

Announcement No. 2/2008
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Changed accounting treatment regarding contract production of wound care products

Coloplast has renewed a five-year contract production agreement for Compeed products. Under the terms of the new contract, this business will be recognised line by line in the income statement, whereas the activity was previously recognised as a net amount under “Other income”. The change will increase wound and skin care revenue by about DKK 160m, while EBIT is unaffected. The revenue increase will not be recognised in organic growth, as it is purely the result of a change in accounting treatment.

Background

In 2002, Coloplast decided to concentrate on its interests as a supplier to the professional health care market, divesting Coloplast Konsumentvarer A/S, the company marketing Compeed products to the consumer market. See Announcement No. 10/2002. In that connection, Coloplast signed an agreement to continue the development of contract production of Compeed products until the end of 2007. For the financial years up to 2006/07, this business activity was only included in EBIT as a net amount under “Other income”, due to the terms of the contract.

Under the new five-year agreement, the terms have been changed to the effect that a greater part of the operational risk lies with Coloplast. As a result, the business activity will no longer be treated as a net item in the line item “Other income”, but instead line by line in the income statement.

Impact on the income statement

Under the new accounting treatment, the item “Other income” no longer contains net income from contract production. In the 2007/08 financial year, the item “Other income” will include an income amount of approximately DKK 35m from the sale of the factory in Kokkedal (see Announcement No. 20/2007), which amount was recognised in the first quarter of the financial year.

As a result of the changes, wound and skin care revenue will increase by about DKK 160m in the 2007/08 financial year, and the related costs will be distributed on production, administrative functions, distribution, etc., to the effect that EBIT will be unaffected.

The change will only have a forward-reaching effect and will not influence historical figures. Shown in table 1 are historical revenue developments in contract production.

Table 1: Revenue from contract production of wound care products

DKK MILLION	Q1	Q2	Q3	Q4	FULL YEAR
2006/07	25	45	48	42	161
2005/06	27	43	43	32	145

Further information

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