDR certificate and are working towards having all products gradually certified in accordance with the transition period authorized by MDR.	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.	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. Certification of our Quality Management Systems to the national and international standards and carrying out internal and external audits.

Product innovation and development

Description	Risk example	Risk response
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 health care professionals, to protect intellectual property against infringement from competitors and to understand the surgical and medical trends that may impact or limit sales.	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.	Investing in new innovative growth initiatives for the purpose of developing superior and clinically differentiated products, such as our clinical performance programme. Patenting to prevent competitors from copying Coloplast products or from producing technical equivalent alternatives. Monitoring surgical and medical developments and disruptive technologies that may impact the various business areas.

Production and business continuity

Description	Risk example	Risk response
Coloplast operates facilities all over the world, the most recent addition being the establishment of manufacturing facilities 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. The pandemic, high demand in Asia, and supply disruptions in Europe and the US have led to a bullwhip effect on global demand that is impacting global raw material prices. Coloplast already have risk responses in place (as described to the right). In addition, we have increased our focus on the timely communication of forecasts and orders and on execution of improvement projects in GOP5.	Major disruption at a manufacturing or distribution facility due to natural disasters or other emergencies, such as fire and pandemics, may disrupt Coloplast's ability to manufacture and distribute its products. A major disruption of the supply chain due to force majeure situations, change in market conditions, strikes or other events beyond Coloplast's control, which could result in, price increases, inability to source critical raw materials and the disruption of the supply to customers.	Implemented emergency response and contingency plans, keeping critical processes and workflows physically separated and having all the relevant facilities certified to the '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. Built up additional inventory as a contingency for potential fluctuations in demand or supply chain disruptions.

Corporate governance at Coloplast

Governance structure

Coloplast has a two-tier management structure comprising the Board of Directors and the Executive Leadership Team. There are no overlapping members.

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 Leadership Team's execution of the day-to-day management of the company and for assigning tasks among the individual members of the Executive Leadership Team.

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

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 the guidelines for the activities of the Board of Directors.

Six members of the Board of Directors are elected at the general meeting and three members of the Board of Directors are elected by the employees.

Four out of six shareholder-elected members are considered to be independent in accordance with the Danish corporate governance recommendations.

Nine board meetings were held in the 2020/21 financial year, of which two were extraordinary meetings and one was a strategy meeting.

OVERVIEW OF BOARD MEMBERS

Board member	Audit Comm.	Rem. & Nomin. Comm.	Indepen-dent	Nationality	Gender	Board tenure	Election period	Board meetings attended[3]
Lars Rasmussen, Chairman[1]	●	●	No	Danish	Male	3 years	1 year	●●●●●●●●●
Niels Peter Louis-Hansen, Deputy Chairman[1]		●	No	Danish	Male	53 years	1 year	●●●●●●●●○
Marianne Wiinholt[1) 3)]	●		Yes	Norwegian	Female	1 year	1 year	●○●●●●
Birgitte Nielsen[1]	●		Yes	Danish	Female	6 years	1 year	●●●●●●●●●
Jette Nygaard-Andersen[1]		●	Yes	Danish	Female	6 years	1 year	●●●●●●●●●
Carsten Hellmann[1]	●		Yes	Danish	Male	4 years	1 year	●●●●●●●●●
Thomas Barfod[2]			No	Danish	Male	15 years	4 years	●●●●●●●○●
Roland V. Pedersen[2]			No	Danish	Male	3 years	4 years	●●●●●●●●●
Nikolaj Kyhe Gundersen[2]			No	Danish	Male	3 years	4 years	●●●●●●●●●

1) Shareholder-elected board member.
2) Employee-elected board member.
3) Jørgen Tang-Jensen attended three out of three board meetings before he left the Board of Directors on the Annual General Meeting 3 December 2020 where he was replaced by Marianne Wiinholt.

Committee structure

The Board of Directors has established two committees: an Audit Committee and a Remuneration and Nomination Committee.

Five Audit Committee meetings were held in the 2020/21 financial year, of which one was an extraordinary meeting.

Three Remuneration and Nomination Committee meetings were held in the 2020/21 financial year.

AUDIT COMMITTEE

Committee member	Meetings attended[1]
Marianne Wiinholt, Chairman[1]	●●●●
Lars Rasmussen	●●●●●
Birgitte Nielsen	●●●●●
Carsten Hellmann	●●●●●

[1] Jørgen Tang-Jensen attended one out of one audit committee meeting before he left the Board of Directors on the Annual General Meeting 3 December 2020 where he was replaced by Marianne Wiinholt.

REMUNERATION AND NOMINATION COMMITTEE

Committee member	Meetings attended
Lars Rasmussen, Chairman	●●●
Niels Peter Louis-Hansen	●●●
Jette Nygaard-Andersen	●●●

Activities and responsibilities of the ***Audit Committee***

The Audit Committee is, among others, responsible for monitoring the following:

- The financial reporting and associated processes, including the statutory audit of the financial statements.
- The company's internal control systems and risk management systems, including insurance matters.
- Review of the Group's IT security and the auditors' annual IT audit.
- The independence of the auditors, including 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 through the Coloplast Ethics Hotline.

In the 2020/21 financial year, the main activities have been:

- Evaluating and implementing country-by-country tax reporting.
- Defining sustainability ambitions, including external sustainability reporting.
- Evaluating the provision relating to the mesh litigation.

Activities and responsibilities of the ***Remuneration and Nomination Committee***

The Remuneration and Nomination Committee is, among others, responsible for 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 pipelines.
- 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.

In the 2020/21 financial year, the main activities have been:

- Redesigning the short-term incentive structure for the Executive Leadership Team to include one or more sustainability ambitions.
- Proposing a new candidate to the Board of Directors as one board member has decided not to seek re-election.
- Conducting the annual board self-assessment.

> Clear governance and diverse board profiles ensure that the Board of Directors can operate efficiently and support the company's strategy.

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.

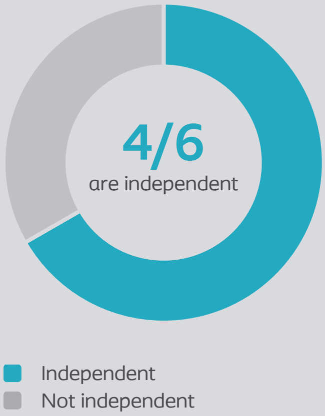
In 2021, the annual self-assessment of the Board of Directors was performed without external assistance as the Board of Directors has decided that the self-assessment will be carried out with external support every second year. The self-assessment consisted of conversations between the Chairman of the Board of Directors and each board member as well as each member of the Executive Leadership Team and a bespoke, online questionnaire in which board members as well as the Executive Leadership Team participated anonymously.

The self-assessment shows that there is an open and transparent dialogue between the Board of Directors and the Executive Leadership Team, and the board committees serve as good vehicles for framing the discussions in the Board of Directors and ensure that key risks are addressed.

Furthermore, the self-assessment shows that the composition of the Board of Directors, including relevant competencies, to a large extent matches what the Board of Directors considers necessary to best perform its tasks, such as finance, digital transformation, customer experience, commercialisation, industry knowledge, general management, innovation, legal affairs and acquisitions. However, over time the Board would like strengthen its competences within Innovation in light of the new strategy.

During the past year, the Board of Directors has spent a significant amount of time discussing and addressing challenges caused by COVID-19. Furthermore, the Board of Directors has monitored and discussed the progress made one year into Coloplast's ***Strive25*** strategy which was announced to the market on 29 September 2020.

4 out of 6 shareholder-elected members **are independent**



Gender composition of shareholder-elected members

Remuneration of the Board of Directors and the Executive Management

At the Coloplast Annual General Meeting held on 3 December 2020, the shareholders adopted an updated Remuneration Policy for Coloplast, which had been prepared by the Board of Directors. The Remuneration Policy is available on the company's website.

Coloplast has also prepared a Remuneration Report detailing, among other things, the remuneration to the Board of Directors and the Executive Management which complies with Section 139(b) of the Danish Companies Act. The Remuneration Report was presented and adopted at the Annual General Meeting held on 3 December 2020.

Download the Remuneration Report
www.coloplast.com/remuneration-reports/

Recommendations on Corporate governance

The recommendations of the Committee on Corporate Governance were revised in November 2017 and applies to the financial years commencing on or after 1 January 2018. The company reports on these recommendations as also required by Supplement A – Nasdaq Copenhagen to Nasdaq's Nordic Main Market Rulebook for Issuers of Shares. The Board of Directors reviews the recommendations in force on a regular basis and at least once a year. The Board of Directors and the Executive Leadership Team share the committee's views and generally follow the recommendations.

The recommendations consist of 47 individual recommendations. Coloplast complies fully with 45 recommendations corresponding to 96%.

New recommendations on corporate governance have been adopted by the Committee on Corporate Governance and these new recommendations apply to financial years starting 1 January 2021 or thereafter. Accordingly, Coloplast will report on the new recommendations in the financial year 2021/22.

Coloplast's position on each of the recommendations as well as a description of the internal control and risk management system relating to financial reporting can be found in the Corporate Governance Report which is prepared pursuant to Section 107(b) of the Danish Financial Statements Act.

Data ethics policy

The Board of Directors has adopted a Data Ethics Policy which applies to all Coloplast group companies. In working with data, Coloplast ensures that appropriate measures are in place to safeguard ethical data processing, and it has implemented extensive security measures to ensure secure storage of data.

Coloplast adheres to a high standard of data ethics and solely uses and processes data for legitimate purposes that serves shared benefit for all interested parties. Data processing in Coloplast must never lead to any form of discrimination or biased decisions, decision-making or results. Regardless of how Coloplast collects data, Coloplast always respects applicable data privacy laws. When sharing data, Coloplast imposes high standards on the recipients to ensure appropriate data security.

Coloplast never sells data.

Download the Corporate Governance Report
www.coloplast.com/corporate-governance/

Meet our Board of Directors

Lars Rasmussen
Chairman of the Board, non-independent

Born 1959. Lars Rasmussen has extensive executive management and board experience from international listed companies in the med-tech and pharma industry. He possesses in-depth knowledge within the commercialisation of innovation, B2B and B2C sales models and efficiency improvements.

Other board and management positions:

- H. Lundbeck A/S: Chairman of the Board, Chairman of the Remuneration and Nomination Committee and member of the Audit Committee
- Igonomix S.L.: Chairman of the Board
- Danish Committee of Corporate Governance: Chairman
- University of Copenhagen: Board member

Joined the Board of Directors in 2018.

Niels Peter Louis-Hansen
Deputy Chairman of the Board, non-independent

Born 1947. Through decades of board work, Niels Peter Louis-Hansen has gained in-depth knowledge of the industries in which Coloplast operates, its dynamics and key players as well as deep insight into strategy development. Furthermore, Niels Peter Louis-Hansen is a key contributor to preserving the Coloplast-culture.

Other board and management positions:

- Aage og Johanne Louis-Hansens Fond: Chairman of the Board
- Aage og Johanne Louis-Hansen A/S: Chairman of the Board
- N. P. Louis-Hansen ApS: CEO
- NPLH Property Investments ApS: CEO
- NPLH Anpartsinvest ApS: CEO

Joined the Board of Directors in 1968.

Birgitte Nielsen
Board member, independent

Born 1963. Birgitte Nielsen has extensive management experience and considerable board experience from both listed companies and large privately held companies within the med-tech industry and the financial sector. Birgitte Nielsen has extensive financial and accounting experience as well as in-depth knowledge of the financial markets.

Other board and management positions:

- Matas A/S: Board member and Chairman of the Audit Committee
- De Forenede Ejendomsselskaber A/S: Board member
- Kirk Kapital A/S: Board member
- Topsøe Holding A/S: Board member
- SameSystem A/S: Board member
- Danmark Genopretningsfond A/S: Board member

Joined the Board of Directors in 2015.

See the full CVs of the Board of Directors on our website
https://www.coloplast.com/about-coloplast/management1/

Carsten Hellmann
Board member, independent

Born 1964. Carsten Hellmann has considerable executive management experience and extensive experience in product development and international commercialisation within highly regulated industries as well as M&A activities, including post integration.

Other board and management positions:
- ALK-Abelló A/S: President & CEO
- Copenhagen Capacity: Board member
- The Danish Chamber of Commerce: Board member

Joined the Board of Directors in 2017.

Jette Nygaard-Andersen
Board member, independent

Born 1968. Jette Nygaard-Andersen has considerable executive management and board experience within global med-tech, media & entertainment, and digital growth businesses. She has extensive experience within business and marketing strategies, digital transformation, optimisation of customer experience and engagement, working with digital growth start-ups globally and M&A activities, including post integration.

Other board and management positions:
- Entain plc: CEO & Executive Director
- BetMGM, LLC: Board member

Joined the Board of Directors in 2015.

Marianne Wiinholt
Board member, independent

Born 1965. Marianne Wiinholt has considerable executive management experience and extensive experience within finance and accounting. Furthermore, Marianne Wiinholt has considerable knowledge and experience in leading, driving and delivering a sustainability agenda on a global scale.

Other board and management positions:
- Ørsted A/S: CFO
- Norsk Hydro ASA: Board member and Chairman of the Audit Committee

Joined the Board of Directors in 2020.

Thomas Barfod
Employee-elected board member

Born 1970. Title: Senior Controller.
Joined the Board of Directors in 2006.

Roland V. Pedersen
Employee-elected board member

Born 1962. Title: Lead Negotiator.
Joined the Board of Directors in 2018.

Nikolaj Kyhe Gundersen
Employee-elected board member

Born 1969. Title: Skilled Precision Engineer.
Joined the Board of Directors in 2018.

Meet our Executive Leadership Team

Kristian Villumsen
President & CEO

With Coloplast since 2008.

Educational background:
MA Political Science, Aarhus University
MA in Public Policy, Harvard University Kennedy School of Government

Other board positions:
Demant A/S: Board member and member of the Audit Committee

Anders Lonning-Skovgaard
Executive Vice President, CFO

With Coloplast since 2006.

Educational background:
MSc Finance and Accounting, Aarhus University

Allan Rasmussen
Executive Vice President, Global Operations

With Coloplast since 1992.

Educational background:
BPSE, IMD
E*MBA, Scandinavian International Management Institute
BSc (Mech. Eng.), Technical University of Denmark

Paul Marcun
Executive Vice President, Growth

With Coloplast since 2015.

Educational background:
MBA in Corporate Finance & Marketing, Sydney University of Technology

Nicolai Buhl Andersen
Executive Vice President, Innovation

With Coloplast since 2005.

Educational background:
MA in Economics & Business, Copenhagen Business School and Sophia University, Japan

Camilla G. Møhl
Senior Vice President, People & Culture

With Coloplast since 2016.

Educational background:
MA in Human Resource Management, Copenhagen Business School

Ownership and major shareholders

Ownership and shareholdings

The company had 49,660 shareholders at the end of the financial year, which was 7,545 more than last year. Institutional investors based outside Denmark held 38% of Coloplast's shares on 30 September 2021, compared to 37% a year earlier. Registered shareholders represented 96% 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 and section 38 of the Danish Capital Markets Act, that at the date of this annual report they held 5% or more of the share capital or voting rights.

	Residence	Ownership share	Voting rights
Shareholders with ownership or voting rights of more than 5%			
Niels Peter Louis-Hansen[1)]	Vedbæk	20.7%	41.1%
Aage og Johanne Louis-Hansens A/S[2)]	Nivå	11.5%	15.2%
Benedicte Find	Humlebæk	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.

	A shares '000 units	B shares '000 units	Ownership share	Voting rights
Ownership structure of Coloplast A/S				
Holders of A shares and their families	18,000	78,871	45%	68%
Danish institutions	-	10,758	5%	3%
Foreign institutions	-	81,526	38%	22%
Coloplast A/S[3)]	-	3,199	1%	0%
Other shareholders	-	15,775	7%	4%
Non-registered shareholders	-	7,871	4%	0%
Total	**18,000**	**198,000**	**100%**	**97%**

[3)] The 3,199,349 shares held by Coloplast on 30 September 2021, equivalent to 1% of the share capital, are treasury shares without voting rights.

	A shares '000 units	B shares '000 units	Number of insiders
Shares held by management			
Board of Directors, non-independent directors	12,285	33,862	5
Board of Directors, independent directors	-	6	4
Executive Management	-	91	5
Total	**12,285**	**33,959**	**14**

Share classes and authorisations

Coloplast's share capital is DKK 216 million divided into DKK 18 million A shares and DKK 198 million B shares. Each A and B share has a nominal value of DKK 1.

Each A share entitles the holders to ten votes and each B share entitles the holders to one vote. The A shares are non-negotiable instruments. The B shares are negotiable instruments and were listed on the Copenhagen Stock Exchange (Nasdaq Copenhagen) in 1983. Any change of ownership or pledging of A shares requires the consent of the Board of Directors, whereas 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 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 provided that the company's total holding of treasury shares does not exceed 10% of the company's share capital at any time. 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 and including 4 December 2024.

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 above-mentioned 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, issued 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.

Open and transparent *communication*

Coloplast has established a policy for communicating information to investors and shareholders, under which the Executive Leadership Team 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, comprising:

- Full-year and interim financial statements and the annual report.
- Replies to enquiries from 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.

Consolidated financial statements

Statement of comprehensive income

1 October – 30 September

DKK million	Note	2020/21	2019/20
Revenue	4	19,426	18,544
Production costs	5, 11, 12, 13	-6,113	-5,932
Gross profit		**13,313**	**12,612**
Distribution costs	5, 11, 12, 13	-5,485	-5,317
Administrative expenses	5, 11, 12, 13	-762	-762
Research and development costs	5, 11, 12, 13	-755	-708
Other operating income		73	49
Other operating expenses		-29	-20
Operating profit (EBIT) before special items		**6,355**	**5,854**
Special items	6	-200	-
Operating profit (EBIT)		**6,155**	**5,854**
Financial income	7	137	20
Financial expenses	7	-59	-408
Profit before tax		**6,233**	**5,466**
Tax on profit for the year	8	-1,408	-1,269
Net profit for the year		**4,825**	**4,197**
Remeasurements of defined benefit plans	18	-11	12
Tax on remeasurements of defined benefit plans		3	-4
Items that will not be reclassified to the income statement		**-8**	**8**
Value adjustment of currency hedging		-110	55
Transferred to financial items		-19	90
Tax effect of hedging		28	-32
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries		-11	-252
Tax effect of currency adjustment, assets in foreign currency		-1	12
Items that may be reclassified to the income statement		**-113**	**-127**
Total other comprehensive income		**-121**	**-119**
Total comprehensive income		**4,704**	**4,078**

DKK			
Earnings per share (EPS)	9	22.67	19.74
Earnings per share (EPS), diluted	9	22.63	19.67

Statement of cash flows

1 October – 30 September

DKK million	Note	2020/21	2019/20
Operating profit		6,155	5,854
Depreciation and amortisation		792	851
Adjustment for other non-cash operating items	24	-31	-135
Changes in working capital	24	-75	-352
Ingoing interest payments, etc.		31	9
Outgoing interest payments, etc.		-81	-191
Income tax paid		-1,501	-1,277
Cash flows from operating activities		**5,290**	**4,759**
Investments in intangible assets		-1,047	-85
Investments in land and buildings		-8	-18
Investments in plant and machinery and other fixtures and fittings, tools and equipment		-102	-42
Investments in property, plant and equipment under construction		-809	-786
Property, plant and equipment sold		36	5
Investment in other investments		-14	-26
Acquisition of operations		-97	-
Net sales/purchase of marketable securities		30	51
Cash flows from investing activities		**-2,011**	**-901**
Free cash flow		**3,279**	**3,858**
Dividend to shareholders		-3,830	-3,612
Acquisition of treasury shares		-500	-500
Sale of treasury shares		306	407
Financing from shareholders		**-4,024**	**-3,705**
Repayment of lease liabilities	24	-202	-197
Drawdown on credit facilities	24	1,050	45
Cash flows from financing activities		**-3,176**	**-3,857**
Net cash flows		**103**	**1**
Cash and cash equivalents at 1 October		**323**	**356**
Value adjustment of cash and bank balances		20	-34
Cash and cash equivalents, acquired operations		2	-
Net cash flows		103	1
Cash and cash equivalents at 30 September	25	**448**	**323**

Balance sheet

Assets

At 30 September

DKK million	Note	2021	2020
Intangible assets	11	3,651	2,364
Property, plant and equipment	12	3,785	3,311
Right-of-use assets	13	601	615
Other equity investments		41	27
Deferred tax asset	14	743	669
Other receivables	16	26	24
Non-current assets		**8,847**	**7,010**
Inventories	15	2,428	2,227
Trade receivables	16	3,212	2,934
Income tax		282	242
Other receivables		226	338
Prepayments		172	163
Marketable securities		226	262
Cash and cash equivalents		448	323
Current assets		**6,994**	**6,489**
Assets		**15,841**	**13,499**

Equity and liabilities

At 30 September

DKK million	Note	2021	2020
Share capital		216	216
Currency translation reserve		-392	-375
Reserve for currency hedging		-41	60
Proposed ordinary dividend for the year		2,979	2,765
Retained earnings		5,406	4,740
Equity	9, 10	**8,168**	**7,406**
Provisions for pensions and similar liabilities	18	181	176
Provision for deferred tax	14	671	369
Other provisions	19	56	128
Lease liability		449	430
Prepayments		2	11
Non-current liabilities		**1,359**	**1,114**
Provisions for pensions and similar liabilities	18	15	13
Other provisions	19	150	159
Other credit institutions	20	2,160	1,111
Trade payables		1,036	814
Income tax		928	1,003
Other payables		1,840	1,664
Lease liability		177	206
Prepayments	26	8	9
Current liabilities		**6,314**	**4,979**
Equity and liabilities		**15,841**	**13,499**

Statement of changes in equity, current year

At 30 September

	Share capital		Reserves				
DKK million	A shares	B shares	Currency translation	Currency hedging	Proposed dividend	Retained earnings	Total
2020/21							
Equity at 1 October	18	198	-375	60	2,765	4,740	7,406
Net profit for the year	-	-	-	-	4,044	781	**4,825**
Other comprehensive income	-	-	-17	-101	-	-3	**-121**
Total comprehensive income	**-**	**-**	**-17**	**-101**	**4,044**	**778**	**4,704**
Acquisition of treasury shares	-	-	-	-	-	-500	**-500**
Sale of treasury shares	-	-	-	-	-	306	**306**
Share-based payment	-	-	-	-	-	50	**50**
Tax on share-based payment, etc.	-	-	-	-	-	32	**32**
Interim dividend paid out in respect of 2020/21	-	-	-	-	-1,065	-	**-1,065**
Dividend paid out in respect of 2019/20	-	-	-	-	-2,765	-	**-2,765**
Transactions with shareholders	**-**	**-**	**-**	**-**	**-3,830**	**-112**	**-3,942**
Equity at 30 September	18	198	-392	-41	2,979	5,406	8,168

Statement of changes in equity, last year

At 30 September

	Share capital		Reserves				
DKK million	A shares	B shares	Currency translation	Currency hedging	Proposed dividend	Retained earnings	Total
2019/20							
Equity at 1 October	**18**	**198**	**-175**	**-53**	**2,549**	**4,376**	**6,913**
Net profit for the year	-	-	-	-	3,829	368	**4,197**
Other comprehensive income	-	-	-200	113	-	-32	**-119**
Total comprehensive income	**-**	**-**	**-200**	**113**	**3,829**	**336**	**4,078**
Transfers	-	-	-	-	-1	1	**-**
Acquisition of treasury shares	-	-	-	-	-	-500	**-500**
Sale of treasury shares	-	-	-	-	-	407	**407**
Share-based payment	-	-	-	-	-	39	**39**
Tax on share-based payment, etc.	-	-	-	-	-	81	**81**
Interim dividend paid out in respect of 2019/20	-	-	-	-	-1,063	-	**-1,063**
Dividend paid out in respect of 2018/19	-	-	-	-	-2,549	-	**-2,549**
Transactions with shareholders	**-**	**-**	**-**	**-**	**-3,613**	**28**	**-3,585**
Equity at 30 September	**18**	**198**	**-375**	**60**	**2,765**	**4,740**	**7,406**

Notes to the consolidated financial statements

List of notes

Note 1
Basis of preparation

The consolidated financial statements for 2020/2021 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 for Class D companies.

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, the assets and liabilities are measured as described below in respect of each individual item or in the relevant note.

Significant estimates and judgements
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.

A further description of the principal accounting estimates and judgements is provided in the relevant notes.

Management has made accounting estimates and judgements in respect of the following areas:

Area	Estimate/ judgement	Note	Risk of impact and degree of estimation
Goodwill and other intangible assets	Estimate and judgement	11	●●○
Inventories	Estimate	15	●○○
Deferred tax assets and uncertain tax positions	Estimate	14	●○○
Trade receivables and bad debts	Estimate	16	●○○
Provisions for litigation about transvaginal surgical mesh products	Estimate	6, 19	●●○
Other provisions	Estimate	19	●○○

Note 2
Changes in accounting policies

Effective from the 2020/21 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 2020/21 financial year.

Coloplast has adopted the amendments to IFRS 3. The amendments narrow and clarify the definition of a business and permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business (concentration test). The amendments are applied prospectively to all business combinations and asset acquisitions with an acquisition date on or after 1 October 2020.

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.

Coloplast has made an initial assessment of the impact of the agenda decision in relation to Cloud Computing Arrangement. Based on the initial assessment, this decision is not expected to have a significant impact on the profit/loss statement or equity. A final assessment is expected to be conducted in Q1 2021/22.

Reporting standards or interpretations which are not adopted by the EU have not been applied in this annual report.

Note 3
General accounting policies

This section provides a summary of significant accounting policies, 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.

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.

Translation of foreign currencies
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 60.5% (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 standing at 6.49.

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 companies 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.

Note 3, 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 the 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 the 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 Urology Care revenues, as revenues from certain surgical products are generated from consignment sales as well as the contract manufacturing business. 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 business 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 that 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 the 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.

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 judgement.

Note 3, continued

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 part of a portfolio which is managed and measured on a fair value basis as per transaction date. Adjustments to fair value is recognised through profit or loss as financial items.

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.

Reporting under the ESEF Regulation
The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets.

The ESEF Regulation sets out the following main requirements: (1) Issuers shall draw up and disclose their annual financial reports using the XHTML format; and (2) issuers that draw-up their primary consolidated financial statements in accordance with IFRS as endorsed by the EU shall tag those consolidated financial statements using inline eXtensible Business Reporting Language (iXBRL) and with effect from the 2022 annual report block-tag the notes to the consolidated financial statements.

The combination of the XHTML format with the iXBRL tags makes the annual financial reports both human-readable and machine-readable, thus enhancing accessibility, analysis and comparability of the information included in the annual financial reports.

iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The annual report submitted to the Danish Financial Supervisory Authority (The Officially Appointed Mechanisms) consists of the XHTML document together with some technical files all included in a ZIP file named Coloplast-2021-09-30-da.ZIP.

Note 4
Segment information

Accounting policies
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.

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.

Segmentation of the income statement
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 the 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 included in shared/non-allocated. Financial items and income tax are not allocated to the operating segments.

	Chronic Care		Interventional Urology		Wound & Skin Care		Group	
DKK million	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Segment revenue:								
Ostomy Care	7,841	7,538	-	-	-	-	7,841	7,538
Continence Care	7,003	6,819	-	-	-	-	7,003	6,819
Interventional Urology	-	-	2,097	1,835	-	-	2,097	1,835
Wound & Skin Care	-	-	-	-	2,485	2,352	2,485	2,352
External revenue as per the Statement of comprehensive income	**14,844**	**14,357**	**2,097**	**1,835**	**2,485**	**2,352**	**19,426**	**18,544**
Costs allocated to segment	-6,070	-6,039	-1,279	-1,181	-1,456	-1,411	-8,805	-8,631
Segment operating profit/loss	**8,774**	**8,318**	**818**	**654**	**1,029**	**941**	**10,621**	**9,913**
Shared/non-allocated							-4,266	-4,059
Special items not included in segment operating profit/loss (see note 6 to the financial statements)							-200	-
Operating profit before tax (EBIT) as per the Statement of comprehensive income							**6,155**	**5,854**
Net financials							78	-388
Tax on profit/loss for the year							-1,408	-1,269
Profit/loss for the year as per the Statement of comprehensive income							**4,825**	**4,197**

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.

Note 4, continued

Geographic information

Coloplast A/S' registered office is situated in Denmark. No single customer accounted for more than 10% of the Group's revenue in 2019/20 and 2020/21.

DKK million	2020/21	2019/20
Specification of revenue representing over 10% of the Group's revenue including Denmark		
US	3,639	3,538
UK	2,836	2,727
France	2,415	2,334
Denmark	249	239
Other	10,287	9,706
Total	**19,426**	**18,544**
Specification of non-current assets[1)] by location of the subsidiary		
Denmark	3,983	2,702
Hungary	1,491	1,321
Other	2,563	2,267
Total	**8,037**	**6,290**

[1)] Non-current assets by location consist of intangible assets and property plant and equipment.

Note 5
Staff costs

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

DKK million	2020/21	2019/20
Specification of staff costs recognised in the financial year		
Salaries, wages and directors' remuneration	4,715	4,635
Pension costs - defined contribution plans (note 18)	360	317
Pension costs - defined benefit plans (note 18)	13	13
Other social security costs	525	474
Total	**5,613**	**5,439**
Staff costs allocated to functions		
Production costs	1,253	1,234
Distribution costs	3,468	3,364
Administrative expenses	470	455
Research and development costs	422	386
Total	**5,613**	**5,439**
Average number of employees, FTEs	12,578	12,250
Number of employees at 30 September, FTEs	12,728	12,427
Number of employees at 30 September, headcount	12,874	12,568

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

Note 6
Special items

Accounting policies
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.

Note 6, continued

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 in US as the process takes longer than previously anticipated.

See note 19 to the financial statements for more information regarding the litigation about transvaginal surgical mesh products.

DKK million	2020/21	2019/20
Provisions for litigation about transvaginal surgical mesh products	200	-
Total	**200**	**-**

Note 7
Financial income and expenses

Accounting policies

Financial income and expenses include interest, financing costs of 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.

See note 23 to the financial statements for more information about accounting policy for items transferred from hedging reserve.

DKK million	2020/21	2019/20
Financial income		
Interest income	11	8
Fair value adjustments of forward contracts transferred from other comprehensive income	19	-
Net exchange adjustments	95	-
Hyperinflationary adjustment of monetary position	11	11
Other financial income	1	1
Total	**137**	**20**
Financial expenses		
Interest expenses	13	16
Interest expenses, lease liabilities	12	14
Fair value adjustments of forward contracts transferred from other comprehensive income	-	90
Fair value adjustments of cash-based share options	2	7
Net exchange adjustments	-	248
Other financial expenses and fees	32	33
Total	**59**	**408**

Note 8
Tax on profit for the year

Accounting policies

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 other comprehensive income is taken directly on other comprehensive income.

DKK million	2020/21	2019/20
Specification of tax on profit for the year		
Current tax on profit for the year	1,201	1,290
Change in deferred tax on profit for the year	216	-19
Tax on profit from ordinary activities for the year	**1,417**	**1,271**
Adjustment of tax relating to prior years	-12	-2
Change due to change in tax rate	3	-
Tax on profit for the year	**1,408**	**1,269**
Tax on equity and other comprehensive income entries, income	**62**	**57**
Reconciliation of tax rate differences		
Danish tax rate	22.0%	22.0%
Effect of change of tax rates	0.1%	0.0%
Deviation in foreign subsidiaries' tax percentage	0.1%	0.3%
Non-taxable income and non-deductible expenses	0.0%	0.4%
Research and development incentives	-1.2%	-0.1%
Acquisitions and divestments	0.7%	0.0%
Other taxes and other adjustments, net	0.9%	0.6%
Effective tax rate	22.6%	23.2%

Note 9
Earnings per share (EPS)

Accounting policies
Earnings per share (EPS) 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. 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.

	2020/21	2019/20
Net profit for the year, DKK million	4,825	4,197
Net profit for the year before special items, DKK million	4,981	4,197
Weighted average number of outstanding shares, millions of units	212.8	212.6
Dilutive effect of outstanding share options, millions of units	0.4	0.6
Average number of unrestricted shares including dilutive effect of outstanding share options, millions of units	213.2	213.3
Earnings per share before special items, DKK	23.40	19.74
Earnings per share, DKK	22.67	19.74
Earnings per share before special items, diluted, DKK	23.36	19.67
Earnings per share, diluted, DKK	22.63	19.67

	2020/21		2019/20	
Outstanding shares ('000):	**A shares**	**B shares**	**A shares**	**B shares**
Outstanding shares at 1 October	**18,000**	**194,681**	**18,000**	**194,423**
Sale of treasury shares	-	618	-	763
Acquisition of treasury shares	-	-498	-	-505
Outstanding shares at 30 September	**18,000**	**194,801**	**18,000**	**194,681**
Holding of treasury shares at 30 September	-	3,199	-	3,319
Total shares issued at 30 September	**18,000**	**198,000**	**18,000**	**198,000**

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. The Group does not hold A shares.

Note 10
Dividend per share

Accounting policies
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.

DKK	2020/21	2019/20
Interim dividend per share	5.00	5.00
Proposed dividend per share	14.00	13.00
Total dividend per share	**19.00**	**18.00**
Total dividend for the year, DKK million	4,044	3,829
Payout ratio	84%	91%

The Board of Directors recommends that the shareholders attending the general meeting approve an additional dividend of DKK 14.00 per share. An interim dividend of DKK 5.00 per share was distributed in the financial year, bringing the total dividend per share for the year to DKK 19.00. The increase in dividend per share, compared to last financial year, amounts to 6%. The payout ratio for the year is 84%.

Note 11
Intangible assets

Accounting policies

Intangible assets with a finite life are measured at cost less accumulated amortisation and impairment losses. Subsequent milestone payments related to acquired patents, trademarks and know-how payable on achievement of a contingent event will be capitalised when the contingent event is achieved. 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, trademarks and know-how 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 and some specific trademarks, all intangible assets have a finite life.

All in-house research costs are recognised in the income statement as incurred. Management believes that 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.

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.

Key accounting estimates and judgements

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 3,651 million as at 30 September 2021 (30 September 2020: DKK 2,364 million).

Nine Continents Medical was acquired in a share deal. Shortly following the acquisition, all intangible assets was transferred to Coloplast A/S resulting in US exit taxation. The subsequent transfer of the intangible assets to Coloplast A/S is considered an integral part of the transaction and, consequently, the tax base in Coloplast A/S is considered established upon the acquisition. The transfer is considered an integral part of the transaction because not transferring the intangible assets to Coloplast A/S with the current tax setup of the Groups is not a viable solution.

Note 11, continued

DKK million	Acquired patents, trademarks and know-how etc.	Goodwill	Software	Prepay-ments and intangible assets in progress	Total intangible assets
2020/21					
Cost at 1 October	**1,729**	**1,976**	**458**	**76**	**4,239**
Exchange adjustment	13	7	2	-	**22**
Additions from acquisitions	50	45	-	-	**95**
Transfers	-	-	51	-51	**-**
Additions and improvements during the year	1,218	-	38	59	**1,315**
Disposals during the year	-	-	-23	-	**-23**
Cost at 30 September	**3,010**	**2,028**	**526**	**84**	**5,648**
Amortisation at 1 October	**1,533**	**-**	**342**	**-**	**1,875**
Exchange adjustment	13	-	3	-	**16**
Amortisation for the year	82	-	47	-	**129**
Amortisation reversed on disposals during the year	-	-	-23	-	**-23**
Amortisation at 30 September	**1,628**	**-**	**369**	**-**	**1,997**
Carrying amount at 30 September	**1,382**	**2,028**	**157**	**84**	**3,651**
2019/20					
Cost at 1 October	**1,827**	**2,030**	**416**	**50**	**4,323**
Exchange adjustment	-98	-54	-	-	**-152**
Transfers	-	-	49	-49	**-**
Additions and improvements during the year	-	-	10	75	**85**
Disposals during the year	-	-	-17	-	**-17**
Cost at 30 September	**1,729**	**1,976**	**458**	**76**	**4,239**
Amortisation at 1 October	**1,503**	**-**	**318**	**-**	**1,821**
Exchange adjustment	-88	-	-	-	**-88**
Amortisation for the year	118	-	41	-	**159**
Amortisation reversed on disposals during the year	-	-	-17	-	**-17**
Amortisation at 30 September	**1,533**	**-**	**342**	**-**	**1,875**
Carrying amount at 30 September	**196**	**1,976**	**116**	**76**	**2,364**

Note 11, continued

Goodwill

Goodwill mainly relates to the acquisitions of Mentor's urology and continence business in 2006, Mpathy in 2010, Comfort Medical in 2016, Lilial in 2018 as well as Hope Medical and Affordable Medical in 2021. 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.

	2020/21		2019/20	
	Chronic Care	Interven-tional Urology	Chronic Care	Interven-tional Urology
Key parameters applied in the calculation of recoverable amounts:				
Revenue growth in terminal period	1.4%	1.4%	1.3%	1.3%
Tax percentage	23.0%	27.0%	23.0%	27.0%
Carrying amount of trademarks[1], DKK million	54	-	50	-
Carrying amount of goodwill, DKK million	1,690	338	1,640	336

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

	2020/21		2019/20	
	Before tax	After tax	Before tax	After tax
Discount rates applied in the calculation of recoverable amounts:				
Chronic Care	7.7%	6.1%	5.0%	4.1%
Interventional Urology	12.3%	9.1%	9.7%	7.1%

The discount rate for 2020/21 is based on the WACC used by the external analysts' covering Coloplast.

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.

Note 11, continued

The impairment test performed for Chronic Care was based on forecasts for the 2021/22 financial year. Assumptions for Coloplast's long-term strategy were applied for the financial years 2022/23 to 2024/25.

Revenue growth rates of 6-7% were assumed for the budget period, which are supported by the organic growth rates in 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 health care 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.

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 2021/22 financial year. Assumptions for the long-term strategy of the urology business were applied for the financial years 2022/23 to 2024/25.

Revenue growth rates of 5-9% were assumed for the budget period, which are supported by the Interventional Urology organic growth rates in recent financial years. On the other hand, it was assumed that the gross margin will decrease slightly until the terminal period due to general anticipated price pressures and health care 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 US, 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.

Acquired patents, trademarks and know-how etc.

Acquired patents and trademarks are associated with the acquisition of Mentor's urology business in 2006, the Mpathy acquisition in 2010 as specified in the table below. Coloplast acquired during 2020/21 three small US direct-to-consumer Durable Medical Equipment (DME) dealers, Hope Medical Supply, Rocky Mountain Medical Supply and Affordable Medical, LLC amounted to DKK 50 million, and Nine Continents Medical of DKK 1,218 million, where of the full amount has not been paid in cash. 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.

Note 11, continued

Patented and unpatented technologies
On acquiring Mentor's urology business, Coloplast acquired a large number of patented technologies (more than 300) and unpatetented technologies. On acquiring Mpathy, Coloplast acquired about 50 patented technologies.

Unpatented technologies include (Mentor only):
- Inventions not patentable/protectable
- Trade secrets
- Know-how
- Confidential information
- 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.

On acquiring Nine Continents Medical in November 2020, Coloplast acquired a number of patented and unpatented technologies. Unpatented technologies include inventions not patentable or protectable, know-how, confidential information and copyrights on computer software and the like. Most relate to know-how regarding various technologies. Division of the individual components into small intangible assets is not considered material or relevant.

Trademarks
In addition to patented and unpatented technologies, 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 unpatented technologies. On acquiring Mpathy, Coloplast acquired a small number (less than 20) of trademarks. On acquiring Nine Continents, Coloplast acquired some unregistered trademarks and a domain name.

Customer lists/loyalties
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	Remaining amortisation period	2021	2020
Patented technologies and unpatented technologies	5 years	11	37
Trademarks	5 years	21	39
Customer lists/loyalty	4 years	15	25
Carrying value of the Mentor and Mpathy assets at 30 September		**47**	**101**

	2020/21	2019/20
Amortisations on intangible assets break down as follows		
Production costs	60	79
Distribution costs	59	67
Administrative expenses	6	10
Research and development costs	4	3
Total	**129**	**159**

Note 12
Property, plant and equipment

Accounting policies

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.

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

At the balance sheet date, the residual values, remaining useful lives and depreciation pattern of the assets are reassessed. 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	2020/21	2019/20
Depreciations on property, plant and equipment break down as follows		
Production costs	377	384
Distribution costs	33	32
Administrative expenses	10	13
Research and development costs	38	56
Total	**458**	**485**

Note 12, continued

DKK million	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepay-ments and assets under construc-tion	Total property, plant and equipment
2020/21					
Cost at 1 October	**2,467**	**4,505**	**1,122**	**764**	**8,858**
Exchange and other adjustments	23	30	7	3	**63**
Transfers	289	409	61	-759	**-**
Additions and improvements during the year	8	68	34	809	**919**
Disposals during the year	-39	-55	-52	-15	**-161**
Cost at 30 September	**2,748**	**4,957**	**1,172**	**802**	**9,679**
Depreciation at 1 October	**1,409**	**3,321**	**817**	**-**	**5,547**
Exchange and other adjustments	10	12	6	-	**28**
Depreciations for the year	106	225	127	-	**458**
Depreciations reversed on disposals during the year	-24	-64	-51	-	**-139**
Depreciation at 30 September	**1,501**	**3,494**	**899**	**-**	**5,894**
Carrying amount at 30 September	**1,247**	**1,463**	**273**	**802**	**3,785**
Cost of property, plant and equipment fully depreciated	1,024	2,314	623	-	3,961
2019/20					
Cost at 1 October	**2,657**	**4,537**	**1,107**	**411**	**8,712**
Reclassification to right-of-use-assets	-142	-	-8	-	-150
Exchange and other adjustments	-121	-102	-19	-45	**-287**
Transfers	68	223	85	-376	**-**
Additions and improvements during the year	18	9	33	786	**846**
Disposals during the year	-13	-162	-76	-12	**-263**
Cost at 30 September	**2,467**	**4,505**	**1,122**	**764**	**8,858**
Depreciation at 1 October	**1,384**	**3,310**	**769**	**-**	**5,463**
Reclassification to right-of-use-assets	-16	-	-6	-	**-22**
Exchange and other adjustments	-51	-69	-11	-	**-131**
Depreciations for the year	105	242	138	-	**485**
Depreciations reversed on disposals during the year	-13	-162	-73	-	**-248**
Depreciation at 30 September	**1,409**	**3,321**	**817**	**-**	**5,547**
Carrying amount at 30 September	**1,058**	**1,184**	**305**	**764**	**3,311**
Cost of property, plant and equipment fully depreciated	617	2,342	547	-	3,506

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery for DKK 126 million at 30 September 2021 (DKK 173 million at 30 September 2020).

Note 13
Right-of-use assets

Accounting policies

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 the 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.

Options to extend the initial leasing period are only included in the initial measurement if it is reasonably certain that the option will be utilised.

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 of the leased assets.

The majority of the Group’s right-of-use assets comprise office space, warehouses, cars and IT equipment. Leasing arrangements are preferred for certain types of assets as it stabilises cash flows and reduces capital invested in non-current assets.

In certain situations, the leasing contracts include a right for Coloplast to extend the leasing period but this is only reflected in the cost of the right-of-use assets, and the corresponding lease liability, if it is reasonably certain that the option will be utilised.

Variable lease payments, which are not included in the measurement of the lease liability, are expensed directly in profit or loss. These payments are mainly related to consumption-based charges, e.g. extra mileage in leased cars.

The Group enters into new lease contracts continually, e.g. to replace an old right-of-use asset which is returned to lessor. The new contracts are usually entered prior to commencing the leasing period when a right-of-use assets is available for use. Consequently, the Group may have committed to lease contracts, which are insignificant from an individual perspective, at the balance sheet date which are not yet recognised on the balance sheet date.

The extent of residual value guarantees for right-of-use assets is limited and expected payments are included in the initial amount of the lease liability.

Note 13, continued

DKK million	Land and buildings	Other fixtures and fittings, tools and equipment	Total right-of-use assets
2020/21			
Carrying amount at 1 October	**437**	**178**	**615**
Exchange and other adjustments	4	1	**5**
Additions during the year	126	93	**219**
Disposals during the year	-43	-62	**-105**
Depreciations for the year	-108	-97	**-205**
Depreciations reversed on disposals during the year	31	41	**72**
Carrying amount at 30 September	**447**	**154**	**601**

DKK million	Land and buildings	Other fixtures and fittings, tools and equipment	Total right-of-use assets
2019/20			
Carrying amount at 1 October	-	-	-
Reclassification of IAS 17 leases	126	2	**128**
Change in accounting policy	291	181	**472**
Exchange and other adjustments	-14	-6	**-20**
Additions during the year	141	101	**242**
Disposals during the year	-1	-17	**-18**
Depreciations for the year	-107	-100	**-207**
Depreciations reversed on disposals during the year	1	17	**18**
Carrying amount at 30 September	**437**	**178**	**615**

DKK million	2020/21	2019/20
Depreciations on right-of-use assets break down as follows		
Production costs	22	23
Distribution costs	157	164
Administrative expenses	24	20
Research and development costs	2	-
Total	**205**	**207**
Other lease expenses recorded in the income statement		
Lease payments related to short-term leases	4	4
Lease payments related to low-value assets	19	17
Variable lease payments	18	13
Total	**41**	**34**
Total cash outflow for leases		
Payments related to right-of-use assets	204	208
Payments related to other lease contracts	36	31
Total	**240**	**239**

Note 13, continued

DKK million	2021	2020
Maturity analysis of lease liabilities (undiscounted)		
In less than one year	191	188
Current lease liability (undiscounted)	**191**	**188**
Within 1 to 5 years	362	372
After more than 5 years	102	120
Non-current lease liability (undiscounted)	**464**	**492**
Total lease liability (undiscounted)	**655**	**680**

Note 14
Deferred tax

Accounting policies

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 payable tax and measured according to current tax rules and at the tax rates assumed in the year in which the assets are expected to be utilised.

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.

The value of future tax deductions in relation to share option programmes is recognised as deferred tax, until they are exercised by the employees. Any estimated excess tax deduction compared to the costs realised in the income statement is charged to equity.

Key accounting estimates and judgements

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.

The Group’s tax losses expiring after more than five years amount to DKK 21 million at 30 September 2021 (DKK 19 million at 30 September 2020). Of these tax losses, the Group has recognised a tax asset of DKK 6 million on a DKK 21 million tax loss at 30 September 2021 (DKK 2 million on a DKK 7 million tax loss at 30 September 2020).

Note 14, continued

The tax value of the Group's tax credits amounts to DKK 128 million at 30 September 2021 (DKK 130 million at 30 September 2020). This amount includes a recognised tax asset of DKK 51 million at 30 September 2021 (DKK 53 million at 30 September 2020). The tax credits expire after more than five years.

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 it is probable that the temporary difference will not be eliminated in the foreseeable future.

DKK million	2020/21	2019/20
Deferred tax at 1 October, net	**300**	**326**
Exchange adjustments	4	-11
Additions from acquisitions	-5	-
Adjustment due to change in tax rate	-3	-
Prior-year adjustments	3	-18
Other changes in deferred tax – charged to income statement	-216	19
Change in deferred tax - charged to equity	-11	-16
Deferred tax at 30 September, net	**72**	**300**

DKK million	2021	2020
Recognised in the balance sheet as follows		
Deferred tax assets	743	669
Provision for deferred tax	-671	-369
Deferred tax at 30 September, net	**72**	**300**
Deferred tax relates to the following items		
Intangible assets	-553	-271
Property, plant and equipment	-179	-196
Indirect production costs	-11	-14
Unrealised gain from intra-group sale of goods	455	327
Trade receivables	-67	-19
Provisions	155	131
Jointly taxed companies (recaptured balances)	-9	-9
Share options	106	150
Tax losses carried forward and tax credits	56	53
IFRS 16 liabilities	109	131
Cash flow hedges	11	-17
Other	-1	34
Deferred tax at 30 September, net	**72**	**300**

Note 15
Inventories

Accounting policies
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.

Key accounting estimates and judgements
Capitalised production overheads have been calculated using a standard cost method, which is reviewed regularly to ensure the 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.

DKK million	2021	2020
Raw materials and consumables	453	420
Work in progress	580	464
Manufactured goods	1,395	1,343
Inventories at 30 September	**2,428**	**2,227**

DKK million	2020/21	2019/20
Write-downs at 1 October	**37**	**36**
Write-downs realised during the year	-14	-17
Write-downs reversed during the year	-12	-11
Additional write-downs made during the year	39	29
Write-downs at 30 September	**50**	**37**

Production overheads was included in the carrying amount of inventories with DKK 649 million at 30 September 2021 (DKK 559 million at 30 September 2020).

Production costs include directly attributable production costs of DKK 3,844 million related to goods sold (2019/20: DKK 3,672 million).

Note 16
Trade receivables and other receivables

Accounting policies

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.

Key accounting estimates and judgements

Receivables and trade receivables are recognised at amortised cost less loss allowances. 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 allowances 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.

Loss allowances are generally linked 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.

DKK million	2021	2020
Ageing of trade receivables		
Not due	2,626	2,243
Due up to 30 days	233	250
Due between 30 and 90 days	140	182
Due more than 90 days	352	381
Trade receivables at 30 September, gross	**3,351**	**3,056**
Loss allowance at 30 September	-139	-122
Trade receivables at 30 September, net	**3,212**	**2,934**
Loss allowance at 1 October	**-122**	**-93**
Exchange adjustment	-1	5
Allowances used during the year (realised losses)	31	8
Additional allowances recognised during the year	-47	-42
Loss allowance at 30 September	**-139**	**-122**
Trade receivables by currency		
DKK	95	43
EUR	1,145	1,048
USD	726	698
GBP	369	311
Other currencies	877	834
Trade receivables at 30 September, net	**3,212**	**2,934**

Note 16, continued

Other receivables, non-current
The portion of other receivables, which are falling due after more than one year after the balance sheet date, is recognised in the balance sheet as non-current assets and amounts to DKK 26 million (DKK 24 million at 30 September 2020).

The majority of the non-current other receivables falls due after three years of the balance sheet date. Interest accruing on receivables is 0%.

Note 17
Share options

Accounting policies
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 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.

The accounting liability of the share option programmes was DKK 7 million at 30 September 2021 (DKK 11 million at 30 September 2020), while the fair value of all option programmes amounted to DKK 553 million at 30 September 2021 (DKK 746 million at 30 September 2020).

DKK million	2020/21	2019/20
Share options have affected the profit or loss for the year as follows		
Staff costs, accounting value of cash and equity-settled programmes	51	40
Financial costs, fair value adjustment of cash-settled programmes	2	7
Cost of share options recognised in profit or loss	**53**	**47**

The accounting value of the options was calculated using the Black-Scholes formula at the date of the grant, 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.

Note 17, continued

	2020	2019
The following assumptions were applied in determining the fair value of share options granted during the financial year		
Black-Scholes value, DKK	92.17	93.73
Share price, DKK	934.15	828.20
Exercise price, DKK	980.86	869.61
Expected dividend per share, DKK	1.50%	1.50%
Expected duration, years	4.00	4.00
Volatility	19.65%	21.53%
Risk-free interest	-0.63%	-0.59%
Value, million DKK	59.45	45.91

	2020/21			2019/20		
	No. of options	Average exercise price	Average share price	No. of options	Average exercise price	Average share price
Outstanding share options at 1 October	**2,061,254**	**625**		**2,351,113**	**547**	
Options awarded	647,806	977		489,842	866	
Options forfeited	-6,586	1,013		-12,902	635	
Options exercised	-622,067	496	1,018	-766,799	528	955
Outstanding share options at 30 September	**2,080,407**	**768**		**2,061,254**	**625**	

Year of issue	No. of options issued	Share options lapsed	Options exercised	Not exercised at 30 September 2021[3]	Exercise price[1][2]	Exercise period
Specification of outstanding share options						
2016	639,227	-62,178	-562,284	**14,765**	474	31/12/19 - 31/12/21
2016 US	114,231	-7,419	-106,812	-	502	31/12/19 - 31/12/21
2017	596,363	-41,711	-284,860	**269,792**	499	31/12/20 - 31/12/22
2017 US	107,767	-3,807	-47,002	**56,958**	534	31/12/20 - 31/12/22
2018	501,877	-10,461	-	**491,416**	621	31/12/21 - 31/12/23
2018 US	119,260	-	-	**119,260**	635	31/12/21 - 31/12/23
2019	403,750	-2,406	-	**401,344**	861	31/12/22 - 31/12/24
2019 US	88,846	-	-	**88,846**	870	31/12/22 - 31/12/24
2020	531,920	-2,546	-	**529,374**	976	31/12/23 - 31/12/25
2020 US	109,900	-4,480	-	**105,420**	1,002	31/12/23 - 31/12/25
2020 JP	3,232	-	-	**3,232**	977	31/12/23 - 31/12/25
Total	**3,216,373**	**-135,008**	**-1,000,958**	**2,080,407**		

[1] The exercise prices are adjusted for payment of dividend. In 2020/21, the adjustment of the exercise price was DKK 3.91.

[2] Average exercise price for options exercisable at the balance sheet date was DKK 501.76.

[3] Exercisable options as per 30 September 2020 was 304,970.

Coloplast's holding of treasury shares fully covers the option programmes, so the options exercised under the programme will not influence the Group's cash position by forcing it to buy up shares in the market. See note 9 to the financial statements for an overview of treasury shares held by Coloplast at the balance sheet date.

Note 18
Provisions for pensions and similar obligations

Accounting policies
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 on 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 profit or loss.

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 2020/21, DKK 360 million (2019/20: DKK 317 million) was recognised.

Defined benefit plans
For certain groups of employees in foreign subsidiaries, the Group has signed agreements to pay defined benefits, including pension payments.

Share of gross obligation by country	2021	2020
France	19%	21%
Germany	9%	10%
UK	71%	68%
Italy	1%	1%
Total	100%	100%

These pension 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 lifelong pension. The active plans are not exclusive to any particular employee group.

Note 18, continued

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.

The Group expects to pay DKK 15 million to the defined benefit plans in 2021/22.

DKK million	2020/21	2019/20
Defined contribution plans	360	317
Defined benefit plans	13	13
Cost of pension plans recognised in profit or loss	**373**	**330**
Pension costs concerning current financial year	10	11
Pension costs concerning prior financial years	1	-
Net interest expenses	2	2
Cost of defined benefit plans recognised in profit or loss	**13**	**13**
Costs of defined benefit plans break down as follows		
Production costs	3	3
Distribution costs	9	9
Research and development costs	1	1
Cost of defined benefit plans recognised in profit or loss	**13**	**13**
Actuarial gains/losses on pension obligations	-8	-10
Actuarial gains/losses on plan assets	-3	22
Actuarial gains/losses on defined benefit plans recognised in other comprehensive income	**-11**	**12**
Plan assets at 1 October	**376**	**357**
Exchange adjustments	23	-12
Actual rate of interest	6	7
Actuarial gains/losses on plan assets	-3	22
Paid by the Coloplast Group	16	21
Benefit paid out	-21	-19
Plan assets at 30 September	**397**	**376**

DKK million	2021	2020
Specification of plan assets		
Shares, listed	72	98
Bonds	112	39
Funds	210	231
Cash and similar assets	3	8
Plan assets at 30 September	**397**	**376**

Note 18, continued

DKK million	2020/21	2019/20
Specification of present value of defined benefit obligation		
Present value of defined benefit liability at 1 October	**565**	**566**
Exchange adjustments	22	-12
Current service costs	10	11
Past service costs	1	-
Calculated interest on liability	8	9
Actuarial gains/losses, financial assumptions	15	19
Actuarial gains/losses, demographic assumptions	-	-4
Actuarial gains/losses, experience	-7	-5
Benefit paid out	-21	-19
Present value of defined benefit liability at 30 September	**593**	**565**
Fair value of plan assets at 30 September	-397	-376
Net liability of defined benefit plans at 30 September	**196**	**189**
Net liability of defined benefit plans at 1 October	**189**	**209**
Expenditure for the year	13	13
Actuarial gains/losses on pension obligation	8	10
Exchange adjustment	-1	-
Actuarial gains/losses on plan assets	3	-22
Payments received	-16	-21
Net liability of defined benefit plans at 30 September	**196**	**189**
Actuarial assumptions applied at the balance sheet date (expressed as an average)		
Discount rate	1.1%	0.8%
Future rate of salary increases	1.6%	2.5%
Inflation	1.6%	1.6%

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

	2020/21		2019/20	
	+1%-point	-1%-point	+1%-point	-1%-point
Percentage increase/decrease in the gross liability resulting from a change in a single actuarial assumption				
Discount rate	-21%	23%	-21%	23%
Future rate of salary increases	3%	-2%	3%	-3%
Inflation	15%	-14%	17%	-14%

Note 19
Other provisions

Accounting policies

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.

Key accounting estimates and judgements

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.

	2020/21			2019/20		
DKK million	**Legal claims**	**Other**	**Total**	**Legal claims**	**Other**	**Total**
Provisions at 1 October	**276**	**11**	**287**	**451**	**7**	**458**
Exchange adjustment	-6	-	**-6**	-25	-1	**-26**
Provisions used during the year	-296	-	**-296**	-151	-	**-151**
Unused provisions reversed during the year	-4	-1	**-5**	-3	-	**-3**
Additional provisions	224	2	**226**	4	5	**9**
Provisions at 30 September	**194**	**12**	**206**	**276**	**11**	**287**
Expected maturities						
Non-current liabilities	50	6	**56**	118	10	**128**
Current liabilities	144	6	**150**	158	1	**159**
Provisions at 30 September	**194**	**12**	**206**	**276**	**11**	**287**
Provisions charged to profit or loss during the year	220	1	**221**	1	5	**6**

Note 19, continued

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 2017, Judge Joseph Goodwin issued a court order stating that plaintiffs may no longer direct claims against Coloplast in the ongoing MDL. In 2019, the remaining cases were remanded to the relevant Courts, and on 18 December 2020 the MDL was formally closed. It is estimated that around 98% of the MDL cases have been settled to date.

An additional expense of DKK 0.2 bn has been recognised in the 2020/21 financial year 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 US to DKK 5.85 bn including legal costs (before insurance cover of DKK 0.5 bn).

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 amounted to DKK 0.2 billion at 30 September 2021 (DKK 0.3 billion at 30 September 2020) plus DKK 0.1 billion recognised under other debt (DKK 0.1 billion at 30 September 2020). 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 restructuring, guarantees and other non-legal claims.

Note 20
Credit institutions

Accounting policies
Borrowings from credit institutions are 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	2021	2020	Maturity
Repo debt to credit institutions	203	208	Less than one month
Other borrowings from credit institutions	1,957	903	Less than one year
Borrowings from credit institutions at 30 September	**2,160**	**1,111**	
Lease liability	626	636	See note 13 'Right-of-use assets'
Marketable securities	-226	-262	Matures in 2021-2023
Bank balances	-448	-323	Available for withdrawal
Net interest-bearing debt at 30 September	**2,112**	**1,162**	

Debt to credit institutions from repo transactions
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 203 million at 30 September 2021 (DKK 208 million at 30 September 2020) with a due date of 13 October 2021. The repo debt carries a fixed rate of interest of minus 0.3% from the transaction date (minus 0.3% at 30 September 2020).

Bonds for which the ownership has been transferred to the counterpart as part of a repo transaction had a carrying amount of DKK 203 million at 30 September 2021 (DKK 208 million at 30 September 2020). See note 22 to the financial statements for information on interest rate risk relating to bonds.

Other borrowings from credit institutions
Other borrowings from credit institutions mainly comprise drawdowns on revolving credit facilities which are committed for three years on the balance sheet date in addition to minor bank overdrafts on authorised short-term facilities.

The borrowings from credit institutions are presented as current liabilities due to its nature as instruments for liquidity management.

Note 21
Financial instruments by category

Accounting policies

Financial instruments are measured at either amortised cost or fair value. Those financial instruments, which are measured at fair value, can be categorised according to the fair value measurement hierarchy below:

Level 1: Observable prices in active markets for 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.

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.

DKK million	Amortised cost	Fair value through profit or loss (level 1)	Hedging instruments at fair value through OCI (level 2)	Total
2021				
Trade receivables	3,212	-	-	**3,212**
Other receivables	234	-	18	**252**
Marketable securities[1]	-	226	-	**226**
Cash and cash equivalents	448	-	-	**448**
Financial assets	**3,894**	**226**	**18**	**4,138**
Other credit institutions	2,160	-	-	**2,160**
Trade payables	1,036	-	-	**1,036**
Other payables	1,777	-	63	**1,840**
Lease liability	626	-	-	**626**
Financial liabilities	**5,599**	**-**	**63**	**5,662**
2020				
Trade receivables	2,934	-	-	**2,934**
Other receivables	243	-	119	**362**
Marketable securities[1]	-	262	-	**262**
Cash and cash equivalents	323	-	-	**323**
Financial assets	**3,500**	**262**	**119**	**3,881**
Other credit institutions	1,111	-	-	**1,111**
Trade payables	814	-	-	**814**
Other payables	1,630	-	34	**1,664**
Lease liability	636	-	-	**636**
Financial liabilities	**4,191**	**-**	**34**	**4,225**

[1] The securities portfolio consists of mortgage bonds and corporate bonds. The bond portfolio carried an effective rate of interest of 1-6% (2019/20: 1-6%).

Note 22
Financial risks

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.

Foreign exchange risk
A number of the Group's financial instruments is exposed foreign exchange risks as a natural consequence of its global activities. The Board of Directors determines the level of risk as a percentage of EBITDA. Foreign exchange risk is calculated by applying the principles of a cash-flow-at-risk model. The foreign exchange risk related to financial instruments is concentrated in receivables, payables and cash positions denominated in foreign currencies. In addition to this, the fair value of the Group's hedging instruments is significantly exposed to changes in foreign exchange rates. On the other hand, there is only a low foreign exchange risk attached to the Group's marketable securities as these are denominated in DKK and EUR. Borrowings from credit institutions, including repo debt, are denominated in DKK.

While EUR is a key currency for the Group, the foreign exchange risk is regarded as low due to fixed exchange rate policy of the central bank of Denmark.

As at 30 September 2021, an average of 52% of the following twelve months of expected net cash flows were hedged (30 September 2020: 58% of the following twelve months of cash flows).

The table below show how a theoretical change of +/- 5% in all currencies against Danish kroner will impact the financial instruments recognised at the balance sheet date. The impact on profit or loss comes mainly from receivables denominated in foreign currencies. The impact on other comprehensive income relates to the fair value of hedging instruments. The hedged exposure is included in the sensitivity analysis and, therefore, the effect is reduced.

	2020/21				2019/20			
DKK million	**USD**	**GBP**	**HUF**	**All currencies**	**USD**	**GBP**	**HUF**	**All currencies**
Impact from a 5% increase in currencies								
Profit or loss	11	8	-16	**126**	-8	10	-15	**109**
Other comprehensive income	-38	-52	23	**-135**	-37	-48	22	**-131**
Total comprehensive income	**-27**	**-44**	**7**	**-9**	**-45**	**-38**	**7**	**-22**
Impact from a 5% decrease in currencies								
Profit or loss	-11	-8	16	**-126**	8	-10	15	**-109**
Other comprehensive income	38	52	-23	**135**	37	48	-22	**131**
Total comprehensive income	**27**	**44**	**-7**	**9**	**45**	**38**	**-7**	**22**

The increase and decrease resulting from a 5% change are the same as all hedging instruments are forward contracts.

Note 22, continued

Interest rate risk
The exposure to interest rate risks is consider insignificant as the Group's net interest-bearing debt remains an insignificant part of the Groups capital structure. The credit facilities are at floating interest rate. The duration as per balance sheet date was 1.6 years.

Liquidity risk
The exposure to liquidity risks is considered to be low. In addition to cash available for withdrawal and marketable securities, the Group's cash reserves comprise a mix of committed and uncommitted credit facilities to ensure an adequate level of funding for the Group's activities, even in periods of operational uncertainty.

DKK million	2021	2020
Cash and cash equivalents	448	323
Marketable securities	226	262
Liquid assets recorded on the balance sheet at 30 September	**674**	**585**
Committed credit facilities, unutilised (2 years term)	2,359	1,680
Uncommitted credit facilities, unutilised (short-term)	1,221	2,196
Financial reserves at 30 September	**4,254**	**4,461**

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.

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

Credit risk
The Group's credit risk relates to the possibility that the counterparties of its financial assets are not able to meet their obligations as they fall due. The carrying amount of the financial assets represents the maximum credit risk exposure. The Group's policy for managing credit risks involves an ongoing credit assessment of major customers and other key business partners.

The credit risk exposure relates to (i) receivables, (ii) bank deposits, (iii) marketable securities (mortgage bonds and corporate bonds) as well as (iv) derivative financial instruments (forward exchange contracts) with a positive fair value at the balance sheet date.

- The credit risk relating to trade receivables and other receivables is diversified over a large number of customers and other counterparties. For this reason, the credit risk is regarded as insignificant. See also note 16.

- The credit risk relating to bank deposits is, pursuant to the Group's counterparty policy, managed and mitigated by making money market deposits only with selected financial institutions holding a satisfactory credit rating. In addition, the maximum deposit limits have been defined for each financial counterparty.

- The credit risk relating to marketable securities is considered to be limited as investment is only made in selected liquid bonds with a high credit rating.

- The credit risk relating to derivative financial instruments is aligned with the credit risk for bank deposits as derivative contracts are only entered with selected financial institutions with a satisfactory credit rating.

Note 23
Derivative financial instruments

Accounting policies

At the initiation of derivative contracts, it is assessed whether they qualify for hedge accounting and the derivatives are classified as either cash flow hedges or fair value hedges. Cash flow hedges relates to forecasted transactions at a future point in time. Fair value hedges relate to changes in the fair value of assets or liabilities recognised on the balance sheet.

Upon initial recognition, the fair values of derivative financial instruments are recognised as an asset or a liability on the balance sheet date. These are presented together with other receivables or other payables, respectively. The fair values of derivative financial instruments are subsequently remeasured at fair value at each reporting date.

The subsequent value adjustments of cash flow hedges are recognised through other comprehensive income as a cash flow hedge reserve when the hedging relationship continues to meet the effectiveness requirement. The reserve is recognised in the income statement upon 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 reserve remains in equity until the hedged transaction is concluded. If a transaction is no longer expected to be concluded, any reserve accumulated under equity is transferred to the income statement.

The subsequent value adjustments of fair value hedges are recognised through profit or loss along with any adjustments of the value of the hedged asset that concern the hedged risk.

Pursuant to the Group's foreign exchange policy, forward exchange contracts are used for the purpose of neutralising and delaying the effect of exchange rate fluctuations in profit or loss and thereby enhance the predictability of the financial results.

The foreign exchange risk is calculated by applying the principles of a cash-flow-at-risk model, with the Board of Directors determining the level of risk as a percentage of operating profit (EBITDA). The risk is managed and mitigated through cash flow hedges and, in some cases, through fair value hedges. Sources of hedging ineffectiveness comprise mainly those that arise from assumptions on expected 12-month rolling cash flows not being realised.

The Group hedges key currencies e.g. USD, GBP, JPY and HUF, and selectively hedges emerging markets currencies taking the cost of hedging into consideration.

The Group does not hedge forecasted cash flows denominated in EUR as the foreign exchange risk is regarded as low due to the fixed exchange rate policy of the central bank of Denmark.

Note 23, continued

Specification of derivative financial instruments held at the balance sheet date.

DKK million	Contract amount at year-end[1]	Fair value of contract at year-end[2]	Average exchange rate per the hedging contracts	Expiry period of the contracts
2021				
USD	821	-28	617.01	Oct 21 - Aug 22
GBP	1,145	-12	848.16	Oct 21 - Sep 22
JPY	176	1	5.76	Oct 21 - Sep 22
HUF	-490	-2	2.04	Oct 21 - Sep 22
Other currencies	828	-11	n/a	Oct 21 - Sep 22
Forward exchange contracts at 30 September, cash flow hedges	**2,480**	**-52**		
HUF	310	6	2.07	Oct 21 - Sep 22
Forward exchange contracts at 30 September, fair value hedges	**310**	**6**		
2020				
USD	871	37	659.85	Oct 20 - Aug 21
GBP	1,115	46	844.53	Oct 20 - Sept 21
JPY	189	5	6.16	Oct 20 - Sept 21
HUF	-514	-29	2.14	Oct 20 - Sept 21
Other currencies	844	18	n/a	Oct 20 - Sept 21
Forward exchange contracts at 30 September, cash flow hedges	**2,505**	**77**		
HUF	315	9	2.10	Oct 20 - Dec 20
Forward exchange contracts at 30 September, fair value hedges	**315**	**9**		

[1] Amount is translated to DKK millions using the exchange rates per the hedging contracts. Positive amounts indicate a forecasted sale of the currency in question; negative amounts indicate a forecasted purchase of currency in question.

[2] Positive amounts indicate that the net fair value of the hedging contracts is an asset. Negative amounts indicate that the net fair value of the hedging contracts is a liability.

Note 24
Specifications of cash flow from operating and financing activities

DKK million	2020/21	2019/20
Net gain/loss on divestment of non-current assets	4	2
Change in other provisions	-85	-177
Other non-cash operating items	50	40
Adjustment for other non-cash operating items	**-31**	**-135**
Inventories	-161	-403
Trade receivables	-235	81
Other receivables, including amounts held in escrow	97	-150
Trade and other payables etc.	224	120
Changes in working capital	**-75**	**-352**

	2020/21			2019/20		
DKK million	Lease liability	Credit facilities	Total	Lease liability	Credit facilities	Total
Balance at 1 October	**636**	**1,111**	**1,747**	**142**	**1,066**	**1,208**
Impact of accounting policy change	-	-	-	472	-	472
Additions during the year	219	-	219	242	-	242
Cash flows	-202	1,050	848	-197	45	-152
Exchange and other adjustments	-27	-1	-28	-23	-	-23
Balance at 30 September	**626**	**2,160**	**2,786**	**636**	**1,111**	**1,747**

Note 25
Cash and cash equivalents

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

DKK million	2021	2020
Bank deposits, short term	448	323
Cash and cash equivalents at 30 September	**448**	**323**

Note 26
Public grants

Accounting policies

Public grants comprise of 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.

The Group has received DKK 1 million in public grants for research and development purposes (2019/20: DKK 1 million) and DKK 4 million in public grants for investments (2019/20: DKK 3 million). An income of DKK 13 million relating to investment grants has been recognised under production costs in the income statement (2019/20: DKK 12 million).

Note 27
Contingent liabilities and guarantees

As part of the normal course of business, Coloplast is involved in pending litigations, claims and investigations. Provisions for probable losses have been made for those matters Management has assessed as needed, but there are uncertainties associated with these estimates. Please also see note 19 to the financial statements.

Coloplast does not expect any pending litigations, claims and investigations to materially influence the Group's future earnings, cash flows or financial position, neither individually nor in aggregate, in addition to the amounts recognised as provisions.

Bonds in repo transactions have been provided as collateral for repo debt. Bonds provided as collateral were valued at DKK 203 million at 30 September 2021 (DKK 208 million at 30 September 2020). See note 20 to the financial statements for information on interest rate risk relating to bonds.

Note 28
Remuneration of the Board of Directors and Executive Management

The current policy for the remuneration of the Board of Directors and Executive Management was adopted in 2020 and sets out the general guidelines for the remuneration of the Group's management. The guidelines for the remuneration of the Board of Directors and Executive Management are available on the Group website.

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 also available on the Group website.

Fees to Board members in respect of the current financial year
Fees to Board members make up DKK 7.0 million (2019/20: DKK 7.0 million) of the total staff costs (see note 5 to the financial statements) and are specified as follows:

DKK million	2020/21	2019/20
Ordinary board member fee	5.3	5.3
Audit Committee	1.1	1.1
Nomination and Remuneration Committee	0.6	0.6
Fee to members of the Board of Directors	**7.0**	**7.0**

In addition, the accounting cost of not-yet-vested share options held by the Chairman amount to DKK 2.8 million in 2020/21 (2019/20: DKK 4.5 million) of the total staff costs (see note 5 to the financial statements). The accounting cost is calculated in line with IFRS 2 and relates to share options awarded to him during his term as CEO. Cost at grant 2020/21 is DKK 0 (2019/20: DKK 1.4 million).

Remuneration of members of the Executive Management in respect of the current financial year
Remuneration of members of Executive Management make up DKK 61.6 million (2019/20: DKK 49.8 million) of the total staff costs (see note 5 to the financial statements) and are specified as follows:

DKK million	2020/21	2019/20
Base salaries	32.3	27.5
Pension	4.8	4.1
Other benefits	1.7	1.3
Cash bonus	7.5	3.8
Remuneration of Executive Management, excluding value of share options and contingent salary items	**46.3**	**36.7**
Share options	12.9	8.8
Contingent bonus schemes[1)]	2.4	4.3
Remuneration of Executive Management	**61.6**	**49.8**

[1)] 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, whereof DKK 5.1 million was paid in December 2020 and the remaining DKK 5.1 million is payable in December 2021. The cash bonus is expensed in profit or loss over the vesting period.

At 1 October 2020 the Executive Management was expanded from four to five members.

Note 28, continued

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 not 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 17 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.

Note 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 the remuneration of the Management is set out in note 28 to the financial statements.

Note 30
Fees to auditors appointed by the Annual General Meeting

DKK million	2020/21	2019/20
Statutory audit	9	8
Assurance engagements other than audit	1	-
Tax advisory	1	-
Other services	2	3
Fee to PricewaterhouseCoopers	**13**	**11**

Fee for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 3 million (2019/20: DKK 1 million), relating to tax compliance, transfer pricing, due diligence and other assurance assessments and opinions.

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

Note 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 2021.

Note 32
Acquisitions

Coloplast acquired 100% of the shares and voting rights of three small US direct-to-consumer Durable Medical Equipment (DME) dealers in the financial year, Rocky Mountain Medical Supply on 4 January 2021, Hope Medical Supply on 1 March 2021 and Affordable Medical, LLC on 4 May 2021.

The agreed consideration for the shares in total for the entities amounts to DKK 97 million (USD 16 million), which fell due for payment on the date of the acquisitions.

The acquisitions are expected to expand Coloplast's footprint in the US market and enable Coloplast to offer innovative products and services to a broader part of the US market.

If the acquisitions had occurred on 1 October 2020, the contribution to the Group's reported growth, revenue and profit in the financial year would have been immaterial.

The fair value adjustments for the three distributors consist mainly of trademarks of DKK 4 million and customer lists of DKK 45 million. Customer lists consist of access to Durable Medical Equipment (DME) dealers' existing customer base (users) and physician lists. Trademarks consist of the Durable Medical Equipment (DME) dealers' trademark and name, which are both associated with sales of catheter supplies.

After recognition of identifiable assets and liabilities at fair value, goodwill related to the acquisition amounts to DKK 45 million, which amount is deductible for tax purposes. Goodwill expresses the synergies expected to be achieved from the broader geographical coverage of the US market, access to providing innovative products and services and the opportunity to attract new users.

Note 33
Company overview

Company	Country	Ownership
Parent company		
Coloplast A/S	Denmark	
Sales and/or manufacturing subsidiaries		
Coloplast de Argentina S.A.	Argentina	100%
Coloplast Pty. Ltd.	Australia	100%
Coloplast Ges.m.b.H.	Austria	100%
Coloplast Belgium S.A.	Belgium	100%
Coloplast do Brasil Ltda.	Brazil	100%
Coloplast Canada Corporation	Canada	100%
Coloplast Czech s.r.o.	Czech Republic	100%
Coloplast (China) Ltd.	China	100%
Coloplast (China) Medical Devices Ltd.	China	100%
Coloplast (Hong Kong) Ltd.	China	100%
Coloplast Volume Manufacturing Costa Rica S.A.	Costa Rica	100%
Coloplast Danmark A/S	Denmark	100%
Coloplast Oy	Finland	100%
Laboratoires Coloplast S.A.S.	France	100%
Coloplast Manufacturing France S.A.S.	France	100%
Lilial S.A.S.	France	100%
Lilial Executives S.A.S.	France	100%
Lilial Preference S.A.S.	France	100%
Coloplast GmbH	Germany	100%
Coloplast Distribution GmbH	Germany	100%
Coloplast Hungary Kft.	Hungary	100%
Coloplast (India) Private Limited	India	100%
Coloplast Israel Ltd.	Israel	100%
Coloplast S.p.A.	Italy	100%
Coloplast K.K.	Japan	100%
Coloplast Korea Limited	Korea	100%
Coloplast B.V.	Netherlands	100%
Coloplast Norge AS	Norway	100%
Coloplast Sp. zo.o.	Poland	100%
Coloplast Portugal Lda.	Portugal	100%
Coloplast II Portugal Lda.	Portugal	100%
Coloplast OOO	Russia	100%
Coloplast Slovakia s.r.o.	Slovakia	100%
Coloplast Productos Médicos S.A.	Spain	100%
Coloplast AB	Sweden	100%
Coloplast AG	Switzerland	100%
Coloplast Taiwan Co., Ltd.	Taiwan	100%
Coloplast Turkey AS	Turkey	100%
Coloplast Limited	UK	100%
Coloplast Medical Limited	UK	100%
Charter Healthcare Limited	UK	100%
Porgès UK Limited	UK	100%
Coloplast Corp.	USA	100%
Coloplast Manufacturing US, LLC	USA	100%
Comfort Medical, LLC	USA	100%
Affordable Medical LLC	USA	100%
Hope Medical Supply Company	USA	100%
Rocky Mountain Medical LLC	USA	100%
Nine Continents Medical, Inc.	USA	100%
Other companies		
Coloplast Ejendomme A/S	Denmark	100%
Coloplast Business Centre Sp. zo.o.	Poland	100%
Francis Medical, Inc.	USA	13%

Representative offices and branches

Czech Republic	Saudi Arabia
Dubai	Singapore
Egypt	Slovakia
Hungary	South Africa
New Zealand	Ukraine

Note 34
Definitions of key ratios

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

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, %

EBIT as a percentage of revenues

Return on average invested capital (ROIC), %

EBIT as a percentage of invested capital (average)

Return on equity, %

Profit for the year attributable to Coloplast as a percentage of equity before minority interests (average)

Equity ratio, %

Equity at year-end as a percentage of total assets at year-end

Net asset value per share, DKK

Equity excluding minority interests per outstanding share

Market price/net asset value per share

Market price per share relative to net asset value per share

PE, price/earnings ratio

Market price per share relative to earnings per share (EPS)

Payout ratio, %

Dividend declared as a percentage of profit for the year attributable to Coloplast

Earnings per share (EPS)

Profit for the year attributable to Coloplast per outstanding share (average of four quarters)

Free cash flow per share

Free cash flow per outstanding share (average of four quarters)

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 2020 – 30 September 2021.

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 2021 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 2020 – 30 September 2021.

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.

In our opinion, the Annual Report for the financial year 1 October 2020 to 30 September 2021 with the file name Coloplast-2021-09-30-da.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Humlebæk, 1 November 2021

Executive Management

Kristian Villumsen
President, CEO

Anders Lonning-Skovgaard
Executive Vice President, CFO

Nicolai Buhl Andersen
Executive Vice President

Paul Marcun
Executive Vice President

Allan Rasmussen
Executive Vice President

Board of Directors

Lars Rasmussen
Chairman

Niels Peter Louis-Hansen
Deputy Chairman

Carsten Hellmann

Birgitte Nielsen

Jette Nygaard-Andersen

Marianne Wiinholt

Thomas Barfod
Elected by the employees

Roland V. Pedersen
Elected by the employees

Nikolaj Kyhe Gundersen
Elected by the employees

Independent Auditor's Reports

To the shareholders of Coloplast A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2021 and of the results of the Group's operations and cash flows for the financial year 1 October 2020 to 30 September 2021 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 2021 and of the results of the Parent Company's operations for the financial year 1 October 2020 to 30 September 2021 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 2020 to 30 September 2021 comprise statement of comprehensive income, statement of cash flows, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Coloplast A/S for the financial year 1 October 2020 to 30 September 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and 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 24 years including the financial year 2020/21.

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 2020/21. 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 estimates, including significant assumptions relating to expected settlement amounts and legal costs per case as well as the number of cases. We refer to note 19 in the Consolidated Financial Statements for detailed information on the transvaginal mesh cases.	We discussed the principles for the assessment of the liability relating to the transvaginal mesh cases with Management. We obtained and evaluated the accuracy of Management's calculation of the liability relating to the transvaginal mesh cases. Further, we assessed and tested key data input and significant assumptions and recalculated the liability. 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. Based on the historical development of the overall proceedings of the transvaginal mesh cases, we evaluated Coloplast's ability to estimate its monetary exposure to the transvaginal mesh cases by comparing historically recorded liabilities to actual monetary amounts incurred upon resolution of prior legal matters. Furthermore, 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 in note 19 of the Consolidated Financial Statements relating to the cases.
Revenue recognition 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. 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 3 in the Consolidated Financial Statements.	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 discussed the recognition principles with Management including distributor agreements and the related sales transactions. 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. Finally, we tested a sample of revenue transactions to sales agreements, tested provisions for discounts and tested the time of recognition of sales transactions.

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 responsibilities 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.

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, actions taken to eliminate threats or safeguards applied.

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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Coloplast A/S for the financial year 1 October 2020 to 30 September 2021 with the filename Coloplast-2021-09-30-da.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and

- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Coloplast A/S for the financial year 1 October 2020 to 30 September 2021 with the file name Coloplast-2021-09-30-da.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 1 November 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Kim Tromholt
State Authorised Public Accountant
mne33251

Parent company financial statements Coloplast A/S

Income statement

1 October - 30 September

DKK million	Note	2020/21	2019/20
Revenue	3	13,822	12,679
Production costs	4	-6,473	-6,071
Gross profit		**7,349**	**6,608**
Distribution costs	4	-1,193	-1,202
Administrative expenses	4, 5	-644	-356
Research and development costs	4	-786	-716
Other operating income		18	16
Other operating expenses		-7	-8
Operating profit (EBIT)		**4,737**	**4,342**
Profit/loss after tax on investments in subsidiaries	10	870	942
Financial income	6	143	28
Financial expenses	6	-24	-318
Profit before tax		**5,726**	**4,994**
Tax on profit for the year	7	-995	-897
Net profit for the year	2	**4,731**	**4,097**

Balance sheet

At 30 September

DKK million	Note	2021	2020
Assets			
Intangible assets	8	2,091	859
Property, plant and equipment	9	661	639
Financial assets	10	3,916	3,611
Non-current assets		**6,668**	**5,109**
Inventories	11	1,027	1,225
Trade receivables		388	378
Receivables from Group companies		3,016	2,503
Other receivables		117	250
Prepayments		73	95
Amounts held in escrow	12	-	-
Marketable securities		226	262
Cash and cash equivalents		85	41
Current assets		**4,932**	**4,754**
Assets		**11,600**	**9,863**
Equity and liabilities			
Share capital		216	216
Reserve for currency hedging		-41	59
Proposed ordinary dividend for the year		2,979	2,765
Retained earnings		3,877	3,327
Equity	13	**7,031**	**6,367**
Provisions for pensions and similar liabilities	14	2	3
Provision for deferred tax	15	324	81
Other provisions	14	30	115
Non-current liabilities		**356**	**199**
Other provisions	14	138	152
Other credit institutions		2,306	1,307
Trade payables		270	235
Payable to Group companies		531	559
Income tax		506	676
Other payables		462	368
Current liabilities		**4,213**	**3,297**
Liabilities		**4,569**	**3,496**
Equity and liabilities		**11,600**	**9,863**
Contingent items and other financial liabilities	16		

Note 1
Accounting policies

Basis of preparation
The parent company's financial statements are presented in accordance with the Danish Financial Statements Act for companies in reporting class D.
The accounting policies of the parent company are the same as those of the Group, but with the addition of the policies described below. The Group's accounting policies are set out in note 1, 2 and 3 to the consolidated financial statements. Other than as set out hereinabove, there have been no changes to the accounting policies relative to last year.

General information
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 53.

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.

Property, plant and equipment
Leases, under which substantially all risk and rewards or ownership of an asset are transferred, are classified as finance leases. Other leases are classified as operating leases. No finance leases have been recognised in the parent company's financial statements.

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 companies 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 23 to the consolidated financial statements.

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

Note 2
Profit distribution

DKK million	2020/21	2019/20
Profit distribution		
Retained earnings	687	269
Dividend paid during the year	1,065	1,063
Proposed dividend for the year	2,979	2,765
Total	**4,731**	**4,097**

Note 3
Revenue

DKK million	2020/21	2019/20
Business areas		
Intimate healthcare	13,822	12,679
Total	**13,822**	**12,679**
Geographical markets		
Europe	8,824	8,717
Americas	3,168	2,383
Rest of the world	1,830	1,579
Total	**13,822**	**12,679**

Note 4
Staff costs

DKK million	2020/21	2019/20
Specification of staff costs recognised in the financial year		
Salaries, wages and directors' remuneration	1,126	1,072
Pensions	92	91
Other social security costs	10	8
Total	**1,228**	**1,171**
Average number of employees, FTEs	1,339	1,376

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

Note 5
Fees to auditors appointed by the Annual General Meeting

DKK million	2020/21	2019/20
Statutory audit	5	5
Assurance engagements other than audit	1	-
Tax advisory	1	-
Other services	1	1
Fee to PricewaterhouseCoopers	**8**	**6**

Note 6
Financial income and expenses

DKK million	2020/21	2019/20
Financial income		
Interest income, etc.	5	5
Interest income from Group companies	20	23
Net exchange adjustments	99	-
Fair value adjustments, forward contracts	19	-
Total	**143**	**28**
Financial expenses		
Interest expenses, etc.	22	12
Interest expenses from Group companies	2	2
Net exchange adjustments	-	214
Fair value adjustments, forward contracts	-	90
Total	**24**	**318**

Note 7
Tax on profit for the year

DKK million	2020/21	2019/20
Current tax on profit for the year	732	879
Change in deferred tax on profit for the year	264	14
Adjustment of tax relating to prior years	-1	4
Tax on profit for the year	**995**	**897**
Tax on equity entries, income	**74**	**9**

Note 8
Intangible assets

DKK million	Acquired patents, trademarks and know-how etc.	Goodwill	Software	Prepay-ments and intangible assets in progress	Total 2020/21	Total 2019/20
Cost at 1 October	1,461	1,506	398	76	3,441	3,372
Transfers	-	-	51	-51	-	-
Additions and improvements during the year	1,282	40	38	59	1,419	85
Disposals during the year	-	-	-23	-	-23	-16
Cost at 30 September	2,743	1,546	464	84	4,837	3,441
Amortisation at 1 October	1,369	929	284	-	2,582	2,386
Amortisation for the year	45	96	46	-	187	212
Amortisation reversed on disposals during the year	-	-	-23	-	-23	-16
Amortisation at 30 September	1,414	1,025	307	-	2,746	2,582
Carrying amount at 30 September	1,329	521	157	84	2,091	859

Note 9
Property, plant and equipment

DKK million	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepay-ments and assets under construc-tion	Total 2020/21	Total 2019/20
Cost at 1 October	595	831	158	1,584	1,656
Transfers	52	42	-94	-	-
Additions and improvements during the year	35	30	143	208	176
Disposals during the year	-69	-35	-1	-105	-248
Cost at 30 September	613	868	206	1,687	1,584
Depreciations at 1 October	342	603	-	945	994
Depreciations for the year	43	101	-	144	177
Depreciations reversed on disposals during the year	-29	-34	-	-63	-226
Depreciations at 30 September	356	670	-	1,026	945
Carrying amount at 30 September	257	198	206	661	639

Note 10
Financial assets

DKK million	Investments in Group companies	Receivables from Group companies	Other securities and investments	Total 2020/21	Total 2019/20
Cost at 1 October	**3,619**	**414**	**35**	**4,068**	**3,877**
Capital investments	1,507	9	16	**1,532**	**246**
Divestments	-	-330	-9	**-339**	**-55**
Cost at 30 September	**5,126**	**93**	**42**	**5,261**	**4,068**
Value adjustments at 1 October	**-449**	**-**	**-8**	**-457**	**-764**
Profit after tax	870	-	-	**870**	**940**
Dividend received	-679	-	-	**-679**	**-409**
Exchange adjustments	57	-	-1	**56**	**-226**
Other adjustments	-1,143	-	8	**-1,135**	**2**
Value adjustments at 30 September	**-1,344**	**-**	**-1**	**-1,345**	**-457**
Carrying amount at 30 September	**3,782**	**93**	**41**	**3,916**	**3,611**

See note 33 in the consolidated financial statements for an overview of subsidiaries.

Note 11
Inventories

DKK million	2021	2020
Raw materials and consumables	41	36
Work in progress	229	225
Manufactured goods	757	964
Inventories at 30 September	**1,027**	**1,225**

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

Note 12
Amounts held in escrow

Amounts paid into escrow accounts relate to the litigation about transvaginal surgical mesh products. See note 19 to the consolidated financial statements for more information regarding the litigation about transvaginal surgical mesh products.

Note 13
Statement of changes in equity

	Share capital					Total equity	
DKK million	A shares	B shares	Currency hedging reserve	Proposed dividend	Retained earnings	2020/21	2019/20
Equity at 1 October	18	198	59	2,765	3,327	6,367	5,928
Net profit for the year	-	-	-	4,044	687	**4,731**	**4,097**
Value adjustment of currency hedging	-	-	-109	-	-	**-109**	**55**
Transferred to financial items	-	-	-19	-	-	**-19**	**89**
Tax effect of hedging	-	-	28	-	-	**28**	**-32**
Currency adjustment of opening balances and other adjustments relating to subsidiaries	-	-	-	-	-109	**-109**	**-227**
Transactions with shareholders							
Acquisition of treasury shares	-	-	-	-	-500	**-500**	**-500**
Sale of treasury shares	-	-	-	-	395	**395**	**501**
Share-based payment	-	-	-	-	31	**31**	**27**
Tax on equity entries	-	-	-	-	46	**46**	**41**
Interim dividend paid out in respect of 2020/21	-	-	-	-1,065	-	**-1,065**	**-1,063**
Dividend paid out in respect of 2019/20	-	-	-	-2,765	-	**-2,765**	**-2,549**
Equity at 30 September	18	198	-41	2,979	3,877	7,031	6,367

Note 14
Provisions

			Total	
DKK million	Legal claims	Pension	2020/21	2019/20
Provisions at 1 October	267	3	270	443
Exchange adjustments	-6	-	**-6**	**-24**
Provisions used during the year	-293	-1	**-294**	**-149**
Additional provisions	200	-	**200**	**-**
Provisions at 30 September	168	2	170	270
Expected maturities				
Current liabilities	138	-	**138**	**152**
Non-current liabilities	30	2	**32**	**118**
Provisions at 30 September	168	2	170	270

See note 19 to the consolidated financial statements for more information regarding the litigation about transvaginal surgical mesh products.

Note 15
Deferred tax

DKK million	2021	2020
Calculation of deferred tax is based on the following items		
Intangible assets	333	57
Property, plant and equipment	44	63
Production overhead	11	14
Provisions	-48	-59
Jointly taxed companies (recaptured balances)	10	10
Cash flow hedges	-11	-
Other	-15	-4
Deferred tax at 30 September, net	**324**	**81**

Note 16
Contingent items and other financial liabilities

	2021			2020		
DKK million	Rent	Other operating leases	Total	Rent	Other operating leases	Total
Falling due in						
Less than one year	49	26	**75**	49	20	**69**
Within 1 to 5 years	49	22	**71**	99	21	**120**
After more than 5 years	-	-	**-**	-	-	**-**
Other financial liabilities at 30 September	**98**	**48**	**146**	**148**	**41**	**189**

The parent company had provided guarantees for loans raised by Group companies amounting to DKK 519 million at 30 September 2021 (DKK 525 million at 30 September 2020).

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 19 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 203 million at 30 September 2021 (DKK 208 million at 30 September 2020).

Financial calendar, analysts following Coloplast and contact information

Announcements 2020/21

2020

10/2020	Full-year Financial Results 2019/20
11/2020	Annual Report 2019/20 & Remuneration Report 2019/20
12/2020	Sustainability Report 2019/20
13/2020	Notice of Annual General Meeting
14/2020	Decisions of Annual General Meeting 2020
15/2020	Articles of Association

2021

01/2021	Interim Financial Report, Q1 2020/21
02/2021	Share Buyback Programme
03/2021	Interim Financial Report, H1 2020/21
04/2021	Interim Financial Report, 9M 2020/21
05/2021	Financial Calendar 2021-22

Financial calendar 2021/22

2021

4 October	Closing period until 1 November
20 October	Notice of submission of agenda points for Annual General Meeting
1 November	Financial Statements for the full year 2020/21 and Annual Report 2020/21
2 December	Annual General Meeting
7 December	Dividends for 2020/21 at the disposal of shareholders
20 December	Closing period until 25 January 2022

2022

25 January	Interim Financial Statements for Q1 2021/22
11 April	Closing period until 5 May
5 May	Interim Financial Statements for H1 2021/22
4 July	Closing period until 17 August
17 August	Interim Financial Statements for 9M 2021/22
10 October	Closing period until 7 November
19 October	Notice of submission of agenda points for Annual General Meeting
7 November	Financial Statements for the full year 2021/22 & Annual Report 2021/22
1 December	Annual General Meeting 2022
6 December	Dividends for 2021/22 at the disposal of shareholders

Banks and stockbroking companies following Coloplast

ABG Sundal Collier
AlphaValue
Barclays
Berenberg
Bernstein
BofA Merrill Lynch
Carnegie
CFRA
Citi
Credit Suisse
Danske Bank
DNB
Exane BNP Paribas
Goldman Sachs
Handelsbanken
J.P. Morgan
Jyske Bank
Kepler Cheuvreux
Morgan Stanley
Morningstar Inc.
Nordea
Nykredit
ODDO BHF
Redburn
SEB
Sydbank

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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 12,500 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

MIX
Paper from
responsible sources
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Ostomy Care / Continence Care / Wound & Skin Care / Interventional Urology

Coloplast

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 12,500 employees.

Coloplast A/S
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Company registration (CVR) No. 69 74 99 17