Coloplast

Announcement no. 11/2014
30 October 2014

2013/14

Announcement of full-year financial results 2013/14

(1 October 2013 - 30 September 2014)

Highlights

- Organic revenue growth was 9%. Revenue in DKK was up by 7% to DKK 12,428m.
- Organic growth rates by business area: Ostomy Care 8%, Continence Care 10%, Urology Care 9% and Wound & Skin Care 10%.
- Gross profit was up by 9% to DKK 8,538m, bringing the gross margin to 69% from 68% last year.
- EBIT before special items increased by 13% to DKK 4,147m. The EBIT margin before special items was 33%, against 32% in 2012/13.
- EBIT amounted to DKK 3,147m, and an EBIT margin of 25%.
- The net profit for the year was DKK 2,390m, compared with DKK 2,711m last year, while earnings per share (diluted) were DKK 11.17 (and DKK 14.80 before special items).
- ROIC after tax and before special items was 49%, compared with 44% last year.
- The Board of Directors recommends that the shareholders attending the general meeting to be held on 4 December 2014 approve a year-end dividend of DKK 7.5 per share. This brings the dividend paid for the year to DKK 11.5 per share, as compared with DKK 10.0 last year.

Financial guidance for 2014/15

- We expect revenue growth of around 9% at constant exchange rates and of 11% in DKK.
- We expect the EBIT margin to be around 34%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around of DKK 650m.
- The effective tax rate is expected to be about 24%.

Conference call
Coloplast will host a conference call on 30 October 2014 at 15.15 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 reference no. 947505. A webcast will be posted on www.coloplast.com shortly after the conclusion of the conference call.

Financial highlights and key ratios

1 October - 30 September

(Unaudited)

	Consolidated		Change	Consolidated		Change
	DKK million			DKK million		
	2013/14	2012/13		2013/14	2012/13	
	12 mths	12 mths		Q4	Q4	
Income statement						
Revenue	12,428	11,635	7%	3,214	2,970	8%
Research and development costs	-390	-380	-3%	-109	-94	-16%
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	3,573	4,160	-14%	1,211	1,090	11%
Operating profit before special items	4,147	3,672	13%	1,100	973	13%
Operating profit (EBIT)	3,147	3,672	-14%	1,100	973	13%
Net financial income and expenses	46	-46	<-100%	14	35	-60%
Profit before tax	3,191	3,625	-12%	1,112	1,008	10%
Net profit for the period	2,390	2,711	-12%	841	749	12%
Revenue growth						
Period growth in revenue, %	7	6		8	4	
Growth break down:						
Organic growth, %	9	7		8	9	
Currency effect, %	-2	-1		0	-5	
Balance sheet						
Total assets	10,379	9,564	9%	10,379	9,564	9%
Invested capital	6,088	6,320	-4%	6,088	6,320	-4%
Equity end of period	6,283	6,769	-7%	6,283	6,769	-7%
Cash flow and investments						
Cash flow from operating activities	3,149	3,136	0%	1,161	1,189	-2%
Cash flow from investing activities	-777	-159	>100%	-434	-172	>100%
Investments in property, plant and equipment, gross	-505	-409	-23%	-158	-138	-14%
Free cash flow	2,372	2,977	-20%	727	1,017	-29%
Cash flow from financing activities	-2,898	-3,430	16%	-139	-98	-42%
Key figures ratios						
Average number of employees, FTEs	8,741	8,143				
Operating margin, EBIT, %	25	32		34	33	
Operating margin, EBITDA, %	29	36		38	37	
Return on average invested capital before tax (ROIC), % 1)	60	58		72	60	
Return on average invested capital after tax (ROIC), % 1)	49	44		55	45	
Return on equity, %	37	42		57	48	
Equity ratio, %	61	71		61	71	
Net asset value per share, DKK	29	31	-6%	29	31	-6%
Per share data						
Share price, DKK	494	314	57%	494	314	57%
Share price/net asset value per share	17.3	10.0	73%	17.3	10.0	73%
Average number of outstanding shares, millions	210.8	210.8	0%	210.6	210.5	0%
PE, price/earnings ratio	43.6	24.4	79%	31.0	22.0	41%
Dividend per share, DKK 1)	11.5	10.0	15%			
Pay-out ratio, %	101.4	77.7	31%			
Earnings per share (EPS), diluted	11.17	12.62	-11%	3.94	3.49	13%
Free cash flow per share	11.3	14.1	-20%	3.5	4.8	-28%

1) For the 2013/14 financial year, this item is before Special items. After Special items, ROIC before tax is 51%, and ROIC after tax is 38%.

Management's report

Sales performance

Revenue in DKK was up by 7% to DKK 12,428m on 9% organic growth. Currency depreciation, especially of USD, JPY and ARS against DKK, reduced growth by 2%-points.

Sales performance by business area

	DKK million		Growth composition			DKK million	Organic growth
	2013/14 12 mths	2012/13 12 mths	Organic growth	Exchange rates	Reported growth	2013/14 Q4	Q4
Ostomy Care	5,091	4,849	8%	-3%	5%	1,327	8%
Continence Care	4,438	4,081	10%	-1%	9%	1,150	9%
Urology Care	1,199	1,124	9%	-2%	7%	301	8%
Wound & Skin Care	1,700	1,581	10%	-2%	8%	436	9%
Net revenue	**12,428**	**11,635**	**9%**	**-2%**	**7%**	**3,214**	**8%**

Ostomy Care

The ostomy care business generated sales of DKK 5,091m, equal to an increase in DKK of 5%. Organic growth, at 8%, remained driven by the portfolio of SenSura® products and the Brava® accessory range.

The SenSura® products continued to generate highly satisfactory sales growth, driven by good sales growth in the UK, Germany, the USA and Italy. The more mature Assura® product range continued its satisfactory performance, with China, Brazil and Spain as its main growth markets. Lastly, the Brava® accessory range generated highly satisfactory growth in the USA and the UK.

The new SenSura® Mio range continues to be well received by customers. By the end of the financial year, the range has been launched in 12 countries, with 7 more launches planned for the 2014/15 financial year, including the UK in January 2015.

Q4 organic growth was 8%. The main contributors were SenSura® and the Brava® accessories range, as was also the case for the full-year period. Growth in Q4 was driven mainly by sales in Europe and Emerging Markets, with the UK, the Nordics, China and Russia all deserving notable mention. The UK made a solid contribution in the fourth quarter, especially in respect of the SenSura® products. The growth in China was driven by the Assura® range. The performance in Russia should be seen relative to the last year's weak Q4 performance.

The global market for ostomy care products is estimated at DKK 13-14bn with annual market growth at 4-5%. Coloplast is the global market leader, holding a market share of 35-40%. The ostomy accessories market is estimated at about DKK 2bn with annual market growth of 5-7%. Coloplast currently holds 15-20% of the accessories market.

Continence Care

Sales of continence care products amounted to DKK 4,438m, for an increase in DKK of 9% and organic growth of 10%. The SpeediCath® range continued to drive growth in the European and North American markets.

Compact catheters were the main contributor, driven especially by strong growth in France and the UK. The performance was partly due to the launch of the SpeediCath® Compact Set and strong underlying developments as well as continued efforts to get US users to upgrade to the more advanced SpeediCath® Compact catheters. Standard catheters continued to generate satisfactory sales. Sales of SpeediCath® in Europe contributed strongly to growth, and SelfCath® in the USA and EasiCath® in Emerging Markets also produced good growth rates.

Conveen® urisheaths and urine bags also generated satisfactory sales growth, driven especially by Europe and Emerging Markets.

The healthy sales growth of the Peristeen® anal irrigation system continued, contributing to the positive performance of the Continence Care business.

The SpeediCath® Compact Eve has now been prelaunched in five markets, and prelaunch is expected in another seven markets during the 2014/15 financial year. The product has been very well received.

Q4 organic growth was 9%. As for the full-year period, SpeediCath® intermittent catheters, including compact catheters, continued to contribute strongly to performance. Growth in Q4 was driven especially by the USA, the UK and Emerging Markets, with highly satisfactory sales performances in Argentina and Greece. The SpeediCath® Compact Set continued the positive sales performance in the fourth quarter, driven mainly by Europe and the USA. The upward sales trend of the Peristeen® anal irrigation system continued, delivering highly satisfactory growth for the quarter.

A revaluation of the US market has lifted the part of the continence care market in which Coloplast competes to an estimated DKK 10-11bn, compared with the previous estimate of DKK 9bn. The annual market growth is 5-6%. Coloplast remains the global market leader, with a market share of about 40%.

Urology Care

Sales of urology care products increased by 7% to DKK 1,199m, and the full-year organic growth rate was 9%. Full-year growth derived mainly from the US market through sales of Titan® penile implants and Altis® slings for treating female stress incontinence. Sales of disposable surgical products to the European markets, endourology products in particular, also contributed to full-year growth.

Q4 organic growth was 8%. The Q4 growth was mainly driven by sales of Titan® penile implants in the USA and in Emerging Markets and by sales of endourology products in Europe and in Emerging Markets. Weaker sales growth for products for treating female stress incontinence, including of Altis® slings detracted from the Q4 growth performance.

The part of the urology care market in which Coloplast products are represented is estimated to be worth DKK 9–10bn. Market growth is estimated at 3-5%. Coloplast currently holds a 10-15% share of the overall global market for urology care products.

Wound & Skin Care

Sales of wound and skin care products amounted to DKK 1,700m, equal to an 8% increase in DKK and 10% organic growth. The Wound Care business alone generated 11% organic growth.

Growth was mainly driven by sales of Biatain® foam dressings, especially in China, Brazil and Greece. In addition, sales were stable in the major European markets, especially in Germany. Market conditions in France remain challenging, but overall developments in Europe were satisfactory. Comfeel® hydrocolloid dressings also generated satisfactory sales growth, especially in Emerging Markets.

Contract production of Compeed® delivered a strong full-year growth performance, and, lastly, the US Skin Care business ended the year with moderate organic growth.

Customer feedback on Biatain® Silicone remains highly satisfactory. The product has now been launched in six markets, and as the output capacity challenges have now been overcome, launch is expected in another six markets by the end of the 2014/15 financial year.

The Wound & Skin Care business generated 9% organic growth in the fourth quarter, while the Wound Care business alone reported 12% organic growth. Biatain® Silicone delivered very high growth rates, but the Biatain® and Biatain Ag products were also very strong contributors to Q4 growth. Emerging Markets was the main contributor to growth across the wound care portfolio, but the USA also delivered positive growth. The largest single contribution to growth was from China, in part due to the product registration of Biatain® Alginate Ag earlier in the year. After two quarters with a negative performance, the Skin Care business again delivered strong growth in the fourth quarter, driven in part by sales of InterDry® Ag.

The global wound care segment Coloplast competes in is worth an estimated DKK 16bn with market growth forecast at 3-5%. Coloplast's market share is 5–10%. The market is defined as advanced wound care products other than the negative pressure wound therapy (NPWT) segment.

had to match a strong benchmark, as the new version of Biatain® Silicone was launched in Q4 2012/13. The UK contributed solid Q4 growth, driven especially by sales of compact catheters and of the SenSura® range. France also contributed well to the Q4 results despite the negative effects of the healthcare reform implemented in September 2013.

Other developed markets

Revenue was up by 4% to DKK 2,479m. The organic growth rate was 10%, a 1%-point improvement on last year. The performance was mainly driven by the US ostomy care and continence care markets, and particularly by SpeediCath® intermittent catheters and the Brava® range of accessories.

Sales performance by region

	DKK million		Growth composition			DKK million	Organic growth
	2013/14 12 mths	2012/13 12 mths	Organic growth	Exchange rates	Reported growth	2013/14 Q4	Q4
European markets	8,221	7,749	6%	0%	6%	2,093	5%
Other developed markets	2,479	2,395	10%	-6%	4%	662	10%
Emerging markets	1,728	1,491	24%	-8%	16%	459	22%
Net revenue	**12,428**	**11,635**	**9%**	**-2%**	**7%**	**3,214**	**8%**

European markets

Revenue amounted to DKK 8,221m, which translated into reported growth of 6%. Organic growth in the European business was also 6%. Most of the European markets were positive contributors to full-year growth, especially the UK, Germany and the Nordics. Southern Europe reported improvements, but on the back of the first two quarters' weak performance in 2012/13 caused by spending cuts and reforms. The UK continence care business was a major contributor to growth. Most of the European markets reported satisfactory sales of urine bags and urisheaths. Lastly, contract production of Compeed® delivered strong full-year growth.

Q4 organic growth was 5%, underperforming the full-year growth rate because of the very strong Q2 and Q3 numbers reported for contract production of Compeed®. The Wound Care business

The US urology business reported a satisfactory growth performance, driven especially by Titan® penile implants and Altis® slings for treating female stress incontinence. Canada contributed satisfactory sales growth thanks to the launch of the new version of Biatain® Silicone.

Q4 organic growth was also at 10% and was driven mainly by the US market. The positive performance in the USA was mainly attributable to sales of SpeediCath® and SelfCath® intermittent catheters and of the Brava® range of accessories.

Emerging markets

Revenue grew by 16% to DKK 1,728m, while underlying organic growth was 24%. Full-year growth was broadly based, with China, Brazil and

Greece as solid contributors. China and Brazil reported very strong growth in Ostomy Care and Wound Care as a result of previous investments to step up sales initiatives. In Greece, a major contributor to growth was the stronger focus on the Continence Care business. The inventory build-up by the new distributor in Algeria also supported full-year growth. Lastly, sales in Russia developed favourably due to an increase in the number of tenders relative to last year.

Q4 organic growth was 22%. China, Russia and Greece were the main performers. Growth in China was mainly driven by sales in the Ostomy Care and Wound Care business, in particular of Assura®, Biatain® and Biatain® Alginate Ag. Sales in Greece were supported by a major distributor's inventory build-up, mostly of continence care products but also of wound care products. Similar to the full-year performance, the increased number of tenders in Russia contributed to strong Q4 growth.

Gross profit

Gross profit was up by 9% to DKK 8,538m from DKK 7,866m last year. The gross margin was 69%, against 68% the last year. The improvement was the result of better production efficiency due to higher volumes. At constant exchange rates, the gross margin was 69%.

The Q4 gross margin in DKK was 69%, up from 68% last year. At constant exchange rates, both this year's and last year's Q4 gross margins were 69%.

Global Operations updated their strategy in the autumn of 2014, adding a number of new focus areas. The new strategy is an important driver for Coloplast in continuing to enhance production efficiencies and thereby contributing to the company's long-term financial guidance.

Capacity costs

Distribution costs amounted to DKK 3,519m, against DKK 3,312m last year. Distribution costs amounted to 28% of revenue, which was in line with last year. Coloplast made additional sales-enhancing investments of almost DKK 200m during the year, including investments in Consumer Care activities, step up of sales initiatives in China and the USA and establishment of offices in new markets such as Algeria and Turkey.

The Q4 distribution costs amounted to DKK 897m, equal to 28% of revenue, against 29% last year due to scale economies resulting from higher sales. The Q4 distribution costs included about a DKK 50m increase in investments for sales-enhancing initiatives.

Administrative expenses amounted to DKK 498m, against DKK 533m last year. Administrative expenses accounted for 4% of revenue, or 1%-point less than last year. The reduction in costs was due to greater efficiency and fewer project activities.

The Q4 administrative expenses were up by DKK 10m over Q4 2012/13, among other things due to employee severance costs.

R&D costs were DKK 390m, a DKK 10m increase over last year due to a slight increase in business activity. R&D costs amounted to 3% of revenue, which was also in line with last year. The Q4 R&D costs amounted to DKK 109m, which was also equal to 3% of revenue, up from DKK 94m last year.

Other operating income and other operating expenses was a net income for the year of DKK 16m, against a net income of DKK 31m in 2012/13. The Q4 2013/14 net income amounted to DKK 4m against DKK 9m in Q4 of last year.

Special items

Coloplast made a net provision of DKK 1,000m to cover possible settlements and other legal costs in lawsuits in the USA alleging injury resulting from use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence. See note 8 of the financial statements for more details.

Operating profit (EBIT)

EBIT before special items was DKK 4,147m against DKK 3,672m last year. The EBIT margin before special items was 33%, both at constant exchange rates and in DKK, against 32% last year. The improvement was mainly due to higher sales, scale economies in production and administrative efficiency improvements.

The Q4 EBIT margin before special items was 34%, both in DKK and at constant exchange rates. This was a 1%-point improvement compared to the same period last year and was driven by production and administrative efficiencies.

EBIT was DKK 3,147m for the full year and DKK 1,100m for the fourth quarter.

Financial items and tax

Financial items were a net income of DKK 46m, compared to a net expense of DKK 46m last year. The change was mainly due to a net gain on realised forward exchange contracts this year compared to a net loss last year – especially in JPY and USD – and net interest income this year against net interest expenses last year.

The Q4 financial items was a net income of DKK 14m, against a net income of DKK 35m in Q4 2012/13.

The effective tax rate was 25%, which was in line with last year. The full-year tax expense decreased by DKK 224m due to the provision made in respect of the lawsuits in the USA. The total tax expense was DKK 801m, against DKK 914m the year before.

The Q4 tax expense amounted to DKK 271m, against DKK 259m in Q4 2012/13.

Net profit for the period

Net profit before special items for the year was up by 17% to DKK 3,166m, while earnings per share before special items (diluted) improved by 17% to DKK 14.80.

The Q4 net profit was up by 12% to DKK 841m, and earnings per share (diluted) improved by 16% to DKK 4.04.
The net profit for the year was down by 12% to DKK 2,390m, while earnings per share (diluted) were DKK 11.17.

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 3,149m, against DKK 3,136m last year. The change was driven by an improvement in EBITDA before special items of DKK 413m which was offset by a DKK 265m increase in income tax paid. In addition, Coloplast has received DKK 350m in insurance payments in connection with litigation in the USA and has deposited DKK 418m in escrow accounts. The higher tax payment was mainly due to a DKK 200m voluntary on-account payment made in the second quarter of the financial year.

Investments

Coloplast made net investments of DKK 777m compared with DKK 159m last year. The change was due to net movements from buying and selling securities in connection with a temporary placement of surplus liquidity of DKK 530m and investment in machinery to be used for new products. Gross investments in property, plant and equipment (CAPEX) and intangible assets increased by 21% from DKK 440m last year to DKK 533m due to an increase in investments to step up capacity for the launch of new products and an increase in production capacity at Nyírbátor.

Free cash flow

The free cash flow was DKK 2,372m, against DKK 2,977m last year.

Statement of financial position and equity

Balance sheet

At DKK 10,379m, total assets increased by DKK 815m relative to last year.

Intangible assets amounted to DKK 1,481m, as compared to DKK 1,516m last year. The reduction was mainly due to the amortisation of acquired patents and trademarks for the year offset by the appreciation of USD against DKK.

Non-current assets increased due to higher investments in property, plant and equipment, mainly consisting of plant and machinery.

Relative to last year, trade receivables were up by 12% to DKK 2,210m and inventories were up by 24% to DKK 1,322m. Trade payables increased by 35% relative to last year to stand at DKK 566m.
Working capital made up 24% of revenue, or 1%-point more than last year. The change was due to a general increase in selling activities and the effect of the launch of SenSura® Mio.

Current assets increased by DKK 681m relative to last year to stand at DKK 6,047m. The increase was mainly due to higher receivables and inventories resulting from improved sales, and offset by ordinary dividends paid, income tax paid and share buy-backs as well as higher insurance receivables in connection with the lawsuits in the USA.

During the year, Coloplast paid DKK 418m into blocked escrow accounts in connection with the above-mentioned litigation in the USA. The funds have not yet been released by the courts.
Non-current liabilities increased by DKK 38m relative to last year due to the provision made in respect of the lawsuits in the USA.

Current liabilities increased by DKK 1,263m, mainly due to the provision made in respect of the lawsuits in the USA. The increase was partially offset by on-account income tax payment made in respect of the current financial year.

At the balance sheet date, Coloplast had net interest-bearing deposits of DKK 1,490m.

Equity

Equity decreased by DKK 486m relative to last year to DKK 6,283m. The decrease was mainly due to dividend payments of DKK 2,317m which exceeded the comprehensive income of DKK 2,247m. The net effect of treasury shares acquired, employees' exercise of share options and tax on equity entries reduced equity by a total of DKK 452m.

Dividends and share buy-backs

The Board of Directors recommends that the shareholders attending the general meeting to be held on 4 December 2014 approve a year-end dividend of DKK 7.5 per share. This brings the dividend paid for the year to DKK 11.5 per share, as compared with DKK 10.0 last year.

In the second quarter of 2013/14, the Board of Directors resolved to establish a share buy-back programme for a total of DKK 1bn until the end of the 2014/15 financial year (see Announcement No. 2/2014).
The first half of the buy-back programme, of DKK 500m, was launched in Q2 2013/14 and was completed on 18 August 2014. The second half of the share buy-back programme is expected to commence in early 2015.

Treasury shares

At 30 September 2014, Coloplast's holding of treasury shares consisted of 9,450,963 B shares, which was 189,896 fewer than at 30 September 2013. The holding was reduced due to the exercise of options, which was partly offset by the buy-back of shares.

Financial guidance for 2014/15

- We expect revenue growth of around 9% at constant exchange rates and of 11% in DKK.
- We expect the EBIT margin to be around 34%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around DKK 650m.
- The effective tax rate is expected to be about 24%.

Price pressures in 2014/15 are expected to be in line with those of 2013/14, for an annual price pressure of almost 1%. Our financial guidance takes account of reforms with known effects.

The financial guidance assumes sustained and stable sales growth in Coloplast's core markets and a continuation of the successful roll-out of new products.

The EBIT margin guidance assumes that Coloplast, in addition to generating sales growth, can successfully deliver scale economies and efficiency improvements. The guidance for the current financial year includes about a DKK 200m investment for sales initiatives. This also reflects that the previously announced sales initiative investments of DKK 1bn have now been fully allocated and will take full effect in the 2014/15 financial year.

Capital investments will be stepped up to meet a need for additional production capacity, especially for SenSura® Mio products and for the completion of the factory extension at Nyírbátor scheduled for 2015.
The provision made to cover costs relating to transvaginal surgical mesh products remains subject to a high degree of estimation.

Coloplast's long-term financial guidance, as announced at the Capital Markets Day on 4 June 2014, remains to generate 7-10% sales growth per year and to improve the EBIT margin by 0.5-1.0%-point per year.

The overall weighted market growth in Coloplast's current markets is about 5%, an increase of 50 basis points relative to 2013/14.

Other matters

Organisational changes in our German operations

Michael Zwick was appointed country manager for our German operations effective 1 October. Michael has more than 15 years of management and sales experience. In the past six years, he headed up various divisions of Haemonetics. Chima Abuba resigned at his own request as country manager for Germany effective 30 April 2014.

Exchange rate exposure

Our financial guidance for the 2014/15 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 2013/14*	911	550	2.44	746
Spot rate, 20 October 2014	939	583	2.43	745
Estimated average exchange rate 2014/2015	939	583	2.43	745
Change in estimated average exchange rates compared with last year**	3%	6%	0%	0%

*) Average exchange rates from 1 October 2013 to 30 September 2014.

**) Estimated average exchange rate is calculated as the spot rate at 20 October 2014.

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 2013/14)	Revenue	EBIT
USD	-200	-70
GBP	-230	-155
HUF	0	40

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 andmeet our guidance. This may impact our company's financial results.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and approved the Annual Report of Coloplast A/S for the financial year 1 October 2013 – 30 September 2014.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act. In addition, the consolidated financial statements and the parent company financial statements have been prepared in accordance with additional Danish disclosure requirements for listed companies. The Management's report is also presented in accordance with Danish disclosure requirements for listed companies.

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, equity, liabilities and financial position at 30 September 2014 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 2013 – 30 September 2014.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Humlebæk, 30 October 2014

Executive Management:

Lars Rasmussen President, CEO	Anders Lonning-Skovgaard Executive Vice President
Kristian Villumsen Executive Vice President	Allan Rasmussen Executive Vice President

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 - 30 September

(Unaudited)

Note		Consolidated		Index	Consolidated		Index
		DKK million			DKK million		
		2013/14	2012/13		2013/14	2012/13	
Note		12 mths	12 mths		Q4	Q4	
1	Revenue	12,428	11,635	107	3,214	2,970	108
	Cost of sales	-3,890	-3,769	103	-980	-941	104
	Gross profit	**8,538**	**7,866**	**109**	**2,234**	**2,029**	**110**
	Distribution costs	-3,519	-3,312	106	-897	-849	106
	Administrative expenses	-498	-533	93	-132	-122	108
	Research and development costs	-390	-380	103	-109	-94	116
	Other operating income	43	43	100	13	13	100
	Other operating expenses	-27	-12	>100	-9	-4	>100
	Operating profit before special items	**4,147**	**3,672**	**113**	**1,100**	**973**	**113**
2	Special items	-1,000	0	-	0	0	-
1	**Operating profit (EBIT)**	**3,147**	**3,672**	**86**	**1,100**	**973**	**113**
	Profit/loss after tax on investment in associates	-2	-1	>100	-2	0	<-100
3	Financial income	89	96	93	0	63	0
4	Financial expenses	-43	-142	30	14	-28	-50
	Profit before tax	**3,191**	**3,625**	**88**	**1,112**	**1,008**	**110**
	Tax on profit for the period	-801	-914	88	-271	-259	105
	Net profit for the period	**2,390**	**2,711**	**88**	**841**	**749**	**112**
	Other comprehensive income						
	Items that will not be reclassified to profit or loss:						
	Remeasurements on defined benefit plans	-27	-30		-3	-20	
	Tax on remeasurements on defined benefit plans	8	6		5	4	
		-19	-24		2	-16	
	Items that may be reclassified to profit or loss:						
	Value adjustment of currency hedging	-131	172		-99	-2	
	Of which transferred to financial items	-33	-72		24	-54	
	Tax effect of hedging	40	-25		18	14	
	Currency adjustment, assets in foreign currency	57	-45		68	-35	
	Tax effect of currency adjustment, assets in foreign currency	-14	11		-14	11	
	Currency adjustment of opening balances and other adjustments relating to subsidiaries	-43	-89		19	-31	
		-124	-48		16	-97	
	Total other comprehensive income	**-143**	**-72**		**18**	**-113**	
	Total comprehensive income	**2,247**	**2,639**		**859**	**636**	
	Earnings per Share (EPS) before special items	15.01	12.87		3.99	3.56	
	Earnings per Share (EPS)	11.34	12.87		3.99	3.56	
	Earnings per Share (EPS) before special items, diluted	14.80	12.62		3.94	3.49	
	Earnings per Share (EPS), diluted	11.17	12.62		3.94	3.49	

Balance sheet

At 30 September

Note		Consolidated DKK million 30.09.14	30.09.13
	Assets		
	Acquired patents and trademarks etc.	624	687
	Goodwill	772	735
	Software	66	59
	Prepayments and intangible assets in progress	19	35
	Intangible assets	**1,481**	**1,516**
	Land and buildings	927	978
	Plant and machinery	868	789
	Other fixtures and fittings, tools and equipment	196	110
	Prepayments and property, plant and equipment under construction	471	409
	Property, plant and equipment	**2,462**	**2,286**
	Investment in associates	13	14
	Deferred tax asset	360	364
	Other receivables	16	18
	Other non-current assets	**389**	**396**
	Non-current assets	**4,332**	**4,198**
	Inventories	**1,322**	**1,069**
	Trade receivables	2,210	1,970
	Income tax	40	56
	Other receivables	344	313
	Prepayments	123	87
	Receivables	**2,717**	**2,426**
	Restricted cash	**418**	**0**
	Marketable securities	**619**	**367**
	Cash and cash equivalents	**971**	**1,504**
	Current assets	**6,047**	**5,366**
	Assets	**10,379**	**9,564**

Balance sheet

At 30 September

Note		Consolidated DKK million 30.09.14	30.09.13
	Equity and liabilities		
	Share capital	220	220
	Reserve for exchange rate adjustments	-132	-89
	Reserve for currency hedging	-89	35
	Proposed dividend for the period	1,579	1,473
	Retained earnings	4,705	5,130
	Total equity	**6,283**	**6,769**
	Provisions for pensions and similar liabilities	181	181
	Provision for deferred tax	71	296
8	Other provisions	297	8
	Other payables	1	8
	Deferred income	17	36
	Non-current liabilities	**567**	**529**
	Provisions for pensions and similar liabilities	29	14
8	Other provisions	680	9
	Other credit institutions	92	111
	Trade payables	566	418
	Income tax	521	764
	Other payables	1,619	925
	Deferred income	22	25
	Current liabilities	**3,529**	**2,266**
	Current and non-current liabilities	**4,096**	**2,795**
	Equity and liabilities	**10,379**	**9,564**

9 Contingent liabilities

Statement of changes in equity

Consolidated DKK million	Share capital A shares	Share capital B shares	Reserve for exchange rate adjustments	Reserve for currency 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					2,423	-33	2,390
Other comprehensive income that will not be reclassified to profit or loss:							
Remeasurements on defined benefit plans						-27	-27
Tax on remeasurements on defined benefit plans						8	8
Other comprehensive income that may be reclassified to profit or loss:							
Value adjustment of currency hedging				-131			-131
Of which transferred to financial items				-33			-33
Tax effect of hedging				40			40
Currency adjustment, assets in foreign currency						57	57
Tax effect of currency adjustment, assets in foreign currency						-14	-14
Currency adjustment of opening balances and other adjustments relating to subsidiaries			-43				-43
Total other comprehensive income	0	0	-43	-124	0	24	-143
Total comprehensive income	*0*	*0*	*-43*	*-124*	*2,423*	*-9*	*2,247*
Transactions with shareholders:							
Transfers					3	-3	0
Investment in treasury shares						-500	-500
Sale of treasury shares and loss on exercised options						-77	-77
Share-based payment						38	38
Tax on equity entries						126	126
Dividend paid out in respect of 2013/14					-844		-844
Dividend paid out in respect of 2012/13					-1,476		-1,476
Total transactions with shareholders:	*0*	*0*	*0*	*0*	*-2,317*	*-416*	*-2,733*
Balance at 30.09	**18**	**202**	**-132**	**-89**	**1,579**	**4,705**	**6,283**

Statement of changes in equity

Consolidated DKK million	Share capital A shares	 B shares	Reserve for exchange rate adjustments	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2012/13							
Balance at 1.10.	18	207	0	-40	841	5,016	6,042
Comprehensive income for the period:							
Net profit for the period					2,105	606	2,711
Other comprehensive income, Items that will not be reclassified subsequently to the Income statement:							
Remeasurements on defined benefit plans						-30	-30
Tax on remeasurements on defined benefit plans						6	6
Value adjustment of currency hedging				172			172
Of which transferred to financial items				-72			-72
Tax effect of hedging				-25			-25
Currency adjustment, assets in foreign currency						-45	-45
Tax effect of currency adjustment, assets in foreign currency						11	11
Currency adjustment of opening balances and other adjustments relating to subsidiaries			-89				-89
Total other comprehensive income	*0*	*0*	*-89*	*75*	*0*	*-58*	*-72*
Total comprehensive income for the period	*0*	*0*	*-89*	*75*	*2,105*	*548*	*2,639*
Transactions with shareholders:							
Transfers					3	-3	0
Investment in treasury shares						-337	-337
Sale of treasury shares and loss on exercised options						-197	-197
Share-based payment						33	33
Tax on equity entries						65	65
Reduction of share capital		-5				5	0
Dividend paid out in respect of 2012/13					-632		-632
Dividend paid out in respect of 2011/12					-844		-844
Total transactions with shareholders:	*0*	*-5*	*0*	*0*	*-1,473*	*-434*	*-1,912*
Balance at 30.09	**18**	**202**	**-89**	**35**	**1,473**	**5,130**	**6,769**

Cash flow statement

1 October - 30 September

Note		Consolidated DKK million 2013/14 12 mths	2012/13 12 mths
	Operating profit	3,147	3,672
	Depreciation and amortisation	426	488
5	Adjustment for other non-cash operating items	948	-1
6	Changes in working capital	-264	-251
	Ingoing interest payments, etc.	41	95
	Outgoing interest payments, etc.	-59	-42
	Income tax paid	-1,090	-825
	Cash flows from operating activities	**3,149**	**3,136**
	Investments in intangible assets	-28	-31
	Investments in land and buildings	-9	-5
	Investments in plant and machinery	-133	-111
	Investments in property, plant and equipment under construction	-363	-293
	Property, plant and equipment sold	8	11
	Investment in associate	0	-8
	Net sales/purchase of marketable securities	-252	278
	Cash flow from investing activities	**-777**	**-159**
	Free cash flow	**2,372**	**2,977**
	Dividend to shareholders	-2,320	-1,476
	Net investment in treasury shares and exercise of share options	-578	-537
	Financing from shareholders	**-2,898**	**-2,013**
	Financing through long-term borrowing, instalments	0	-1,417
	Cash flows from financing activities	**-2,898**	**-3,430**
	Net cash flows for the period	**-526**	**-453**
	Cash and short-term debt at 1.10.	1,393	1,830
	Value adjustment of cash and bank balances	12	16
	Net cash flows for the period	-526	-453
7	**Cash and short-term debt at 30.09**	**879**	**1,393**

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

Notes

1. Segment information

Consolidated, 2013/14

Operating segments
The operating segments are defined on the basis of the monthly reporting to the Executive Management, which is considered the senior operational management. Reporting to Management is based on two global operating segments, Sales Regions and Production Units, as well as three smaller operating segments: Wound and Skin Care, Porgès and Surgical Urology (SU). The segments Global Marketing, Global R&D and Staff are not operating segments, as they do not aim to generate revenue. This breakdown also reflects our global organisational structure.

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.

	Sales regions		Production units		Shared/ Non-allocated		Total	
DKK million	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
External revenue	12,428	11,635	0	0	0	0	12,428	11,635
Segment operating profit/loss (EBIT)	637	945	4,841	4,438	-2,331	-1,711	3,147	3,672
Net financials	0	0	0	0	46	-46	46	-46

Notes

	Consolidated DKK million	
	2013/14	2012/13
2. Special items		
Provisions for litigation about transvaginal surgical mesh products	1,500	0
Sum insured	**-500**	**0**
Total	**1,000**	**0**

Special items for 2013/2014 contain expenses to cover potential claims and settlements, other costs arising in connection with legal assistance and insurance cover relating to litigation about transvaginal surgical mesh products. See note 8 to the financial statements for more information about mesh litigation.

	2013/14	2012/13
3. Financial income		
Interest income	41	23
Fair value adjustments of cash-based share options	15	0
Fair value adjustments of forward contracts transferred from Other comprehensive income	33	72
Other financial income and fees	0	1
Total	**89**	**96**
4. Financial expenses		
Interest expense	3	49
Fair value adjustments of cash-based share options	0	9
Net exchange adjustments	18	54
Other financial expenses and fees	22	30
Total	**43**	**142**
5. Adjustment for other non-cash operating items		
Net gain/loss on divestment of non-current assets	6	2
Change in other provisions	942	-3
Total	**948**	**-1**
6. Changes in working capital		
Inventories	-261	-139
Trade receivables	-210	-121
Other receivables	-486	-44
Trade and other payables etc.	693	53
Total	**-264**	**-251**
7. Cash and short-term debt		
Cash	1	1
Bank balances	970	1,503
Cash and bank balances	**971**	**1,504**
Short-term debt	-92	-111
Total	**879**	**1,393**

Notes

8. Other provisions

Product liability case regarding transvaginal mesh

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 of cases covered by tolling agreements. Nor can Coloplast predict 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, but will continually consider other options that may better serve the company's best interests. As a result, Coloplast has reached preliminary settlements with groups of law firms.

An expense of DKK 1,500m has been recognised in the 2013/14 financial statements to cover potential claims and settlements and other costs arising in connection with legal assistance. The full product liability insurance of DKK 500m has been set off against this amount, and the net expense of DKK 1,000m has been recognised under special items in the income statement. The impact on the net profit for the financial year amounted to DKK 776m.

Coloplast's insurers have agreed to pay the full insurance coverage of DKK 500m, of which Coloplast had received DKK 350m at 30 September 2014 and DKK 150m was received in October 2014.

The expense of DKK 1,500m is based on a number of estimates and assumptions and is therefore subject to substantial uncertainty. As a result, there can be no assurance that the amount will not change over time. Current and future litigation is expected to involve around 7,000 legal claims against the company.

9. Contingent liabilities

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

In February 2014 the Department of Justice in the United States initiated an investigation of Durable Medical Equipment producers among these Coloplast, focusing on marketing and promotion activities related to the ostomy and continence business. Coloplast is cooperating with the Department of Justice in this investigation by providing documents and participating in interviews. Coloplast does not expect the investigation to result in any claims that may have a material impact on Coloplasts financial position, operating profit or cash flow.

Coloplast

FIVE-YEAR FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK million	2013/14	2012/13	2011/12	2010/11	2009/10
Income statement					
Revenue	12,428	11,635	11,023	10,172	9,537
Research and development costs	-390	-380	-342	-415	-409
Operating profit before interest, tax, depreciation and amortisation	3,573	4,160	3,756	3,108	2,584
Operating profit before special items	4,147	3,672	3,255	2,581	2,078
Operating profit (EBIT)	3,147	3,672	3,255	2,581	1,995
Net financial income and expenses	46	-46	-300	-124	-321
Profit before tax	3,191	3,625	2,954	2,456	1,674
Net profit for the year	2,390	2,711	2,194	1,819	1,243
Revenue growth					
Annual growth in revenue, %	7	6	8	7	8
Growth breakdown:					
Organic growth, %	9	7	6	6	7
Currency effect, %	-2	-1	2	1	1
Balance sheet					
Total assets	10,379	9,564	10,176	9,218	7,771
Invested capital	6,088	6,320	6,295	6,312	6,340
Equity at year end	6,283	6,769	6,042	4,478	3,452
Cash flows and investments					
Cash flows from operating activities	3,149	3,136	2,649	2,205	1,769
Cash flows from investing activities	-777	-159	-390	-954	-293
Investment in property, plant and equipment, gross	-505	-409	-317	-230	-260
Free cash flow	2,372	2,977	2,259	1,251	1,476
Cash flows from financing activities	-2,898	-3,430	-1,653	-1,461	-1,559
Key ratios					
Average number of employees, FTEs	8,741	8,143	7,624	7,328	7,207
Operating margin, EBIT, %	25	32	30	25	21
Operating margin, EBITDA, %	29	36	34	31	27
Return on average invested capital before tax (ROIC), % [1)]	60	58	52	41	33
Return on average invested capital after tax (ROIC), % [1)]	49	44	38	30	25
Return on equity, %	37	42	42	46	39
Equity ratio, %	61	71	59	49	44
Net asset value per share, DKK [3)]	29	31	27	20	15
Per share data					
Share price, DKK [3)]	494	314	242	161	131
Share price/net asset value [3)]	17	10	9	8	9
Average number of outstanding shares, millions [3)]	211	211	210	210	213
PE, price/earnings ratio	44	24	23	19	22
Dividend per share, DKK [2) 3)]	11.5	10.0	4.0	2.8	2.0
Pay-out ratio, %	101	78	38	32	34
Earnings per share (EPS), diluted [3)]	11	13	10	9	6
Free cash flow per share [3)]	11	13	11	9	7

1) For the 2013/14 financial year, this item is before Special items. After Special items, ROIC before tax is 51%, and ROIC after tax is 38%.
2) The figure shown for the 2013/14 financial year is the proposed dividend.
3) Figures before 2012/13 have been restated to reflect a 1-to-5 split of the company's A and B shares in the 2012/13 financial year.
The key ratios have been calculated and applied in accordance with "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts.

Income statement, quarterly

(Unaudited)

	Consolidated							
DKK million								
	2012/13				2013/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,865	2,842	2,958	2,970	3,063	3,017	3,134	3,214
Cost of sales	-935	-948	-945	-941	-970	-948	-992	-980
Gross profit	**1,930**	**1,894**	**2,013**	**2,029**	**2,093**	**2,069**	**2,142**	**2,234**
Distribution costs	-812	-802	-849	-849	-866	-880	-876	-897
Administrative expenses	-137	-137	-137	-122	-122	-118	-126	-132
Research and development costs	-92	-103	-91	-94	-94	-91	-96	-109
Other operating income	10	10	10	13	9	12	9	13
Other operating expenses	-2	-3	-3	-4	-7	-8	-3	-9
Operating profit before special items	**897**	**859**	**943**	**973**	**1,013**	**984**	**1,050**	**1,100**
Special items	0	0	0	0	0	-1,000	0	0
Operating profit (EBIT)	**897**	**859**	**943**	**973**	**1,013**	**-16**	**1,050**	**1,100**
Profit/loss after tax on investment in associates	0	-1	0	0	0	0	0	-2
Financial income	7	9	17	63	53	23	13	0
Financial expenses	-72	-12	-30	-28	-26	-25	-6	14
Profit before tax	**832**	**855**	**930**	**1,008**	**1,040**	**-18**	**1,057**	**1,112**
Tax on profit for the period	-215	-220	-220	-259	-260	-1	-269	-271
Net profit for the period	**617**	**635**	**710**	**749**	**780**	**-19**	**788**	**841**
Earnings per Share (EPS) before special items	2.93	3.01	3.37	3.56	3.70	3.48	3.74	3.99
Earnings per Share (EPS)	2.93	3.01	3.37	3.56	3.70	-0.09	3.74	3.99
Earnings per Share (EPS) before special items, diluted	2.88	2.95	3.30	3.49	3.63	3.44	3.69	3.94
Earnings per Share (EPS), diluted	2.88	2.95	3.30	3.49	3.63	-0.09	3.69	3.94

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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 9,000 people.