Coloplast

Announcement no. 1/2014
29 January 2014

Q1 2013/14

Interim financial report, Q1 2013/14

(1 October 2013 - 31 December 2013)

Highlights

- Organic revenue growth was 11%. Revenue in DKK was up by 7% to DKK 3,063m.
- Organic growth rates by business area: Ostomy Care 10%, Continence Care 10%, Urology Care 11% and Wound & Skin Care 17%.
- Gross profit was up by 8% to DKK 2,093m, and the gross margin improved to 68% from 67% in the same period of last year.
- EBIT was up by 13% to DKK 1,013m. The EBIT margin was 33% against 31% in Q1 2012/13. At constant exchange rates, the EBIT margin was also 33%.
- Net profit was up by 26% relative to the same period last year to DKK 780m, while earnings per share also improved by 26% to DKK 3.63 in the same period.
- Free cash flow amounted to DKK 490m, a DKK 105m or 27% increase on the same period of last year.
- ROIC after tax was 47%, compared with 41% in the same period last year.
- The first half of the share buy-back programme is expected to commence in the second quarter of 2013/14.

Financial guidance for 2013/14

- We now expect organic revenue growth of around 8% and of around 6% in DKK, while the previous guidance was of around 7% organic growth and around 5% in DKK.
- The EBIT margin guidance is still around 33%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around DKK 500m.
- The effective tax rate is expected to be around 25%.

Conference call
Coloplast will host a conference call on 29 January 2014 at 15.00 CET. The call is expected to last about one hour. To attend the conference call, call +45 3271 4607, +44 (0)20 7162 0077 or +1 334 323 6201. Teleconference ref. no. 940744.
A webcast will be posted on www.coloplast.com shortly after the conclusion of the conference call.

Financial highlights and key ratios

1 October - 31 December

(Unaudited)

	Consolidated		Change
	DKK million		
	2013/14 Q1	2012/13 Q1	
Income statement			
Revenue	3,063	2,865	7%
Research and development costs	-94	-92	2%
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	1,119	1,019	10%
Operating profit (EBIT)	1,013	897	13%
Net financial income and expenses	27	-65	<-100%
Profit before tax	1,040	832	25%
Profit for the period	780	617	26%
Revenue growth			
Period growth in revenue, %	7	8	
Growth break down:			
Organic growth, %	11	6	
Currency effect, %	-4	2	
Balance sheet			
Total assets	8,403	9,773	-14%
Invested capital	6,592	6,530	1%
Equity end of period	6,090	5,921	3%
Cash flow and investments			
Cash flow from operating activities	602	468	29%
Cash flow from investing activities	-112	-83	35%
Investments in property, plant and equipment, gross	-110	-87	26%
Free cash flow	490	385	27%
Cash flow from financing activities	-1,453	-1,443	1%
Key figures ratios			
Operating margin, EBIT, %	33	31	
Operating margin, EBITDA, %	37	36	
Return on average invested capital before tax (ROIC), %	63	56	
Return on average invested capital after tax (ROIC), %	47	41	
Return on equity, %	49	41	
Equity ratio, %	72	61	
Net asset value per share, DKK	28	26	8%
Per share data			
Share price, DKK	359	277	30%
Share price/net asset value per share	13.0	10.5	24%
Average number of outstanding shares, millions	210.7	210.7	0%
PE, price/earnings ratio	24.5	23.6	4%
Earnings per share (EPS), diluted	3.63	2.88	26%
Free cash flow per share	2.3	1.8	28%

Management's report

Sales performance

Revenue in DKK was up by 7% to DKK 3,063m on 11% organic growth. Currency depreciation of foreign currencies against DKK, especially of GBP, JPY and USD, reduced growth by 4 percentage points.

Sales performance by business area

	DKK million		Growth composition		
	2013/14 Q1	2012/13 Q1	Organic growth	Exchange rates	Reported growth
Ostomy Care	1,273	1,212	10%	-5%	5%
Continence Care	1,085	1,016	10%	-3%	7%
Urology Care	295	274	11%	-3%	8%
Wound & Skin Care	410	363	17%	-4%	13%
Net revenue	**3,063**	**2,865**	**11%**	**-4%**	**7%**

Ostomy Care

Sales of ostomy care products amounted to DKK 1,273m, equal to an increase in DKK of 5%. Organic growth, at 10%, was driven by the portfolio of SenSura® ostomy care products and the Brava™ accessory range. The growth performance was highly satisfactory in all regions, with strong contributions from the UK, Scandinavia, the USA and China.
The high organic growth rate of the first quarter was partly due to last year's weak sales performance, particularly in southern Europe. In addition, Russia generated strong Q1 growth, driven by an increased number of tenders and a new distributor's inventory build-up.

Continence Care

Continence Care revenue was DKK 1,085m, a 7% improvement in DKK and 10% organically. Growth was driven mainly by the SpeediCath® catheter portfolio, especially by compact catheters. The high Q1 growth rate derived mainly from the UK, as distributors in that market increased their inventories. Germany and Greece as well as delivery of a large order in the Middle East also helped drive the improvement. Sales were down in the USA due to the revised rebate structure of a major distributor.

Sales growth for urine bags and urisheaths was highly satisfactory, driven by improved growth momentum and weak Q1 sales last year. Sales of the Peristeen® anal irrigation system continue to grow at a satisfactory rate.

Urology Care

Sales of urology care products grew by 8% to DKK 295m, while the organic growth rate was 11%. Growth was still driven mainly by Titan® penile implants, which continue to win market share in the USA. Sales of endourology products and Altis® slings for treating female stress urinary incontinence, contributed nicely to the Q1 growth performance. Sales of products for treatment of pelvic organ prolapse were satisfactory.

Wound & Skin Care

Sales of wound and skin care products amounted to DKK 410m, equal to a 13% year-on-year increase in DKK and a 17% organic growth. Organic growth for the Wound Care business was 15%, driven by sales of Biatain® foam dressings. The strong Q1 revenue growth was driven especially by China, Greece and Brazil, with highly satisfactory sales of both Comfeel® hydrocolloid dressings and Biatain foam dressings. The US business reported continuing strong growth. The European Wound Care business reported strong Q1 growth, which was mainly driven by sales of the new and improved version of Biatain® Silicone foam dressings. The strong growth rate was also due to the weak sales performance in China, Germany and a few other markets in Q1 last year. The inventory build-up by a major distributor was the driver of an extraordinarily high organic growth rate in the US Skin Care business. Contract production of Compeed® also delivered strong growth.

in part to distributors building up inventories ahead of an announced price increase due to take effect in the second quarter.

Emerging markets

Revenue increased by 20% to DKK 407m, while organic growth was 28%. The continuing depreciation of the Brazilian Real against DKK explained much of the 8 percentage point difference in the growth rates. China, Greece and Brazil were significant contributors to the topline growth. Russia, Argentina, the Middle East and North Africa were also notable contributors to the overall growth of this sales region. Inventory adjustments by our Greek distributor had a positive effect in the quarter, while growth in Brazil and China was improved as a result of last year's weak Q1 sales.

Sales performance by region

	DKK million		Growth composition		
	2013/14 Q1	2012/13 Q1	Organic growth	Exchange rates	Reported growth
European markets	2,031	1,900	9%	-2%	7%
Other developed markets	625	626	10%	-10%	0%
Emerging markets	407	339	28%	-8%	20%
Net revenue	**3,063**	**2,865**	**11%**	**-4%**	**7%**

European markets

Revenue amounted to DKK 2,031m, which translated into reported growth of 7%. Organic growth in the European business was 9%. All European markets reported satisfactory growth. Sales growth in the Continence Care businesses in the UK and Germany were the main drivers of the strong growth in the quarter. The performance should also be seen relative to last year's weak developments in Spain and Italy.

Other developed markets

Revenue was unchanged from the first quarter of last year at DKK 625m. The depreciation of JPY in particular, but also of USD and AUD against DKK reduced the reported growth by 10 percentage points. The organic growth rate was 10%, which was in line with Q4 2012/13. The North American Ostomy Care business continued its positive performance in the first quarter. The Wound Care and Urology Care businesses also contributed nicely, while the decline in Continence Care sales in the USA relative to Q1 2012/13 was mainly due to revisions made to the discount structure of a major distributor.
Both Japan and Canada reported highly satisfactory growth. In Japan, the improvement was due

Gross profit

Gross profit was up by 8% to DKK 2,093m from DKK 1,930m in Q1 2012/13. The gross margin was 68%, against 67% in the same period last year. The change was the result of improvements in production efficiency. At constant exchange rates, the gross margin was 69% and in line with the margin for Q4 2012/13, which was impacted by the reversal of inventory provisions.

Capacity costs

Distribution costs were DKK 866m against DKK 812m in the same period last year. Distribution costs amounted to 28% of revenue, which was in line with both the first quarter and the full year. This year's Q1 distribution costs included an increase in sales-enhancing initiatives.

Administrative expenses were DKK 122m against DKK 137m in the first quarter of last year. Administrative expenses amounted to 4% of revenue, or one percentage point less than in both the Q1 and FY 2012/13 periods. The reduction in costs was mainly due to fewer project activities.

R&D costs were DKK 94m, a 2% increase from last year. R&D costs accounted for 3% of revenue.

Other operating income and other operating expenses amounted to a net income of DKK 2m in the first quarter, against a net income of DKK 8m in Q1 2012/13.

Operating profit (EBIT)

EBIT was DKK 1,013m, a 13% improvement from DKK 897m in the first quarter last year. The EBIT margin was 33% both at constant exchange rates and in DKK, against 31% in the same period of last year. The improvement was mainly due to improvements in production efficiency and lower administrative expenses.

Financial items

	DKK million	
	2013/14 Q1	*2012/13 Q1*
Interest, net	8	-12
Fair value adjustment of options	-8	-12
Net exchange adjustments	32	-34
Other financial items	-5	-7
Total financial items	**27**	**-65**

Financial items and tax

Financial items amounted to a net income of DKK 27m, compared to a net expense of DKK 65m last year, the difference being mainly due to a realised net gain on forward exchange contracts in the current year against a net loss last year.

The effective tax rate was 25%, against 26% in the first quarter of last year, giving a tax expense of DKK 260m, against DKK 215m last year.

Net profit for the period

The net profit was up by 26% to DKK 780m, while earnings per share also improved by 26% to DKK 3.63.

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 602m, up from DKK 468m. The improvement was due to a DKK 100m increase in EBITDA, a DKK 58m positive change in working capital and a DKK 82m positive effect from a realised net gain on forward exchange contracts and other foreign exchange adjustments, as compared with a net loss in the same period of last year. In addition, there was a positive effect from net interest payments of DKK 51m. The improvement was partially offset by a DKK 164m increase in income tax paid.

Investments

Coloplast made net investments of DKK 112m in Q1 2013/14 compared with DKK 83m in Q1 2012/13. The increase was due to investment in machinery to be used for new products. Gross investments in property, plant and equipment (CAPEX) and intangible assets increased by 25% over Q1 of last year to DKK 114m.

Free cash flow

Free cash flow amounted to DKK 490m against DKK 385m in the same period of last year.

Capital reserves

At the balance sheet date, Coloplast had net interest-bearing deposits of DKK 794m.

Balance sheet and equity

Balance sheet

At DKK 8,403m, total assets were DKK 961m lower than at 30 September 2013.

Intangible assets amounted to DKK 1,465m, which was DKK 51m less than at 30 September 2013. The reduction was mainly due to the amortisation of acquired patents and trademarks as well as the depreciation of USD against DKK in the quarter.

Current assets decreased by DKK 940m relative to 30 September 2013 to DKK 4,426m. The decline was mainly a result of dividend payment.

Relative to 30 September 2013, trade receivables were up by 1% to DKK 1,994m and inventories were also up by 1% to DKK 1,082m. Trade payables were reduced by 12% relative to 30 September 2013 to stand at DKK 367m.
Working capital made up 22% of revenue, which was unchanged from the beginning of the year.

Equity

Equity decreased by DKK 679m relative to 30 September 2013 to DKK 6,090m. The comprehensive income for the period of DKK 767m was more than offset by dividend payments of DKK 1,476m. The net effect of share-based payment and the sale of employee shares increased the equity by DKK 30m.

Share buy-backs

The Board of Directors has resolved to establish a share buy-back programme totalling up to DKK 1bn and running until the end of the 2014/15 financial year. The first half of the programme, for DKK 500m, is expected to commence in the second quarter of 2013/14 and to be completed by the end of the financial year.

Treasury shares

At 31 December 2013, Coloplast's holding of treasury shares consisted of 9,054,207 B shares, which was 586,652 fewer than at 30 September 2013. The reduction in the holding of treasury shares was due to options being exercised.

Financial guidance for 2013/14

- We now expect organic revenue growth of around 8% and of around 6% in DKK, while the previous guidance was of around 7% organic growth and around 5% in DKK.
- The EBIT margin guidance is still around 33%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around DKK 500m.
- The effective tax rate is expected to be around 25%.

Based on the strong Q1 performance and the growing momentum of our business, we upgrade the guidance for the full-year growth rate from around 7% to around 8%. The anticipated sales improvement will be used to finance an increase in sales-enhancing initiatives, which are now expected to amount to DKK 200–250m for the year instead of DKK 150–200m.

The financial guidance assumes sustained and stable sales growth in Coloplast's core markets. Pricing pressure is expected to be slightly higher in 2013/14 than it was in 2012/13, but still below the long-term estimate of 1% in annual pricing pressure. Our financial guidance takes account of reforms with known effects.

The EBIT margin guidance assumes that Coloplast, in addition to delivering on the sales growth, can successfully deliver results consistent with the previously estimated productivity-enhancement potential of an annual 0.5–1.0% improvement of the overall gross margin.

Coloplast's current long-term financial ambition is to outgrow the market while achieving earnings margins that are in line with the best performing med-tech companies[1].
The overall weighted market growth in Coloplast's current markets remains at 4–5%.

[1] Coloplast's current peer group consists of the following med-tech companies: Medtronic Inc., Baxter International Inc., ConvaTec Inc., Covidien PLC, Stryker Corp., St. Jude Medical Inc., Boston Scientific Corp., Sonova Holding AG, Smith&Nephew PLC, CR Bard Inc., Getinge AB, WDH A/S and Shandon Weigao Group Medical.

Other matters

Pre-launch of SenSura® Mio

Coloplast has today started the pre-launch of the next generation of ostomy care products under the SenSura® Mio brand. The actual launch date is in April 2014, but the pre-launch activities will be rolled out globally starting today.

Organisational changes in our US operations

Ed Veome has been appointed new President of our US operations. Ed joined Coloplast from Holister in 2010, and his responsibilities have included developing the Coloplast CARE programme. Serving as head of Sales of the US operations since 2011, Ed has been a part of developing the strategy currently pursued by our US operations. Ed will be in charge of sales in the USA and Canada, while SVP Kristian Villumsen will take over the responsibility for Japan and Australia.

Claus Bjerre will be leaving Coloplast to pursue opportunities outside Coloplast.

The strategy for our North American operations is unchanged.

Organisational changes in our China operations

VP Howard Sui took over as head of our Chinese subsidiary effective November 2013 when the former SVP Vagn Heiberg decided to leave Coloplast. Howard Sui is a Chinese American and brings with him experience from several major international pharmaceutical companies. In his new position, Howard will also be responsible for South Korea and the South-East Asia distributor markets.

Update on mesh litigation

Since 2011, Coloplast 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. See note 7 to the financial statements for more details.

Capital markets day, 4 June 2014

Coloplast will host a capital markets day on 4 June 2014. The event is intended to give institutional investors and equity analysts an opportunity to be updated on our business and to learn about our main strategic themes.

On 3 June, there will be an opportunity to visit the Coloplast production facilities north of Copenhagen. Anyone interested in attending can already now make a non-binding registration by sending an e-mail to Investor Relations coordinator Sara Munch at dksafrm@coloplast.com.

Exchange rate exposure

Our financial guidance for the 2013/14 financial year has been prepared on the basis of the following assumptions for the company's principal currencies:

DKK	GBP	USD	HUF	EUR
Average exchange rate 2012/13*	888	569	2.54	746
Spot rate, 23 January 2014	907	546	2.45	746
Estimated average exchange rate 2013/2014	902	546	2.47	746
Change in estimated average exchange rates compared with last year**	2%	-4%	-3%	0%

*) Average exchange rates from 1 October 2012 to 30 September 2013.

**) Estimated average exchange rate is calculated as the average exchange rate for the first quarter combined with the spot rates at 23 January 2013.

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

In DKK millions over 12 months on a 10% initial drop in exchange rates (Average exchange rates 2012/13)	Revenue	EBIT
USD	-160	-45
GBP	-180	-120
HUF	0	35

Forward-looking statements

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

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and approved the interim report of Coloplast A/S for the period 1 October 2013 – 31 December 2013. The interim report, which is unaudited, is presented in accordance with IAS 34 “Interim financial reporting” as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group’s assets, equity, liabilities and financial position at 31 December 2013 and of the results of the Group’s operations and cash flows for the period 1 October 2013 – 31 December 2013.

Also, in our opinion, the Management’s report includes a fair account of the development and performance of the Group, the results for the period and of the financial position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Humlebæk, 29 January 2014

Executive Management:

Lars Rasmussen President, CEO	Lene Skole Executive Vice President, CFO

Board of Directors:

Michael Pram Rasmussen Chairman	Niels Peter Louis-Hansen Deputy Chairman	Per Magid
Brian Petersen	Jørgen Tang-Jensen	Sven Håkan Björklund
Thomas Barfod Elected by the employees	Jane Lichtenberg Elected by the employees	Torben Rasmussen Elected by the employees

Tables

Quarterly financial figures are unaudited

Statement of comprehensive income

1 October - 31 December

(Unaudited)

Note		Consolidated DKK million 2013/14 Q1	2012/13 Q1	Index
1	Revenue	3,063	2,865	107
	Cost of sales	-970	-935	104
	Gross profit	**2,093**	**1,930**	**108**
	Distribution costs	-866	-812	107
	Administrative expenses	-122	-137	89
	Research and development costs	-94	-92	102
	Other operating income	9	10	90
	Other operating expenses	-7	-2	>100
1	**Operating profit (EBIT)**	**1,013**	**897**	**113**
2	Financial income	53	7	>100
3	Financial expenses	-26	-72	36
	Profit before tax	**1,040**	**832**	**125**
	Tax on profit for the period	-260	-215	121
	Net profit for the period	**780**	**617**	**126**
	Other comprehensive income			
	Items that will not be reclassified subsequently to the Income statement:			
	Remeasurements on defined benefit plans	-8	-5	
	Tax on remeasurements on defined benefit plans	2	1	
		-6	-4	
	Items that will be reclassified subsequently to the Income statement:			
	Value adjustment of currency and interest hedging	49	81	
	Of which transferred to financial items	-44	18	
	Tax effect of hedging	-1	-25	
	Currency adjustment, assets in foreign currency	-18	-25	
	Currency adjustment of opening balances and other adjustments relating to subsidiaries	7	-39	
		-7	10	
	Total other comprehensive income	**-13**	**6**	
	Total comprehensive income	**767**	**623**	
	Earnings per Share (EPS)	3.70	2.93	
	Earnings per Share (EPS), diluted	3.63	2.88	

Balance sheet

At 31 December

(Unaudited)

Note		Consolidated		
		DKK million		
		31.12.13	31.12.12	30.09.13
	Assets			
	Acquired patents and trademarks etc.	654	787	687
	Goodwill	723	750	735
	Software	75	88	59
	Prepayments and intangible assets in progress	13	8	35
	Intangible assets	**1,465**	**1,633**	**1,516**
	Land and buildings	953	1,070	978
	Plant and machinery	757	791	789
	Other fixtures and fittings, tools and equipment	121	127	110
	Prepayments and property, plant and equipment under construction	486	269	409
	Property, plant and equipment	**2,317**	**2,257**	**2,286**
	Investment in associates	14	7	14
	Deferred tax asset	166	205	164
	Other receivables	15	17	18
	Other non-current assets	**195**	**229**	**196**
	Non-current assets	**3,977**	**4,119**	**3,998**
	Inventories	**1,082**	**1,024**	**1,069**
	Trade receivables	1,994	1,834	1,970
	Income tax	38	21	56
	Other receivables	275	345	313
	Prepayments	100	105	87
	Receivables	**2,407**	**2,305**	**2,426**
	Marketable securities	**475**	**1,337**	**367**
	Cash and cash equivalents	**462**	**988**	**1,504**
	Current assets	**4,426**	**5,654**	**5,366**
	Assets	**8,403**	**9,773**	**9,364**

Balance sheet

At 31 December

(Unaudited)

Note		Consolidated DKK million 31.12.13	31.12.12	30.09.13
	Equity and liabilities			
	Share capital	220	225	220
	Reserve for exchange rate adjustments	-82	-39	-89
	Reserve for currency and interest hedging	39	34	35
	Proposed dividend for the period	0	0	1,473
	Retained earnings	5,913	5,701	5,130
	Total equity	**6,090**	**5,921**	**6,769**
	Provisions for pensions and similar liabilities	191	162	181
	Provision for deferred tax	96	192	96
	Other provisions	8	6	8
	Other payables	2	16	8
	Deferred income	36	70	36
	Non-current liabilities	**333**	**446**	**329**
	Provisions for pensions and similar liabilities	14	12	14
	Other provisions	9	12	9
	Other credit institutions	129	1,335	111
	Trade payables	367	352	418
	Income tax	324	358	764
	Other payables	1,118	1,316	925
	Deferred income	19	21	25
	Current liabilities	**1,980**	**3,406**	**2,266**
	Current and non-current liabilities	**2,313**	**3,852**	**2,595**
	Equity and liabilities	**8,403**	**9,773**	**9,364**
7	Contingent liabilities			

Statement of changes in equity

Consolidated DKK million	Share capital A shares	B shares	Reserve for exchange rate adjustments	Reserve for currency and interest rate hedging	Proposed dividend	Retained earnings	Total equity
2013/14							
Balance at 1.10.	18	202	-89	35	1,473	5,130	6,769
Comprehensive income:							
Net profit for the period					0	780	780
Other comprehensive income							
Remeasurements on defined benefit plans						-8	-8
Tax on remeasurements on defined benefit plans						2	2
Value adjustment of currency and interest hedging				49			49
Of which transferred to financial items				-44			-44
Tax effect of hedging				-1			-1
Currency adjustment, assets in foreign currency						-18	-18
Currency adjustment of opening balances and other adjustments relating to subsidiaries			7				7
Total other comprehensive income	0	0	7	4	0	-24	-13
Total comprehensive income	*0*	*0*	*7*	*4*	*0*	*756*	*767*
Transactions with shareholders:							
Transfers					3	-3	0
Investment in treasury shares						0	0
Sale of treasury shares and loss on exercised options						23	23
Share-based payment						7	7
Dividend paid out in respect of 2012/13					-1,476	0	-1,476
Total transactions with shareholders:	*0*	*0*	*0*	*0*	*-1,473*	*27*	*-1,446*
Balance at 31.12	**18**	**202**	**-82**	**39**	**0**	**5,913**	**6,090**

Statement of changes in equity

Consolidated			Reserve for exchange	Reserve for currency			
	Share capital		rate	and interest	Proposed	Retained	Total
DKK million	A shares	B shares	adjustments	rate hedging	dividend	earnings	equity
2012/13							
Balance at 1.10.	18	207	0	-40	841	5,016	6,042
Comprehensive income:							
Net profit for the period						617	617
Other comprehensive income							
Remeasurements on defined benefit plans						-5	-5
Tax on remeasurements on defined benefit plans						1	1
Value adjustment of currency and interest hedging				81			81
Of which transferred to financial items				18			18
Tax effect of hedging				-25			-25
Currency adjustment, assets in foreign currency						-25	-25
Currency adjustment of opening balances and other adjustments relating to subsidiaries			-39				-39
Total other comprehensive income	0	0	-39	74	0	-29	6
Total comprehensive income	*0*	*0*	*-39*	*74*	*0*	*588*	*623*
Transactions with shareholders:							
Transfers					3	-3	0
Investment in treasury shares						0	0
Sale of treasury shares and loss on exercised options						93	93
Share-based payment						7	7
Dividend paid out in respect of 2011/12					-844	0	-844
Total transactions with shareholders:	*0*	*0*	*0*	*0*	*-841*	*97*	*-744*
Balance at 31.12	**18**	**207**	**-39**	**34**	**0**	**5,701**	**5,921**

Cash flow statement

1 October - 31 December

(Unaudited)

Note		Consolidated DKK million 2013/14 3 mths	2012/13 3 mths
	Operating profit	1,013	897
	Depreciation and amortisation	106	122
4	Adjustment for other non-cash operating items	7	0
5	Changes in working capital	88	30
	Ingoing interest payments, etc.	77	7
	Outgoing interest payments, etc.	-6	-69
	Income tax paid	-683	-519
	Cash flows from operating activities	**602**	**468**
	Investments in intangible assets	-4	-4
	Investments in land and buildings	0	-1
	Investments in plant and machinery	-3	-3
	Investments in property, plant and equipment under construction	-107	-83
	Property, plant and equipment sold	2	8
	Cash flow from investing activities	**-112**	**-83**
	Free cash flow	**490**	**385**
	Dividend to shareholders	-1,476	-844
	Net investment in treasury shares and exercise of share options	23	93
	Financing from shareholders	**-1,453**	**-751**
	Financing through long-term borrowing, instalments	0	0
	Cash flows from financing activities	**-1,453**	**-751**
	Net cash flows for the period	**-963**	**-366**
	Cash, cash equivalents and short-term debt at 1.10.	1,760	2,475
	Value adjustment of cash and bank balances	11	10
	Net cash flows for the period	-963	-366
6	**Cash, cash equivalents and short-term debt at 30.09**	**808**	**2,119**

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

Notes

1. Segment information

Consolidated, 2013/14

Operating segments
The operating segment Wound and Skin Care exclusively covers the sale of wound and skin care products in selected European markets and Brazil, where the Wound and Skin Care segment is separate from the other business areas. The sale of wound and skin care products in other markets is included in the Wound and Skin Care business area of the Sales Regions operating segment. Porgès covers the sale of disposable urology products, while SU covers the sale of urology products. The segmentation reflects the structure of reporting to the Executive Management.

The Wound and Skin Care, Porgès and SU operating segments are included in the reporting segment Sales Regions as they meet the criteria for combination. Accordingly, the operating segments Wound and Skin Care, Porgès and SU are non-reporting segments.

The shared/non-allocated segment comprises support functions (Global marketing, Global R&D and Staff) and eliminations, as these segments do not generate revenue. The operating segments listed (with the exception of SU) each represent less than 10% of total segment revenue, segment profit/loss and segment assets. The SU operating segment represents more than 10% of total assets, but as the assets are exclusively allocated to the segments in connection with impairment tests and are not reported by segment to Management, the segment is not considered a reporting segment. Financial items and income tax are not allocated to the operating segments.

Management reviews each operating segment separately based on EBIT and allocates resources on that background. The performance targets are calculated the same way as in the consolidated financial statements. Costs are allocated directly to segments. Certain immaterial indirect costs are allocated systematically to the Shared/Non-allocated segment and the reporting segments Sales Regions and Production Units.

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

Operating segments	Sales regions[1)]		Production units[1)]		Shared/ Non-allocated		Total	
DKK million	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
External revenue	3,063	2,865	0	0	0	0	3,063	2,865
Segment operating profit7loss (EBIT)	83	205	1,202	1,071	-272	-379	1,013	897
Net financials	0	0	0	0	27	-65	27	-65

Notes

	Consolidated	
	DKK million	
	2013/14	2012/13
2. Financial income		
Interest income	9	7
Fair value adjustments on forward contracts transferred from equity	44	0
Total	**53**	**7**
3. Financial expenses		
Interest expense	1	19
Fair value adjustments of cash-based share options	8	12
Fair value adjustments on forward contracts transferred from equity	0	18
Net exchange adjustments	12	16
Other financial expenses and fees	5	7
Total	**26**	**72**
4. Adjustment for other non-cash operating items		
Net gain/loss on divestment of non-current assets	6	0
Change in other provisions	1	0
Total	**7**	**0**
5. Changes in working capital		
Inventories	-38	-42
Trade receivables	-44	57
Other receivables	23	-88
Trade and other payables etc.	147	103
Total	**88**	**30**
6. Cash and short-term debt		
Marketable securities	475	1,337
Cash	1	1
Bank balances	461	987
Cash and bank balances	**937**	**2,325**
Short-term debt	-129	-1,335
Of which bullet loans transferred during the period from non-current liabilities	0	1,129
Total	**808**	**2,119**

Notes

7. Contingent liabilities

Since 2011, Coloplast 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 August 2012 to consolidate federal court cases in which Coloplast is the first named defendant in the Southern District of West Virginia as part of MDL No. 2387. The cases are consolidated for purposes of pre-trial discovery and motion practice. MDLs against other major transvaginal mesh manufacturers are being heard at the same venue. A date has not yet been set for the hearing of cases against Coloplast. As an alternative to litigation, Coloplast has entered into tolling agreements. The parties to a tolling agreement agree all defences are preserved while the parties exchange medical histories and other relevant information for the purpose of evaluating and potentially resolving or eliminating a claim out of court. Under a tolling agreement the limitation period is suspended. Coloplast cannot predict the timing or outcome of any such litigation or cases covered by tolling agreements, or whether any additional litigation will be brought against the company.

Litigation involving the use of transvaginal surgical mesh products against a few of Coloplast's competitors has been decided or settled at the present time. Coloplast monitors such litigation in order to determine how it might influence litigation that Coloplast is involved in.

Coloplast intends to dispute the current and any future litigation.

Although Coloplast has insurance cover of DKK 500m, there is a risk that the outcome of such litigation may have an adverse impact on the company's financial position. Based on the current information available to Coloplast, it is not possible to evaluate and estimate with reasonable certainty the impact that current or any future litigation may have on the Group.

Based on the current information available to Coloplast and to the best of our knowledge, we do not expect this to have a significant impact on the financial position of the Group.

Income statement, quarterly

(Unaudited)

		Consolidated				
DKK million						
			2012/13			2013/14
Note		Q1	Q2	Q3	Q4	Q1
1	Revenue	2,865	2,842	2,958	2,970	3,063
	Cost of sales	-935	-948	-945	-941	-970
	Gross profit	**1,930**	**1,894**	**2,013**	**2,029**	**2,093**
	Distribution costs	-812	-802	-849	-849	-866
	Administrative expenses	-137	-137	-137	-122	-122
	Research and development costs	-92	-103	-91	-94	-94
	Other operating income	10	10	10	13	9
	Other operating expenses	-2	-3	-3	-4	-7
1	**Operating profit (EBIT)**	**897**	**859**	**943**	**973**	**1,013**
	Profit/loss after tax on investment in associates	0	-1	0	0	0
2	Financial income	7	9	17	63	53
3	Financial expenses	-72	-12	-30	-28	-26
	Profit before tax	**832**	**855**	**930**	**1,008**	**1,040**
	Tax on profit for the period	-215	-220	-220	-259	-260
	Net profit for the period	**617**	**635**	**710**	**749**	**780**
	Earnings per Share (EPS)	2.93	3.01	3.37	3.56	3.70
	Earnings per Share (EPS), diluted	2.88	2.95	3.30	3.49	3.63

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In the event of discrepancies, the Danish version shall prevail.

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Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare.

Our business includes Ostomy Care, Urology Care, Continence Care and Wound and Skin Care. We operate globally and employ more than 8,500 people.