Annual report 2017/18

Coloplast

Company registration (CVR) No. 69 74 99 17

Five-year financial highlights and key ratios

DKK million	2017/18	2016/17	2015/16	2014/15	2013/14
Income statement					
Revenue	16,449	15,528	14,681	13,909	12,428
Research and development costs	-640	-574	-509	-442	-390
Operating profit before interest, tax, depreciation and amortisation	5,716	5,635	4,624	2,020	3,573
Operating profit (EBIT) before special items	5,091	5,024	4,846	4,535	4,147
Special items[1)]	0	0	-750	-3,000	-1,000
Operating profit (EBIT)	5,091	5,024	4,096	1,535	3,147
Net financial income and expenses	-82	-72	-13	-289	46
Profit before tax	5,009	4,950	4,082	1,245	3,191
Net profit for the year	3,845	3,797	3,143	899	2,390
Revenue growth					
Annual growth in revenue, %	6	6	6	12	7
Growth breakdown:					
Organic growth, %	8	7	7	7	9
Currency effect, %	-4	-1	-1	5	-2
Acquired operations, %	1	1	0	0	0
Other matters, %	1	-1	0	0	0
Balance sheet					
Total assets	11,769	12,050	11,007	10,817	10,379
Capital invested	8,468	7,977	5,551	4,702	6,088
Net interest-bearing debt	754	826	-813	-1,300	-1,490
Equity at year end	6,418	5,952	5,068	4,706	6,283
Cash flows and investments					
Cash flows from operating activities	4,361	3,251	3,028	3,337	3,149
Cash flows from investing activities	-947	-1,619	-603	-468	-777
Investments in property, plant and equipment, gross	-616	-661	-627	-583	-505
Free cash flow	3,414	1,632	2,425	2,869	2,372
Cash flows from financing activities	-3,430	-1,854	-2,868	-2,963	-2,898
Key ratios					
Average number of employees, FTEs	11,155	10,420	9,817	9,303	8,741
Operating margin, EBIT, %	31	32	28	11	25
EBIT margin before special items, %	31	32	33	33	33
Operating margin, EBITDA, %	35	36	31	15	29
Return on average invested capital before tax (ROIC), %[2)]	57	61	63	62	60
Return on average invested capital after tax (ROIC), %[2)]	44	47	49	48	49
Return on equity, %	72	77	69	16	37
Equity ratio, %	55	49	46	44	61
Net asset value per outstanding share, DKK	30	28	24	22	30
Per share data					
Share price, DKK	657	511	514	473	494
Share price/net asset value per share	22	18	21	22	17
Average number of outstanding shares, millions	212	212	212	211	211
PE, price/earnings ratio	36	29	29	111	44
Proposed dividend per share, DKK[3)]	16.0	15.0	13.5	12.5	11.5
Pay-out ratio, %[4)]	88	84	77	82	77
Earnings per share (EPS), diluted	18.10	17.87	14.78	4.20	11.17
Free cash flow per share	16	8	11	14	11

[1)] Special items include costs of settlements and costs in connection with the lawsuits in the United Stated alleging injury resulting from the use of transvaginal surgical mesh products.

[2)] This item provided before special items. After special items, ROIC before tax is 62%/74%/80%/28%/51%, and ROIC after tax is 47%/57%/62%/21%/38%.

[3)] The figure shown for the 2017/18 financial year is the proposed dividend.

[4)] For the 2015/16, 2014/15 and 2013/14 financial years, this item is before special items. After special items, the pay-out ratio is 91%/294%/101%.

The key ratios have been calculated and applied in accordance with "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts.

Contents

The year at a glance

Coloplast's 8% organic growth performance for the 2017/18 financial year marks a shift in momentum from the 7% growth rates of the past three years and an acceleration of growth in a market otherwise growing by 4-5%. Accelerating growth was indeed our goal when we revised our long-term guidance in November 2017 on the ambition of accelerating growth during the period to 2019/20 and to grow at the upper end of the 7-9% range.

At the same time, the guidance of an EBIT margin improvement of 50-100bp was also revised to delivering an EBIT margin higher than 30% by 2019/20 in a reflection of higher commercial investments for new growth initiatives and the aim of generating stronger growth. In the period to 2019/20, Coloplast intends to invest up to 2% of revenue in new growth initiatives instead of 1% previously.

In 2017/18, such new growth initiatives included investing in sales and marketing activities in the ostomy care business in the US and a number of emerging markets, the continence care business in Japan, Australia and South Korea and in Interventional Urology and Wound Care in the US. In 2017/18 Coloplast also channelled more funds to R&D, including in particular pre-clinical competences, medical marketing, market access competences and product innovation, all for the purpose of developing clinically differentiated products.

The 2017/18 EBIT amounted to DKK 5,091m for an EBIT margin of 31% in Danish kroner. At constant exchange rates and adjusted for the one-off revenue adjustment relating to Veterans Affairs in the comparative year, EBIT was up by 4% for an EBIT margin of 31% against 33% last year. In other words, the reported financial results for the year were in line with guidance. Coloplast remains one of the world's most profitable medtech companies.

The most important events of the year were as follows:

- Busy year for roll-outs and product launches across the Group, including the launches of SenSura® Mio Concave and Brava® Eleatic Tape XL. Specifically in the US market, Coloplast launched SpeediCath® Flex Coudé Pro and Biatain® Silicone Sizes & Shapes for both wound treatment and prevention.

- As a part of its Clinical Performance Program, Coloplast introduced the goal of launching digital products in the chronic care business. This ties in with Coloplast's ambition to lift the standard of care through clinically differentiated innovation. The recent capital markets day had examples of such products, including the first examples of digitalised ostomy care products.

- The chronic care business reported a satisfactory year that was driven in part by new products such as SenSura® Mio Convex and SpeediCath® Flex and a positive performance in the US with double-digit organic growth.

- Driven by the ambition of a unique user-focused market approach and based on the approx. 1.2 million users in its customer database, Coloplast conducted more than 1 million consultations with users during the year. In the transformation to become a user-oriented medtech company, interacting directly with users is important to understanding and helping our users and to developing unique products and services for them.

- The acquisition of the French direct-to-consumer home delivery company Lilial in Q2 2017/18 provides one more piece in Coloplast's overall ambition of bringing innovative products and services to the market and giving our users access to innovative products. Following the Lilial deal, Coloplast is now able to deliver products direct to end users in the company's five largest markets.

- As part of the work to achieve unparalleled efficiency, Coloplast completed Global Operations Plan 3 during the year, and as a result, the number of production staff in Denmark was reduced from 700 in 2014/15 to 400 this year. Last year, Coloplast also launched Global Operations Plan 4, which will lead to enhanced efficiency at the company's high-volume production facilities and improved our procurement processes as well as the shutdown of the factory at Thisted, Denmark.

The year at a glance

The process to shut down the factory at Thisted began during the year and will reduce the number of production staff in Denmark from 400 to 200 in 2018/19.

- During the year, Coloplast finished the expansion project of the factory in Nyírbátor, Hungary, and acquired a plot in Costa Rica where the company's next high-volume production facility will be built and is scheduled for completion in 2020.

- The Coloplast employee engagement survey had a 93% response rate for the third straight year and showed a high engagement level at 74. Coloplast is a growing company, and considering the number of new employees, maintaining such a high engagement level is an achievement.

Delivering 9% organic growth, the ostomy care business continued to win market share, supported by the new SenSura® Mio product portfolio, which includes the clinically proven Sensura® Mio Convex portfolio and the Brava® range of accessories. Launched during the year, the new SenSura® Mio Concave product portfolio is a new product segment for people who are overweight and suffer from a hernia that addresses a previously unsolved need in the market. The Sensura® Mio Concave is now available in ten markets. The launch broadence Coloplast's newest product portfolio, the SenSura® Mio, and Coloplast now offers a solution for any body shape.

The continence care business delivered 8% organic growth, driven by the SpeediCath® portfolio, which includes SpeediCath® Standard, SpeediCath® Compact and SpeediCath® Flex. The latter has been well received in the market, especially in the US, where Coloplast launched the SpeediCath® Flex Coudé Pro during the year. Contrary to expectations, the patent expiry of SpeediCath® Standard in September 2017 has not produced a negative effect, and the product continues to win market share in the US market and in the Emerging Markets region.

The interventional urology business delivered 10% organic growth, driven in particular by penile implant sales in the US. The positive performance was driven in particular by a number of sales and marketing initiatives taken in the US business.

The wound & skin care business had a challenging year, delivering 3% organic growth due to, among other things, pricing reforms in Greece. During the year, Coloplast stepped up investment in product innovation and in sales and marketing activities in the US and in selected Emerging Markets. In the US, Coloplast has now launched the full Biatain® Silicone product portfolio designed for both treatment and prevention. Performance in the US skin care business was impacted by last year's high comparative numbers from temporary customer contracts.

The European markets had a satisfactory year, delivering 5% organic growth and continuing to take market share in all business areas. Europe accounted for 39% of the overall organic growth for the year.

Coloplast's Other Established Markets had a good year at 11% organic growth, driven especially by the US. The strong performance in the US was driven by the ongoing upgrade to hydrophilic catheters, which now make up ~50% of total intermittent catheter sales in the US market. Coloplast continues to expand the US ostomy care business, winning a number of hospital/IDN (Integrated Delivery Network) contracts, including with the Cleveland Clinic, one of the leading hospital chains in the country.

The Emerging Market region delivered 14% organic growth for the year, driven by accelerating growth rates in the ostomy care business in China and across a number of small markets, including in the Middle East where sales were driven by macroeconomic events. In addition, a number of markets in the region saw their currencies depreciate against DKK, which had a negative impact on full-year revenue.

The introduction of new reimbursement schemes for intermittent catheters in 2016 and 2017 and increased sales and marketing investments led to higher growth rates for Coloplast in Australia, Japan and South Korea.

The year at a glance

Financial highlights of the year

The full-year financial results outperformed the guidance provided in the 2016/17 Annual Report in terms of organic growth and were in line with the most recent guidance provided in company announcement no. 5 on 8 August 2018. In that announcement, Coloplast upgraded its guidance for organic revenue growth from 7-8% to about 8% at constant exchange rates mainly due to expectations of a moderate effect from the patent expiry of SpeediCath® standard catheters rather than a negative effect of DKK 50m as previously estimated.

- Organic revenue growth was 8%, and reported revenue increased by 6% to DKK 16,449m.
- Chronic Care continued to perform well, driven by new products such as SenSura® Mio Convex and SpeediCath® Flex. SenSura® Mio Concave has now been launched and is eligible for reimbursement in ten countries. The launch continues to go well, and Coloplast's new product segment has been well received in the market. 2018/19 will be another launch year and Coloplast will launge the new SenSura® Mio Baby & Kids portfolio, setting a new standard for paediatric ostomy care products.
- Organic growth rates by business area: Ostomy Care 9%, Continence Care 8%, Interventional Urology 10% and Wound & Skin Care 3%. Price pressure of up to 1% detracted from growth performance, driven in particular by the comprehensive healthcare reform implemented in Greece which has impacted all business areas.
- Growth in the interventional urology business was mainly driven by the sales and marketing investments made in the US.
- As a consequence of the ambition to accelerate organic growth during the period to 2019/2020, incremental investments of up to 2% of revenue were made at the beginning of the financial year into innovation as well as sales and marketing initiaves.
- EBIT amounted to DKK 5,091m, a 1% increase in DKK, corresponding to an EBIT margin of 31%, compared to 32% in 2016/17. However, when measured at constant exchange rates and adjusted for the one-off revenue adjustment relating to Veterans Affairs last year, EBIT was up by 4% for an EBIT margin of 31% against 33% last year. Restructuring costs of about DKK 50m were incurred in the financial year in relation to the reduction of production staff in Denmark.
- Full-year ROIC after tax before special items was 44%.
- A total of DKK 4.7bn has been paid to date in connection to settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products. Management estimates that more than 95% of known lawsuits in the US have now been settled and DKK 0.5bn of the provision remains.
- The Board of Directors recommends that the shareholders attending the general meeting to be held on 5 December 2018 approve a year-end dividend of DKK 11.00 per share. This brings the dividend paid for the year to DKK 16.00 per share, as compared with DKK 15.00 per share last year.

Strategy

LEAD20 strategy

Coloplast's LEAD20 growth strategy builds on Coloplast's core competencies and runs until 2019/20. LEAD20 targets four themes:

1. A unique user-focused market approach
2. Superior products and innovation
3. Unparalleled efficiency
4. Strong leadership development

By taking a ***unique user-focused market approach***, Coloplast consistently challenges industry standards. Through its ostomy care and continence care businesses, Coloplast continues the transformation to become a user-oriented medtech company through direct interaction with users, for example by setting up direct sales in its top five markets, through the Coloplast Care programme and by building stronger relations with healthcare professionals through Coloplast Professional. In the wound care business, Coloplast intends to shape the standard of care in the advanced wound care industry and make wound care more intuitive for both healthcare professionals and users through wound assessment tools. In the Interventional urology business, focus will be on interventional urology and on building an understanding of user needs through partnerships with physicians.

Delivering ***superior products and innovation*** is the cornerstone of Coloplast's core values in each of its business areas. In Ostomy Care, Coloplast's new generation of products reduces the burden of leakage. In Continence Care, Coloplast aims to reduce the burden of bladder management and urinary infection. In the wound care business, Coloplast intends to help users have fewer days with wounds. In the interventional urology business, Coloplast intends to innovate to make a real difference by broadening the product portfolio. Superior products and innovation are essential to Coloplast's mission: Making life easier for people with intimate healthcare needs. Over the past three years, Coloplast has increased innovation investment from 3% to ~4% of revenue and intends to maintain this level of investment going forward.

Unparalleled efficiency is already a part of Coloplast's DNA. Coloplast aims to deliver unparalleled efficiency through ambitious global operations plans, including the 'Global Operations Plan 4'. At the same time, scalable and efficient support functions combined with a global IT landscape (of ERP and CRM systems) and infrastructure will enable subsidiaries to focus efficiently on commercial priorities.

Strong leadership development is the key to supporting growth at Coloplast. To that end, Coloplast runs an extensive programme to recruit and develop the next generation of leaders across geographies and functions. The goal is to recruit most of our future leaders in-house.

Coloplast is prepared to invest up to 2% of revenue in new growth initiatives under the new strategy. The investment focus will target strategic initiatives in innovation and Coloplast's user-focused market approach as well as geographic focus areas, including North America, the UK and selected growth markets.

Long-term financial guidance and dividend policy

Coloplast's long-term financial guidance for the LEAD20 strategy period running until end 2019/20:

- Annual organic growth of 7-9%, and
- EBIT margin of more than 30% at constant exchange rates.

In addition, the Board of Directors intends to distribute excess liquidity to the shareholders through dividends and share buybacks.

Markets

Market position

Coloplast markets and sells its products and services globally. In most markets, the products are eligible for reimbursement from local healthcare authorities. Products are supplied to hospitals, institutions as well as wholesalers and pharmacies. In selected markets, Coloplast is also a direct supplier to users. Coloplast has wholly owned sales subsidiaries in its principal markets and at the end of the financial year employed about 12,000 people.

Market conditions

The value of Coloplast's addressable markets increased by 4-5% in the 2017/18 financial year. Coloplast's markets are generally driven by the factors set out below.

Drivers for Coloplast

1	Demographics	Growing **elderly population** increases customer base for Coloplast products
2	Emerging markets	Expanding healthcare coverage for populations in emerging markets **increases addressable market**

Limiters for Coloplast

1	Surgical and medical trends	**Earlier detection and cure**, eventually reduces addressable market for Coloplast treatment products
2	Healthcare reforms	**Economic restraints** drive reimbursement reforms, **introduction of tenders**, and lower treatment cost

The main drivers of Coloplast's markets remain the growing population of elderly people and increased access to healthcare in Emerging Markets. Coloplast continues to generate attractive growth rates in the Emerging Markets region despite volatile currencies and macroeconomic conditions.

The main limiters affecting sales growth are medical progress in surgery and pharmaceuticals as well as healthcare reforms that lower the price of medical equipment such as ostomy care, continence care and wound care products.

According to Coloplast estimates, pricing and healthcare reforms limit growth by up to 1% per year.

The chronic care business

The ostomy care and continence care businesses are referred to as Chronic Care, because in many cases the products address chronic disorders. On average, people with a stoma use stoma pouches for 10 years and users of intermittent catheter with a chronic condition use catheters for about 30 years. Common to both segments, most product sales are not made through a hospital or clinical setting, but rather directly in the community after users have been discharged from hospital. As these chronic product segments command a high degree of product loyalty, the choice of product and sales through a hospital or a clinical setting is essential for manufacturers of these products. More than 90% of the products in Coloplast's ostomy care and continence care markets are eligible for reimbursement.

Coloplast has over the past several years invested to build stronger ties with end users and to become a consumer healthcare company offering not only the most innovative products, but also supporting services to users through, for example, Coloplast Care services, providing them with the support and knowledge they need about living with incontinence or a stoma. Coloplast maintains a database of currently approx. 1.2 million users and offers direct support to end users in more than 30 countries. The company has also made acquisitions in the distribution channel in order to move closer to end users and ensure access to innovative products.

Markets

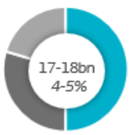
Ostomy Care

A stoma is created in an operation made necessary because of intestinal dysfunction resulting from disease, an accident or a congenital disorder. A part of the intestine is surgically redirected through an opening in the abdominal wall, enabling the patient to empty the colon (colostomy), the small intestine (ileostomy) or the urinary bladder (urostomy). 50-60% of stoma operations are performed because of cancer. Ostomy bags consist either of an adhesive base plate bonded together with a bag (1-piece system) or of two separate parts in which the bag is replaced more often than the base plate (2-piece system).

It is important for users to avoid leakage, so they can lead as normal a life as possible. As a result, the adhesive must ensure a constant and secure seal, and it must be easy to remove without causing damage or irritation to the skin.

The global market for ostomy care products is worth DKK 17-18bn and is influenced by the extent to which reimbursement is available for the products. Market growth is driven by the ageing Western population and the increased access to healthcare services in growth economies.

European markets
Other developed markets
Emerging markets



Addressable market Size in DKK *Growth in %*	17-18bn 4-5%
Coloplast regional market shares	40–50% 15–25% 40–50%
Coloplast total market share	35–40%
Coloplast market position	#1

Source: Coloplast

The annual market growth is estimated at 4–5%, and Coloplast is the global market leader, holding a market share of 35–40%. Its highest market share is in Europe, while the lowest is in the US.

The definition of the market for ostomy products now also includes accessory products for people with a stoma. Coloplast markets accessories such as the Brava® range products, which include the Brava® Protective Seal and Brava® Elastic Tape.

The ostomy accessories market is estimated at about DKK 2-3bn with annual market growth of 6-8%. Since the previous assesment, Coloplast has grown its market share of the accessories market from 25-35% to 30-35%.

Continence Care

This business area addresses two types of control issues: people unable to empty their bladder or bowel, and people suffering from urinary or faecal incontinence.

People unable to empty their bladder can use an intermittent catheter, which is inserted through the urinary tract to empty the bladder. The main group of users of intermittent catheters are people with spinal cord injury that very often is the result of an accident. Other user groups are people with multiple sclerosis and people with congenital spina bifida.

Coloplast's portfolio of intermittent catheters spans the full range from uncoated catheters to discreet, compact, coated catheters ready to use in a saline solution.

Urinary incontinence means that a person has lost the ability to hold urine resulting in uncontrolled or involuntary release, also called stress urinary incontinence. Incontinence affects older people more often than younger people, because the sphincter muscle and the pelvic muscles gradually weaken as people grow older. Coloplast has a wide range of urine bags and urisheaths for storing urine.

People suffering from bowel or sphincter muscle dysfunction can use the Peristeen® anal irrigation system for controlled emptying of the bowels. A typical Peristeen® user has a spinal cord injury and has therefore lost the ability to control bowel movements.

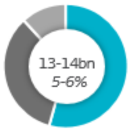
Markets

Coloplast is the global market leader in the continence care market, with a market share of about 40%. The market is growing by 5-6% per year and is worth about DKK 13-14bn.

European markets
Other developed markets
Emerging markets

Addressable market

Size in DKK
Growth in %



Coloplast regional market shares	45–55% 20–30% 30–40%
Coloplast total market share	~40%
Coloplast market position	#1

Source: Coloplast

In the fastest growing segment of the market, catheters, growth is driven by the increasing use of intermittent catheters as an alternative to permanent catheters and by a change in consumption patterns of users and professional care staff towards more advanced catheter solutions.

The urisheath and urine bag segments are growing at a slower rate than catheters. Growth is supported by increased demand resulting from the growing population of older people and an increase in the use of urisheaths and urine bags as an alternative to adult diapers. This is a market with many suppliers, including low-cost providers.

Interventional Urology

Interventional Urology involves diseases and symptoms of the urinary system, pelvic floor prolapse and the male reproductive system, such as urinary incontinence, kidney stones, enlarged prostate and impotence. The business area consists of a broad portfolio of products used in connection with urological and gynaecological surgery procedures and includes implants and disposable articles.

Coloplast manufactures and markets disposable products for use before, during and after surgery, such as prostate catheters and stents, some of them under the Porgès brand. The implant business manufactures vaginal slings used to restore continence and synthetic mesh products used to treat weak pelvic floor. The business also includes penile implants for men experiencing severe impotence that cannot be treated by using drugs.

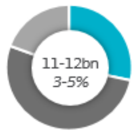
The part of the urology market in which Coloplast operates is worth about DKK 11-12bn and market growth is estimated at 3-5% per year.

The world's fourth-largest manufacturer of interventional urology products, Coloplast holds a market share of about 15% and continues to outgrow the market.

European markets
Other developed markets
Emerging markets

Addressable market

Size in DKK
Growth in %



Coloplast regional market shares	10–20% 5–15% 5–10%
Coloplast total market share	~15%
Coloplast market position	#4

Source: Coloplast

Market growth in Interventional Urology is driven by the ageing population and lifestyle diseases, as well as ongoing innovation leading to more cost-efficient surgical procedures.

As for implants, market growth drivers include a growing awareness of the treatment options available for men with severe impotence and women with urological disorders.

Markets

Wound & Skin Care

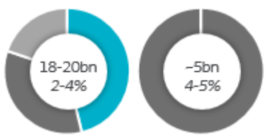
In Wound Care, patients are treated for exudating or chronic wounds such as leg ulcers, which are typically caused by insufficient or impaired circulation in the veins of the leg, pressure ulcers caused by extended bed rest, or diabetic foot ulcers. A good wound dressing should provide optimum conditions for wound healing, be easy for healthcarers to change, and should ensure that patients are not inconvenienced by exudate, liquid or odours. A moist wound environment provides the best conditions for wound healing for optimum exudate absorption.

The Coloplast product portfolio consists of advanced foam dressings sold under the Biatain® brand and hydrocolloid dressings sold under the Comfeel® brand.

Coloplast's skin care products consist of disinfectant liquids or creams used to protect and treat the skin and to clean wounds. For treatment and prevention of skin fold problems such as fungal infections, damaged skin or odour nuisance, Coloplast produces InterDry®, a textile placed in a skin fold to absorb moisture. Coloplast mostly sells skin care products to hospitals and clinics in the US and Canadian markets.

Unlike in the chronic care business, the wound and skin care markets are addressed mainly through acute channels, meaning hospitals and clinics where patients are treated with the products and stop using the products when treatment ends.

European markets
Other developed markets
Emerging markets



	Wound Care	Skin Care
Addressable market Size in DKK *Growth in %*	18-20bn 2-4%	~5bn 4-5%
Coloplast regional market shares	5–15% 0–10% 10–20%	– 7–9% –
Coloplast total market share	7–9%	7–9%
Coloplast market position	#5	

Source: Coloplast

Wound Care

The market is estimated to be worth DKK 18-20bn. There is a large number of direct competitors as well as various alternative options, such as negative pressure wound therapy and simple wound dressings. The market is defined as advanced wound care products other than the negative pressure wound therapy segment.

Coloplast is the world's fifth-largest manufacturer of advanced wound care products, holding a market share of 7-9%.

Growth in the part of the global wound care segment in which Coloplast competes is expected to be 2-4%, driven mainly by volume growth due to the generally increasing life expectancy, the growing diabetics population and a growing number of patients receiving preventive treatment. Increased competition between manufacturers and pricing pressure originating from lower public healthcare budgets in Europe has a negative impact on market growth.

Skin Care

The market for skin care products is estimated at DKK ~5bn, with a market growth of 4-5%.

Coloplast holds a market share of 7-9% in the Wound Care segment, which is mainly a US-based business.

Financial review and guidance

Sales performance

The organic growth rate for the year was 8%. Reported revenue in DKK was up by 6% to DKK 16,449m. Currency developments reduced revenue by 4% as especially the US dollar (USD) and the Argentine peso (ARS) depreciated against DKK. Revenue from acquisitions contributed 1%, resulting from the acquisitions of French distributor Lilial and German distributor IncoCare in Q2 2017/18 and of US distributor Comfort Medical in Q1 2016/17.

Other matters contributed 1%, as the reported revenue growth was based on low comparative numbers due to the DKK 90m one-off revenue adjustment made for sales to the U.S. Department of Veterans Affairs (Veterans Affairs) recognised in 2016/17. The DKK 90m one-off revenue adjustment in 2016/17 arose due to incorrect management of contractual obligations relating to a 2009 contract with Veterans Affairs. The amount related to continence care products and was deducted directly from 2016/17 revenue. The matter did not affect organic growth for the year.

The negative impact of currency developments was further amplified by the move to hyperinflationary accounting principles for ARS-denominated revenue. As the Argentine peso is now considered hyperinflationary, the revenue must be adjusted for inflation and translated using the exchange rate at the balance sheet date. The negative currency impact of the ARS depreciation was DKK 120m, of which DKK 45m was related to the move to hyperinflationary accounting principles.

Sales performance by business area

	DKK million		Growth composition				
	2017/18	2016/17	Organic growth	Acquired operations	Exchange rates	Other matters	Reported growth
Ostomy Care	6,643	6,291	9%	1%	-4%	-	6%
Continence Care	5,926	5,543	8%	2%	-3%	-	7%
Interventional Urology	1,740	1,641	10%	-	-4%	-	6%
Wound & Skin Care	2,140	2,143	3%	0%	-3%	-	0%
Other matters	-	-90	-	-	-	1%	1%
Net revenue	**16,449**	**15,528**	**8%**	**1%**	**-4%**	**1%**	**6%**

Sales performance by region

	DKK million		Growth composition				
	2017/18	2016/17	Organic growth	Acquired operations	Exchange rates	Other matters	Reported growth
European markets	9,941	9,394	5%	2%	-1%	-	6%
Other developed markets	3,791	3,642	11%	1%	-8%	-	4%
Emerging markets	2,717	2,582	14%	-	-9%	-	5%
Other matters	-	-90	-	-	-	1%	1%
Net revenue	**16,449**	**15,528**	**8%**	**1%**	**-4%**	**1%**	**6%**

Ostomy Care

Ostomy Care generated 9% organic sales growth for the 2017/18 financial year, with reported revenue in DKK growing by 6% to DKK 6,643m. Revenue from acquisitions contributed 1% due to acquisitions in the distribution channel.

The SenSura® Mio portfolio and the Brava® range of supporting products were the main drivers of sales growth. The European and US markets were the main drivers of the SenSura® Mio portfolio. At product level, the SenSura® Mio Convex was the main contributor to growth. The SenSura® Mio Concave is now available in ten countries, and feedback has been positive.

The SenSura® and Assura/Alterna® portfolios also produced satisfactory sales in the markets where they are being actively promoted, including in particular China and Brazil. The sales performance of

Financial review and guidance

the Brava® range of supporting products was driven especially by sales in the US and China. The Brava® Elastic Tape and the new Brava® Protective Seal were the main contributors to growth.

From a country perspective, China, the UK and the US all contributed favourably to growth. The sales performance in the US market was supported by low comparative numbers caused by inventory reductions by large distributors in that market last year.

On the other hand, reduced prices at distributor level in Greece resulting from pricing reforms implemented in October 2017 detracted from sales performance.

Continence Care

Continence Care generated 8% organic sales growth for the year, with reported revenue in DKK growing by 7% to DKK 5,926m. Revenue from acquisitions contributed 2% due to acquisitions in the distribution channel. SpeediCath® intermittent catheters and Peristeen® continued to drive growth in the continence care business. Sales of SpeediCath® compact catheters contributed to growth driven especially by good momentum in the French, UK and US markets. The sales increase for SpeediCath® standard catheters was driven especially by the sales performance in the US. The anticipated negative effect of patent expiry for SpeediCath® standard catheters early in the financial year remains limited. SpeediCath® Flex also contributed to driving Continence Care sales growth, especially in the US, UK, French and German markets.

The Peristeen® portfolio continued to show good results, with the performance driven mainly by the US, French, UK and Italian markets. Higher sales in France and generally across the Emerging Markets region produced a positive sales performance for urine bags and urisheaths.

From a country perspective, the US, French and UK markets in particular drove sales performance. Sales growth in the US market was partly due to low comparative numbers as a result of inventory reductions by large distributors in that market last year. In addition, the upgrade to hydrophilic catheters continued to drive growth in the US market.

On the other hand, lower prices in the distribution channel in Greece resulting from a pricing reform implemented in October 2017 detracted from the full-year growth performance.

Interventional Urology

Interventional Urology generated 10% organic sales growth in the 2017/18 financial year, with reported revenue in DKK growing by 6% to DKK 1,740m. Growth was mainly driven by Titan® penile implants in the US market. Sales growth of disposable surgical products and, in particular, of endourological products, was driven by the French and German markets.

From a country perspective, the US market continued to drive growth in Interventional Urology as an effect of the sales and marketing initiatives taken in the US. France, Italy and the Middle East also contributed to growth.

Wound & Skin Care

Wound & Skin Care generated 3% organic sales growth for the year, with reported revenue flat at DKK 2,140m.

The wound care business alone delivered 5% organic growth for the year. At product level, the Biatain® Silicone portfolio continued its satisfactory sales performance, driven by Europe and France in particular. The Biatain Silicone portfolio drove a significant part of the sales increase in Biatain® Silicone Sizes & Shapes products. The positive sales performance of the upgraded Comfeel® Plus portfolio continued, driven in particular by the French, Australian and German markets.

From a country perspective, the sales performance of wound care products in China and France contributed to growth in the wound & skin care business. Reduced prices and inventory reductions in the distribution channel in Greece resulting from the pricing reforms implemented in October 2017 detracted from sales growth in the wound & skin care business. At the same time, growth was also negatively impacted by a high comparison period for the skin care business in the US due to temporary customer contracts.

Financial review and guidance

Gross Profit

Gross profit for the year was up by 5% to DKK 11,066m from DKK 10,571m last year. The gross margin was 67%, against 68% last year. When adjusted for the DKK 90m one-off revenue adjustment relating to Veterans Affairs in 2016/17, the gross margin at constant exchange rates was 68%, compared with 68% last year. The ongoing production efficiency improvements, including the relocation of Biatain® Silicone and SenSura® Mio production to Hungary, had a positive effect on the gross margin. On the other hand, the gross margin was negatively impacted by the product mix, restructuring costs and currency developments, especially due to the USD depreciating against DKK.

Restructuring costs for the year amounted to about DKK 50m, against DKK 20m last year. The cost increase was due to the final implementation of the plans to reduce the number of production staff in Denmark from 700 to 400 by the end of 2017/18 and the initial steps to close the factory at Thisted, Denmark in 2018/19.

Costs

Distribution costs amounted to DKK 4,721m, a DKK 350m increase from DKK 4,371m last year. Distribution costs amounted to 29% of revenue, compared with 28% last year. The higher distribution costs reflect an increase in investments in sales and marketing activities across a number of markets in Chronic Care, Wound Care and Interventional Urology.

Administrative expenses amounted to DKK 653m, against DKK 623m last year. Administrative expenses accounted for 4% of revenue, which was in line with last year.

The R&D costs were DKK 640m, a DKK 66m increase over 2016/17 corresponding to 11%, that was due to a general increase in business activity. R&D costs amounted to 4% of revenue, which was consistent with last year's percentage.

Other operating income and other operating expenses amounted to net income of DKK 39m in 2017/18, against DKK 21m in 2016/17. The increase was mainly due to non-recurring income from a settlement in a matter regarding the use of Interventional Urology patent rights.

Operating profit (EBIT)

The full-year EBIT amounted to DKK 5,091m, a DKK 67m increase from DKK 5,024m last year. When adjusted for the DKK 90m one-off revenue adjustment relating to Veterans Affairs, EBIT was down by DKK 23m, for an EBIT margin of 31%, against 32% last year. However, at constant exchange rates and adjusted for the one-off revenue adjustment relating to Veterans Affairs, EBIT was up by 4%, equal to an EBIT margin of 31% against 33% last year.

Financial items and tax

Financial items were a net expense of DKK 82m, compared to a net expense of DKK 72m last year. The net expense for the year was attributable to net currency adjustments reflecting currency losses on balance sheet items denominated in ARS and BRL that were partly offset by gains on currency hedges, especially of USD against DKK.

The tax rate was 23%, which was in line with last year. The tax expense amounted to DKK 1,164m against DKK 1,153m last year.

Net profit

Net profit for the year was DKK 3,845m, a DKK 48m or 1% increase from DKK 3,797m last year. Diluted earnings per share (EPS) improved by 1% to DKK 18.10. The net profit was down DKK 21m or 1% when adjusted for last year's one-off revenue adjustment relating to Veterans Affairs.

Financial review and guidance

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 4,361m, against DKK 3,251m last year. Most of the increase was due to a reduction in payments relative to 2016/17 in connection with settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products. Payments made in respect of the above-mentioned lawsuits in the US amounted to DKK 0.5bn in the financial year, bringing total payments to date to DKK 4.7bn.

Investments

Coloplast made net investments (CAPEX) of DKK 669m in 2017/18, compared with DKK 685m in 2016/17. As a result, CAPEX accounted for 4% of revenue. Capital investments made included the factory expansion at Nyírbátor, Hungary, and the acquisition of a plot in Costa Rica in for the purpose of establishing new production facilities. Total cash flows from investing activities amounted to DKK 947m, against DKK 1,619m last year. The cash flow reduction was mainly due to the DKK 1,144m acquisition of Comfort Medical in the previous financial year, which was only partly offset by acquisitions of DKK 293m made in Q2 2017/18.

Free cash flow

As a result, the free cash flow was an inflow of DKK 3,414m against DKK 1,632m last year. Most of the increase was due to a reduction in cash flows for acquisitions and a decline in payments relative to 2016/17 in connection with settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products. Adjusted for payments made in connection with these lawsuits and the acquisitions, the free cash flow was an inflow of DKK 4,058m against DKK 4,079m in 2016/17, equal to a 1% decrease, due to the reduced cash flows from buying and selling marketable securities.

Capital resources

At 30 September 2018, Coloplast had net interest-bearing debt, including securities, of DKK 754m, against DKK 826m at 30 September 2017. The net interest-bearing debt was raised to serve as a buffer cash holding in connection with payments made in connection with settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products and for the acquisition of distribution businesses.

Balance sheet and equity

Balance sheet

At DKK 11,769m, total assets decreased by DKK 281m relative to 30 September 2017.

Intangible assets amounted to DKK 2,518m, which was DKK 223m more than at 30 September 2017. The increase was mainly attributable to the distribution companies acquired in 2017/18. Property, plant and equipment increased by DKK 97m relative to 30 September 2017 to stand at DKK 3,169m.

Other non-current assets amounted to DKK 492m, a DKK 3m increase. As a result, non-current assets increased by a total of DKK 323m to DKK 6,179m.

Working capital was 23% of revenue, against 25% at 30 September 2017. Inventories increased by DKK 33m to DKK 1,725m, while trade receivables were DKK 13m lower at DKK 2,877m. Trade payables increased by DKK 76m relative to 30 September 2017 to stand at DKK 751m.

Amounts held in escrow in connection with the lawsuits in the US alleging injury resulting from use of transvaginal surgical mesh products decreased by a net amount of DKK 519m from the start of the financial year to stand at DKK 12m at 30 September 2018, as amounts held in escrow were released on receipt of confirmation from claimants waiving further claims in accordance with the agreed settlements. It is estimates that more than 95% of known lawsuits in the US have now been settled.

Security holdings amounted to DKK 310m, DKK 5m less than at the beginning of the financial year, while cash and cash equivalents were reduced by DKK 17m to stand at DKK 297m. Current assets decreased by a total of DKK 604m relative to 30 September 2017 to stand at DKK 5,590m.

Equity

Equity increased by DKK 466m relative to 30 September 2017 to DKK 6,418m. Comprehensive income for the year of DKK 3,714m, share-based remuneration of DKK 35m and tax on equity entries

Financial review and guidance

of DKK 51m were only partly offset by dividend payouts totalling DKK 3,288m and the net effect of treasury shares bought and sold of DKK 46m.

Share buy-backs
In 2017/18, Coloplast launched a DKK 1bn share buy-back programme running until the end of the 2018/19 financial year. The first part of the share buy-back programme of DKK 500m was completed in May 2018.

Treasury shares
At 30 September 2018, Coloplast's holding of treasury shares consisted of 3,633,430 B shares, which was 176,836 fewer than at 30 September 2017. The decrease was due to the exercise of options for 1,116,140 shares, which was partly offset by total of 939,304 shares bought back.

Other matters

Factory expansion in Hungary
The most recent expansion of the existing factory at Nyírbátor, Hungary became operational in 2017/18. The new 26,000 sq.m. facility represents an investment of about DKK 175m.

Global Operations Plan IV (GOP4)
The closure of the factory at Thisted, Denmark, is progressing faster than anticipated. As a result, the GOP4 restructuring costs of about DKK 50m will now be recognised in the 2017/18 and 2018/19 financial years instead of as previously planned in 2018/19 and 2019/20. The plan remains for GOP4 to deliver EBIT margin improvements of about 150bp and to take full effect from the start of the 2020/21 financial year. An EBIT margin improvement of 100bp is expected already from the end of the 2019/20 financial year.

Acquisition of plot in Costa Rica
To secure the future production capacity and ability to supply products, Coloplast has acquired a plot in Costa Rica for the purpose of establishing a new high-volume production facility by the end of 2020.

Acquisition of Lilial
Coloplast acquired Lilial in early January 2018 at a price of EUR 35.0m corresponding to DKK 260m on a cash and debt-free basis. Lilial is a French direct-to-consumer distributor of medical equipment to end users with nationwide distribution of catheter and ostomy supplies founded in 2003. The acquisition provides one more piece in Coloplast's overall ambition of bringing innovative products and services to the market and giving our users access to innovative products. In addition, this acquisition will strengthen Coloplast's position and its product and service offering in France and will open for additional access to payers.

Launch of SenSura® Mio Baby & Kids
The new SenSura® Mio Baby & Kids portfolio is due to be launched in all core markets over the next 12 months. This new portfolio will set a new standard for paediatric ostomy care products, while further strengthening the SenSura® Mio product portfolio.

EU General Data Protection Regulation (GDPR)
The purpose of GDPR, which took effect on 25 May 2018, is to define standard requirements for data security across the European Union. Coloplast has adopted these new requirements, not least because the company has been certified to ISO 27001 (Information security management).

EU Medical Device Regulation (MDR)
Coloplast is investing in being prepared for the new EU Medical Device Regulation introduced last year and taking effect on 26 May 2020.

Per Magid resigned from the Board of Directors
After serving for 33 years, Per Magid announced his retirement from the Coloplast Board of Directors on 8 August 2018 in agreement with the chairmanship. Per Magid's resignation coincided with an upcoming election of employee representatives, ensuring a balanced board membership consisting of six shareholder-elected and three employee-elected members. In the period until the board meeting scheduled for 5 December 2018, Per Magid will serve as an adviser to the Chairmanship and will attend board meetings in that capacity.

Financial review and guidance

Financial guidance for 2018/19

- We expect organic revenue growth of ~8% at constant exchange rates. Reported growth in DKK is forecast at 8-9%.
- We expect an EBIT margin of 30-31% at constant exchange rates and a reported EBIT margin of ~31% in DKK. The EBIT margin guidance reflects additional incremental investments of up to 2% of revenue for innovation and sales and marketing purposes.
- Capital expenditure is expected to be DKK ~750m.
- The effective tax rate is expected to be about 23%.

The financial guidance takes account of known reforms. Our expectations for long-term price pressures, of up to 1.0% in annual price pressure, are unchanged.

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

The EBIT margin guidance assumes that Coloplast, in addition to achieving its growth target, will continue to deliver scale economy and efficiency improvements.

The capital investments will boost production capacity for new and existing products and will provide for the construction of a new factory facility in Costa Rica, which is expected to be operational during the 2019/20 financial year.

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

Financial review and guidance

Exchange rate exposure

Our financial guidance for the 2018/19 financial year has been prepared on the basis of the following assumptions for the company's principal currencies:

DKK	GBP	USD	HUF
Average exchange rate 2016/17	853	674	2.41
Average exchange rate 2017/18	842	627	2.36
Change in average exchange rates for 2017/18 compared with the same period last year	-1%	-7%	-2%
Spot rate, 30 October 2018	839	657	2.30
Change in spot rates compared with average exchange rate 2017/18	0%	5%	-3%

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 2017/18)	Revenue	EBIT
USD	-330	-140
GBP	-250	-160
HUF	0	110

Forward-looking statements

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

Shareholder information

Announcements 2017/18

2017

7/2017	Announcement of full-year financial results 2016/17
8/2017	Annual report 2016/17
9/2017	Notice of Annual General Meeting 2017
10/2017	Annual General Meeting of Coloplast A/S
11/2017	Articles of Association of Coloplast A/S
12/2017	The Board of Directors of Coloplast A/S elected its own Chairman and Deputy Chairman
13/2017	Coloplast A/S acquires SAS Lilial

2018

1/2018	Coloplast completes acquisition of SAS Lilial
2/2018	Interim financial report, Q1 2017/18
3/2018	Coloplast initiates DKK 1bn share buy-back programme
4/2018	Interim financial report, H1 2017/18
5/2018	Interim financial report, 9M 2017/18
6/2018	Financial calendar 2018/19
7/2018	Coloplast Capital Markets Day 2018

Financial calendar 2018/19

2018

1.10.	Closing period until 1 November
23.10.	Notice of submission of agenda points for the Annual General Meeting
1.11.	Financial Statements for the full year 2017/18 and Annual Report 2017/18
5.12.	Annual General Meeting
10.12.	Dividends for 2017/18 at the disposal of shareholders

2019

2.01.	Closing period until 5 February
5.02.	Interim Financial Statements for Q1 2018/19
1.04.	Closing period until 2 May
2.05.	Interim Financial Statements for H1 2018/19
8.07.	Closing period until 14 August
14.08.	Interim Financial Statements for 9M 2018/19
7.10.	Closing period until 5 November
23.10.	Notice of submission of ageda points for the Annual General Meeting
5.11.	Financial Statements for the full year 2018/19 and Annual Report 2018/19
5.12.	Annual General Meeting
10.12.	Dividends for 2018/19 at the disposal of shareholders

Banks and stockbroking companies following Coloplast

ABG Sundal Collier
Alm. Brand Markets
AlphaValue
Berenberg Bank
Bernstein
BoA Merrill Lynch
Carnegie Bank
CFRA
Commerzbank AG
Credit Suisse AG
Danske Bank Markets
Deutsche Bank
DnB Markets
Exane BNP Paribas
Goldman Sachs International
Handelsbanken Capital Markets
HSBC
J.P. Morgan
Jefferies International Ltd.
Kepler Cheuvreux
Morgan Stanley
Morningstar Inc.
Nordea Markets
Nykredit
SEB
Sydbank
UBS Investment Bank

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Risk management

Risk reporting

The managements of each of Coloplast's individual business units and staff functions are responsible for identifying and managing risk factors in their specific parts of the organisation. The most significant risks are reported quarterly to Risk Management. The reporting process and supporting interviews form the basis of the quarterly risk update submitted to the Executive Management and the Board of Directors.

The Executive Management is responsible for defining Coloplast's overall risk profile, including for setting standards for risk taking and for aligning it with the overall strategies and policies. The Executive Management is also responsible for launching and approving activities to address the most significant risks.

The Board of Directors monitors the overall risk landscape and reviews, on a quarterly basis, the conclusions and recommendations submitted by the Executive Management.

Current risk landscape

In its risk reporting, Coloplast has identified a range of risks believed to have the potential to threaten and adversely impact the Group's business model, strategy, and future performance. Those risks are categorised and described below, along with examples of action taken to mitigate them. Each risk is linked to one or more of the four major themes in Coloplast's strategy.

Pricing and reimbursement

Most of Coloplast products are sold in markets that are subsidised and eligible for reimbursement from local healthcare authorities. As a result, the prices of Coloplast's products are influenced by the economic and political developments in national markets, budgetary constraints of governments, bargaining power of large wholesalers and distributors, and Coloplast's ability to convince buyers of the economic value of its products based on clinical evidence, costs, and patient outcome.

Risk examples

- Reduced reimbursements and increasing price pressure due to healthcare and price reforms.
- Lack of or inadequate clinical evidence to support reimbursement levels.
- Global or local political and economic matters, such as interest rate or currency volatility.

Risk response

- Monitoring economic and political developments, and changes to public sector guidelines and reimbursement schemes.
- Interaction with healthcare authorities, patient associations and industry associations to try to prevent, postpone or minimise impact.
- Financial risk management, including hedging in accordance with Coloplast's financial mandate.

Product quality and safety

As a manufacturer of medical devices, Coloplast is committed to ensuring the quality of its products and the safety of its users, including organising the security of personal data. The products the Group develops and manufactures must comply with medical device directives and legislation imposed by local healthcare authorities, like the US FDA and new EU Medical Device Regulation.

Risk examples

- Defects and omissions and critical product quality and safety issues in product design and manufacturing that could disrupt operations, sales, lead to product recalls, bodily injury and product liability claims.
- Loss of licences to sell or manufacture due to non-compliance with new laws and regulations on medical devices.
- Non-compliance with data protection legislation or personal data leaks and non-compliance with GDPR that could lead to monetary fines and damage Coloplast's reputation.

Risk response

- Ensuring that Coloplast continuously develops and improves its control processes and quality procedures, from the design phase to post-market surveillance.
- Monitoring legislation and market standards to ensure that any amendments or changes are incorporated into internal procedures, including investing to ensure compliance with new EU Medical Device Regulation and GDPR.
- Certification of our Quality Management Systems to acceptable national and international standards and carrying out internal and external audits.

Product innovation and development

It is essential that Coloplast maintains a competitive and innovative product pipeline that meets the needs of the users. To achieve this, Coloplast relies on its ability to interact with end-users and

Risk management

healthcare professionals, to protect intellectual property against infringement from competitors, and to understand surgical and medical trends that may impact or limit sales.

Risk examples
- Medical and technological innovation disrupting Coloplast's core business.
- Lack of innovation increasingly resulting in a commoditisation trend, allowing the entry of low-cost competitors, potentially increasing price pressures, and diminishing clinical differentiation of the products on the market and ultimately resulting in a loss of market share.
- Infringement of intellectual property rights may reduce Coloplast's competitive advantages and negatively impact sales.

Risk response
- Invest in new innovative growth initiatives for the purpose of developing superior and clinically differentiated products, such as Coloplast's Clinical Performance Program.
- Patenting to prevent competitors from copying Coloplast's products or from producing technical equivalent alternatives.
- Monitoring surgical and medical developments that may impact the various business areas.

Legal and compliance-related risks

Coloplast operates in a heavily regulated industry that is subject to various laws and regulations across geographies and business areas. The different legal environments can be unpredictable and politically motivated, and as a market leader, Coloplast could face legal risks at any given time. In addition, there is growing public awareness of business ethics, enforcement of anti-corruption laws and protection of personal data. It is at the heart of Coloplast culture to act with respect and responsibility and to comply with laws and regulations. Despite these efforts, Coloplast recognises that mistakes may happen when people are involved and the Group takes relevant action should a situation arise.

Risk examples
- Violations of anti-corruption laws and non-compliance with Coloplast's own and the industry's codes of conduct could damage Coloplast's reputation, and involve a risk of monetary fines.
- Lawsuits filed by competitors or customers, or investigations by authorities into certain business practices could have a negative reputational and financial impact.

Risk response
- Ensuring that all employees receive training in Coloplast's Code of Conduct, including training in the company's IT policies and that business partners are aware of Coloplast's ethical standards and work with Coloplast to continuously maintain and develop compliance practices.
- An independent and confidential ethics hotline for reporting of unethical situations, violations and misconduct.
- Cooperating with the US FDA on 522 studies to document efficacy of mesh products.

Production and business continuity

Coloplast operates facilities all over the world, the most recent addition being the establishment of a new production facility in Costa Rica. Most production takes place at central facilities and in some cases, Coloplast purchases raw materials and components used in production from sole suppliers for reasons of availability, quality assurance and cost effectiveness.

Risk examples
- A major IT breakdown due to sabotage, criminal acts or negligence, resulting in disruption of sales and shipments to customers.
- Major disruption at a manufacturing facility, due to natural disasters or other emergencies, such as fire, may disrupt Coloplast's ability to manufacture and distribute its products.
- A major disruption of the supply chain due to force majeure situations, strikes or other events beyond Coloplast's control, which could result in, for example, the inability to source critical raw materials or key components and disrupt supply to customers.

Risk response
- Annual test and review of IT contingency plans, and insurance.
- Implemented emergency response and contingency plans, keeping critical processes and workflows physically separated, having all facilities certified to 'highly protected risk' industry standards.
- Identify high-risk suppliers and prepare contingency plans, including maintaining multiple inventories, dual supplier qualification for raw materials and qualification of substitute materials where applicable. Building up extra stock in the UK because of Brexit.

Corporate responsibility

Corporate responsibility at Coloplast

Corporate responsibility is Coloplast's values in action and Coloplast welcomes the broader responsibility that comes with being a market-leader – responsibility to our users, to clinicians, to our employees, to business partners, to society, to the environment and to our shareholders. Since 2002, Coloplast has been committed to the ten business principles of the UN Global Compact on human rights, labour rights, the environment and anti-corruption. In addition, Coloplast works to contribute to relevant UN Sustainable Development Goals (SDGs) by enhancing positive impacts where possible. Coloplast's approach to corporate responsibility is driven by three aspirations.

Coloplast aspiration	Key target	Status	UN Global Compact
Empowering people	- Reduce phthalates use by 44% by 2018 - Approve new Access to Healthcare projects annually	Achieved On track	Human rights
Acting respectfully	- All white collar employees trained in Code of Conduct - Reduce injuries by 33% by 2020 compared to 2016/17-level - Increase share of women in top management year-on-year - All raw material suppliers screened for human and labour rights	On track Not on track On track Achieved	Human rights, Labour rights, Anti-corruption
Minimising the environmental impact	- Continuously reduce energy use per product - All electricity use from renewable sources by 2018/19 - Reduce goods transported by air to 2.3% by 2018 - Increase recycling rate of production waste to 35% by 2020	On track On track Not on track On track	Environment

Empowering people

By contributing to better health outcomes, Coloplast strives to empower people to live the life they want. Whether that is to enjoy their social lives, to progress in their careers or to explore their passions.

Coloplast contributes to better health outcomes and the fundamental right to health by innovating safe products, supporting beyond expectations, fighting for better care and community engagement. These contributions are driven by Coloplast's growth strategy LEAD20 and its focus on challenging the industry through a user-focused market approach as well as delivering superior products and innovation.

Coloplast recognises the concerns regarding the use of phthalates and applies a precautionary approach that limits the use of phthalates in its products. This is an area where Coloplast leads by example, currently offering phthalate-free alternatives for 97% of its product assortment. Over the past four years, Coloplast has successfully reduced the use of phthalates by 50%. This achievement is the result of a major substitution project involving Coloplast's portfolio of urine bags, and three in four urine bags Coloplast sells today are phthalate-free. Through its global corporate partnership programme, Access to Healthcare, Coloplast is committed to improving conditions for people with intimate healthcare needs. The programme contributes to raise the standard of care and develop addressable markets. Established in 2007, the programme has an annual budget of DKK 5m and has to date supported 52 projects in eleven countries. For more information on individual projects, please go to Coloplast.com.

Acting respectfully

Acting respectfully towards people and local customs is fundamental to Coloplast. In line with Coloplast values, Coloplast supports Human and Labour Rights and works against corruption in all its forms. To ensure Coloplast is acting respectfully, Coloplast works to ensure compliance with our Code of Conduct, reduce occupational injuries, as well as create an inclusive leadership culture.

This past year, Coloplast reviewed its Code of Conduct, the so-called Coloplast BEST - Business Ethical Standards. It is mandatory for all white collar employees at Coloplast to train in Coloplast BEST.

Corporate responsibility

Coloplast BEST was originally introduced through training followed up by an online test and certification. A total of 99% of relevant employees have completed the training.

Strong leadership development is essential in the support of Coloplast's LEAD20 strategy for growth. Coloplast is committed to build an inclusive leadership culture that leverages diversity at all levels. Coloplast recognises that all diversity factors are important. However, Coloplast cannot solve them all at once, so a balanced representation of gender in our leadership is the first step. Coloplast's quantitative target is to increase the share of women in senior management positions year-on-year. This year, the share of women in senior management positions increased to 20%.

Providing a safe and healthy work environment for employees is a core value for Coloplast. In general, operations work in Coloplast is relatively low-risk compared to other industries, and Coloplast has never had a fatal workplace injury. Coloplast aims to reduce the number of workplace injuries by 33% relative to the 2016/17 level by 2020. The most injuries are behaviour-based. To support the reduction target, Coloplast has strengthened its safety culture across all production sites.

Coloplast is aware that human rights and labour rights may be subject to different standards when it comes to suppliers. To address this issue, Coloplast takes a systematic approach to approving suppliers of raw materials in terms of human rights and labour rights. Coloplast has screened all relevant suppliers. If an issue is identified, Coloplast will seek to have conditions improved through dialogue with the supplier. However, when necessary, Coloplast has terminated cooperation. To date, the company has successfully helped more than 25 suppliers improve their conditions.

Minimising the environmental impact

Coloplast projects 7-9% organic revenue growth annually. This means increased production output and, consequently, increased impact on the environment. In order to minimise its environmental footprint, Coloplast works to achieve a more sustainable material consumption and to reduce energy consumption and climate impacts.

Coloplast takes a structured approach to ensuring sustainable materials consumption by optimising waste and its recycling capacity in existing production processes. Reporting a recycling rate of 33% for the current financial year, Coloplast is on track in achieving the 2020 target of 35%.

Coloplast will significantly reduce greenhouse gas emissions over the coming years by way of basing electricity consumption on renewable energy certificates. Electric power accounts for more than 60% of total energy consumption in production. The ambition is to cover all electricity consumed at production sites and at Coloplast's head office from renewable sources in 2018/19. By the end of the current financial year, 50% of all power consumed was sourced from renewable sources.

Coloplast has defined a target for reducing the volume of products transported by air to a maximum of 2.3% by 2018. This target was not achieved due to extraordinary events in the supply chain and to an increase in business growth. Many users of Coloplast products rely on receiving stable and adequate supplies of the products they need. If extraordinary events occur in the supply chain, Coloplast will give priority to user needs for products and if necessary send products by air to ensure that they reach users in time. Going forward, Coloplast will work to reduce the volume of goods transported by air to 3%.

Where to find more information

For more information on Coloplast's statutory statement on corporate social responsibility issued in compliance with sections 99a and 99b of the Danish Financial Statements Act and the full wording of the data sets, see the Corporate Responsibility Report for 2017/18, which is available at:

http://www.coloplast.com/About-Coloplast/Responsibility/Policies/

Corporate governance

Corporate governance at Coloplast

At least once a year, Coloplast's Board of Directors and Executive Management review the principles of corporate governance originating from legislation, custom and recommendations, among other things.

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

The Board of Directors determines the Group's objectives, strategies and overall action plans. On behalf of the shareholders, the Board of Directors supervises the company's organisation, day-to-day management and results. The Board of Directors also sets guidelines for the Executive Management's execution of the day-to-day management of the company and for assigning tasks among the individual executives. No one person is a member of both the Coloplast Board of Directors and the Executive Management and no Board member is a former member of the Coloplast Executive Management.

Recommendations on corporate governance in Denmark

The recommendations of the committee on corporate governance were revised in May 2013 and updated in November 2014, and Nasdaq Copenhagen adopted recommendations to take effect for financial years beginning on or after 1 January 2018. The Board of Directors reviews the rules in force on a regular basis. The Board of Directors and the Executive Management share the committee's views and generally follow the new recommendations. See the corporate website for a presentation of which recommendations Coloplast does not follow and the reasons why.

Objective of the reporting

Coloplast will account for views and activities relating to corporate governance in the Annual Report, at investor meetings and on the corporate website. The purpose is:

- To ensure that investors receive information.
- To increase investor and employee insight into the company's strategy, objectives and risks.
- To create stakeholder confidence in the company.

Coloplast's "Statutory report on corporate governance", cf. section 107b of the Danish Financial Statements Act, is available in its entirely from the corporate website:
http://www.coloplast.com/corporate-governance/

Internal controls and risk management systems in relation to the financial reporting process

A central unit of the Corporate Finance department conducts regular control inspections at Coloplast subsidiaries to ensure that corporate standards for internal controls have been implemented and operate effectively. Conclusions from these inspections and any proposals for improvement are reported to the Executive Management, the audit committee and the independent auditors.

The members of Coloplast's audit committee are the chairman of the Board of Directors (committee chairman), the deputy chairman and Board member Jørgen Tang-Jensen.

The duties of the audit committee are to monitor the following:

- The financial reporting process.
- The company's internal control systems and risk management systems, including insurance matters.
- The Group's IT security and the auditors' annual review of the company's IT security in respect of the financial reporting.
- The statutory audit of the financial statements.
- The independence of the auditors, including in particular the provision of non-audit services to the Group.
- Activities reported on the Coloplast Ethics Hotline.

The committee held four meetings during the 2017/18 financial year, all with full attendance.

For the statutory report on corporate governance in compliance with section 107b of the Danish Financial Statements Act, see Internal controls and risk management systems in relation to the financial reporting process at
http://www.coloplast.com/corporate-governance/

Corporate governance

Openness and transparency

Investor relations

Coloplast has established a policy for communicating information to shareholders and investors, under which the Executive Management and the Investor Relations team are in charge of communications pursuant to guidelines agreed with the Board of Directors. The communication of information complies with the rules laid down by Nasdaq Copenhagen, comprising:

- Full-year and interim financial statements and the annual report.
- Replies to inquiries from equity analysts, investors and shareholders.
- Site visits by investors and equity analysts.
- Presentations to Danish and foreign investors.
- Capital markets days for analysts and investors.
- Conference calls in connection with the release of financial statements.
- Dedicated investor relations section on the Coloplast corporate website.

Duties and responsibilities of the Board of Directors

Rules of procedure

A set of rules of procedure governs the work of Coloplast's Board of Directors. These procedures are reviewed annually by the Board of Directors and updated as necessary. The procedures set out guidelines for the activities of the Board of Directors including the supervision of the company's organisation, day-to-day management and results.

Six board meetings were held in the 2017/18 financial year. Attendance by shareholder-elected board members at the meetings was 95%.

Composition of the Board of Directors

Board committees

The Board of Directors has set up an audit committee consisting of the chairman and deputy chairman of the Board and an ordinary Board member.

Assessment of the work performed by the Board of Directors

At least every other year, the Board of Directors assesses its working procedures and method of approach. Based on this assessment, the organisation and efficiency of the Board of Directors' work are discussed at a Board meeting where any proposals for improvement are considered. The assessment has not given rise to any comments.

Remuneration to the Board of Directors and the Executive Management

Section 139 of the Danish Companies Act provides that shareholders adopt, at a general meeting, general guidelines for incentive pay to members of a company's board of directors and its executive management before a specific agreement to this effect can be made. Coloplast amended its guidelines for incentive pay at the annual general meeting held on 5 December 2016.

The guidelines for remuneration of the Board of Directors and the Executive Management is available on the Coloplast website at this address:
https://www.coloplast.com/management-remuneration/

Severance schemes

As at 30 September 2018, a provision of DKK 2.7m had been made for a now discontinued post-service remuneration scheme for retired Board members. The scheme comprises one person. If members of Executive Management are given notice of termination by the company, the company will have an obligation of two years' pay.

Other executive functions

Board of Directors

Chairman
Michael Pram Rasmussen (63)
13 years on the Board, not considered an independent Board member.

Henning Larsen Architects A/S (C)
Semler Holding (C) and C of one of its wholly owned subsidiaries
Arp-Hansen Hotel Group A/S (BM)
Falsled Kro Holding A/S (C) and C of one of its wholly owned subsidiaries
Sisseck Familieinvest A/S (C)
Louisiana Museum of Modern Art (BM)
Louisiana - Fonden (BM)
Museumsfonden af 7. december 1966 (BM)

Birgitte Nielsen (55)
3 years on the Board, considered an independent Board member.

Arkil Holding A/S (DC)
The Danish Rheumatism Association (BM)
Matas A/S (BM)
De Forenede Ejendomsselskaber A/S (BM) and BM of eight companies under the same group of owners
Kirk Kapital A/S (BM)

Thomas Barfod (48)
12 years on the Board, not considered an independent Board member.

Senior Controller
Elected by the employees

Deputy Chairman
Niels Peter Louis-Hansen (71)
50 years on the Board, not considered an independent Board member.

Aage og Johanne Louis-Hansen Fond (C) and Director of its wholly owned subsidiary
N. P. Louis-Hansen ApS, Director and Director of its wholly owned subsidiary
Civiløkonom Niels Peter Louis-Hansen, Agriculture and forestry

Jette Nygaard-Andersen (50)
3 years on the Board, considered an independent Board member.

MTG International Entertainment and MTGx Digital Video Content, CEO
Nova Broadcasting Group (BM)
Turtle Entertainment GmbH (BM)
Engage Sports Media Limited (BM)
Zoomin B.V. (C)

Martin Giørtz Müller (55)
4 years on the Board, not considered an independent Board member.

Senior Project Manager
Elected by the employees

Carsten Hellmann (54)
1 years on the Board, considered an independent Board member.

ALK-Abelló A/S, CEO

Jørgen Tang-Jensen (62)
11 years on the Board, considered an independent Board member.

Danish Green Investment Fund (C)
Geberit AG (BM)
Rockwool International A/S (BM)
VKR Holding A/S (BM) and BM of one of its wholly owned subsidiaries.
Maj Invest Holding A/S (BM) and BM of two of its wholly owned subsidiaries.

Torben Rasmussen (58)
8 years on the Board, not considered an independent Board member.

Electrician
Elected by the employees

Executive Management

Chief Executive Officer
Lars Rasmussen (59)
H. Lundbeck A/S (C)
William Demant Holding A/S (BM)
ADO Holding af 26.02.2004 ApS, Director and Director of one of its wholly owned subsidiaries
Germination af 2008 ApS, Director

Executive Vice President
Anders Lonning-Skovgaard (46)

Executive Vice President
Allan Rasmussen (51)

Executive Vice President
Kristian Villumsen (48)
Chr. Hansen Holding A/S (BM)

Listed on this page are the board memberships of the members of the Board of Directors and the Executive Management of Coloplast A/S as reported by them on 1 November 2018.
CVs and other information about the individual board members and executives are available from the About Coloplast section on the Coloplast website.

(C) Chairman - (DC) Deputy Chairman - (BM) Board Member

Other matters

Intellectual capital

Coloplast develops its products and services in close interaction between employees, users, healthcare professionals and opinion-makers. Coloplast believes that retaining employees, developing their skills and empowering them to engage in this interaction is a prerequisite for safeguarding its position as a market leader.

At Coloplast, innovation is a team effort between marketing, R&D, production and sales. Marketing prepares market research and manages relationships with users so as to build an understanding of their needs. This is then used to chart the course for innovation within the individual business areas. Next, Coloplast develops products and services consistent with that course. Concurrently with the development process, clinical tests are run and legal issues are clarified at an early stage, including prices and the potential for reimbursement.

Based on the ambition to deliver innovative solutions of enhanced clinical relevance, Coloplast consistently adapts its efforts to ensure eligibility for reimbursement. In its capacity as a market leader, Coloplast is in regular dialogue with national reimbursement authorities for the purpose of ensuring reimbursement eligibility for new products in established markets and to establish general reimbursement for entire product categories in new markets. Over the past few years, Coloplast has increased the number of employees involved with market access and reimbursement by 50% of which 80% are based outside Denmark.

Human resources

At 30 September 2018, Coloplast had 11,738 employees, of whom 10,359 worked in international locations. During the financial year, the number of employees increased by 8%.

Share classes and authorisations

Coloplast has two share classes: A and B. Both share classes have a denomination of DKK 1 per share. The 18 million class A shares entitle the holders to ten votes per A share and the 198 million class B shares entitle the holders to one vote per B share. The class A shares are non-negotiable instruments. The class B shares are negotiable instruments and were listed on the Copenhagen Stock Exchange (Nasdaq Copenhagen) in 1983. Any change of ownership or pledging of class A shares requires the consent of the Board of Directors, whereas class B shares are freely negotiable.

The Board of Directors may increase the company's share capital by a nominal value of up to DKK 15m in one or more issues of class B shares. This authorisation is valid until the annual general meeting to be held in 2022. Moreover, the Board of Directors has been authorised to acquire treasury shares for up to 10% of the company's share capital. The highest and lowest amount to be paid for the shares by the company is the price applicable at the time of purchase +/- 10%. This authorisation is valid until the annual general meeting to be held in 2018.

At general meetings, matters are decided by a simple majority of votes. Resolutions to amend the company's articles of association require that not less than half of the share capital is represented and that the resolution is adopted by not less than two-thirds of the votes cast as well as of the voting share capital represented at the general meeting. The resolution lapses if the abovementioned share capital is not represented, or if a resolution is not adopted by two-thirds of the votes cast. If a resolution is adopted by two-thirds of the votes cast, the Board of Directors must convene a new extraordinary general meeting within two weeks.

If at this meeting the resolution is adopted by not less than two-thirds of the votes cast and of the voting share capital represented, it will be passed irrespective of the amount of the share capital represented at the meeting.

In the event of a change of control in the company resulting from a change of ownership, share options may be exercised immediately. No other important agreements are in place that would be affected in the event of a change of control of the company resulting from a takeover, and no special agreements have been made between the company, its management or employees if their positions are discontinued due to a change of ownership.There are no special provisions governing the election of members to Coloplast's Board of Directors.

Other matters

Ownership and shareholdings

The company had 41,668 shareholders at the end of the financial year, which was 3,427 fewer than last year. Institutional investors based outside Denmark held 33% of Coloplast's shares at 30 September 2018, compared with 35% a year earlier.

Registered shareholders represented 94% of the entire share capital. Pursuant to the company's articles of association, shares must be registered in the name of the holder in order to carry voting rights. Three shareholders have reported to the company, pursuant to section 55 of the Danish Companies Act, that at the date of this annual report they held 5% or more of the share capital or voting rights.

Shareholders with ownership or voting rights of more than 5%

Name	Residence	Ownership %	Voting rights %
Niels Peter Louis-Hansen[1)]	Vedbæk	20.7%	41.1%
Aage og Johanne Louis-Hansen ApS[2)]	Nivå	11.4%	15.2%
Benedicte Find	Humlebæk	3.7%	5.4%

[1)] In addition to this Niels Peter Louis-Hansen's wholly owned company N.P. Louis-Hansen ApS, has an additional 0.5% ownership representing 0.3% of the votes.

[2)] Wholly owned by Aage og Johanne Louis-Hansens Fond.

Coloplast A/S held 3,633,430 treasury shares at 30 September 2018, equivalent to 2% of the share capital.

Coloplast's ownership structure

30 September 2018	A shares 1,000 units	B shares 1,000 units	Ownership %	Voting rights %
Holders of A shares and their families	18,000	82,083	46%	69%
Danish institutional investors		13,860	6%	4%
Foreign institutional investors		71,055	33%	19%
Coloplast A/S[3)]		3,633	2%	
Other shareholders		14,595	7%	4%
Non-registered shareholders[3)]		12,774	6%	
Total	**18,000**	**198,000**	**100%**	**96%**

[3)] No voting rights.

Shareholdings

30 September 2018	A shares 1,000 units	B shares 1,000 units	Number of insiders
Board of Directors	12,285	33,661	9
- of which independent Board members		16	4
Executive Management		298	4
Total	12,285	33,959	13

Statement of comprehensive income

1 October - 30 September

Note		DKK million 2017/18	2016/17
	Income statement:		
3	Revenue	16,449	15,528
4,9,10	Production costs	-5,383	-4,957
	Gross profit	**11,066**	**10,571**
4,9,10	Distribution costs	-4,721	-4,371
4,9,10	Administrative expenses	-653	-623
4,9,10	Research and development costs	-640	-574
	Other operating income	66	46
	Other operating expenses	-27	-25
	Operating profit (EBIT)	**5,091**	**5,024**
	Profit/loss after tax on investments in associates	0	-2
5	Financial income	125	73
5	Financial expenses	-207	-145
	Profit before tax	**5,009**	**4,950**
6	Tax on profit for the year	-1,164	-1,153
	Net profit for the year	**3,845**	**3,797**
	Other comprehensive income:		
	Items that will not be reclassified to income statement:		
16	Remeasurements of defined benefit plans	30	29
	Tax on remeasurements of defined benefit plans	-5	-8
		25	**21**
	Items that may be reclassified to income statement:		
	Value adjustment of currency hedging	-28	70
	Transferred to financial items	-89	-52
	Tax effect of hedging	26	-4
	Currency adjustment of opening balances and other market value adjustments relating to subsidiaries	-62	-74
	Tax effect of currency adjustment, assets in foreign currency	-3	14
		-156	**-46**
	Total other comprehensive income	**-131**	**-25**
	Total comprehensive income	**3,714**	**3,772**
7	Earnings per Share, DKK (EPS)	18.12	17.91
7	Earnings per Share, DKK (EPS), diluted	18.10	17.87

Balance sheet

At 30 September

DKK million

Note		2018	2017
	Non-current assets		
9	Intangible assets	2,518	2,295
10	Property, plant and equipment	3,169	3,072
	Other equity investments	10	10
11	Deferred tax asset	460	464
	Other receivables	22	15
	Total non-current assets	6,179	5,856
	Current assets		
12	Inventories	1,725	1,692
13	Trade receivables	2,877	2,890
	Income tax	13	36
	Other receivables	195	264
	Prepayments	161	152
14	Amounts held in escrow	12	531
	Marketable securities	310	315
22	Cash and cash equivalents	297	314
	Total current assets	5,590	6,194
	Total assets	**11,769**	**12,050**

Balance sheet

At 30 September

DKK million

Note		2018	2017
	Equity		
	Share capital	216	216
	Currency translation reserve	-161	-86
	Reserve for currency hedging	-36	55
	Proposed ordinary dividend for the year	2,336	2,228
	Retained earnings	4,063	3,539
7,8,15	Total equity	6,418	5,952
	Liabilities		
	Non-current liabilities		
16	Provisions for pensions and similar liabilities	192	213
11	Provision for deferred tax	282	253
17	Other provisions	49	68
	Lease liability	91	98
24	Prepayments	29	41
	Total non-current liabilities	643	673
	Current liabilities		
16	Provisions for pensions and similar liabilities	3	3
17	Other provisions	222	319
18	Other credit institutions	1,262	1,358
	Trade payables	751	675
	Income tax	823	626
17	Other payables	1,628	2,433
	Lease liability	8	0
24	Prepayments	11	11
	Total current liabilities	4,708	5,425
	Total liabilities	**5,351**	**6,098**
	Total equity and liabilities	**11,769**	**12,050**

Statement of changes in equity

DKK million	Share capital A shares	Share capital B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2017/18							
Balance at 1.10.	18	198	-86	55	2,228	3,539	5,952
Comprehensive income:							
Net profit for the year					3,395	450	3,845
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements of defined benefit plans						30	30
Tax on remeasurements of defined benefit plans						-5	-5
Other comprehensive income that may be reclassified to income statement:							
Value adjustment of currency hedging				-28			-28
Transferred to financial items				-89			-89
Tax effect of hedging				26			26
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries			-75			13	-62
Tax effect of currency adjustment, assets in foreign currency						-3	-3
Total other comprehensive income	0	0	-75	-91	0	35	-131
Total comprehensive income	0	0	-75	-91	3,395	485	3,714
Transactions with shareholders:							
Transfers					1	-1	0
Aquisition of treasury shares						-500	-500
Sale of treasury shares						454	454
Share-based payment						35	35
Tax on share-based payment, etc.						51	51
Interim dividend paid out in respect of 2017/18					-1,059		-1,059
Dividend paid out in respect of 2016/17					-2,229		-2,229
Total transactions with shareholders:	0	0	0	0	-3,287	39	-3,248
Balance at 30.9.	**18**	**198**	**-161**	**-36**	**2,336**	**4,063**	**6,418**

Statement of changes in equity

DKK million	Share capital A shares	B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2016/17							
Balance at 1.10.	18	198	-78	41	1,905	2,984	5,068
Comprehensive income:							
Net profit for the year					3,183	614	3,797
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements of defined benefit plans						29	29
Tax on remeasurements of defined benefit plans						-8	-8
Other comprehensive income that may be reclassified to income statement:							
Value adjustment of currency hedging				70			70
Transferred to financial items				-52			-52
Tax effect of hedging				-4			-4
Currency adjustment of opening balances and other market value adjustments relating to subsidiaries			-8			-66	-74
Tax effect of currency adjustment, assets in foreign currency						14	14
Total other comprehensive income	0	0	-8	14	0	-31	-25
Total comprehensive income	0	0	-8	14	3,183	583	3,772
Transactions with shareholders:							
Transfers					4	-4	0
Acquisition of treasury shares						-500	-500
Sale of treasury shares						374	374
Share-based payment						34	34
Tax on share-based payment, etc.						68	68
Interim dividend paid out in respect of 2016/17					-955		-955
Dividend paid out in respect of 2015/16					-1,909		-1,909
Total transactions with shareholders:	0	0	0	0	-2,860	-28	-2,888
Balance at 30.9.	**18**	**198**	**-86**	**55**	**2,228**	**3,539**	**5,952**

Cash flow statement

1 October - 30 September

DKK million

Note		2017/18	2016/17
	Operating profit	5,091	5,024
	Depreciation and amortisation	625	611
20	Adjustment for other non-cash operating items	-82	-652
21	Changes in working capital	-422	-1,406
	Ingoing interest payments, etc.	101	73
	Outgoing interest payments, etc.	-78	-4
	Income tax paid	-874	-395
	Cash flows from operating activities	**4,361**	**3,251**
	Investments in intangible assets	-53	-24
	Investments in land and buildings	-90	-126
	Investments in plant and machinery	-99	-75
	Investments in property, plant and equipment under construction	-427	-460
	Property, plant and equipment sold	11	36
31	Acquisition of operations	-293	-1,144
	Net sales/purchase of marketable securities	4	174
	Cash flows from investing activities	**-947**	**-1,619**
	Free cash flow	**3,414**	**1,632**
	Dividend to shareholders	-3,288	-2,864
	Acquisitions of treasury shares	-500	-500
	Sale of treasury shares	454	374
	Financing from shareholders	-3,334	-2,990
	Drawdown on credit facilities	-96	1,136
	Cash flows from financing activities	**-3,430**	**-1,854**
	Net cash flows	**-16**	**-222**
	Cash and cash equivalents at 1.10.	314	546
	Value adjustment of cash and bank balances	-15	-10
31	Cash and cash equivalents, acquired operations	14	0
	Net cash flows	-16	-222
22	**Cash and cash equivalents at 30.9.**	**297**	**314**
22	Cash	297	314
23	Unutilised credit facilities	3,492	2,878
	Financial reserves at 30.9.	**3,789**	**3,192**

The statement of cash flows cannot be derived solely from the published financial information.

List of notes

Notes

Note

1. Key accounting policies

This section provides a summary of significant accounting policies, new IASB requirements and other general accounting policies. A detailed description of the accounting policies applied and the estimates made relative to each individual item is provided in relevant notes, such that all information about a specific accounting item can be found there.

Basis of preparation

The consolidated financial statements for 2017/2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements pursuant to the Danish Financial Statements Act.

General information

The annual report is prepared on the basis of the historical cost principle, modified in that certain financial assets and liabilities are measured at fair value. Subsequent to initial recognition, assets and liabilities are measured as described below in respect of each individual item or in the relevant note.

Accounting policy changes

Effective from the 2017/18 financial year, the Coloplast group has implemented all new, updated or amended international financial reporting standards and interpretations (IFRSs) as issued by the IASB and IFRSs adopted by the EU that are effective for the 2017/18 financial year. The implementation did not affect the financial statements.

New financial reporting standards adopted

New and amended standards are implemented when taking effect.

IFRS 9 “Financial Instruments” will apply from the 2018/19 financial year. The standard contains amendments to the classification and measurement of financial instruments. Having analysed the effects of implementing IFRS 9, Coloplast has assessed that implementation will not have a material effect on the consolidated financial statements.

IFRS 15 “Revenue from contracts with customers” will apply from the 2018/19 financial year. The standard contains a revised model for the recognition of revenue and a number of additional disclosure requirements. Having analysed the effects of implementing IFRS 15, Coloplast has assessed that implementation will not have a material effect on the consolidated financial statements.

IFRS 16 “Leasing” will apply from the 2019/20 financial year. This standard will require the Group to capitalise most of its leases, and its implementation is expected to increase total assets by approximately 3% to 4%. Implementation of IFRS 16 will reclassify lease payments, which will be divided into a depreciation charge and interest expenses. Implementation is expected to have an immaterial, positive effect on EBIT and net profit for the year. Coloplast expects to implement the financial reporting standard using the simplified method without restating comparatives for the year prior to implementation.

Other relevant standards or interpretations adopted by the IASB, but not adopted by the EU, have not been applied in this annual report.

Notes

Note

1. Key accounting policies, continued

Foreign currency

The financial statement items of individual Group entities are measured in the currency used in the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the parent company. Other currencies are considered foreign currencies.

Foreign currency translation

Transactions denominated in foreign currencies are translated into an entity's functional currency at the exchange rate prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Exchange adjustments arising as the difference between exchange rates at the balance sheet date and exchange rates at the transaction date of monetary items are recognised in the income statement as financial income or expenses.

On translation of entities with a functional currency other than DKK, balance sheet items are translated at the exchange rates at the balance sheet date and income statement items are translated at the exchange rates at the transaction date. The resulting exchange adjustments are taken directly to other comprehensive income.

The Argentinian economy has been considered a hyperinflation economy effective from 1 July 2018. Accordingly, the Group's Argentinian subsidiary is recognised in accordance with IAS 29. The subsidiary's financial statements were inflation adjusted at a retail price index increase of 51.4% (course: Bloomberg) prior to recognition in the consolidated financial statements. The income statement and the balance sheet of the inflation-adjusted financial statements are included in the consolidated financial statements at the exchange rate applying at the balance sheet date.

Consolidation, business combinations and associates

The consolidated financial statements comprise the financial statements of Coloplast A/S (the parent company) and enterprises (subsidiaries) controlled by the parent company. The parent company is considered to exercise control when it has power over the relevant activities of the enterprise, is exposed or has rights to a variable return from the investment and has the ability to affect those returns through its power.

The consolidated financial statements are prepared by aggregating the financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the Group's accounting policies. Intra-group transactions, balances, dividends and unrealised gains and losses on transactions between group enterprises are eliminated.

Enterprises, which are not subsidiaries but in which the Group holds at least 20% of the voting rights or otherwise exerts a significant influence, are regarded as associates. The Group's proportionate share of unrealised gains and losses on transactions between the Coloplast Group and associates is eliminated.

Enterprises recently acquired or divested are included in the consolidation in the period in which the Coloplast Group has control of the enterprise. Comparative figures are not adjusted to reflect acquisitions. Divested activities are shown separately as discontinued operations.

Acquisitions are accounted for using the purchase method, according to which the assets and liabilities and contingent liabilities of enterprises acquired are measured at fair value at the date of acquisition.

Notes

Note

1. Key accounting policies, continued

Goodwill on acquisition of subsidiaries or associates is calculated as the difference between the fair value of the consideration and the fair value of the group companies' proportionate share of identifiable assets less liabilities and contingent liabilities at the date of acquisition.

The consideration for an enterprise consists of the fair value of the agreed consideration for the acquired enterprise. If part of the consideration is contingent on future events, such part is recognised at its fair value at the date of acquisition. Costs directly attributable to business combinations are recognised directly in the income statement as administrative expenses when incurred.

In cases where the fair value of acquired identifiable assets, liabilities or contingent liabilities subsequently turns out to differ from the values calculated at the date of acquisition, the calculation, including goodwill is adjusted until up to 12 months after the date of acquisition. Subsequently, goodwill is not adjusted. Changes to estimates of contingent consideration are generally recognised in the income statement.

Goodwill arising in connection with the acquisition of subsidiaries is recognised in the balance sheet under intangible assets in the consolidated financial statements and tested annually for impairment.

Revenue

Revenue comprises income from the sale of goods after deduction of any price reductions, quantity discounts or cash discounts. Sales are recognised in the income statement when the risk related to the goods passes to the customer, and the amounts can be reliably measured and are expected to be received.

Coloplast generates most of its sales through distributors who operate under various conditions and who for that reason require varying sales agreements. Coloplast's distributor agreements contain volume and product-specific rebates, which require data management and monitoring of sales to individual distributors at product level. In addition, the sales agreements contain various right-of-product-return requirements.

Revenue is measured at the fair value of the agreed consideration. All discounts granted are recognised in revenue. An estimate of expected returns is also recognised in revenue.

Marketable securities

Marketable securities are designated at fair value through profit or loss under the fair value option, as the marketable securities are part of a portfolio which is managed and measured on a fair value basis.

Bonds forming part of repo transactions, i.e. the sale of bonds that are bought back at a later date remain classified as financial assets in the balance sheet, while amounts received from repo transactions are recognised as repo debt. Returns on such bonds are recognised under financials.

Cash flow statement

The consolidated cash flow statement, which is presented according to the indirect method, shows the Group's cash flow from operating, investing and financing activities as well as the Group's cash and cash equivalents and short-term debt to credit institutions at the beginning and end of the year. Cash and cash equivalents comprise cash and debt to credit institutions recognised under current assets and current liabilities, respectively. Marketable securities include bonds with maturities of more than three months and are recognised under investing activities.

Notes

Note

2. Significant estimates and judgments

In connection with the practical use of the accounting policies described, it may be necessary for Management to make estimates in respect of the accounting items. The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. In addition, the company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events.

Management has made significant estimates in respect of the following items: Intangible assets, Trade receivables, Deferred tax, Uncertain tax positions and Other provisions. A further description of the principal accounting estimates and judgments is provided in notes 9, 11, 13 and 17.

3. Segment information

Operating segments

The operating segments are defined on the basis of the monthly reporting to the Executive Management, which is considered the senior operational management, and the management structure. Reporting to Management is based on three operating segments: Chronic Care, Interventional Urology and Wound & Skin Care.

The operating segment Chronic Care covers the sale of ostomy care products and continence care products.
The operating segment Interventional Urology covers the sale of urological products, including disposable products.
The operating segment Wound & Skin Care covers the sale of wound and skin care products.

Revenue for the 2016/17 comparative year in the operating segment Chronic Care included a one-off revenue adjustment of sales to the U.S. Department of Veterans Affairs, which had a DKK 90m negative impact on reported revenue from continence care products.

The reporting segments are also Chronic Care, Interventional Urology and Wound & Skin Care. The segmentation reflects the structure of reporting to the Executive Management.

The shared/non-allocated comprises support functions (production units, R&D and staff) and eliminations, as these functions do not generate revenue. Financial items and income tax are not allocated to the operating segments.

Management reviews each operating segment separately, applying their market contributions to earnings and allocating resources on that basis. The market contribution is defined as external revenue less the sum of direct production costs, distribution and marketing costs and administrative expenses. Costs are allocated directly to segments. Certain immaterial indirect costs are allocated systematically to the shared/non-allocated and the reporting segments.

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

Notes

Note

3. Segment information, continued

Coloplast A/S' registered office is situated in Denmark. Revenue from external customers in Denmark amounted to DKK 314m (2016/17: DKK 318m), while revenue from external customers in other countries amounted to DKK 16,135m (2016/17: DKK 15,210m). Total non-current assets except for financial instruments and deferred tax assets (there are no pension assets or rights pursuant to insurance contracts) placed in Denmark amounted to DKK 2,941m (2016/17: DKK 3,144m). Total non-current assets placed in other countries amounted to DKK 2,778m (2016/17: DKK 2,248m), of which non-current assets placed in Hungary amounted to DKK 1,165m (2016/17: DKK 1,032m).

In addition, revenue from three countries each accounted for more than 10% of consolidated revenue. These countries were: the USA with revenue of DKK 2,884m (2016/17: DKK 2,864m), the UK with revenue of DKK 2,408m (2016/17: DKK 2,289m) and France with revenue of DKK 2,177m (2016/17: DKK 1,934m).

Operating segments	Chronic Care		Interventional Urology		Wound & Skin Care		Total	
DKK million	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
Segment revenue								
Ostomy Care	6,643	6,291	0	0	0	0	6,643	6,291
Continence Care	5,926	5,453	0	0	0	0	5,926	5,453
Interventional Urology	0	0	1,740	1,641	0	0	1,740	1,641
Wound & Skin Care	0	0	0	0	2,140	2,143	2,140	2,143
External revenue as per the Statement of comprehensive income	**12,569**	**11,744**	**1,740**	**1,641**	**2,140**	**2,143**	**16,449**	**15,528**
Segment operating profit/loss	7,344	6,991	653	624	775	779	8,772	8,394
Shared/non-allocated							-3,681	-3,370
Operating profit before tax (EBIT) as per the Statement of comprehensive income							**5,091**	**5,024**
Net financials							-82	-72
Tax on profit/loss for the year							-1,164	-1,153
Income from investments in associates							0	-2
Profit/loss for the year as per the Statement of comprehensive income							**3,845**	**3,797**

Notes

Note

4. Staff costs

Accounting policy

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

DKK million	2017/18	2016/17
Salaries, wages and directors' remuneration	4,003	3,641
Pension costs - defined contribution plans (note 16)	280	260
Pension costs - defined benefit plans (note 16)	13	13
Other social security costs	393	381
Total	**4,689**	**4,295**
Production costs	1,167	1,120
Distribution costs	2,808	2,544
Administrative expenses	387	352
Research and development costs	327	279
Total	**4,689**	**4,295**
Average number of employees, FTEs	11,155	10,420
Number of employees at 30.9., FTEs	11,569	10,741
Number of employees at 30.9., FTEs	11,738	10,905

See note 27 for information on the Executive Management's and the Directors' remuneration.

5. Financial income and expenses

Accounting policy

Financial income and expenses include interest, financing costs of finance leases, realised and unrealised foreign exchange adjustments, gains on net monetary items in hyperinflationary economies, fair value adjustment of forward contracts transferred from other comprehensive income, fair value adjustments of cash settled share options, fees, market value adjustments of securities and dividend received on shares recognised under securities.

DKK million	2017/18	2016/17
Financial income		
Interest income	10	20
Fair value adjustments of forward contracts transferred from Other comprehensive income	89	52
Hyperinflationary adjustment of monetary position	24	0
Other financial income	2	1
Total	**125**	**73**

Notes

Note

5. Financial income and expenses, continued

DKK million	2017/18	2016/17
Financial expenses		
Interest expenses	12	12
Fair value adjustments of cash-based share options	1	0
Net exchange adjustments	162	100
Other financial expenses and fees	32	33
Total	**207**	**145**

6. Tax on profit for the year

Accounting policy

Coloplast A/S is jointly taxed with wholly owned Danish subsidiaries. The jointly taxed Danish enterprises are covered by the Danish on-account tax scheme.

Additions, deductions and allowances relating to the on-account tax scheme are included in financial items.
Current tax on the net profit or loss for the year is recognised as an expense in the income statement together with any change in the provision for deferred tax. Tax on changes in equity is taken directly to equity.

DKK million	2017/18	2016/17
Current tax on profit for the year	1,180	984
Change in deferred tax on profit for the year	-48	135
Tax on profit from ordinary activities	1,132	1,119
Adjustment of tax relating to prior years	-7	-4
Change due to change in tax rate	39	38
Total	**1,164**	**1,153**
Reconciliation of tax rate differences:		
Danish tax rate, %	22.0	22.0
Effect of reduction of tax rates, %	0.8	0.8
Deviation in foreign subsidiaries' tax percentage, %	0.3	0.4
Non-taxable income and non-deductible expenses, %	0.3	0.5
Other taxes and other adjustments, net, %	-0.2	-0.4
Effective tax rate, %	**23.2**	**23.3**
Tax on equity and other comprehensive income entries (income)	**69**	**70**

Notes

Note

7. Outstanding shares and earnings per share (EPS)

Accounting policy
Earnings per share reflects the ratio between profit for the year and the year's weighted average of issued, ordinary shares, excluding ordinary shares purchased by the Group and held as treasury shares (note 15). Earnings per share, diluted is calculated as the net profit for the year divided by the average number of outstanding shares adjusted for the dilutive effect of outstanding share options in the money.

DKK million	2017/18	2016/17
Net profit for the year	3,845	3,797
Weighted average no. of shares (in millions of units)	212.2	212.2
Dilutive effect of outstanding options	0.2	0.3
Average number of unrestricted shares including dilutive effect of outstanding options	212.4	212.5
Earnings per share (DKK), (A and B shares)	18.12	17.91
Earnings per share (DKK), (A and B shares), diluted	18.10	17.87

	2017/18		2016/17	
Outstanding shares ('000):	A shares	B shares	A shares	B shares
Outstanding shares at 1.10.	18,000	194,190	18,000	193,739
Sale of treasury shares		1,116		1,379
Acquisition of treasury shares		-939		-928
Outstanding shares at 30.9.	**18,000**	**194,367**	**18,000**	**194,190**

Outstanding shares ('000):	A shares	B shares
Issued shares	18,000	198,000
Holding of treasury shares (note 15)		3,633
Outstanding shares	**18,000**	**194,367**

Both share classes have a face value of DKK 1 per share. Class A shares carry 10 votes each, while class B shares carry 1 vote each. The class A shares are non-negotiable instruments. Any change of ownership or pledging of class A shares requires the consent of the Board of Directors. B shares are negotiable instruments, and no restrictions apply to their negotiability. No special dividend rights attach to either share class.

8. Dividend per share

Accounting policy
Dividend is recognised in the balance sheet as a liability when adopted at the annual general meeting. Proposed but not yet paid dividend for the financial year is recognised in equity until approved by the shareholders at the general meeting.

The Board of Directors recommends that the shareholders attending the general meeting approve an additional dividend of DKK 11.00 per share of DKK 1 (2016/17: DKK 10.50). An interim dividend of DKK 5.00 per share was distributed in the financial year (2016/17: DKK 4.50), bringing total dividend per share for the year to DKK 16.00 per share (2016/17: DKK 15.00), for total dividends of DKK 3,395m (2016/17: DKK 3,183m). The increase in dividend per share thus amounts to 7%, and the pay-out ratio is 88% (2016/17: 84%).

Notes

Note

9. Intangible assets

Accounting policy

Intangible assets with a finite life are measured at cost less accumulated amortisation and impairment losses. Borrowing costs are recognised as part of cost. Amortisation is made on a straight-line basis over the expected useful lives of the assets, which are:

Software	3-5 years
Acquired patents and trademarks etc.	5-15 years

Goodwill and other intangible assets with indefinite lives are tested for impairment annually or whenever there is an indication of impairment, while the carrying amount of intangible assets with finite lives, property, plant and equipment and investments measured at cost or amortised cost are assessed if there is an indication of impairment. If a write-down is required, the carrying amount is written down to the higher of net selling price and value in use. For the purpose of assessing impairment, assets are grouped in the smallest group of assets that generates identifiable cash inflows (cash-generating units). The cash-generating units are defined as the smallest identifiable group of assets that generates cash inflows and which are largely independent of cash flows from other assets or groups of assets.

For other intangible assets, the amortisation period is determined on the basis of Management's best estimate of the expected economic lives of the assets. The expected economic lives are assessed at least annually, and the amortisation period is determined based on the latest assessment. For purposes of calculating amortisation, the residual value of the assets is nil, unless a third party has committed to purchasing the asset after its use or there is an active market for the asset. With the exception of goodwill, all intangible assets have a finite life.

Gains or losses on the disposal of intangible assets are stated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal and are included in the income statement under other operating income or other operating expenses, respectively.

Notes

Note

9. Intangible assets, continued

Significant estimates and judgments

Goodwill and other intangible assets

The measurement of intangible assets, including goodwill, could be materially affected by significant changes in estimates and assumptions underlying the calculation of values. Uncertainty relating to goodwill is most pronounced in Interventional Urology. Goodwill in this business area amounted to DKK 339m at 30 September 2018 (30 September 2017: DKK 334m). The carrying amount of intangible assets was DKK 2,518m as at 30 September 2018 (30 September 2017: DKK 2,295m).

Research and development

All in-house research costs are recognised in the income statement as incurred. Management believes that product development does not allow for a meaningful distinction between the development of new products and the continued development of existing products. As a result of mandatory regulatory approvals of products, completing the development of new products involves a high degree of uncertainty, for which reason the technical feasibility criteria are not considered to have been met. All in-house research and development costs are therefore recognised in the income statement as incurred. In 2017/18, DKK 640m (2016/17: DKK 574m) was expensed as research and development costs.

2017/18 DKK million	Acquired patents and trademarks etc.	Goodwill	Software	Prepayments and intangible assets in progress	Total intangible assets
Total cost at 1.10.	1,657	1,724	369	23	3,773
Exchange adjustment	21	13	0	0	34
Additions from acquisitions	65	247	0	0	312
Additions and improvements during the year	0	0	8	44	52
Transfers	0	0	19	-19	0
Total cost at 30.9.	**1,743**	**1,984**	**396**	**48**	**4,171**
Total amortisation at 1.10.	1,177	0	301	0	1,478
Exchange adjustment	18	0	0	0	18
Amortisation for the year	122	0	35	0	157
Total amortisation at 30.9.	**1,317**	**0**	**336**	**0**	**1,653**
Carrying amount at 30.9.	**426**	**1,984**	**60**	**48**	**2,518**

Notes

Note

9. Intangible assets, continued

Goodwill

Goodwill relates mainly to the acquisitions of Mentor's urology and continence business in 2006, Mpathy in 2010, Comfort Medical in 2016 and Lilial in 2018. Goodwill from the acquired businesses has been allocated on the individual cash-generating units according to earnings at the date of acquisition. The allocation was made to the cash-generating units Chronic Care and Interventional Urology.

Pursuant to IAS 36, a goodwill impairment test is performed when there is an indication of impairment, but at least once a year. In the impairment test, the carrying amount is compared with the recoverable amount (value in use) of each cash-generating unit, calculated as the discounted expected future cash flows.

Future cash flows are determined using forecasts based on realised sales growth, earnings and strategy plans, etc. These forecasts are based on specific assumptions for each cash-generating unit during the planning period with respect to sales, results of operations, working capital, capital investments and assumptions for cost of capital, inflation and the level of interest rates.

Growth rates during the terminal period correspond to the expected long-term rate of inflation.

Key assumptions applied in the impairment tests performed

The most important parameters used to calculate the recoverable amounts are:

	2017/18		2016/17	
	Chronic Care	Interventional Urology	Chronic Care	Interventional Urology
Revenue growth in terminal period	2%	2%	2%	2%
Tax percentage	23%	27%	23%	35%
Carrying amount of trademarks[1], DKK million	34	0	34	0
Carrying amount of goodwill, DKK million	1,645	339	1,390	334

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

Discounting is based on the cash-generating unit's weighted capital costs in the impairment tests performed:

	2017/18		2016/17	
	Before tax	After tax	Before tax	After tax
Interventional Urology	11.8%	9.0%	13.5%	9.2%
Chronic Care	7.4%	6.0%	7.7%	6.2%

Special assumptions applied in impairment tests performed in Interventional Urology

The interventional urology business consists of the production and sale of products used in surgical procedures in urology and gynaecology, including prostate catheters, stents, vaginal slings used to restore continence, mesh products used to treat weak pelvic floor and penile implants for men experiencing severe impotence.

The impairment test performed for Interventional Urology was based on forecasts for the 2018/19 financial year. Assumptions for the long-term strategy of the urology business were applied for the financial years 2019/20 to 2021/22.

Notes

Note

9. Intangible assets, continued

Revenue growth rates of 5-10% were assumed for the budget period, which rates are supported by the Interventional Urology organic growth rates of the most recent financial years. However, the gross margin is expected to drop slightly until the terminal period due to anticipated price pressures and healthcare reforms. It was also assumed that the Group's focus on cost management and regular efficiency improvements would ensure its overhead costs would rise by less than revenue, which would produce an annual margin improvement.

The tax rate applied in the impairment test for Interventional Urology was higher than the rate applied for the Group, because sales and production mostly take place in the United States, which imposes a corporate tax rate higher than the Group average. However, the tax rate applied was changed to 27% from 35% last year due to the reduction of the US corporate tax rate taking effect from 1 January 2018.

Working capital invested has been projected using the same growth rate as that for revenue.

Special assumptions applied in impairment tests performed in Chronic Care

Chronic Care consists of the Ostomy Care and the Continence Care businesses. The Ostomy Care business involves the production and sale of ostomy pouches and accessories. The Continence Care business involves the production and sales of disposable catheters and various types of products designed for people suffering from urinary or faecal incontinence.

The impairment test performed for Chronic Care was based on forecasts for the 2018/19 financial year. Assumptions for Coloplast's long-term strategy were applied for the financial years 2019/20 to 2021/22.

Revenue growth rates of 6-8% were assumed for the budget period, which rates are supported by the Chronic Care organic growth rates of the most recent financial years. However, the gross margin is expected to drop slightly until the terminal period due to anticipated price pressures and healthcare reforms.

It was also assumed that the Group's focus on cost management and regular efficiency improvements would ensure its overhead costs would rise by less than revenue, which would produce an annual margin improvement.

The Group's general tax rate was applied in the impairment test for Chronic Care, because these products are sold in all of the Group's markets.

Working capital invested has been projected using the same growth rate as that for revenue.

Acquired patents and trademarks etc.

Most acquired patents and trademarks are associated with the acquisition of Mentor's urology business in 2006 and the Mpathy acquisition in 2010, as specified in the table below. In connection with the acquisitions, intangible assets were identified, and their cost was allocated to net assets at fair value at the date of acquisition, calculated on the basis of factors such as expected sales and revenue trends. Each component is amortised over its estimated useful life using the straight line method.

Notes

Note

9. Intangible assets, continued

DKK million	Remaining amortisation period	Carrying amount 2018	2017
Patented technologies and unprotected technologies	0-8 years	114	158
Trademarks	3-8 years	92	117
Customer lists/loyalty	3-7 years	51	62
Total		**257**	**337**

Patented technologies and unprotected technologies

On acquiring Mentor's urology business, Coloplast acquired a large number of patented technologies (more than 300) and unprotected technologies. On acquiring Mpathy, Coloplast acquired about 50 patented technologies. Unprotected technologies include (Mentor only):

1. inventions not patentable/protectable
2. trade secrets
3. know-how
4. confidential information
5. copyrights on computer software, databases or instruction manuals and the like

Most relates to know-how regarding various materials and processes used in production. A division of the individual components into small intangible assets is not considered material or relevant.

Trademarks

In addition to patents, Coloplast acquired a large number (more than 150) of registered and unregistered trademarks, including pending applications for trademark registration, but Coloplast did not acquire the Mentor trademark. Individual acquired trademarks, each representing a limited value, are not material for Coloplast's sales, as is also the case for patented and unprotected technologies.
On acquiring Mpathy, Coloplast acquired a small number (less than 20) of trademarks.

Customer lists/loyalty

Coloplast also acquired a substantial number of customer relationships when aquiring both Mentor and Mpathy. As long-term customer contracts are rarely made in the field of urology, customer lists are valued as a whole at the date of acquisition.

DKK million	2017/18	2016/17
Amortisation breaks down as follows:		
Production costs	86	108
Distribution costs	57	40
Administrative expenses	12	12
Research and development costs	2	2
Total	**157**	**162**

Notes

Note

9. Intangible assets, continued

2016/17 DKK million	Acquired patents and trademarks etc.	Goodwill	Software	Prepayments and intangible assets in progress	Total intangible assets
Total cost at 1.10.	1,563	844	338	20	2,765
Exchange adjustment	-83	-39	-1	0	-123
Additions from acquisitions	177	919	11	0	1,107
Additions and improvements during the year	0	0	11	13	24
Transfers	0	0	10	-10	0
Total cost at 30.9.	**1,657**	**1,724**	**369**	**23**	**3,773**
Total amortisation at 1.10.	1,095	0	273	0	1,368
Exchange adjustment	-51	0	-1	0	-52
Amortisation for the year	133	0	29	0	162
Total amortisation at 30.9.	**1,177**	**0**	**301**	**0**	**1,478**
Carrying amount at 30.9.	**480**	**1,724**	**68**	**23**	**2,295**

10. Property, plant and equipment

Accounting policy

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises the cost of acquisition and expenses directly attributable to the acquisition until the asset is ready for use. In case of assets manufactured by the company, cost comprises materials, components, sub-supplier services, direct labour and costs directly attributable to the manufactured asset. In addition, borrowing costs are recognised as part of cost.

Leases, under which substantially all risks and rewards of ownership of an asset are transferred, are classified as finance leases. Other leases are classified as operating leases. Assets held under a finance lease are measured in the balance sheet at the lower of fair value and the present value of future minimum lease payments at the date of acquisition. The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised as an expense in the income statement as incurred. Assets held under finance leases are depreciated according to the same principles as the Group's other property, plant and equipment.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are:

Land	no depreciation
Buildings	15-25 years
Building installations	5-10 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-7 years

Notes

Note

10. Property, plant and equipment, continued

At the balance sheet date, the residual values, remaining useful lives and depreciation pattern of the assets are assessed. Any changes are treated as changes to accounting estimates. Gains and losses on the sale or scrapping of an item of property, plant and equipment are recognised in the income statement as other operating income and other operating expenses, respectively.

2017/18 DKK million	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total property, plant and equipment
Total cost at 1.10.	2,364	4,195	935	382	7,876
Exchange and other adjustments	-33	-31	-4	-6	-74
Additions from acquisitions	0	2	4	0	6
Transfers	186	255	77	-518	0
Additions and improvements during the year	90	55	44	427	616
Disposals during the year	-17	-29	-3	-15	-64
Total cost at 30.9.	**2,590**	**4,447**	**1,053**	**270**	**8,360**
Total depreciations at 1.10.	1,250	2,950	604	0	4,804
Exchange and other adjustments	-12	-13	-3	0	-28
Depreciations for the year	101	254	112	0	467
Depreciation reversed on disposals during the year	-16	-36	0	0	-52
Total depreciations at 30.9.	**1,323**	**3,155**	**713**	**0**	**5,191**
Carrying amount at 30.9.	**1,267**	**1,292**	**340**	**270**	**3,169**
Of which finance leased assets	92	0	0	0	92
Gross amounts of property, plant and equipment fully depreciated	607	1,388	399	0	2,394

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery for DKK 66m (2016/17: DKK 47m).

DKKm	2017/18	2016/17
Depreciations breaks down as follows:		
Production costs	376	351
Distribution costs	25	26
Administrative expenses	36	38
Research and development costs	30	34
Total	**467**	**449**

Notes

Note

10. Property, plant and equipment, continued

2016/17	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total property, plant and equipment
Total cost at 1.10.	2,424	3,885	871	417	7,597
Exchange and other adjustments	-33	-23	-7	-3	-66
Additions from acquisitions	0	0	1	0	1
Transfers	17	403	72	-492	0
Additions and improvements during the year	126	42	33	460	661
Disposals during the year	-170	-112	-35	0	-317
Total cost at 30.9.	**2,364**	**4,195**	**935**	**382**	**7,876**
Total depreciation at 1.10.	1,335	2,810	527	0	4,672
Exchange and other adjustments	-15	-16	-6	0	-37
Depreciations for the year	98	233	118	0	449
Depreciation reversed on disposals during the year	-168	-77	-35	0	-280
Total depreciation at 30.9.	**1,250**	**2,950**	**604**	**0**	**4,804**
Carrying amount at 30.9.	**1,114**	**1,245**	**331**	**382**	**3,072**
Of which finance leased assets	97	0	0	0	97
Gross amounts of property, plant and equipment fully depreciated	560	1,343	326	0	2,229

11. Deferred tax

Accounting policy
Full provision is made for deferred tax on the basis of all temporary differences in accordance with the balance sheet liability method. Temporary differences arise between the tax base of assets and liabilities and their carrying amounts which are offset over time.

Deferred tax relating to differences between initial recognition of assets or liabilities is not recognised if at the transaction date neither the accounting profit nor the taxable income is affected, unless such differences occurred in a business combination.

Uncertain tax positions generally relate to transfer pricing disputes and are recognised under provision for deferred tax.

Deferred tax is measured on the basis of the tax rates applicable at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future positive taxable income will be generated, against which the temporary differences and tax losses can be offset. Deferred tax assets are measured at expected net realisable values.

Notes

Note

11. Deferred tax, continued

Significant estimates and judgments

The recognition of deferred tax assets and uncertain tax positions requires an assessment by management. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised if management estimates that the tax assets can be utilised within a foreseeable future by offsetting against future positive taxable income. The assessment is made annually on the basis of budgets and business plans for the following years, including any scheduled business measures. As the Group conducts business globally, transfer pricing disputes may arise with tax authorities in respect of settlement prices etc. Management applies a probability-weighted assessment to determine obligations in connection with transfer pricing disputes.

DKK million	**2017/18**	2016/17
Deferred tax, beginning of year	-211	-389
Exchange adjustments	5	5
Additions from acquisitions	17	0
Adjustment due to change in tax rate	39	38
Prior-year adjustments	8	10
Other changes in deferred tax – charged to income statement	-48	135
Change in deferred tax - charged to equity	12	-10
Total	-178	-211
Of which deferred tax asset	460	464
Provision for deferred tax	**282**	**253**
Calculation of deferred tax is based on the following items:		
Intangible assets	263	241
Property, plant and equipment	31	51
Indirect production costs	14	15
Unrealised gain from intra-group sale of goods	-206	-231
Provisions	-126	-161
Jointly taxed companies (recaptured balances)	9	9
Share options	-46	-31
Tax losses carried forward and tax credits	-57	-59
Other	-60	-45
Total	**-178**	**-211**

Taxable temporary differences regarding investments in subsidiaries and branches are insignificant and no deferred tax has been provided, because the company controls the timing of the elimination of the temporary difference, and because it is probable that the temporary difference will not be eliminated in the foreseeable future.

Notes

Note

11. Deferred tax, continued

The Group's tax losses expiring after more than five years amount to DKK 29m (2016/17: DKK 39m). Of these tax losses, the Group has recognised a tax asset of DKK 2m on a DKK 9m tax loss (2016/17: DKK DKK 10m).

The tax value of the Group's tax credits amounts to DKK 190m (2016/17: DKK 216m). This amount includes a recognised tax asset of DKK 57m (2016/17: DKK 57m). The tax credits expire after more than five years.

12. Inventories

Accounting policy
Inventories are measured at the lower of cost and net realisable value. Cost is determined using the FIFO principle. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and indirect production overheads. Production overheads comprise indirect material and labour costs, maintenance and depreciation of the machinery and production buildings used in the manufacturing process as well as costs of production administration and management. Net realisable value is the expected selling price less cost of completion and costs to sell.

Assessments

Capitalised production overheads have been calculated using a standard cost method, which is reviewed regularly to ensure relevant assumptions concerning capacity utilisation, lead times and other relevant factors in the calculation of actual costs of sales. Changes to the calculation method for production overheads, including levels of capacity utilisation, lead times, etc. could affect the gross margin and the overall valuation of inventories. The carrying amount of capitalised production overheads was DKK 473m as at 30.09.2018 (30.09.2017: DKK 479m).

DKK million	**2017/18**	2016/17
Raw materials and consumables	253	266
Work in progress	403	453
Manufactured goods	1,069	973
Inventories	**1,725**	**1,692**
Inventory writedowns at 1.10.	45	60
Inventory writedowns used	-29	-43
Inventory writedowns reversed	-9	-15
Inventory writedowns for the year	34	43
Inventory writedowns at 30.9.	**41**	**45**

Production costs include directly attributable production costs for goods sold in the amount of DKK 3,177m (2016/17: DKK 2,922m).

Notes

Note

13. Trade receivables

Accounting policy
Receivables consist mainly of trade receivables. On initial recognition, receivables are measured at fair value and subsequently at amortised cost. Receivables are written down on the basis of an individual assessment.

Significant estimates and judgments
Trade receivables are recognised at amortised cost less provisions for losses. Provision is made for losses considered likely to arise if a customer is expected to be unable to pay. If the financial position of a customer deteriorates, making it unable to make payments, it may prove necessary to make additional provisions in future accounting periods. When assessing whether the Group has made adequate provisions for bad and doubtful debts, management reviews the receivables, including previous losses on trade receivables, the customer's creditworthiness, current economic conditions and changes to customer payment terms and conditions.

DKK million	2017/18	2016/17
Portion of receivables falling due after more than one year after the balance sheet date	21	15

Most of the long-term receivables fall due within three years of the balance sheet date. Interest accruing on receivables is 0%.

Provisions for bad and doubtful debts:		
Provisions at 1.10.	93	126
Exchange adjustment	-3	0
Change of provisions during the year	9	9
Losses realised during the year	-4	-42
Provisions at 30.9.	**95**	**93**

The provisions are generally due to a customer's inability to pay resulting from bankruptcy or expected bankruptcy. Overdue receivables do not only reflect customers' general ability to pay, but also the payment patterns in markets in which Coloplast operates.

Receivables due are specified as follows:		
Up to 30 days	362	282
Between 30 and 90 days	179	162
More than 90 days	383	392
Total receivables due	**924**	**836**

Receivables at 30 September:		
DKK	114	155
EUR	1,070	1,102
GBP	303	300
USD	558	540
Other currencies	832	793
Total carrying amount	**2,877**	**2,890**

Notes

Note

14. Amounts held in escrow

Accounting policy

Amounts held in escrow consist of cash held in escrow with third parties for litigation purposes.

Amounts paid into escrow accounts in connection with pending litigation and not yet released by the courts. See note 17 to the financial statements for more information about mesh litigation.

DKK million	2018	2017
Amounts held in escrow	12	531

15. Treasury shares and share options

Treasury shares

Accounting policy

The price paid by Coloplast for treasury shares or the selling price on exercise of equity-based share remuneration is deducted from retained earnings.

	2017/18	2016/17	2017/18	2016/17
Treasury shares	B shares of DKK 1 in millions		% of B share capital	
Holdings of treasury shares at 1.10.	3.8	4.3	1.9%	2.1%
Acquired during the year	0.9	0.9	0.5%	0.5%
Sold during the year	-1.1	-1.4	-0.6%	-0.7%
Holdings of treasury shares at 30.9.	**3.6**	**3.8**	**1.8%**	**1.9%**

The Group does not hold A shares.

Share-based payment

Accounting policy

Share options are granted to the Executive Management and senior management.
For equity-settled schemes, the fair value of options is determined at the grant date. The option value is subsequently recognised over the vesting period as staff costs. For cash-settled schemes, the fair value of options granted during the period is recognised as staff costs, whereas the fair value adjustment of granted options from previous periods is recognised under financial items. The purchase and selling prices of treasury shares on exercise are deducted from or added to equity, as the case may be.

Share option programmes (B shares) have been set up for members of the Executive Management and senior managers.

Share options have affected the profit for the year as follows:	2017/18	2016/17
Staff costs - equity-settled programmes	35	34
Financial costs - fair value adjustment of cash-settled programmes	1	0
Total share option cost	**36**	**34**

Notes

Note

15. Treasury shares and share options, continued

At 30 September 2018, the accounting liability of the option programmes was DKK 1m (2016/17: DKK 1m), while the fair value of all option programmes amounted to DKK 365m (2016/17: DKK 233m).

Outstanding options	2017/18			2016/17		
	No. of options	Avg. exercise price	Avg. share price	No. of options	Avg. exercise price	Avg. share price
Outstanding at 1.10.	3,044,415	485		3,982,031	439	
Options awarded	672,040	516		752,967	498	
Awarded at exchange[1)]	-	-		595,521	498	
Options cancelled [1)]	-126,636	486		-901,951	603	
Options expired	0	-		0	-	
Options exercised	-1,121,702	404	602	-1,384,153	269	513
Outstanding at 30.9.	**2,468,117**	521		**3,044,415**	485	

[1)]At 31 December 2016, Coloplast exchanged options awarded in 2014 and 2015 with new share options with a lower exercise price.

Issued in	Number	Share options lapsed	Options exercised	Not exercised at 30.9.2018	Exercise price, DKK[2)3)]	Exercise period
2013	1,075,874	70,494	905,425	99,955	385.29	31/12/16 - 31/12/18
2014	862,335	461,516	142,968	257,851	573.50	31/12/17 - 31/12/19
2014 adjusted	245,265	11,924	108,424	124,917	489.43	31/12/17 - 31/12/19
2014 US	81,305	0	41,031	40,274	501.83	31/12/17 - 31/12/19
2015	828,388	465,542	0	362,846	620.56	31/12/18 - 31/12/20
2015 adjusted	199,877	17,029	0	182,848	489.43	31/12/18 - 31/12/20
2015 US	69,074	0	0	69,074	501.83	31/12/18 - 31/12/20
2016	636,673	58,936	0	577,737	489.43	31/12/19 - 31/12/21
2016 US	116,785	2,992	0	113,793	501.83	31/12/19 - 31/12/21
2017	563,782	32,727	0	531,055	514.40	31/12/20 - 31/12/22
2017 US	107,767	0	0	107,767	534.00	31/12/20 - 31/12/22

[2)] Adjusted by DKK -7.90 due to payment of dividend. Does not include US programmes.

[3)] Average exercise price for options exercisable at the balance sheet date is DKK 511.93.

Share options are granted to members of the Executive Management and other senior management for the purpose of motivating and retaining a qualified management group and in order to align the interests of Management with those of the shareholders. Options are awarded as unconditional allocations at the date of grant, but vest over a three-year period. The value of options at the date of grant equalled an average of three months' salary for each recipient, with the exception of the Executive Management.

Coloplast's holding of treasury shares fully covers the option programmes, so options exercised under the programme will not influence the Group's cash position by forcing it to buy up shares in the market.

The value of the options was calculated using the Black-Scholes formula, in which the interest rate applied was the yield on Danish government securities. Volatility in the share is calculated as monthly movements (period-end to period-end) over five years. Options are assumed to be exercised on average one year into the exercise period.

Notes

Note

15. Treasury shares and share options, continued

The following assumptions were applied in determining the fair value of outstanding share options at the date of grant:

	2017	2016
Black-Scholes value	57.78	49.69
Average share price (DKK)	494.67	477.93
Exercise price (DKK)	519.40	501.83
Expected dividend per share	1.50%	1.50%
Expected duration	4.00	4.00
Volatility	21.37%	19.90%
Risk-free interest	-0.22%	-0.36%
Value (DKKm)	38.80	37.45

16. Provisions for pensions and similar obligations

Accounting policy

In defined contribution plans, the Group makes regular payments of fixed contributions to independent pension funds and insurance companies. The Group is under no obligation to pay additional contributions.

Costs for defined contribution plans are recognised in the income statement as Coloplast assumes an obligation to make the payment.

In defined benefit plans, the Group is under an obligation to pay a defined benefit on retirement. The actuarially calculated present value less the fair value of any plan assets is recognised in the balance sheet under provision for pension and similar obligations or in plan assets in the balance sheet. The total service costs of the year plus calculated interest based upon actuarial estimates and financial assumptions at the beginning of the year are recognised in the income statement. The difference between the forecast development in plan assets and liabilities and the realised values at the end of the year is called actuarial gains or losses and is recognised in other comprehensive income. In connection with a change in benefits regarding the employees' employment with the Group to date, there will be a change in the actuarial calculation of the net present value, which is taken directly to the income statement.

Defined contribution plans

The Group offers pension plans to certain groups of employees in Denmark and abroad. Most of the pension plans are defined contribution plans. The Group funds the plans through regular payments of premiums to independent insurance companies responsible for the pension obligations towards the beneficiaries. Once the pension contributions for defined contribution plans have been made, the Group has no further obligation towards current or former employees. Contributions to defined contribution plans are recognised in the income statement when paid. In 2017/18, DKK 280m (2016/17: DKK 260m) was recognised.

Notes

Note

16. Provisions for pensions and similar obligations, continued

Defined benefit plans

For certain groups of employees in foreign subsidiaries (France: 57%, the UK 17%, Germany 23% and Italy 3% of the net obligation), the Group has signed agreements to pay defined benefits, including pension payments. These liabilities are not or are only partly covered by insurance (in the UK). Uncovered liabilities are recognised in the balance sheet and in the income statement as indicated below.

Coloplast effects payments to the plans. The plans in the UK and Italy have been closed, and no further payments are made.

The figures below include liabilities regarding the post-service remuneration scheme applicable to Board members prior to the amendment to the articles of association adopted at the annual general meeting held in 2002.

The pension plans are based on the individual employee's salary and years of service with the company, and benefits are paid as a life-long pension. The active plans are not exclusive to any particular employee group.
Special funding requirements apply in the UK, while this is not the case for the other countries. In the UK, employee interests are handled by a Trustee Board. Accounts are prepared every three years and funding of any deficit is determined. Any surplus reverts to Coloplast. The plans have no requirements for risk diversification on equities or for matching strategies. The plans have a duration of an average of 15 years, and all plans generally mature after more than 5 years.

DKK million	2017/18	2016/17
The following is recognised in the consolidated income statement:		
Defined contribution plans	280	260
Defined benefit plans	13	13
Total	**293**	**273**
The costs regarding defined benefit plans are recognised in the following income statement items:		
Production costs	3	3
Distribution costs	10	10
Total	**13**	**13**
Pension costs recognised in the income statement:		
Pension costs concerning current financial year	9	9
Net interest expenses	4	4
Total amount recognised in income statement for defined benefit plans	**13**	**13**
Pension costs recognised in other comprehensive income:		
Actuarial gains/losses on pension obligations	28	45
Actuarial gains/losses on plan assets	2	-16
Total amount recognised in other comprehensive income regarding defined benefit plans	**30**	**29**

Notes

Note

16. Provisions for pensions and similar obligations, continued

DKK million	2017/18	2016/17
Plan assets at 1.10.	324	347
Exchange adjustments	-2	-7
Actual rate of interest	8	8
Actuarial gains/losses on plan assets	2	-16
Paid by the Coloplast Group	5	16
Benefit paid out	-23	-24
Plan assets at 30.9.	**314**	**324**
Specification of plan assets:		
Shares, listed	36	45
Bonds	271	273
Cash and similar assets	7	6
Plan assets at 30.9.	**314**	**324**
Specification of present value of defined benefit obligation:		
Obligation at 1.10.	540	597
Exchange adjustments	-2	-9
Additions from acquisitions	1	0
Current service costs	9	9
Calculated interest on liability	12	12
Actuarial gains/losses, financial assumptions	-15	-38
Actuarial gains/losses, demographic assumptions	-10	0
Actuarial gains/losses, experience	-3	-7
Benefit paid out	-23	-24
Present value of liability at 30.9.	**509**	**540**
Fair value of plan assets	-314	-324
Net liability recognised in the balance sheet	**195**	**216**
Net liability recognised in the balance sheet at 1.10.	216	250
Additions from acquisitions	1	0
Expenditure for the year	13	13
Actuarial gains/losses on pension obligation	-28	-45
Exchange adjustment	0	-2
Actuarial gains/losses on plan assets	-2	16
Payments received	-5	-16
Net liability recognised in the balance sheet at 30.9.	**195**	**216**

The Group expects to pay DKK 3m to the defined benefit plans in 2018/19.

Notes

Note

16. Provisions for pensions and similar obligations, continued

DKK million	2017/18	2016/17
Assumptions of actuarial calculations as at the balance sheet date (expressed as an average):		
Discount rate, %	2.0	2.0
Future rate of salary increases, %	2.3	1.9
Inflation, %	1.9	2.1

The sensibility analysis shows that a given change in the main assumptions will trigger changes in the gross liability as follows:	2017/18 +1%	2017/18 -1%	2016/17 +1%	2016/17 -1%
Discount rate	-21%	23%	-22%	24%
Future rate of salary increases	3%	-3%	3%	-2%
Inflation	17%	-15%	17%	-15%

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

17. Other provisions

Accounting policy

Provisions are recognised when the Group has a legal or constructive obligation arising from a past event, and it is probable that an outflow of the Group's financial resources will be required to settle the obligation. Provisions are measured as Management's best estimate of the amount with which the liability is expected to be settled. The Group recognises a provision for the replacement of products covered by warranties at the balance sheet date.

Significant estimates and judgments

Provisions for legal obligations consist of provisions for pending litigation. Management makes assessments of provisions and contingent liabilities, including the probable outcome of pending and possible future litigation, which is inherently subject to uncertain future events. Based on information available, Management believes that adequate provisions have been made for pending litigation, but there can be no assurance that the scope of these matters will not be extended, nor that material lawsuits, claims, legal proceedings or investigations will not arise in the future.

2017/18 DKK million	Legal claims	Other	Total
Provisions at 1.10.	382	5	387
Provisions during the year	10	2	12
Unused amounts reversed during the year	-2	0	-2
Charged to the income statement	**8**	**2**	**10**
Use of provisions during the year	-135	0	-135
Additions from acquisitions	1	8	9
Exchange adjustments	-1	1	0
Provisions at 30.9.	**255**	**16**	**271**

Notes

Note

17. Other provisions, continued

2017/18 DKK million	Legal claims	Other	Total
Expected maturities:			
Current liabilities	220	2	222
Non-current liabilities	35	14	49
Provisions at 30.9.	**255**	**16**	**271**

Legal claims

The amounts are gross amounts relating to certain legal claims.

Since 2011, Coloplast, along with a number of other major manufacturers, has been named as a defendant in individual lawsuits in various federal and state courts around the United States alleging injury resulting from use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence. A multidistrict litigation (MDL) was formed in 2012 in the Southern District of West Virginia to consolidate federal court cases in which Coloplast is the first named defendant.

Since the first lawsuits were filed, Coloplast has been intent on disputing the current and any future litigation, and has continually considered which strategy and other steps may serve the company's best interests.

Against this background, Coloplast has from the start reached settlements with groups of law firms. In June 2017, Judge Joseph Goodwin issued a court order stating that plaintiffs may no longer direct claims against Coloplast in the ongoing MDL. The court order is a further step towards closure and full resolution of the MDL.

The total amount recognised since the 2013/14 financial year for expected costs of litigation in the USA amounts to DKK 5.25bn including legal costs (before insurance cover of DKK 0.5bn).

The total expense is based on a number of estimates and assumptions and is therefore subject to uncertainty.

The remaining provision made for legal claims at 30 September 2018 amounted to DKK 0.2bn (30 September 2017: DKK 0.4bn) plus DKK 0.3bn recognised under other debt (30 September 2017: DKK 1.2bn). Liabilities are classified as other debt when agreements are reached with the plaintiffs' legal counsel and amounts and timing become known.

With reference to the prejudicial exemption in IAS 37, Coloplast will not disclose any further information about the assumptions for the provision, including any details about current and the expected number of lawsuits and settled claims.

The disclosure of such information is believed to be detrimental to Coloplast in connection with the ongoing confidential negotiations and could inflict financial losses on Coloplast and its shareholders.

Other

Other liabilities relate to provisions for expenses associated with the vacating of leased premises, restructuring, guarantees and other non-legal claims.

Notes

Note

18. Credit institutions

Accounting policy

Debt is recognised at fair value less expenses incurred and subsequently at amortised cost. Repo debt relates to mortgage bonds forming a part of repo transactions. Repo debt is recognised at amortised cost plus accumulated repo interest.

DKK million	2018	2017
Breakdown of debt to financial institutions stated in the balance sheet:		
Current liabilities	1,262	1,358
DKK	1,233	1,347
EUR	16	0
Other currencies	13	11
Total carrying amount	**1,262**	**1,358**
Current financial liabilities including interest have the following terms to maturity:		
Less than one year	2,013	2,043
Total	**2,013**	**2,043**
Net interest-bearing debt at 30.9.		
Repo debt	213	217
Other credit institutions	1,049	1,141
Marketable securities	-310	-315
Bank balances	-297	-314
Lease liability	99	97
Total	**754**	**826**

Specification of currency split and interest structure for net interest-bearing debt

2018

Principal in DKK million/ Effective interest rate p.a. %		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Less than 1 year	Receivables	-25	0 - 2	-145	0	-141	-1 - 3	-117	-1	-179	-1 - 25	-607
	Liabilities			5	0	24	1 - 3	1,233	1	8	1 - 33	1,270
Total, less than 1 year		-25		-140		-117		1,116		-171		663
1 to 5 yrs	Receivables											0
	Liabilities					38	2 - 3					38
Total, 1 to 5 yrs						38						38
More than 5 years	Receivables											0
	Liabilities					53	3					53
Total, more than 5 year						53						53
Total		**-25**		**-140**		**-26**		**1,116**		**-171**		**754**

Notes

Note

18. Credit institutions, continued

Specification of currency split and interest structure for net interest-bearing debt

2017

Principal in DKK million/ Effective interest rate p.a. %		USD	Rate	GBP	Rate	EUR	Rate	DKK	Rate	Other	Rate	Total
Less than 1 year	Receivables	-49	0	-13	0	-115	-1 - 3	-266	-1 - 1	-186	0 - 9	-629
	Liabilities							1,347	1	11	-1 - 14	1,358
Total, less than 1 year		-49		-13		-115		1,081		-175		729
1 to 5 yrs	Receivables											0
	Liabilities					32	3					32
Total, 1 to 5 yrs						32						32
More than 5 years	Receivables											0
	Liabilities					65	3					65
Total, more than 5 year						65						65
Total		**-49**		**-13**		**-18**		**1,081**		**-175**		**826**

Coloplast has concluded repo transactions on mortgage bonds, according to which Coloplast has an obligation to buy back the bonds at a fixed price. Repo transactions are accounted for as lending transactions. Repo debt amounted to DKK 213m at 30 September 2018 (30 September2017: DKK 217m) with the due date of 26 October 2018. The repo debt carries a fixed rate of interest of minus 0.4% from the transaction date (30 September 2017: minus 0.1%).

Bonds for which the ownership has been transferred to the counterpart as part of a repo transaction had a carrying amount of DKK 213m at 30/09/2018 (30 September 2017: DKK 217m). See note 19 for information on interest rate risk relating to bonds.

19. Financial instruments

Accounting policy

Derivative financial instruments are recognised in the balance sheet under other receivables and other payables, respectively, and are adjusted to fair value in an ongoing process.

Adjustment of derivative financial instruments used to hedge expected future transactions (effective) is recognised in the fair value reserve under equity through other comprehensive income. The reserve is recognised in the income statement on realisation of the hedged transactions. If a derivative financial instrument used to hedge expected future transactions expires, is sold or no longer qualifies for hedge accounting, any accumulated fair value reserve remains in equity until the hedged transaction is concluded. If a transaction is no longer expected to be concluded, any fair value reserve accumulated under equity is transferred to the income statement. Adjustment of derivative financial instruments used to hedge assets denominated in foreign currency is recognised at fair value at the balance sheet date. Value adjustments are recognised in the income statement together with any adjustments of the value of the hedged asset that concerns the hedged risk.

The Group's risk management policy

Financial risks are managed centrally and, accordingly, all derivative instruments are managed and controlled by the parent company. The framework is determined by the financial policy approved annually by the Board of Directors.The financial policy comprises policies for foreign exchange, funding, liquidity and financial counterparts. The core principle is for financial risk to be managed with a view to reducing significant risk.

Notes

Note

19. Financial instruments, continued

Financial instruments by category
2018

Assets	Receivables	Assets at fair value through profit or loss (level 1)[1]	Derivatives used for hedging (level 2)[2]	Total
Trade receivables and other receivables	3,094	0	12	3,106
Marketable securities	0	310	0	310
Cash and cash equivalents	297	0	0	297
Total	**3,391**	**310**	**12**	**3,713**

Equity and liabilities	Liabilities at fair value through profit or loss[1]	Derivatives used for hedging (level 2)[2]	Other liabilities at amortised cost	Total
Other credit institutions	0	0	1,262	1,262
Trade payables	0	0	751	751
Other payables	0	58	1,669	1,727
Total	**0**	**58**	**3,682**	**3,740**

There were no movements between level 1 and 2 during the period.

Financial instruments by category
2017

Assets	Receivables	Assets at fair value through profit or loss (level 1)[1]	Derivatives used for hedging (level 2)[2]	Total
Trade receivables and other receivables	3,612	0	88	3,700
Marketable securities	0	315	0	315
Cash and cash equivalents	314	0	0	314
Total	**3,926**	**315**	**88**	**4,329**

Equity and liabilities	Liabilities at fair value through profit or loss[1]	Derivatives used for hedging (level 2)[2]	Other liabilities at amortised cost	Total
Other credit institutions	0	0	1,358	1,358
Trade payables	0	0	675	675
Other payables	0	33	2,498	2,531
Total	**0**	**33**	**4,531**	**4,564**

[1] The securities portfolio consists of mortgage bonds and corporate bonds. The bond portfolio carried an effective rate of interest of 1-6% (2016/17: 1-6%).

[2] Financial instruments measured at fair value are broken down according to the following measuring hierarchy:
Level 1: Observable market prices of identical instruments.
Level 2: Valuation models primarily based on observable prices or traded prices of comparable instruments.
Level 3: Valuation models primarily based on non-observable prices.

Notes

Note

19. Financial instruments, continued

The fair value of forward exchange contracts and other derivative financial instruments are considered a level 2 fair value measurement as the fair value is determined directly based on the published exchange rates and quoted forward exchange rates at balance sheet dates. The fair value of derivative financial instruments is calculated on the basis of current market data.

Foreign exchange risk

The objective of the foreign exchange policy is to neutralise and delay the effect of exchange rate fluctuations in the income statement and thereby enhance the predictability of the financial results. Foreign exchange risk is calculated applying the principles of a cash-flow-at-risk model, with the Board of Directors determining the level of risk as a percentage of EBIT. This is done by hedging significant balance sheet items denominated in foreign currency and a part of the expected rolling 12-month cash flows. Currency hedging is achieved by means of forward contracts and options. As at 30.09.2018, an average of 66% of the following twelve months of expected net cash flows were hedged (2016/17: 75% of the following twelve months of cash flows). The Group does not hedge amounts in euro.

Holdings of derivative financial instruments

2018

DKK million	Contract amount[1]	Loss/gain when stated at market value	Amount incl. in income statement for 2017/18	Transferred to currency hedging reserve	Expiry period
Forward exchange contracts and options outstanding at 30.9. to hedge future cash flows					
USD	658	-29	0	-29	Oct. 18 - Aug. 19
GBP	1,303	-3	0	-3	Oct. 18 - Sep. 19
JPY	161	0	0	0	Oct. 18 - Sep. 19
HUF	-298	-6	0	-6	Oct. 18 - Sep. 19
Other currencies	838	-8	0	-8	Oct. 18 - Sep. 19
Total	**2,662**	**-46**	**0**	**-46**	
Other forward exchange contracts, including fair value hedges at 30.9.					
USD	-89	1	1	0	Oct. 18
HUF	344	-1	-1	0	Oct. 18 - Dec. 18
Total	**255**	**0**	**0**	**0**	

[1] + indicates sale of currency in question; - indicates purchase of currency in question.

The Group had no material foreign exchange risks relating to debt in foreign currency as at 30 September 2018. The Group's receivables and payables are to some extent affected by exchange rate fluctuations, and, accordingly, the Group's balance sheet is impacted to some extent by changes in exchange rates prevailing at 30 September 2018.

Notes

Note

19. Financial instruments, continued

The tables below show the effect of derivative financial instruments on the income statement and other comprehensive income from a change of +/- 5% in all currencies against Danish kroner[2)] and the effect on all major currencies:

DKK million	2017/18	USD	GBP	HUF	2016/17	USD	GBP	HUF
Income statement	+/-106	+/-4	+/-5	-/+6	+/-97	+/-8	+/-0	-/+3
Other comprehensive income	-/+152	-/+ 35	-/+66	+/-15	-116/+110	-30/+30	-34/+29	+15/-15

[2)] The increase/decrease resulting from a 5% change is the same in the income statement because the financial instruments are all forward contracts.

Interest rate risk

As the Group's interest-bearing debt is insignificant, the interest rate risk is also considered insignificant.
The Group's cash reserve is placed in money market deposits and bonds with selected counterparties. Cash reserves are placed at an average duration not exceeding four years. As a result, the interest rate risk is considered to be limited.

Liquidity risk

The funding policy is intended to ensure that the Group maintains a minimum cash reserve that will cover the Group's liquidity requirements at any given time. The cash policy stipulates that the Group must obtain a competitive return and high liquidity when investing its excess cash. Cash pools are one of the means of achieving effective management of the Group's cash.

The Group's cash reserve comprises cash and cash equivalents and securities.

Credit risk

Pursuant to the counterparty policy, credit risk is managed and mitigated by making money market deposits only with selected financial institutions holding a satisfactory credit rating. In addition, maximum credit limits have been defined for each financial counterparty. There is only a limited credit risk involved in bonds as investments are made in selected liquid bonds with a high credit rating.

The Group's credit risks relate partly to receivables and cash holdings, partly to derivative financial instruments with a positive fair value. The maximum credit risk related to financial assets equals the values recognised in the balance sheet. The Group's credit risk relating to trade receivables is diversified over a large number of customers and is therefore not material. The Group's policy for undertaking credit risks involves an ongoing credit assessment of major customers and other key business partners.

Capital management

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

The Board of Directors generally intends to distribute excess cash to the shareholders by way of dividends and share buybacks. It is expected that dividends will be paid twice a year; after the annual general meeting and after the release of the half-year interim report. However, share buybacks and distribution of dividend will always be made with due consideration for the Group's liquidity requirements and plans.

Notes

Note

19. Financial instruments, continued

The Group assesses the capital on the basis of the solvency ratio, which is calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts.

Holdings of derivative financial instruments

2017

DKK million	Contract amount[1]	Loss/gain when stated at market value	Amount incl. in income statement for 2016/17	Transferred to currency hedging reserve	Expiry period
Forward exchange contracts and options outstanding at 30.9. to hedge future cash flows					
USD	637	43	0	43	Oct. 17 - Jul. 18
GBP	727	-2	0	-2	Oct. 17 - Apr. 18
GBP-denominated options	397	5	0	5	Oct. 17 - Jan. 18
JPY	166	13	0	13	Oct. 17 - Aug. 18
HUF	-306	0	0	0	Oct. 17 - Aug. 18
Other currencies	886	12	0	12	Oct. 17 - Aug. 18
Total	**2,507**	**71**	**0**	**71**	
Other forward exchange contracts including fair value hedges at 30.9.					
USD	-415	-15	-15	0	Oct. 17 - Dec. 17
HUF	359	-1	-1	0	Oct. 17 - Dec. 17
Total	**-56**	**-16**	**-16**	**0**	

[1] + indicates sale of currency in question; - indicates purchase of currency in question.

20. Adjustment for other non-cash operating items

DKK million	2017/18	2016/17
Net gain/loss on divestment of non-current assets	0	1
Change in other provisions	-117	-688
Other non-cash operating items	35	35
Total	**-82**	**-652**

Notes

Note

21. Changes in working capital

DKK million	2017/18	2016/17
Inventories	-88	-193
Trade receivables	-26	-243
Other receivables, including amounts held in escrow	552	-59
Trade and other payables etc.	-860	-911
Total	**-422**	**-1,406**

22. Cash and cash equivalents

Accounting policy

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

DKK million	2017/18	2016/17
Cash	1	1
Short term bank balances	296	313
Total	**297**	**314**

DKK million	Finance lease liability	Credit facilities	Total
Balance at 1.10.2017	98	1,358	1,456
Cash flows	0	-96	-96
Market value adjustments	1	0	1
Balance at 30.09.2018	**99**	**1,262**	**1,361**

23. Unutilised credit facilities

DKK million	2017/18	2016/17
Unutilised credit facilities	3,492	2,878

Notes

Note

24. Public grants

Accounting policy
Public grants comprise grants for research, development and other investments. Grants for investments are recognised as deferred income, which is recognised systematically in the income statement under production costs from the date when the conditions attaching to them are deemed to be complied with until the date on which the deadline for retaining such conditions expires. Other grants are recognised as income on a systematic basis, so that they are matched with the related costs for which they compensate.

In the financial year, the Group received DKK 1m in public grants for research and development purposes (2016/17: DKK 1m). The Group received DKK 4m (2016/17: DKK 22m) in public grants for investments. An income of DKK 12m relating to investment grants has been recognised under production costs in the income statement (2015/16: DKK 14m).

25. Financial liabilities

DKK million	2017/18	2016/17
Operating leases fall due		
In less than one year	215	261
Within 1 to 5 years	437	370
After more than 5 years	6	30
Total	**658**	**661**

Operating lease payments recognised in the income statement amount to DKK 221m (2016/17: DKK 192m).

Operating leases represent primarily leasing of cars and rent. There are no purchasing rights attaching to assets held under operating leases. Liabilities concerning rent and other operating leases are limited to the minimum lease payments.

26. Contingent liabilities and guarantees

Other than as set out in note 17 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.

Bonds in repo transactions have been provided as collateral for repo debt. Bonds provided as collateral were valued at DKK 213m at 30.09.2018 (30.09.2017: DKK 217m). See note 19 for information on interest rate risk relating to bonds.

Notes

Note

27. The Executive Management's and the Directors' remuneration, share options and shareholdings

The current policy for remuneration of the Board of Directors and the Executive Management was adopted in 2016 and sets out the general guidelines for remuneration of the Group's management. The guidelines for remuneration of the Board of Directors and the Executive Management is available on the Group website at this address:
https://www.coloplast.com/management-remuneration/

Board of Directors

General guidelines for the remuneration of the Board of Directors

Members of the board of directors receive a fixed annual fee. Fees are fixed on the basis of fees paid by other, similar companies and must be given final approval by the shareholders in general meeting. Members of the Board of Directors receive no incentive pay.

Composition of board fees

Board members receive a basic fee of DKK 450,000 each. The Chairman receives the basic fee plus 200%, while the Deputy Chairman receives the basic fee plus 75%. Ordinary members of the Audit Committee DKK 225,000 each and the chairman of the Audit Committee receives DKK 337,500.

Fees to Board members in respect of the current financial year

Fees to Board members make up DKK 6.5m (2016/17: DKK 6.6m) of the total staff costs (see note 4) and are specified as follows:

	Ordinary Board member fee		Audit Committee		Total	
DKK million	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Michael Pram Rasmussen (Chairman of the Board)	1.4	1.4	0.3	0.3	1.7	1.7
Mr Niels Peter Louis-Hansen, (Deputy Chairman)	0.8	0.8	0.2	0.2	1.0	1.0
Other Board members	3.6	3.7	0.2	0.2	3.8	3.9
Total	**5.8**	**5.9**	**0.7**	**0.7**	**6.5**	**6.6**

Executive Management

General guidelines for the remuneration of the Executive Board

The remuneration paid to members of the Executive Management consists of a fixed and a variable part. The fixed remuneration consists of a net salary, pension contribution and other benefits. The Chairman and Deputy Chairman perform an annual review of the remuneration paid to members of the Executive Management relative to the managements of other Danish companies.

Composition of remuneration to members of the Executive Board

The fixed remuneration consists of a fixed net salary, pension contribution and other benefits. The variable remuneration consists of a cash bonus subject to a maximum of 25% of the annual net salary and of a share option plan the fair value of which is subject to a maximum of 40% of the Executive Management's remuneration. The purpose of the cash bonus is to incentivise management to achieving certain short-term financial targets. The purpose of the share option plan is to align the Executive Management's incentive with the creation of long-term shareholder value.

The amount of the cash bonus is based on a weighted average of financial growth and profitability targets. The actual bonus cannot exceed 100% of the bonus potential, even if the targets are exceeded. If the targets are not reached, bonus will not be paid.

Notes

Note

27. The Executive Management's and the Directors' remuneration, share options and shares, continued

The value of the share option plan is calculated in accordance with the Black-Scholes formula. Options are awarded at a strike price which is 5% higher than the market price at the award date. Options are awarded as unconditional allocations at the date of grant, but vest over a three-year period. The options vest after five years and are exercisable after three years.

If a member of the Executive Management is given notice of termination by the company and such termination is not due to breach on the part of the member of the Executive Management, such member is entitled to compensation corresponding to a maximum of two years' salary and pension contribution.

Fees to members of the Executive Board in respect of the current financial year

Breakdown of remuneration of members of the Executive Board included in staff costs (see note 4):

DKK million 2017/18	Net salaries	Pension	Other benefits	Cash bonus	Total	Share options[1)]
Lars Rasmussen	11.2	1.7	0.3	1.4	14.6	5.2
Anders Lonning-Skovgaard	5.1	0.7	0.2	0.6	6.6	2.0
Allan Rasmussen	4.7	0.7	0.2	0.6	6.2	2.2
Kristian Villumsen	5.9	0.9	0.2	0.7	7.7	2.7
Total	**26.9**	**4.0**	**0.9**	**3.3**	**35.1**	**12.1**

DKK million 2016/17	Net salaries	Pension	Other benefits	Cash bonus	Total	Share options[1)]
Lars Rasmussen	10.9	1.6	0.3	2.0	14.8	5.0
Anders Lonning-Skovgaard	4.5	0.7	0.2	0.9	6.3	1.4
Allan Rasmussen	4.5	0.7	0.2	0.9	6.3	2.0
Kristian Villumsen	5.7	0.8	0.2	1.1	7.8	2.6
Total	**25.6**	**3.8**	**0.9**	**4.9**	**35.2**	**11.0**

1) The amount shows the annual accounting cost of share options awarded in the current and in prior years in accordance with the accounting policies applies and does not show the fair value of share options awarded in the current financial year.

Share options

Share options held by members of the Executive Management:

2017/18	Options held at beginning of year	Exercised during the year	Granted during the year	Options held at end of year	Market value[2)] DKK million
Lars Rasmussen	584,604	209,740	93,885	468,749	58
Anders Lonning-Skovgaard	149,301	18,693	38,939	169,547	18
Allan Rasmussen	154,785	55,176	39,371	138,980	24
Kristian Villumsen	275,192	150,681	49,106	173,617	23
Total	**1,163,882**	**434,290**	**221,301**	**950,893**	**123**

2) Market value of Executive Managements' holdings of share options calculated as the fair value of outstanding options at the balance sheet date using the Black-Scholes formula.

Notes

Note

27. The Executive Management's and the Directors' remuneration, share options and shares, continued

Shareholdings

Coloplast's in-house rules permit members of the Executive Management and the Board of Directors to trade in Coloplast A/S shares during the four-week periods following the announcement of interim financial statements and during the six-week periods following the announcement of full-year financial statements. Number of shares in Coloplast A/S held by members of the Board of Directors and the Executive Management:

2017/18	Beginning of year	Bought during the year	Sold during the year	Increase/ decrease during year[3]	Holdings at end of the year	Market value[4] DKK million
Lars Rasmussen	148,835	209,740	151,183	-	207,392	136
Anders Lonning-Skovgaard	0	18,693	18,693	-	0	0
Allan Rasmussen	1,135	55,176	56,001	-	310	0
Kristian Villumsen	90,520	150,681	150,681	-	90,520	59
Executive Management total	240,490	434,290	376,558	-	298,222	195
Board of Directors, A shares	12,285,000	0	0	0	12,285,000	8,069
Board of Directors, B shares	33,636,802	35,056	0	-11,140	33,660,718	22,108
Total	**46,162,292**	**469,346**	**376,558**	**-11,140**	**46,243,940**	**30,372**

[3] Increase/decrease relates to Board members joining or resigning from the Board of Directors.

[4] The end-of-year market values are based on the official share prices prevailing at 30 September. Members of the Executive Management hold only B shares in Coloplast A/S.

28. Related party transactions

Related parties to the Coloplast Group include members of the Board of Directors and the Executive Management and main shareholders of the parent company, Coloplast A/S. There were no major transactions with related parties. Information about remuneration of the Management is set out in note 27.

29. Fees to appointed auditors

DKK million	2017/18	2016/17
Overall fees to PricewaterhouseCoopers	14	17
Of which:		
Statutory audit	8	8
Tax advice	1	1
Other services	5	8

Fee for non-audit services provided to the Group by PricewaterhouseCoopers in Denmark amounts to DKK 2m (2016/17: DKK 4m) and consists mainly of acquisition costs and tax advice relating mainly to transfer pricing.

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

Notes

Note

30. Overview of Group companies

	Country	Ownership (%)
Parent company		
Coloplast A/S	Denmark	
Sales and/or manufacturing subsidiaries		
Coloplast de Argentina S.A.	Argentina	100
Coloplast Pty. Ltd.	Australia	100
Coloplast Belgium S.A.	Belgium	100
Coloplast do Brasil Ltda.	Brazil	100
Coloplast Canada Corporation	Canada	100
Coloplast Volume Manufacturing Costa Rica S.A.	Costa Rica	100
Coloplast Danmark A/S	Denmark	100
Coloplast Oy	Finland	100
Laboratoires Coloplast S.A.S.	France	100
Coloplast Manufacturing France S.A.S.	France	100
Lilial S.A.S.	France	100
Lilial Care S.A.S.	France	100
Lilial Executives S.A.S.	France	100
Lilial Preference S.A.S.	France	100
Coloplast B.V.	Netherlands	100
Coloplast (India) Private Limited	India	100
Coloplast Israel Ltd.	Israel	100
Coloplast S.p.A.	Italy	100
Coloplast K.K.	Japan	100
Coloplast (China) Ltd.	China	100
Coloplast (China) Medical Devices Ltd.	China	100
Coloplast (Hong Kong) Ltd.	China	100
Coloplast Korea Limited	Korea	100
Coloplast Norge AS	Norway	100
Coloplast Sp. zo.o.	Poland	100
Coloplast Portugal Lda.	Portugal	100
Coloplast II Portugal Lda.	Portugal	100
Coloplast OOO	Russia	100
Coloplast AG	Switzerland	100
Coloplast Slovakia s.r.o.	Slovakia	100
Coloplast Productos Médicos S.A.	Spain	100
Coloplast Limited	Great Britain	100
Coloplast Medical Limited	Great Britain	100
Charter Healthcare Limited	Great Britain	100
Porgès UK Limited	Great Britain	100
Coloplast AB	Sweden	100
Coloplast Taiwan Co., Ltd.	Taiwan	100
Coloplast Turkey AS	Turkey	100
Coloplast GmbH	Germany	100
Coloplast Distribution GmbH	Germany	100
Coloplast Hungary Kft.	Hungary	100
Coloplast Corp.	USA	100
Coloplast Manufacturing US, LLC	USA	100
Comfort Medical, LLC	USA	100
Coloplast Ges.m.b.H.	Austria	100
Other companies		
Coloplast Ejendomme A/S	Denmark	100
Ejendomsselskabet Bronzevej og Højvangen A/S	Denmark	100
Ejendomsselskabet Kromosevej A/S	Denmark	100
IctalCare A/S	Denmark	9
Coloplast Business Centre Sp. zo.o.	Poland	100
Acarix AB	Sweden	7

Representative offices and branches

Algeria	Singapore
Dubai	Slovakia
Egypt	Slovenia
Croatia	South Africa
New Zealand	Czech Republic
Mexico	Ukraine
Saudi Arabia	Hungary

Notes

Note

31. Acquisitions of operations

Coloplast made a number of acquisitions during the financial year. The fair values of the acquired net assets at the date of acquisition are shown in the table below.

DKK million	Fair value at date of acquisition		
	Lilial	**Other**	**Total**
Intangible assets	58	7	65
Property, plant and equipment	6	0	6
Inventories	16	0	16
Receivables	17	9	26
Deferred tax	-15	-2	-17
Trade payables	-31	-3	-34
Other payables	-14	-2	-16
Net assets acquired	**37**	**9**	**46**
Goodwill	218	29	247
Consideration, cash and debt-free	**255**	**38**	**293**
Acquired cash and short-term debt to credit institutions	10	4	14
Other interest-bearing debt	-5	-1	-6
Cash consideration	**260**	**41**	**301**
The cash consideration may be specified as follows:			
Paid in cash at date of acquisition	260	33	293
Fair value of contingent consideration	0	8	8
Cash consideration	**260**	**41**	**301**

Acquisition of Lilial

On 10 January 2018, Coloplast completed the acquisition of all shares and voting rights of Lilial. Lilial is a French-based direct-to-consumer home delivery company with nationwide distribution of catheter and ostomy supplies for the French market. The transaction will strengthen Coloplast's position and its service offering in France and will open for additional access to payers. Coloplast expects to continue to work with healthcare professionals and channel partners through the various consumer programs with the intent of improving overall end user outcomes.

Lilial is recognised in consolidated net revenue at DKK 132m and in consolidated profit after tax at DKK 7m. The pro forma effect on consolidated net revenue for 2017/18, as if the company had been acquired on 1 October 2017, amounts to approximately DKK 180m. The pro forma effect on consolidated profit after tax for 2017/18, as if the company had been acquired on 1 October 2017, amounts to approximately DKK 10m.

Notes

Note

31. Acquisitions, continued

Intangible assets consist of customer lists (DKK 42m) and trademarks (DKK 16m). Customer lists consist of access to Lilial's existing customer base (users) and physicians lists. Trademarks consist of the Lilial trademark and name, which are both associated with sales of catheter and ostomy supplies. Trade receivables represent a gross amount of DKK 13m and have only been subject to insignificant writedowns.

After recognition of identifiable assets and liabilities at fair value, goodwill related to the acquisition amounts to DKK 218m, which is not deductible for tax purposes. Goodwill expresses expected future earnings and includes synergies expected to be achieved from Coloplast's strengthened position and stronger product and service offering in the French market.

In 2017/18, Coloplast incurred transaction costs relating to the acquisition of approximately DKK 3m, which has been recognised in administrative expenses in the statement of comprehensive income.

The cash consideration for the shares amounted to EUR 35.0m, which fell due for payment on the date of acquisition. The cash consideration for the shares corresponds to a consideration of EUR 34.3m on a cash and debt-free basis, which is slightly lower than the estimated value indicated in company announcement no. 1/ 2018 (EUR 35.5m). The transaction was made on locked-box terms, pursuant to which a fixed cash consideration is agreed for the shares on conclusion of the agreement with no adjustment for debt and changes to working capital in the period until closing. As a result, the final consideration paid for the company on a cash and debt-free basis may differ from the estimated value prior to closing. The difference is mainly attributable to a shift between net working capital and net cash.

Other acquisitions

Other acquisitions made during the financial year are not considered to be material to the consolidated financial statements.

32. Events occurring after the balance sheet date

No events have occurred after the balance sheet date which are deemed to have a material impact on the financial results or equity at 30 September 2018.

Definitions of key ratios

Note

33. Definitions of key ratios

EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Invested capital	Assets less cash, less marketable securities plus accumulated goodwill amortised before 1 October 2002 less non-interest bearing debt including provisions
EBIT margin (%)	EBIT x 100 / Revenue
Return on average invested capital (ROIC), %	EBIT x 100 / Average invested capital
Return on equity, %	Profit for the year attributable to Coloplast x 100 / Average equity before minority interests
Equity ratio, %	Total equity x 100 / Assets
Net asset value per share, DKK	Equity excluding minority interests / Number of unrestricted shares
Market price/net asset value per share	Market price per share / Net asset value per share
PE, price/earnings ratio	Market price per share / Earnings per share (EPS)
Pay-out ratio, %	Dividend declared x 100 / Profit for the year attributable to Coloplast
Earnings per share (EPS)	Profit for the year attributable to Coloplast / Number of unrestricted shares (average of four quarters)
Free cash flow per share	Free cash flow / Number of unrestricted shares (average of four quarters)

The ratios are calculated and applied in accordance with “Recommendations & Financial Ratios 2015” issued by the Danish Society of Financial Analysts. Key ratios are shown on page 2.

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 01 October 2017 – 30 September 2018.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements set out in the Danish

Financial Statements Act. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2018 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 01 October 2017 – 30 September 2018.

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 the annual report for adoption at the Annual General Meeting.

Humlebæk, 1 November 2018

Executive Management:

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

Board of Directors:

Michael Pram Rasmussen Chairman	Niels Peter Louis-Hansen Deputy Chairman	Carsten Hellmann
Birgitte Nielsen	Jette Nygaard-Andersen	Jørgen Tang-Jensen
Thomas Barfod Elected by the employees	Martin Giørtz Müller Elected by the employees	Torben Rasmussen Elected by the employees

Independent auditors' report

To the shareholders in Coloplast A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2018 and of the results of the Group's operations and cash flows for the financial year 1 October 2017 to 30 September 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 30 September 2018 and of the results of the Parent Company's operations for the financial year 1 October 2017 to 30 September 2018 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Coloplast A/S for the financial year 1 October 2017 to 30 September 2018 comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and statement of comprehensive income and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Coloplast A/S on 12 June 1998 for the financial year 1997/98. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 21 years including the financial year 2017/18.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017/18. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Effect of pending and potential transvaginal mesh cases Since 2011, Coloplast has been a party to individual lawsuits in different federal- and state courts in the USA where claims of product liability have been registered relating to the use of transvaginal mesh for the treatment of pelvic organ prolapse and stress urinary incontinence. We focused on the assessment of the liability relating to the transvaginal mesh cases as the valuation is subject to significant judgement, including expected settlement amounts and legal costs per case as well as the number of cases.	We discussed the principles for the assessment of the liability relating to the transvaginal mesh cases with Management. We tested the principles for identification and assessment of potential and on-going transvaginal mesh cases, and we discussed and obtained statements from internal and external legal counsel on the likely economic consequences of the transvaginal mesh cases, including the expected number of cases and expected settlement amounts. Based on the historical development of the overall proceedings of the transvaginal mesh cases, we assessed

Independent auditors' report (continued)

We refer to note 17 in the Consolidated Financial Statements for detailed information on the transvaginal mesh cases.	the reasonableness of Management's expectations of the settlement amount per case with respect to cases not yet settled and expectations for any additional registration of claims. We also assessed the note disclosures relating to the cases.
Recognition of revenue The drafting and negotiation of sales agreements take place in view of territorial healthcare reforms, different legislation, increased competition, growth strategies and different supply demands. The main part of Coloplast's sales takes place through distributors operating under different conditions and, consequently, requiring different sales agreements. Coloplast's agreements with distributors include quantity and product dependent discounts, which requires data management and monitoring of sales at product level to the individual distributors. Moreover, the sales agreements include different terms of delivery. We focused on the recognition of revenue as the accounting rules are complex and involve assessments of the timing and amount of the revenue to be recognised. We refer to note 1 in the Consolidated Financial Statements.	We discussed the recognition principles applied to distributor agreements and related sales transactions with Management. We reviewed and assessed procedures and internal controls relating to revenue and tested relevant controls with special focus on controls relating to finalisation of agreements and collection of relevant data. We applied data analysis to revenue transactions and hereby gained an understanding of the Group's transaction flow. In this connection, we tested a risk-based sample of revenue transactions. Moreover, we tested a sample of revenue transactions against sales agreements, tested provisions against discounts and tested the timing of the recognition of sales transactions.

Statement on Management's Review
Management is responsible for Management's Review.
Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibility for the Financial Statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditors' report (continued)

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 1 November 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab, CVR nr. 33 77 12 31

Mogens Nørgaard Mogensen State Authorised Public Accountant mne21404	Kim Tromholt State Authorised Public Accountant mne33251

Coloplast A/S

Parent company

Financial statement

for 2017/18

Income statement

1 October - 30 September

DKK million

Note		2017/18	2016/17
2	Revenue	11,735	11,494
3	Production costs	-6,010	-5,769
	Gross profit	**5,725**	**5,725**
3	Distribution costs	-1,011	-855
3.4	Administrative expenses	-384	-364
3	Research and development costs	-650	-625
	Other operating income	45	43
	Other operating expenses	-14	-10
	Operating profit (EBIT)	**3,711**	**3,914**
10	Profit after tax on investment in subsidiaries	855	532
10	Loss after tax on investment in associates	0	-1
5	Financial income	122	85
6	Financial expenses	-168	-117
	Profit before tax	**4,520**	**4,413**
7	Tax on profit for the year	-782	-830
	Net profit for the year	**3,738**	**3,583**
	Profit distribution		
	Retained earnings	343	400
	Dividend paid during the year	1,059	955
	Proposed dividend for the year	2,336	2,228
	Total	**3,738**	**3,583**

Balance sheet

At 30 September

DKK million

Note		2018	2017
	Assets		
8	Intangible assets	1,121	1,287
9	Property, plant and equipment	786	908
10	Financial assets	3,338	3,492
	Non-current assets	**5,245**	**5,687**
11	**Inventories**	**889**	**866**
	Trade receivables	530	561
	Receivables from Group enterprises	2,473	2,590
	Other receivables	103	177
	Prepayments	64	56
12	Amounts held in escrow	12	531
	Receivables	**3,182**	**3,915**
	Marketable securities	**310**	**315**
	Cash and bank balances	**56**	**66**
	Current assets	**4,437**	**5,162**
	Assets	**9,682**	**10,849**
	Equity and liabilities		
	Share capital	216	216
	Reserve for currency hedging	-36	55
	Proposed dividend for the year	2,336	2,228
	Retained earnings	3,064	2,732
13	**Total equity**	**5,580**	**5,231**
14	Provisions for pensions and similar obligations	3	1
15	Provision for deferred tax	71	90
14	Other provisions	32	63
	Provisions	**106**	**154**
14	Other provisions	212	309
	Credit institutions	1,404	1,355
	Trade payables	256	231
	Payables to Group enterprises	895	1,602
	Income tax	660	534
	Other payables	569	1,433
	Current liabilities	**3,996**	**5,464**
	Liabilities other than provisions	**3,996**	**5,464**
	Equity and liabilities	**9,682**	**10,849**

16 Contingent items and other financial liabilities

Notes

Note

1. Accounting policies

Basis of preparation

The parent company financial statements are presented in accordance with the Danish Financial Statements Act (reporting class D enterprises) and additional Danish disclosure requirements for listed companies.

The accounting policies of the parent company are the same as those of the Group, however, with the addition of the policies described below. The Group's accounting policies are set out in note 1 to the financial statements on page 36. Other than as set out above, there have been no changes to the accounting policies relative to last year.

Cash flow statement

No separate cash flow statement has been prepared for the parent company as per the exemption clause of section 86(4) of the Danish Financial Statements Act. The consolidated cash flow statement is set out on page 34.

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful life, estimated at 10 years. This estimate was made on the basis of estimated useful lives of the other assets acquired in the transaction.

Financial assets

In the parent company's financial statements, investments in subsidiaries and associates are recognised according to the equity method. The share of the results of subsidiaries less unrealised intra-group gains is recognised in the parent company's income statement. Net revaluation of investments in subsidiaries and associates exceeding the dividend declared by such enterprises is recognised in equity as reserve for net revaluation according to the equity method. See note 31 to the consolidated financial statements on page 74 for additional information on goodwill on acquisition of subsidiaries.

Financial instruments

The accounting policies and other information about derivative financial instruments are set out in note 19 to the consolidated financial statements on page 63.

Tax

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

2. Revenue

DKK million	**2017/18**	2016/17
Business area		
Intimate healthcare	11,735	11,494
Total	**11,735**	**11,494**
Geographical markets		
Europe	8,229	8,165
The Americas	2,119	2,123
Rest of the world	1,387	1,206
Total	**11,735**	**11,494**

Notes

Note

3. Staff costs

DKK million	2017/18	2016/17
Salaries, wages and directors' remuneration	1,062	1,016
Pensions	87	83
Other social security costs	10	15
Total	**1,159**	**1,114**
Average number of employees, FTEs	1,483	1,492

See note 27 to the consolidated financial statements for information on the Executive Management's and the Directors' remuneration.

4. Fees to appointed auditors

DKK million	2017/18	2016/17
Overall fees to PricewaterhouseCoopers	7	8
Of which:		
Statutory audit	5	4
Tax advice	1	1
Other services	1	3

5. Financial income

DKK million	2017/18	2016/17
Interest income, etc.	5	12
Interest income from Group enterprises	28	21
Fair value adjustments, forward contracts	89	52
Total	**122**	**85**

6. Financial expenses

DKK million	2017/18	2016/17
Interest expenses, etc.	18	19
Interest expenses to Group enterprises	5	2
Net exchange adjustments	145	96
Total	**168**	**117**

Notes

Note

7. Tax on profit for the year

DKK million	2017/18	2016/17
Current tax on profit for the year	804	712
Change in deferred tax on profit for the year	-17	117
Prior-year adjustments	-5	1
Total	**782**	**830**
Tax on equity entries (income)	**60**	**67**

8. Intangible assets

DKK million	Goodwill	Acquired patents and trademarks	Software	Prepayments and intangible assets in progress	2017/18 Total	2016/17 Total
Total cost at 1.10.	1,506	1,461	308	23	3,298	2,315
Transfers	0	0	19	-19	0	0
Additions and improvements during the year	0	0	8	44	52	983
Total cost at 30.9.	**1,506**	**1,461**	**335**	**48**	**3,350**	**3,298**
Total amortisation at 1.10.	634	1,128	249	0	2,011	1,808
Amortisation for the year	98	88	32	0	218	203
Total amortisation at 30.9.	**732**	**1,216**	**281**	**0**	**2,229**	**2,011**
Carrying amount at 30.9.	**774**	**245**	**54**	**48**	**1,121**	**1,287**

9. Property, plant and equipment

DKK million	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	2017/18 Total	2016/17 Total
Total cost at 1.10.	870	700	209	1,779	1,838
Transfers	103	53	-156	0	0
Additions and improvements during the year	68	29	100	197	227
Disposals during the year	-190	-10	-6	-206	-286
Total cost at 30.9.	**851**	**772**	**147**	**1,770**	**1,779**
Total depreciation at 1.10.	461	410	0	871	822
Depreciation for the year	76	103	0	179	182
Depreciation reversed on disposals during the year	-64	-2	0	-66	-133
Total depreciation at 30.9.	**473**	**511**	**0**	**984**	**871**
Carrying amount at 30.9.	**378**	**261**	**147**	**786**	**908**

Notes

Note

10. Financial assets

DKK million	Investment in Group enterprises	Receivables from Group enterprises	Other securities and investments	2017/18 Total	2016/17 Total
Total cost at 1.10.	3,175	1,145	11	4,331	3,384
Capital investments during the year	419	115	0	534	1,036
Divestments during the year	0	-1,053	0	-1,053	-89
Total cost at 30.9.	**3,594**	**207**	**11**	**3,812**	**4,331**
Value adjustment at 1.10.	-837	0	-2	-839	-567
Profit after tax	855	0	0	855	531
Dividend received	-435	0	0	-435	-739
Exchange adjustments	-94	0	0	-94	-82
Other adjustments	39	0	0	39	18
Value adjustment at 30.9.	**-472**	**0**	**-2**	**-474**	**-839**
Carrying amount at 30.9.	**3,122**	**207**	**9**	**3,338**	**3,492**

An overview of subsidiaries is provided in note 30 to the consolidated financial statements.

11. Inventories

DKK million	2018	2017
Raw materials and consumables	43	64
Work in progress	185	241
Manufactured goods	661	561
Inventories	**889**	**866**

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

12. Amounts held in escrow

Amounts paid into escrow accounts in connection with pending litigation and not yet released by the courts. See note 17 to the consolidated financial statements for more information about mesh litigation.

DKK million	2018	2017
Amounts held in escrow	12	531

Notes

Note

13. Statement of changes in equity

DKK million	Share capital A shares	Share capital B shares	Reserve for currency hedging	Proposed dividend	Retained earnings	2017/18 Total	2016/17 Total
Equity at 1.10.	18	198	55	2,228	2,732	5,231	4,561
Transfers				1	-1	0	0
Value adjustment for the year			-28			-28	70
Transferred to financial items			-89			-89	-52
Tax effect of hedging			26			26	-4
Tax on equity entries					34	34	70
Dividend paid out in respect of 2016/17				-2,229		-2,229	-1,909
Interim dividend paid out in respect of 2017/18				-1,059		-1,059	-955
Currency adjustment of opening balances and other adjustments relating to subsidiaries					-57	-57	-77
Acquisition of treasury shares					-500	-500	-500
Sale of treasury shares					488	488	420
Share-based payment					25	25	24
Net profit for the year					3,738	3,738	3,583
Proposed dividends				3,395	-3,395	0	0
Equity at 30.9.	**18**	**198**	**-36**	**2,336**	**3,064**	**5,580**	**5,231**

14. Provisions

DKK million	Legal claims	Pension	2017/18 Total	2016/17 Total
Provisions at 1.10.	372	1	373	1,060
Provisions during the year	2	0	2	0
Charged to the income statement	2	0	2	0
Use of provisions during the year	-133	0	-133	-674
Exchange adjustments	3	2	5	-13
Provisions at 30.9.	**244**	**3**	**247**	**373**
Expected maturities:				
Current liabilities	212	0	212	309
Non-current liabilities	32	3	35	64
Provisions at 30.9.	**244**	**3**	**247**	**373**

See note 17 to the consolidated financial statements.

Notes

Note

15. Deferred tax

DKK million	2017/18	2016/17
Calculation of deferred tax is based on the following items:		
Intangible assets	74	85
Property, plant and equipment	51	61
Production overheads	14	15
Provisions	-57	-79
Jointly taxed companies (recaptured balances)	9	9
Other	-20	-1
Total	**71**	**90**

16. Contingent items and other financial liabilities

DKK million	2018			2017		
Falling due in:	Other operating leases	Rent	Total	Other operating leases	Rent	Total
Less than one year	23	3	26	17	3	20
Within 1 to 5 years	13	4	17	21	2	23
After more than 5 years	0	0	0	0	0	0
Total	**36**	**7**	**43**	**38**	**5**	**43**

At 30 September 2018, the parent company had provided guarantees for loans raised by Group enterprises amounting to DKK 502m (2016/17: DKK 509m).
The parent company has issued a letter of subordination to the benefit of other creditors of subsidiaries.
The parent company is involved in minor lawsuits, which, other than as described in note 17 to the consolidated financial statements, are not expected to influence the parent company's future earnings.
The parent company is jointly and severally liable for tax on the Group's jointly taxed Danish income, etc.
Bonds in repo transactions have been provided as collateral for repo debt. Bonds provided as collateral were valued at DKK 213m at 30 September 2018 (30 September 2017: DKK 217m).

The Coloplast story begins back in 1954. Elise Sørensen is a nurse. Her sister Thora has just had an ostomy operation and is afraid to go out in public, fearing that her stoma might leak. Listening to her sister's problems, Elise conceives the idea of the world's first adhesive ostomy bag.

Based on Elise's idea, Aage Louis-Hansen, a civil engineer and plastics manufacturer, and his wife Johanne Louis-Hansen, a trained nurse, created the ostomy bag. A bag that does not leak, giving Thora – and thousands of people like her – the chance to live the life they want.

A simple solution that makes a difference.

Today, our business includes Ostomy Care, Continence Care, Wound & Skin Care and Interventional Urology. We operate globally and employ about 12,000 employees.

Our mission
Making life easier for people
with intimate healthcare needs

Our values
Closeness... to better understand
Passion... to make a difference
Respect and responsibility... to guide us

Our vision
Setting the global standard
for listening and responding

Ostomy Care / Continence Care / Wound & Skin Care / Interventional Urology

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare. Our business includes ostomy care, continence care, wound and skin care and interventional urology. We operate globally and employ about 12,000 employees.

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