

# *Country by country tax report*

2022/23



## Coloplast's approach to taxes 2022/23

Respect & responsibility is a guiding principle for Coloplast. Irrespective of country and market, Coloplast wants to be known and trusted as a company that upholds the highest standards of ethical business practices.

Coloplast sees taxes as an important part of the business, just as respecting local tax laws and regulations is important to the company's reputation and brand.

At Coloplast, taxes are paid where business activities generate value in accordance with internationally accepted standards. Coloplast does not allow commercial needs to override compliance with applicable laws, nor base commercial activities on tax avoidance schemes.

All transactions and tax structures must therefore have a business purpose or commercial rationale as a prerequisite, and Coloplast will only engage in tax planning schemes and structures that can, in full transparency, be shared with, and accepted by the tax authorities. In case of business changes, tax positions are analyzed and revised accordingly.

Following these principles, Coloplast will leverage tax opportunities if they arise. This includes government sponsored tax and investment incentives. Coloplast will also proactively seek knowledge to obtain a competitive effective tax rate as well as to avoid double taxation.

Tax risks and controlling activities are assessed and monitored in a tax control framework which is currently under global implementation. Risks identified are mitigated on an ongoing basis. The tax control framework is governed by Coloplast's Corporate Tax department.

Please find more information about Coloplast commitments in our tax policy [here](#).

## Introduction to country-by-country reporting

Coloplast A/S is a global corporation with the ultimate parent located in Denmark.

The nature of being a global corporation implies that goods are sold, services are carried out, and intangibles are exploited between Coloplast entities across geographical borders and between different tax regimes.

We pay close attention to transfer pricing requirements and focus on pricing the value of these cross border intercompany transactions on arms-length basis according to best practice guidelines issued by the OECD. These guidelines ensure that taxes are paid where the business activities generate value and are performed within a normal cause of business activity.

Coloplast A/S is the headquarters where the executive management as well as most of the research and development activities reside. Additionally, the majority of intellectual property is held by Coloplast A/S.

Subsidiaries carry out their activities on behalf of Coloplast A/S. This means that Coloplast A/S buys all products manufactured in the Group and sells the products to the distribution entities, who then sell those in the local markets. Some services are carried out in the subsidiaries on behalf of Coloplast A/S and charged accordingly. All activities are remunerated based on regional benchmarked profit margins of independent enterprises with comparable activities.

This report discloses the country-by-country reporting (CbCr) data based on the content of the EU directive approved by the European Parliament in November 2021 and introduced in Danish legislation in June 2023. According to the EU directive, country by country information is to be disclosed for activities in the 27 EU Member States and additionally for activities in jurisdictions classified as non-cooperative jurisdictions by the European Council (blacklist), or countries which incorporate with the European Council but have pending commitments (greylist). Aggregated numbers are presented for countries outside of the EU and non-cooperative jurisdictions.

Beyond what is required by the EU directive, Coloplast has decided to disclose following additional data to increase the transparency as well as to strengthen the understanding of how the data is linked to the Group Annual Report:

- Change in deferred income tax on profits
- Income tax related to prior years and changes in tax rates
- Total income tax of the year
- Effective tax rate

The data source is the group consolidation reporting system. This means that the data is based on the International Financial Reporting Standards (IFRS) and the currency is DKK.

The reporting period is 1 October 2022 – 30 September 2023 for all countries irrespective that the fiscal year is different in a few countries outside EU.

The financial information has been prepared under Coloplast's general financial controls. The country-by-country reporting is not subject to external audit opinion.

## Definitions

### Income tax

Income tax includes corporate income tax, other local taxes and tax credits classified as corporate income tax according to IFRS accounting principles.

### Primary activities

The primary activities are reported per country. The primary activities are distribution, manufacturing, or service.

### Employees

The number of full-time employees (FTEs) is calculated as the average full-time employees during the year in line with the definition in the Annual Report.

### Accumulated earnings

Accumulated earnings reflect the profits that are retained and not used for any other purpose. Accumulated earnings from investments in subsidiaries in the same country are eliminated per country to avoid double counting.

### Total net turnover

The total net turnover includes revenue to related and unrelated parties. The revenue includes sales of products, service income, other operating income, and financial income. The revenue to related parties is eliminated in the line item "Eliminations and other adjustments".

### Profit before income tax

Profit before tax is reported based on IFRS group accounting policies. Local statutory financial statements might be different as these comply with the local accounting standards. The reported profit before income tax excludes the "profit after tax on investments in subsidiaries".

### Income tax paid

Income tax paid includes the income tax actually paid during 2022/23 on a cash basis. Withholding taxes and taxes related to branches are included in the country of the legal entity carrying the taxes.

## Current income tax on profit for the year

The current income tax on profit for the year is based on the expected profit before tax according to local accounting standards adjusted for permanent non-deductible/non-taxable items and temporary differences between local accounting policies and tax legislation. Current income tax posted on the equity, mainly related to equity settled share options, is not included.

## Change in deferred income tax on profit for the year

Change in deferred income tax on profit for the year includes the income tax on temporary differences between profit before tax according to IFRS group accounting policies and taxable income in accordance with the tax legislation using the balance sheet liability method. An example is different tax amortization and depreciation periods compared to IFRS accounting policies.

Furthermore, deferred tax assets include the tax value of tax losses. Deferred tax assets are only recognized 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 income tax posted on the equity, mainly related to equity settled share options and defined benefit pension plans, is not included.

## Income tax related to prior years and changes in tax rates

Income tax related to prior years includes audit adjustments and the difference between the current income tax accrued in prior years and the income tax filed in the corporate income tax return. Changes in tax rates includes effect on deferred income tax related to changes in tax rates.

## Total income tax of the year

Total income tax of the year includes the sum of current and deferred tax accrued, income tax related to prior years and changes in tax rates.

## Effective tax rate

The effective tax rate is the total income tax of the year divided with the profit before tax. The effective tax rate per country is impacted by the statutory tax rate in the country, local tax legislation regarding permanent adjustments like non-deductible expenses and non-taxable income, taxes related to prior years, other local taxes, tax credits, and changes in tax rates.

COUNTRY BY COUNTRY REPORTING COLOPLAST GROUP 2022/23 - DKK 1000

Country	Primary activities	Employees	Accumulated Earnings	Total of revenues	Profit before income tax	Income tax paid	Current tax on profit for the year	Change in deferred tax on profit for the year	Income tax related to prior years and changes in tax rates	Total income tax of the year	Effective tax rate
Denmark	Principal	1.427	14.632.000	17.502.906	3.905.078	1.008.926	82.645	794.645	-5.038	872.252	22,3%
Austria	Distribution	28	37.274	167.106	11.685	3.685	3.957	160	-91	4.026	34,5%
Belgium	Distribution	47	50.393	390.413	34.894	8.989	9.652	-22	-52	9.578	27,4%
Czech Republic	Distribution	34	8.762	152.836	4.448	2.180	1.829	-173	-5	1.651	37,1%
Finland	Distribution	33	19.460	143.916	10.744	1.938	2.218	20	-173	2.065	19,2%
France	Distribution, Manufacturing	762	414.546	3.351.597	210.523	56.377	59.583	446	3.688	63.717	30,3%
Germany	Distribution, Service, Manufacturing	878	969.719	2.409.528	-43.749	165.515	317.888	-89.728	4.126	232.286	-531,0%
Hungary	Manufacturing, Service	4.419	1.246.361	4.690.660	217.728	31.947	35.185	13.204	-549	47.839	22,0%
Italy	Distribution	256	190.002	1.165.358	93.878	82.267	35.568	-10.450	2.722	27.841	29,7%
Netherlands	Distribution	80	73.419	702.297	39.067	13.844	14.960	437	246	15.644	40,0%
Poland	Distribution, Service	743	74.914	437.450	49.062	7.034	11.405	-625	83	10.863	22,1%
Portugal	Distribution	28	22.485	99.409	15.801	1.774	1.810	1.748	-11	3.547	22,4%
Slovakia	Distribution	16	8.040	81.576	3.758	3.252	1.285	-98	126	1.313	34,9%
Spain	Distribution	167	111.014	936.234	79.140	17.534	16.927	448	-15	17.361	21,9%
Sweden	Distribution, Manufacturing	713	7.059.555	15.575.562	15.591.300	22.872	3.596.951	-245.044	-29.883	3.322.024	21,3%
<b>Total EU member states excl. Denmark</b>		<b>8.202</b>	<b>10.285.944</b>	<b>30.303.942</b>	<b>16.318.279</b>	<b>419.208</b>	<b>4.109.218</b>	<b>-329.677</b>	<b>-19.788</b>	<b>3.759.755</b>	<b>23,0%</b>
<b>Total EU member states incl. Denmark</b>		<b>9.629</b>	<b>24.917.944</b>	<b>47.806.848</b>	<b>20.223.357</b>	<b>1.428.134</b>	<b>4.191.863</b>	<b>464.968</b>	<b>-24.826</b>	<b>4.632.007</b>	<b>22,9%</b>
<b>EU non-collaborative countries</b>											
Costa Rica	Manufacturing	484	137.750	615.496	67.882	56	120.660	-56.713	0	63.947	94,2%
Hong Kong	Distribution	12	7.107	31.261	2.084	223	192	3	-40	154	7,4%
Israel	Distribution	19	8.518	90.952	8.504	2.366	1.924	94	-432	1.587	18,7%
Russia	Distribution	48	104.341	241.400	53.009	6.201	9.695	1.256	2	10.952	20,7%
Turkey	Distribution	21	8.320	62.863	3.798	220	1.083	-134	-46	903	23,8%
<b>Other countries</b>		<b>4.691</b>	<b>2.186.258</b>	<b>14.220.301</b>	<b>908.614</b>	<b>294.837</b>	<b>286.583</b>	<b>-43.596</b>	<b>-1.982</b>	<b>241.005</b>	<b>26,5%</b>
Eliminations and other adjustments			-12.738.238	-38.322.095	-15.242.525	0	0	-3.708.878	0	-3.708.878	
<b>Coloplast group</b>		<b>14.903</b>	<b>14.632.000</b>	<b>24.747.026</b>	<b>6.024.723</b>	<b>1.732.037</b>	<b>4.612.000</b>	<b>-3.343.000</b>	<b>-27.324</b>	<b>1.241.677</b>	<b>20,6%</b>

## Comments to 2022/23

### Germany

Germany is impacted by the closure of historic tax audits in entities acquired as part of the Atos transaction. The audit impacts both the profit and the tax liability.

### Sweden

As part of the integrating the Atos Group into the Coloplast structure, all IP from Atos entities were transferred to Coloplast A/S. The IP transfer realizes the opening balance deferred tax liability into current tax liabilities. The transfers are represented as turnover and profit in the transferring entities and eliminated on group level. The majority of transferred IP relates to Sweden, however also entities in Germany, The Netherlands, Austria, and UK has transferred IP.

### Costa Rica

To gain operational efficiency and meet the increasing demand, Coloplast has invested in a volume factory in Costa Rica. The volume factory in Costa Rica is expected to produce up to 20% of our global volumes in 2025, ensuring that we have a more diversified global production network. Costa Rica, being close to US, which is one of our largest growth markets, has qualified and highly trained labor, green electricity supply, supporting our sustainability ambitions. In addition to this, the Costa Rican authorities are very corporative and supportive.

Costa Rica was on 2023 February 14<sup>th</sup> listed on the EU blacklist, however removed on 2023 October 17<sup>th</sup>. Costa Rica is still represented on the greylist and therefore still disclosed in this report.

The high reported tax rate in Costa Rica relates to tax risk provisions and impairment of deferred tax assets.

### Hong-Kong, Israel, Turkey, and Russia

Coloplast has legal entities providing distribution activities to support the medical needs of users in the territory. The remuneration of these entities is based on regional benchmarks in line with the principles applied to all distribution entities in the group.

The corporations tax rate in Hong Kong is 8.25% for profit below HKD 2 million. The profit realized in Hong Kong amounts to HKD 2.0 million. The effective tax rate is reduced by an adjustment related to prior year.