Annual report 2014/15

Company registration (CVR) No. 69 74 99 17

Management's Report - Five-year financial highlights and key ratios

DKK million	2014/15	2013/14	2012/13	2011/12	2010/11
Income statement					
Revenue	13,909	12,428	11,635	11,023	10,172
Research and development costs	-442	-390	-380	-342	-415
Operating profit before interest, tax, depreciation and amortisation	2,020	3,573	4,160	3,756	3,108
Operating profit before special items	4,535	4,147	3,672	3,255	2,581
Special items[1)]	3,000	1,000	0	0	0
Operating profit (EBIT)	1,535	3,147	3,672	3,255	2,581
Net financial income and expenses	-289	46	-46	-300	-124
Profit before tax	1,245	3,191	3,625	2,954	2,456
Net profit for the year	899	2,390	2,711	2,194	1,819
Revenue growth					
Annual growth in revenue, %	12	7	6	8	7
Growth breakdown:					
Organic growth, %	7	9	7	6	6
Currency effect, %	5	-2	-1	2	1
Balance sheet					
Total assets	10,817	10,379	9,564	10,176	9,218
Invested capital	4,702	6,088	6,320	6,295	6,312
Equity at year end	4,706	6,283	6,769	6,042	4,478
Cash flows and investments					
Cash flows from operating activities	3,337	3,149	3,136	2,649	2,205
Cash flows from investing activities	-468	-777	-159	-390	-954
Investment in property, plant and equipment, gross	-583	-505	-409	-317	-230
Free cash flow	2,869	2,372	2,977	2,259	1,251
Cash flows from financing activities	-2,963	-2,898	-3,430	-1,653	-1,461
Key ratios					
Average number of employees, FTEs	9,303	8,741	8,143	7,624	7,328
Operating margin, EBIT, %	11	25	32	30	25
Operating margin, EBIT, before special items, %	33	33	32	30	25
Operating margin, EBITDA, %	15	29	36	34	31
Return on average invested capital before tax (ROIC), %[2)]	62	60	58	52	41
Return on average invested capital after tax (ROIC), %[2)]	48	49	44	38	30
Return on equity, %	16	37	42	42	46
Equity ratio, %	44	61	71	59	49
Net asset value per outstanding share, DKK[4)]	22	30	32	29	21
Per share data					
Share price, DKK[4)]	473	494	314	242	161
Share price/net asset value per share[4)]	22	17	10	9	8
Average number of outstanding shares, millions[4)]	211	211	211	210	210
PE, price/earnings ratio	111	44	24	23	19
Dividend per share, DKK[3) 4)]	12.5	11.5	10.0	4.0	2.8
Pay-out ratio, %[5)]	82	77	78	38	32
Earnings per share (EPS), diluted[4)]	4	11	13	10	9
Free cash flow per share[4)]	14	11	13	11	9

1) Special items cover potential settlements and costs in connection with the law suits alleging injury resulting from the use of transvaginal surgical mesh products
2) For the 2014/15 and 2013/14 financial years, this item is before Special items. After Special items, ROIC before tax is 28%/51%, and ROIC after tax is 21%/38%.
3) The figure shown for the 2014/15 financial year is the proposed dividend.
4) The 2012/13 figure has been restated to reflect a 1-to-5 split of the company's A and B shares in the 2012/13 financial year.
5) For the 2014/15 and 2013/14 financial years, this item is before Special items. After Special items, the pay-out ratio is 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.

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Management's report

Core business activity

Coloplast develops and markets products and services that make life easier for people with very private and personal medical conditions. Coloplast works closely with users to develop solutions that consider their special needs. Coloplast calls this intimate healthcare.

Coloplast markets and sell its products and services globally, and in most markets the products are eligible for reimbursement from local healthcare authorities. Coloplast supplies its products to hospitals, institutions as well as wholesalers and pharmacies. In selected markets, Coloplast is also a direct supplier to users (homecare). Coloplast has wholly owned sales subsidiaries in its principal markets and at the end of the financial year employed more than 9,500 people.

Coloplast operates in these business areas:

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). Some 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 live 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. Coloplast markets a number of accessory products for people with a stoma, such as the Brava® range.

In addition to these products, Coloplast supports users through the Coloplast Care services, providing them with the support and knowledge they need about living with a stoma.

The market

The global market for ostomy care products is estimated at DKK 14bn 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 Russia, China and other growth economies. The annual market growth is estimated at 4-5%, and Coloplast is the global market leader, holding a market share of 35-40%. Our largest market share is in Europe, while the smallest one is in the USA. The definition of the market for ostomy products also includes accessory products for people with a stoma. The ostomy accessories market is estimated at about DKK 2bn with annual market growth of 5-7%. Coloplast currently holds 20-25% of the accessories market.

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

The market
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 estimated at DKK 11bn. 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.

Urology Care
Urology care 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 its 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 market
Market growth in Urology is driven by the ageing population and lifestyle diseases, as well as ongoing innovation leading to more cost-efficient surgical procedures. Other drivers of market growth for implants are a growing awareness of the treatment options available for men with severe impotence and women with urological disorders.

The part of the urology care market in which Coloplast products are represented is estimated at DKK 9-10bn. Market growth is estimated at 3-5% per year including the adverse impact of the updated Public Health Notification issued by the US Food and Drug Administration (FDA) on the use of transvaginal mesh therapies for pelvic organ prolapse and stress urinary incontinence.

Coloplast currently holds an estimated 10-15% of the overall global market for urology products.

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 infection, exudate 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 and 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.

The market
Growth in the part of the global wound care segment in which Coloplast competes is expected to be 3-5%, driven mainly by volume growth due to the increasing life expectancy, the growing diabetics population and a growing number of patients receiving preventive treatment. Intensifying competition between manufacturers and pricing pressure originating from lower public healthcare budgets in Europe has had a negative impact on market growth.

The market is estimated at DKK 16-17bn. Coloplast holds a 5-10% market share, making it the world's fifth-largest manufacturer of advanced wound care products. There are 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.

The market for skin care products is estimated at DKK 7-8bn, and market growth is forecasted at 5%. Coloplast currently has around 5% of the market for skin care products.

Strategy
Over the past few years, Coloplast has professionalised the sales and marketing organisation and innovation processes, while also making significant efficiency improvements, especially in production and administrative functions.

Coloplast announced an updated strategic direction at its Capital Markets Day held in Copenhagen on 4 June 2014.

The strategy is focused on organic growth and centres on:

- Sustained growth in the core markets of Europe.
- Engaging more in interacting and building relations with end users.
- Increased growth in the developed markets outside Europe (the USA, Canada, Japan and Australia).
- Further expansion and growth in new markets.
- Market leadership in selected new markets and relevant opportunities in the European Wound Care business.
- Globalising the urology care business.

The strategy is supported by a strong pipeline of new products, sustained cost discipline and execution of the most recent plan for Global Operations.

Financial highlights of the year

The full-year financial results did not meet the guidance provided in the 2013/14 Annual Report, but are in line with the updated guidance provided in company announcement no. 9/2014 of 22 September 2015, which provides a revision of the financial guidance.

- Organic revenue growth was 7%. Revenue in DKK was up by 12% to DKK 13,909m.
- Organic growth rates by business area: Ostomy Care 6%, Continence Care 8%, Urology Care 5% and Wound & Skin Care 9%.
- Gross profit was up by 12% to DKK 9,533m, equal to a gross margin of 69%.
- EBIT before special items was up by 9% to DKK 4,535m. The EBIT margin before special items was 33%, which was in line with last year. At constant exchange rates, the EBIT margin was 32%.
- EBIT was affected by an increase in provisions of DKK 3,000m to cover potential settlements and costs in connection with the lawsuits alleging injury resulting from the use of transvaginal surgical mesh products.
- EBIT after special items was DKK 1,535m. The EBIT margin after special items of 11%. At constant exchange rates, the EBIT margin was 10%.
- Net profit for the year before special items was DKK 3,239m against DKK 3,166m last year. The diluted earnings per share (EPS) before special items were DKK 15.19 against DKK 14.80 last year.
- Net profit for the year after special items was DKK 899m against DKK 2,390m last year.
- The free cash flow grew by 21% to DKK 2,869m, a DKK 497m increase over last year.
- ROIC after tax before special items was 48% against 49% last year.
- The Board of Directors recommends that the shareholders attending the general meeting to be held on 9 December 2015 approve a year-end dividend of DKK 8 per share. This brings the dividend paid for the year to DKK 12.5 per share, as compared with DKK 11.5 last year. The Board of Directors also recommends that 4,000,000 shares with a nominal value of DKK 1 be cancelled.

Sales performance

Revenue in DKK was up by 12% to DKK 13,909m on 7% organic growth. Currency appreciation, especially of USD and GBP against DKK, increased the reported growth rate by 5 percentage points.

Sales performance by business area

	DKK million		Growth composition		
	2014/15	2013/14	Organic growth	Exchange rates	Reported growth
Ostomy Care	5,567	5,091	6%	3%	9%
Continence Care	5,019	4,438	8%	5%	13%
Urology Care	1,359	1,199	5%	8%	13%
Wound & Skin Care	1,964	1,700	9%	7%	16%
Net revenue	**13,909**	**12,428**	**7%**	**5%**	**12%**

Ostomy Care

Sales of ostomy care products amounted to DKK 5,567m, equal to an increase in DKK of 9%. Organic growth, at 6%, remained driven mainly by the portfolio of SenSura® products and the Brava® accessory range.

The portfolio of SenSura® products continued to generate highly satisfactory sales growth, driven in part by good sales growth in the Nordic markets, the UK, Germany, Italy and France. The SenSura® Mio product range continues to contribute strongly to sales growth.

The buying patterns of a major distributor impacted sales to the US market during the year.

The performance of the Charter homecare business in the UK remains unsatisfactory, and in the Dutch market, the lower reimbursement rates had a negative impact on growth. In addition, the German homecare company SIEWA remains challenged in a more competitive market.

Assura® products generated satisfactory sales growth, mainly driven by China, Mexico and Argentina, whereas Algeria was a negative contributor due to a distributor's inventory build-up last year.

The Brava® accessory range generated highly satisfactory growth in the USA and France.

SenSura® Mio is now available in 18 countries. SenSura® Mio Convex is available in 7 countries.

Continence Care

Continence Care revenue was DKK 5,019m, a 13% improvement in DKK and 8% organically. Sales of SpeediCath® intermittent catheters, especially the compact catheters, continued to drive growth.

Compact catheters were a key growth driver, particularly in France, the USA and the UK. Saudi Arabia also contributed to the performance due to delivery on a large tender win in the first quarter. The buying patterns of a major distributor impacted the US market during the year. In the UK, the performance of the Charter homecare business remains unsatisfactory.

SpeediCath® Compact Set continued the satisfactory growth following the December 2012 launch, and the SpeediCath® Compact Eve is now available in 13 countries.

Sales growth for standard catheters was unsatisfactory, mainly because last year's comparator was boosted by a large tender win in Algeria in the first half of 2013/14, but also due to the negative performance of standard catheter sales in the UK market.

The sales growth for urine bags and urisheaths was not satisfactory, mainly due to the negative performance of urine bag sales in the more competitive Dutch, US and UK markets.

Sales of the Peristeen® anal irrigation system grew at a fair rate, especially in the UK, France and Germany.

Urology Care
Sales of urology care products increased by 13% to DKK 1,359m, while the organic growth rate was 5%. Full-year growth was mainly driven by sales of disposable endourological products in France, Germany and Saudi Arabia. The sales performance of implant products remained unsatisfactory due to the weaker sales momentum for penile implants in the USA. The sales momentum in transvaginal surgical mesh products designed to treat stress urinary incontinence and pelvic organ prolapse has weakened, because the satisfactory sales of Altis® slings and Restorelle® products have not fully offset the still declining sales of Aris®, an older sling product.

Wound & Skin Care
Sales of wound and skin care products amounted to DKK 1,964m, equal to a 16% increase in DKK and 9% organic growth. The Wound Care business alone generated 11% organic growth.

Growth was driven by sales of Biatain® foam dressings, especially by Biatain® Silicone in Europe and notably in the UK, German and French markets. Lower reimbursement rates in the French market taking effect on 1 October 2014 impacted growth. Growth in Emerging markets was driven by China and Greece and by sales on a large tender win in Saudi Arabia. Organic growth in the US Wound Care business improved.

Contract production of Compeed® delivered weak full-year growth.

The Biatain® Silicone launch continued to produce highly satisfactory results, and the product is available in all core markets.

Sales performance by region

	DKK million		Growth composition		
	2014/15	2013/14	Organic growth	Exchange rates	Reported growth
European markets	8,843	8,221	5%	3%	8%
Other developed markets	2,945	2,479	6%	13%	19%
Emerging markets	2,121	1,728	21%	2%	23%
Net revenue	**13,909**	**12,428**	**7%**	**5%**	**12%**

European markets
Revenue was up by 8% to DKK 8,843m on 5% organic growth. France, Southern Europe and the Nordic markets all reported highly satisfactory organic growth rates, whereas the Dutch market remains challenged by the above-mentioned changes to reimbursement rates in the ostomy care and continence care markets.

Growth in France, Southern Europe and the Nordics was driven mainly the continence care and ostomy care businesses. Lastly, the UK operations remain challenged by the performance of the Charter homecare business, which is affecting the ostomy care and continence care businesses. Having implemented a number of operational initiatives, Charter has now brought the quality of its service back to industry peer levels. In addition, the German homecare company SIEWA continued to face a weaker growth momentum in a more competitive market.

Other developed markets
Revenue was DKK 2,945m, which translates into reported growth of 19%, while the underlying organic growth rate was 6%. Much of the performance was driven by the US ostomy care and continence care markets, and particularly by SpeediCath® intermittent catheters and the Brava® range of accessories.

An industry-wide investigation of sales and marketing practices by the US Department of Justice has impacted the US market in general including our sales activities. Also, the procurement patterns of a major distributor impacted growth in the US market. The growth performance of Titan® penile implants in the USA was unsatisfactory due to a drop in market activity. Canada reported positive growth performance in Ostomy Care, Wound Care and Continence Care. In Australia, Continence Care was the main growth driver.

Emerging markets
Revenue increased by 23% to DKK 2,121m, while organic growth was 21%. The performance was driven especially by China, Saudi Arabia, Greece and Argentina, whereas Algeria and Brazil were negative contributors. In addition, Turkey, Mexico and South Korea all reported very strong growth rates. Performance in the Chinese market was driven by good momentum in Ostomy Care, especially for the Assura® portfolio, and in Wound Care, especially for Biatain®.

In Saudi Arabia, tender wins in Continence Care, Wound Care and Urology Care in the first half of the year continued to support the growth performance. Greece reported decent growth in Continence Care for compact catheters and Wound Care for Biatain®. The performance in Argentina was driven by good momentum in Ostomy Care and Continence Care. The negative growth in Algeria was due to an inventory buy-back coupled with an inventory build-up by a new distributor second quarter last year. Reduced tender activity impacted the growth performance in Brazil.

Gross profit
Gross profit was up by 12% to DKK 9,533m from DKK 8,538m last year. The gross margin was 69%, which was in line with last year. In the 2014/15 financial year, Coloplast took a DKK 25m writedown on the inventory of NPWT products when discontinuing the partnership with Devon Medical. The performance was supported by the ongoing focus on efficiency improvements and costs, which offset the negative effect of new product launches with their high initial costs and increasing depreciations resulting from increased capital expenditure. Coloplast also incurred costs in connection with expanding the factory at Nyírbátor, Hungary, and relocating production from Denmark to Hungary.

Costs
Distribution costs amounted to DKK 3,962m, against DKK 3,519m last year. Distribution costs amounted to 28% of revenue, which was in line with last year. Included in costs were ongoing investments of about DKK 200m, mainly for sales and marketing initiatives in China, the USA, the UK, Germany and France. Lastly, Coloplast continue to invest in "522 Postmarket Surveillance" studies for products in Urology Care.

Administrative expenses amounted to DKK 600m, against DKK 498m last year. The full-year financial statements contain provisions announced in the 9M interim report for a total of DKK 75m made in relation to the industry-wide investigation of sales and marketing practices in the USA by the US Department of Justice and for the greater risk of losses on trade receivables in southern Europe. Administrative expenses accounted for 4% of revenue, which was in line with last year.

R&D costs were DKK 442m, up from DKK 390m last year due to a general increase in business activity, restructuring costs relating to the organisational changes announced on the release of the H1 interim report and an increase in depreciation charges. R&D costs amounted to 3% of revenue, which was in line with last year.

Other operating income and other operating expenses amounted to a net income for the year of DKK 6m, against a net income of DKK 16m last year.

Special items

Coloplast took a further provision of DKK 3,000m to cover potential settlements and costs in connection with the lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence. See note 18 to the consolidated financial statements for more details.

Operating profit (EBIT)

EBIT before special items was DKK 4,535m, a 9% increase from DKK 4,147m last year. The EBIT margin was 33% in DKK and 32% at constant exchange rates, against 33% last year both in DKK and at constant exchange rates.

EBIT after special items was DKK 1,535m against DKK 3,147m last year. The EBIT margin was 11% in DKK and 10% at constant exchange rates, against 25% last year both in DKK and at constant exchange rates.

Financial items and tax

Financial items were a net expense of DKK 289m, compared to a net income of DKK 46m last year. The change was mainly due to net losses on realised forward exchange contracts, especially on USD and GBP, against a net gain last year.

The tax rate was 28% against 25% last year, the change being due to the increased provision of DKK 3,000m taken in respect of the lawsuits in the USA, but partially offset by the lower corporate tax rate in Denmark. The tax expense before special items was DKK 1,006m against DKK 1,025m last year. The tax expense was reduced by DKK 660m due to special items against DKK 224m last year.

Net profit

The net profit before special items was up by 2% to DKK 3,239m from DKK 3,166m last year. Special items after tax amounted to DKK 2,340m against DKK 776m last year. This brought the net profit (after special items) to DKK 899m against DKK 2,390m last year.

The diluted earnings per share (EPS) before special items were DKK 15.19 against DKK 14.80 last year. The diluted earnings per share (EPS) after special items were DKK 4.20 against DKK 11.17 last year.

Cash flows and investments

Cash flows from operating activities

Cash flows from operating activities amounted to DKK 3,337m, against DKK 3,149m last year. The change was due to an improvement in EBITDA before special items offset by payments made for currency hedging transactions.

The cash flows relating to the lawsuits in the United Stated alleging injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence have lifted cash flows from operating activities by about DKK 200m due to DKK 150m received in insurance payments and a currency hedge on the provision, offset by payments made from the escrow account.

Investments

Coloplast grew its net capital expenditure in property, plant and equipment and intangible assets by DKK 64m relative to last year, increasing CAPEX investments by 16% over the 2013/14 period to DKK 617m. As a result, CAPEX accounted for 4% of revenue. The financial statements include investment in machinery to be used for new products, including for a new SenSura® Mio platform, added capacity for existing products and the expansion of the factory in Nyírbátor, which was inaugurated in April 2015. Changes in the securities portfolio lifted cash flows from investing activities by DKK 352m.

Free cash flow
The free cash flow amounted to DKK 2,869m, against DKK 2,372m last year.

Capital resources
Interest-bearing net deposits at 30 September 2015 amounted to DKK 1,300m, against DKK 1,490m at 30 September 2014, the increase being mainly due to a smaller securities portfolio and a smaller holding of cash and cash equivalents.

Statement of financial position and equity

Balance sheet
At DKK 10,817m, total assets increased by DKK 438m relative to last year.

Intangible assets amounted to DKK 1,511m, which was DKK 30m more than at 30 September 2014. The increase was attributable to an increase in goodwill resulting from the appreciation of USD against DKK less amortisation of patents and trademarks. Investments in property, plant and equipment (CAPEX) increased by 10% to DKK 2,705m, driven by the ongoing investments in Hungary. As a result, non-current assets increased by a total of DKK 720m to DKK 5,052m.

Non-current assets increased by DKK 447m due to the deferred tax asset related to the lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence.

Relative to last year, inventories increased by 11% to DKK 1,473m due to inventory build-ups in connection with new product roll-outs, relocation of production and weaker-than-expected sales. Trade receivables were up by 12% to DKK 2,467m, mirroring the revenue performance. Trade payables amounted to DKK 591m, marking a 4% increase relative to last year. This brought net working capital to 24% of revenue, which was in line with the percentage at 30 September 2014.

Amounts held in escrow decreased by DKK 346m from DKK 418m at 30 September 2014 to DKK 72m at 30 September 2015. The lower amount is due to settlement payments made in connection with lawsuits in the United States alleging injury resulting from the use of transvaginal surgical mesh. However, the lower amount was partly offset by an increase in escrow deposits.

The value of security holdings decreased by DKK 100m and cash and cash equivalents by 90m relative to the beginning of the financial year. As a result, current assets decreased by a total of DKK 282m relative to last year to stand at DKK 5,765m.

An amount of DKK 3,992m is recognised under liabilities, of which DKK 3,335m is recognised under provisions and DKK 657m is recognised under other debt.

Equity
Equity decreased by DKK 1,577m to DKK 4,706m. Payment of dividends of DKK 2,535m and share buy-backs of DKK 500m were partly offset by the comprehensive income for the year of DKK 1,156m and the net effect of treasury shares sold and losses on share options exercised, share-based payment and related tax charges amounting to DKK 302m.

In the second quarter of 2013/14, Coloplast's Board of Directors resolved to complete a share buy-back programme for a total of up to DKK 1bn running until the end of the 2014/15 financial year. The programme was completed in June 2015.

Treasury shares
At 30 September 2015, Coloplast's holding of treasury shares consisted of 8,648,447 B shares, which was 802,516 fewer than at 30 September 2014. The holding was reduced due to the exercise of equity options, which was partly offset by the share buy-back programme.

The Board of Directors recommends to the annual shareholders attending the general meeting to be held on 9 December 2015 that the share capital be reduced by a nominal value of DKK 4m, equal to 4,000,000 shares with a nominal value of DKK 1. The capital reduction is recommended because Coloplast has bought more shares through the buy-back programmes than are needed to cover share option programmes for senior employees.

Financial guidance for 2015/16

- We expect organic revenue growth of 7-8% at constant exchange rates and 8-9% in DKK.
- We expect an EBIT margin of 33-34%, both at constant exchange rates and in DKK.
- Capital expenditure is expected to be around DKK 700m.
- The effective tax rate is expected to be about 23%.

Price pressures in 2015/16 are expected to be in line with those of 2014/15, for an annual price pressure of about 1%. Our financial guidance takes account of reforms with known effects.

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 generating sales growth, can successfully deliver scale economies and efficiency improvements. The guidance for investments in sales-enhancing initiatives remains at about DKK 150m.

The capital investments will boost the production capacity for new and existing products and will provide for the completion of the factory expansion at Tatabánya in 2016.

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

Coloplast's long-term financial guidance, as announced at the Capital Markets Day on 4 June 2014, remains to generate 7-10% sales growth per year and to improve the EBIT margin by 0.5-1.0 percentage point per year. The overall weighted market growth in Coloplast's current markets is about 5%.

Other matters

Proposal for changes to the number of members and composition of the Board of Directors

The Board of Directors proposes that the Board be increased by two shareholder-elected members and recommends Executive Director Birgitte Nielsen and CEO Jette Nygaard-Andersen be elected to the Board at the annual general meeting on 9 December 2015. The Board recommends Birgitte Nielsen and Jette Nygaard-Andersen for the Board in order to complement the Board's skills in general management, marketing, sales and innovation.

New factory in Hungary

We have decided to expand the production capacity at the Coloplast factory in Tatabánya, Hungary. The 20,000 sq.m. expansion is scheduled for completion in the summer of 2016. The total investment will amount to around DKK 150m.

Commercial partnership with Devon Medical discontinued

Due to product safety issues involving the Devon Medical Extricare portfolio, Coloplast discontinued all commercial activities relating to NPWT end March 2015, including sales and marketing in Brazil, Switzerland and Greece, where the products had been launched. The decision put a final stop to the commercial partnership with Devon Medical. Coloplast remains committed to selling and marketing NPWT products as part of its product range.

Wellcome Support Center divested

Coloplast divested its Japanese homecare activities, which generated revenue of about DKK 85m and moderate earnings in the 2013/14 financial year. The divestment had no impact on the financial results for 2014/15.

Exchange rate exposure
Our financial guidance for the 2015/16 financial year has been prepared on the basis of the following assumptions for the company's principal currencies:

DKK	GBP	USD	HUF	EUR
Average exchange rate 2014/15[1)]	1,005	651	2.41	745
Spot rate, 30 October 2015	1,041	679	2.40	746
Estimated average exchange rate 2015/2016	1,041	679	2.40	746
Change in estimated average exchange rates compared with last year[2)]	4%	4%	0%	0%

1) Average exchange rates from 1 October 2014 to 30 September 2015.

2) Estimated average exchange rate is the spot rate at 30 October 2015.

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 2014/15)	Revenue	EBIT
USD	-260	-90
GBP	-240	-160
HUF	0	50

Forward-looking statements

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

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. In 2014/15, Coloplast integrated the Chronic Care R&D department in the Global Operation production unit to ensure greater integration in the innovation process and the right production set-up at the lowest possible cost.

Human resources

At 30 September 2013, Coloplast had 9,706 employees, of whom 8,226 were employed in international locations. During the financial year, the number of employees increased by 5%.

Corporate responsibility at Coloplast

In its Corporate Responsibility report, which is published along with the annual report, Coloplast communicates openly about social responsibility. The report has been prepared in compliance with the principles of the UN Global Compact.

With respect to the statutory statement on corporate social responsibility in compliance with section 99a of the Danish Financial Statements Act, see the Corporate Responsibility Report for 2014/15, which is available at

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

Risk management and internal controls

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

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 system and risk management systems;
- The statutory audit of the financial statements; and
- The independence of the auditors, including in particular the provision of non-audit services to the group.

The Board of Directors has resolved to follow the audit committee's recommendation not to establish an internal audit function. For more information, click the link below to go to our website and see "Monitoring".

The committee held five meetings in the 2014/15 financial year.

The Executive Management is responsible for Coloplast’s overall risk profile and for aligning it with the overall strategies and policies. The Executive Management is also responsible for launching and validating projects and activities to cover the most significant risks. The Board of Directors reviews and considers, on a quarterly basis, the conclusions and recommendations submitted by the Executive Management.

Additional information about risk management and major risk factors is available from our website:
http://www.coloplast.com/internalcontrols

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 202 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 2016. 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 2015.

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 above-mentioned 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 change in ownership.

There are no special provisions governing the election of members to Coloplast's Board of Directors.

Ownership and shareholdings

The company had 47,001 shareholders at the end of the financial year, which was 9,929 more than last year. Institutional investors based outside Denmark held 29% of Coloplast's shares at 30 September 2014, compared with 33% a year earlier.

Registered shareholders represented 95% 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	20.3%	40.6%
Aage og Johanne Louis-Hansens ApS[2)]	Nivå	11.1%	14.9%
Benedicte Find	Humlebæk	3.6%	5.4%

[1)] Niels Peter Louis-Hansen's wholly owned company N.P. Louis-Hansen ApS also 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 8,648,447 treasury shares at 30 September 2013, equivalent to 4% of the share capital.

Coloplast's ownership

30 September 2015	A shares 1,000 units	B shares 1,000 units	Ownership %	Voting rights %
Holders of A shares and their families	18,000	81,521	45%	68%
Danish institutionals		15,077	7%	4%
Foreign institutionals		63,463	29%	17%
Coloplast A/S[3)]		8,648	4%	
Other shareholders		21,181	10%	6%
Non-registered shareholders[3)]		12,110	5%	
Total	**18,000**	**202,000**	**100%**	**95%**

[3)] No voting rights

Shareholdings

30 September 2015	A shares 1,000 units	B shares 1,000 units	Number of insiders
Board of Directors	12,285	33,487	9
- of which independent Board members		30	4
Executive Management		162	4
Total	12,285	33,649	13

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 May 2014, and Nasdaq Copenhagen adopted the recommendations to take effect for financial years beginning on or after 1 January 2013. The Board of Directors and the Executive Management share the committee's views and generally follow the new recommendations. See our 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 its 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; and
- To create stakeholder confidence in the company.

The full report 'Corporate governance at Coloplast' is available from the corporate website: "Statutory report on corporate governance". *http://www.coloplast.com/Investor-Relations/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 enquiries 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 2014/15 financial year.

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 1 December 2010.

General guidelines for the company's remuneration of members of the Board of Directors and the Executive Management

Board of Directors

Members of the Board of Directors receive a fixed annual fee. The Chairman and Deputy Chairman of the Board of Directors receive a supplement to this fee. The amounts of fees and supplements are approved by the shareholders in general meeting and disclosed in the annual report. Fees are fixed based on a comparison with fees paid by other companies. Members of the Board of Directors receive no incentive pay.

Executive Management

The Chairman and Deputy Chairman of the Board of Directors perform an annual review of the remuneration paid to members of the Executive Management. The remuneration paid to members of the Executive Management consists of a fixed and a variable part. The fixed pay consists of a net salary, pension contribution and other benefits. The value of each of those components is disclosed in the annual report for each member of the Executive Management. As an element of the variable pay, members of the Executive Management may receive an annual bonus, subject to the achievement of certain benchmarks. The bonus proportion varies among the members of the Executive Management, but is subject to a maximum of 25% of the annual remuneration. The actual bonus paid to each member of the Executive Management is disclosed in the Annual Report. At the date of adoption of these guidelines, the bonus benchmarks are based on value creation and profitability, but they may be changed by the Board of Directors. Any such change will be communicated in a company announcement.

Another element of the variable pay is made up of options and is intended to ensure that the Executive Management's incentive correlates with the long-term creation of shareholder value. For that same reason, the option plan is revolving and not subject to the achievement of defined benchmarks.

Members of the Executive Management are awarded a number of options each year with a value equal to a maximum of 40% of the Executive Management's remuneration. The value is calculated in accordance with the Black-Scholes formula. Options are awarded at a strike price which is 15% higher than the market price at the award date calculated as the average price of all trades on the last trading day of the calendar year. The options have a term of five years and are exercisable after three years. The number of options awarded to each member of the Executive Management and their value is disclosed in the Company's annual report. Options in the Executive Management share option plan are covered by the Company's holding of treasury shares. In addition, the Chairman and Deputy Chairman of the Board perform an annual review of the remuneration paid to members of the Executive Management relative to the managements of other Danish companies.

Severance schemes

As at 30 September 2015, a provision of DKK 1m had been made for a now discontinued post-service remuneration scheme for retired Board members. The scheme comprises one person. When current executives leave the company, the company will have an obligation of two years' pay.

Other executive functions

Board of Directors

Chairman
Michael Pram Rasmussen (60)
10 years on the Board

A.P. Møller - Mærsk A/S (C) and DC of one of its wholly owned subsidiaries
Semler Holding (C) and C of one of its wholly owned subsidiaries
Arp-Hansen Hotel Group A/S (BM)
Louisiana Museum of Modern Art (BM)
Museumsfonden af 7. december 1966 (BM)
Danske Bank A/S (MBR)
JPMorgan Chase International Council (MBR)

Brian Petersen (53)
5 years on the Board

Thomas Barfod (45)*
9 years on the Board

Senior Controller
Elected by the employees

Deputy Chairman
Niels Peter Louis-Hansen (68)*
47 years on the Board

N. P. Louis-Hansen ApS, Managing Director
Aage og Johanne Louis-Hansen ApS, Managing Director
Aage og Johanne Louis-Hansens Fond (C)
Civiløkonom Niels Peter Louis-Hansen, Agriculture and forestry

Jørgen Tang-Jensen (59)
8 years on the Board

Velux A/S, CEO
and C of 8 and DC in 1 of its wholly owned subsidiaries
Altaterra Kft. (C)
Geberit AG (BM)

Martin Giørtz Müller (52)*
1 year on the Board

Head of Ramp-up
Elected by the employees

Per Magid (72)*
30 years on the Board

Aage og Johanne Louis-Hansen ApS, Director
Munksgaards Fondet (C)
Vemmetofte Kloster (C)
Ernst og Vibeke Husmans Fond (DC)
Arktisk Institut (BM)
Aage og Johanne Louis-Hansens Fond (BM)

Sven Håkan Björklund (59)
9 years on the Board

H. Lundbeck A/S (C)
Acino Pharma AG (C)
Trimb AB (C)
Alere Inc. (BM)
Atos AB (BM)
Kibion AB (BM)

Torben Rasmussen (55)*
5 years on the Board

Electrician
Elected by the employees

* These board members are not considered to be independent under the definition provided in “Recommendations on Corporate Governance”.

Executive Management

President, CEO
Lars Rasmussen (56)
AXCEL (BM)
H. Lundbeck A/S (BM)
Danske Bank A/S (MBR)

Executive Vice President
Anders Lonning-Skovgaard (43)

Executive Vice President
Allan Rasmussen (48)

Executive Vice President
Kristian Villumsen (45)
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 3 November 2015.

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
(MBR) Member of the Board of Representatives

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive management have today considered and adopted the Annual Report of Coloplast A/S for the financial year 1 October 2014 – 30 September 2015.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Financial Statements are prepared in accordance with additional Danish disclosure requirements for listed companies. Management's report is also prepared in accordance with Danish disclosures requirements for listed companies.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 30 September 2015 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 October 2014 to 30 September 2015.

In our opinion, Management's report includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

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

Humlebæk, 3 November 2015

Executive Management:

Lars Rasmussen
President, CEO

Anders Lonning-Skovgaard
Executive Vice President

Allan Rasmussen
Executive Vice President

Kristian Villumsen
Executive Vice President

Board of Directors:

Michael Pram Rasmussen
Chairman

Niels Peter Louis-Hansen
Deputy Chairman

Per Magid

Brian Petersen

Jørgen Tang-Jensen

Sven Håkan Björklund

Thomas Barfod
Elected by the employees

Martin Giørtz Müller
Elected by the employees

Torben Rasmussen
Elected by the employees

Independent auditor's report

To the Shareholders of Coloplast A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Coloplast A/S for the financial year 1 October 2014 to 30 September 2015, which comprise income statement, balance sheet, statement of changes in equity, and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income, and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company 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 Danish disclosure requirements for listed companies and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2015 and of the results of the Group's operations and cash flows for the financial year 1 October 2014 to 30 September 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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 2015 and of the results of the Parent Company's operations for the financial year 1 October 2014 to 30 September 2015 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Hellerup, 3 November 2015
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Fin T. Nielsen
State Authorised Public Accountant

Kim Tromholt
State Authorised Public Accountant

Statement of comprehensive income

1 October - 30 September

Note	DKK million	2014/15	2013/14
	Income statement:		
2	Revenue	13,909	12,428
3,8,9	Cost of sales	-4,376	-3,890
	Gross profit	**9,533**	**8,538**
3,8,9	Distribution costs	-3,962	-3,519
3,8,9	Administrative expenses	-600	-498
3,8,9	Research and development costs	-442	-390
	Other operating income	38	43
	Other operating expenses	-32	-27
	Operating profit before special items	**4,535**	**4,147**
10	Special items	-3,000	-1,000
	Operating profit (EBIT)	**1,535**	**3,147**
11	Profit/loss after tax on investments in associates	-1	-2
4	Financial income	13	89
4	Financial expenses	-302	-43
	Profit before tax	**1,245**	**3,191**
5	Tax on profit for the year	-346	-801
	Net profit for the year	**899**	**2,390**
	Other comprehensive income:		
	Items that will not be reclassified to profit or loss:		
17	Remeasurements of defined benefit plans	-4	-27
	Tax on remeasurements of defined benefit pension plans	3	8
		-1	**-19**
	Items that may be reclassified to profit or loss:		
	Value adjustment of currency hedging	-156	-131
	Of which transferred to financial items	265	-33
	Tax effect of hedging	-27	40
	Currency adjustment, assets in foreign currency	128	57
	Tax effect of currency adjustment, assets in foreign currency	-30	-14
	Currency adjustment of opening balances and other adjustments relating to subsidiaries	78	-43
		258	**-124**
	Total other comprehensive income	**257**	**-143**
	Total comprehensive income	**1,156**	**2,247**
6	Earnings per Share (EPS), (A and B shares)	4	11
6	Earnings per Share (EPS), (A and B shares), diluted	4	11

Balance sheet

At 30 September

DKK million

Note		2015	2014
8	Acquired patents and trademarks etc.	579	624
8	Goodwill	842	772
8	Software	61	66
8	Prepayments and intangible assets in process	29	19
	Intangible assets	**1,511**	**1,481**
9	Land and buildings	1,017	927
9	Plant and machinery	987	868
9	Other fixtures and fittings, tools and equipment	319	196
9	Prepayments and property, plant and equipment under construction	382	471
	Property, plant and equipment	**2,705**	**2,462**
11	Investments in associates	11	13
12	Deferred tax asset	808	360
	Other receivables	17	16
	Other non-current assets	**836**	**389**
	Non-current assets	**5,052**	**4,332**
13	**Inventories**	**1,473**	**1,322**
14	Trade receivables	2,467	2,210
	Income tax	43	40
	Other receivables	203	344
	Prepayments	107	123
	Receivables	**2,820**	**2,717**
15	**Restricted cash**	**72**	**418**
	Marketable securities	**519**	**619**
23	**Cash and cash equivalents**	**881**	**971**
	Current assets	**5,765**	**6,047**
	Assets	**10,817**	**10,379**

Balance sheet

At 30 September

DKK million

Note		2015	2014
	Share capital	220	220
	Currency translation reserve	-54	-132
	Reserve for currency hedging	-7	-89
	Proposed ordinary dividend for the year	1,691	1,579
	Retained earnings	2,856	4,705
7.16	**Total equity**	**4,706**	**6,283**
17	Provisions for pensions and similar liabilities	169	181
12	Provision for deferred tax	1	71
18	Other provisions	1,322	297
	Other payables	1	1
	Deferred income	40	17
	Non-current liabilities	**1,533**	**567**
17	Provisions for pensions and similar liabilities	31	29
18	Other provisions	2,029	680
19	Other credit institutions	100	92
	Trade payables	591	566
	Income tax	65	521
	Other payables	1,746	1,619
	Deferred income	16	22
	Current liabilities	**4,578**	**3,529**
	Current and non-current liabilities	**6,111**	**4,096**
	Equity and liabilities	**10,817**	**10,379**

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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
2014/15							
Balance at 1.10.	18	202	-132	-89	1,579	4,705	6,283
Comprehensive income:							
Net profit for the year					2,644	-1,745	899
Other comprehensive income that will not be reclassified to profit or loss:							
Remeasurements of defined benefit plans						-4	-4
Tax on remeasurements of defined benefit pension plans						3	3
Other comprehensive income that may be reclassified to profit or loss:							
Value adjustment of currency hedging				-156			-156
Of which transferred to financial items				265			265
Tax effect of hedging				-27			-27
Currency adjustment, assets in foreign currency						128	128
Tax effect of currency adjustment, assets in foreign currency						-30	-30
Currency adjustment of opening balances and other adjustments relating to subsidiaries			78				78
Total other comprehensive income	0	0	78	82	0	97	257
Total comprehensive income	*0*	*0*	*78*	*82*	*2,644*	*-1,648*	*1,156*
Transactions with shareholders:							
Transfers					3	-3	0
Investment in treasury shares						-500	-500
Sale of treasury shares and loss on exercised options						72	72
Share-based payment						29	29
Tax on equity entries						201	201
Dividend paid out in respect of 2014/15					-953		-953
Dividend paid out in respect of 2013/14					-1,582		-1,582
Total transactions with shareholders:	*0*	*0*	*0*	*0*	*-2,532*	*-201*	*-2,733*
Balance at 30.9.	**18**	**202**	**-54**	**-7**	**1,691**	**2,856**	**4,706**

Outstanding shares (in thousands)	A shares	B shares
Issued shares	18,000	202,000
Holding of treasury shares (note 16)		8,648
Outstanding shares	**18,000**	**193,352**

Outstanding shares (in thousands):	A shares	B shares
Outstanding shares at 1.10.	18,000	192,549
Sale of treasury shares		1,757
Acquisition of treasury shares		-954
Outstanding shares at 30.9.	**18,000**	**193,352**

A capital reduction was made in 2012/13, resulting in the cancellation of 5,000,000 shares with a total nominal value of DKK 5,000,000. No other changes have been made to the share capital within the past five years.

Both share classes have a face value of DKK 1 per share. Class A shares carry ten votes each, while class B shares carry one 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.

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
2013/14							
Balance at 1.10.	18	202	-89	35	1,473	5,130	6,769
Comprehensive income:							
Net profit for the year					2,423	-33	2,390
Other comprehensive income that will not be reclassified to profit or loss:							
Remeasurements of defined benefit plans						-27	-27
Tax on remeasurements of defined benefit pension plans						8	8
Other comprehensive income that may be reclassified to profit or loss:							
Value adjustment of currency hedging				-131			-131
Of which transferred to financial items				-33			-33
Tax effect of hedging				40			40
Currency adjustment, assets in foreign currency						57	57
Tax effect of currency adjustment, assets in foreign currency						-14	-14
Currency adjustment of opening balances and other adjustments relating to			-43				-43
Total other comprehensive income	*0*	*0*	*-43*	*-124*	*0*	*24*	*-143*
Total comprehensive income	*0*	*0*	*-43*	*-124*	*2,423*	*-9*	*2,247*
Transactions with shareholders:							
Transfers					3	-3	0
Investment in treasury shares						-500	-500
Sale of treasury shares and loss on exercised options						-78	-78
Share-based payment						39	39
Tax on equity entries						126	126
Dividend paid out in respect of 2013/14					-844		-844
Dividend paid out in respect of 2012/13					-1,476		-1,476
Total transactions with shareholders:	*0*	*0*	*0*	*0*	*-2,317*	*-416*	*-2,733*
Balance at 30.9.	**18**	**202**	**-132**	**-89**	**1,579**	**4,705**	**6,283**

Outstanding shares (in thousands):	A shares	B shares
Outstanding shares at 1.10.	18,000	192,359
Sale of treasury shares		1,274
Acquisition of treasury shares		-1,084
Outstanding shares at 30.9.	**18,000**	**192,549**

Cash flow statement

1 October - 30 September

Note	DKK million	2014/15	2013/14
	Operating profit	1,535	3,147
	Depreciation and amortisation	485	426
21	Adjustment for other non-cash operating items	2,368	948
22	Changes in working capital	393	-264
	Ingoing interest payments, etc.	13	41
	Outgoing interest payments, etc.	-279	-59
	Income tax paid	-1,178	-1,090
	Cash flows from operating activities	**3,337**	**3,149**
	Investment in intangible assets	-34	-28
	Investment in land and buildings	-5	-9
	Investment in plant and machinery	-126	-133
	Investment in property, plant and equipment under construction	-452	-363
	Property, plant and equipment sold	28	8
	Company divestment	21	0
	Net sales/purchase of marketable securities	100	-252
	Cash flows from investing activities	**-468**	**-777**
	Free cash flow	**2,869**	**2,372**
	Dividend to shareholders	-2,535	-2,320
	Acquisitions of treasury shares	-500	-500
	Sale of treasury shares and loss on exercised options	72	-78
	Financing from shareholders	-2,963	-2,898
	Cash flows from financing activities	**-2,963**	**-2,898**
	Net cash flows	**-94**	**-526**
	Cash, cash equivalents and short-term debt with credit institutions at 1.10.	879	1,393
	Value adjustment of cash and bank balances	-4	12
	Net cash flows	-94	-526
23	**Cash, cash equivalents and short-term debt with credit institutions at 30.9.**	**781**	**879**
23	Cash	881	971
24	Unutilised credit facilities	645	723
	Financial reserves at 30.9.	**1,526**	**1,694**

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

List of notes

Notes

Note

1. Key accounting policies

This section provides a summary of significant accounting policies, new IFRS 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 2014/2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements applying to listed companies.

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 2014/15 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 2014/15 financial year. The implementation did not affect the financial statements.

New financial reporting standards adopted

Other relevant standards or interpretations adopted by the IASB but not adopted by the EU have not been applied in this annual report. The amended IFRS 11 “Joint Arrangements” is expected to apply from the 2016/17 financial year. The new IFRS 9 “Financial instruments” is expected to apply from the 2018/19 financial year, while the new IFRS 15 “Revenue from Contracts with Customers” is expected to apply from the 2018/19 financial year. None of the mentioned standards or interpretations are expected to have a material effect on the consolidated financial statements.

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.

Notes

Note

1. Key accounting policies, continued

Management has made significant estimates in respect of, among others, the following items: Special items, Intangible assets, Research and development, Inventories, Trade receivables, Deferred tax including Deferred tax assets and Other provisions. A further description of the principal accounting estimates and judgments is provided in the relevant notes.

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.

Consolidation, business combinations and associates

The consolidated financial statements comprise Coloplast A/S (the parent company) and enterprises in which the Group holds more than 50% of the voting rights or otherwise exerts a controlling influence (subsidiaries).

The consolidated financial statements are prepared by aggregating the audited 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.

Notes

Note

1. Key accounting policies, continued

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.

The excess value/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 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.

Marketable securities

The fair value option is applied to marketable securities, because the securities form part of a portfolio managed and measured on a fair value basis.

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 therefore recognised under investing activities.

Notes

Note

2. Segment information

Operating segments

Changes to the management structure has led to changes in our management reporting and a change in the segment information for the 2014/15 financial year. Comparative figures have been restated accordingly.

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, Urology Care and Wound & Skin Care.

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

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

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 based on EBIT before internal items and eliminations (market contribution) and allocates resources on that background. Costs are allocated directly to segments. Certain immaterial indirect costs are allocated systematically to Shared/Non-allocated and the reporting segments.

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

Coloplast A/S' registered office is situated in Denmark. Revenue from external customers in Denmark amounted to DKK 308m (2013/14: DKK 286m), while revenue from external customers in other countries amounted to DKK 13,601m (2013/14: DKK 12,142m). 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 3,081 million (2013/14: DKK 2,555m), while total non-current assets placed in other countries amounted to DKK 1,163m (2013/14: DKK 1,417m).

Notes

Note

2. Segment information, continued

Operating segments

DKK million	Chronic Care 2014/15	Chronic Care 2013/14	Urology Care 2014/15	Urology Care 2013/14	Wound & Skin Care 2014/15	Wound & Skin Care 2013/14	Shared/Non-allocated 2014/15	Shared/Non-allocated 2013/14	Total 2014/15	Total 2013/14
Segment revenue										
Ostomy Care	5,567	5,091	0	0	0	0	0	0	5,567	5,091
Continence Care	5,019	4,438	0	0	0	0	0	0	5,019	4,438
Urology Care	0	0	1,359	1,199	0	0	0	0	1,359	1,199
Wound & Skin Care	0	0	0	0	1,964	1,700	0	0	1,964	1,700
External revenue as per the Statement of comprehensive income	**10,586**	**9,529**	**1,359**	**1,199**	**1,964**	**1,700**	**0**	**0**	**13,909**	**12,428**
Segment operating profit/loss	6,396	5,734	462	433	717	623	-3,040	-2,643	4,535	4,147
Costs not included in segment operating profit/loss. See note 10									-3,000	-1,000
Operating profit (EBIT) as per the Statement of comprehensive income									**1,535**	**3,147**
Net financials									-289	46
Tax on profit/loss for the year									-346	-801
Income from investments in associates									-1	-2
Profit/loss for the year as per the Statement of comprehensive income									**899**	**2,390**

3. Staff costs

Accounting policies

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

DKK million	2014/15	2013/14
Salaries, wages and directors' remuneration	3,151	2,831
Pension costs - defined contribution plans (note 17)	238	199
Pension costs - defined benefit plans (note 17)	12	13
Other social security costs	368	349
Total	**3,769**	**3,392**

Notes

Note

3. Staff costs, continued

DKK million	2014/15	2013/14
Cost of sales	991	904
Distribution costs	2,233	1,982
Administrative expenses	309	304
Research and development costs	236	202
Total	**3,769**	**3,392**
Average number of employees, FTEs	9,303	8,741
Number of employees at 30.9, FTEs	9,535	9,071
Number of employees at 30.9	9,706	9,250

See note 28 for information on the Executive Management's and the Directors' remuneration.

4. Financial income and expenses

Accounting policies

Financial income and expenses include interest, financing costs of finance leases, realised and unrealised foreign exchange adjustments, fair value adjustments of cash settled share options, fees, market value adjustments of securities and dividend received on shares recognised under securities.

DKK million	2014/15	2013/14
Financial income		
Interest income	13	41
Fair value adjustments of forward contracts transferred from Other comprehensive income	0	33
Fair value adjustments of cash-based share options	0	15
Total	**13**	**89**
Financial expenses		
Interest expense	5	3
Fair value adjustments of forward contracts transferred from Other comprehensive income	265	0
Fair value adjustments of cash-based share options	1	0
Net exchange adjustments	5	18
Other financial expenses and fees	26	22
Total	**302**	**43**

Notes

Note

5. Tax on profit for the year

Accounting policies

Coloplast A/S is jointly taxed with wholly owned Danish subsidiaries. Full allocation is made of the jointly taxable income. 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 income and expenses.

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	**2014/15**	2013/14
Current tax on profit for the year	804	1,070
Change in deferred tax on profit for the year	-478	-257
Tax on profit from ordinary activities	326	813
Adjustment of tax relating to prior years	-6	-10
Change due to change in tax rate	26	-2
Total	**346**	**801**
Reconciliation of tax rate differences:		
Danish tax rate, %	23.5	24.5
Effect of reduction of tax rates, %	2.1	0.5
Non-taxable income and non-deductible expenses, %	1.9	0.5
Other taxes and other adjustments, net, %	0.3	-0.4
Effective tax rate, %	**27.8**	**25.1**
Tax on equity and other comprehensive income entries	**147**	**160**

6. Earnings per share (EPS)

Accounting policies

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 16). Earnings per share 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.

Notes

Note

6. Earnings per share (EPS), continued

DKK million	2014/15	2013/14
Net profit for the year	899	2,390
Net profit for the year before special items	3,239	3,166
Weighted average no. of shares (in millions of units)	211.3	210.8
Earnings per share before special items (DKK) (A and B shares)	15.3	15.0
Earnings per share (DKK), (A and B shares)	4.3	11.3
Earnings per share before special items (DKK) (A and B shares), diluted	15.2	14.8
Earnings per share (DKK), (A and B shares), diluted	4.2	11.2

7. Dividend per share

Accounting policies

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 in general meeting.

The Board of Directors recommends that the shareholders attending the general meeting approve an additional dividend of DKK 8 per share of DKK 1 (2013/14: DKK 7.50). An interim dividend of DKK 4.50 per share was distributed in the financial year (2013/14: DKK 4.00), bringing total dividend per share for the year to DKK 12.50 per share (2013/14: DKK 11.50), for total dividends of DKK 2,644m (2013/14: DKK 2,423m). The increase in dividend per share thus amounts to 9%, and the pay-out ratio is 294% (2013/14: 101%).

8. Intangible assets

Accounting policies

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:

Development projects	3-5 years
Software	3-5 years
Acquired patents and trademarks etc.	7-15 years

Goodwill and 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.

Notes

Note

8. Intangible assets, continued

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.

Development projects are recognised at the date when each individual project is expected to be exploited commercially. From this date, the directly associated costs will be recognised as an intangible asset in the balance sheet provided they can be measured reliably and there is sufficient certainty of the future earnings. As described below under "Significant estimates and judgments", costs incurred earlier in the development phase are recognised under research and development costs in the income statement.

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 Urology Care. Goodwill in this business area amounted to DKK 348m at 30 September 2015 (30 September 2014: DKK 313m). The carrying amount of intangible assets was DKK 1,511m as at 30 September 2015 (30 September 2014: DKK 1,481m).

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. Against this background, it is believed that the Group's in-house research costs do not satisfy the capitalisation criteria. All in-house research and development costs are therefore recognised in the income statement as incurred. In 2014/15, DKK 442m (2013/14: DKK 390m) was expensed as research and development costs.

DKK million	**2014/15**	2014/15
Amortisation breaks down as follows:		
Cost of sales	108	96
Distribution costs	18	19
Administrative expenses	10	12
Research and development costs	2	2
Total	**138**	**129**

Notes

Note

8. Intangible assets, continued

2014/15 DKK million	Acquired patents and trademarks, etc.	Goodwill	Software	Prepayments and intangible assets in progress	Total intangible assets
Total cost at 1.10.	1,415	772	292	19	2,498
Exchange and other adjustments	142	83	2	0	227
Additions and improvements during the year	2	0	10	22	34
Transfers	0	0	12	-12	0
Disposals during the year	0	-13	-1	0	-14
Total cost at 30.9.	**1,559**	**842**	**315**	**29**	**2,745**
Total amortisation at 1.10.	791	0	226	0	1,017
Exchange and other adjustments	78	0	2	0	80
Amortisation for the year	111	0	27	0	138
Amortisation reversed on disposals during the year	0	0	-1	0	-1
Total amortisation at 30.9.	**980**	**0**	**254**	**0**	**1,234**
Carrying amount at 30.9.	**579**	**842**	**61**	**29**	**1,511**

Goodwill

Goodwill relates mainly to the acquisition of Mentor's urology and continence business and Mpathy acquired in 2006 and 2010 respectively. Goodwill from the acquired urology 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 Ostomy Care, Urology Care and Continence Care.

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 recoverable amount (value in use) of each cash-generating unit, calculated as the discounted expected future cash flows, is compared with the carrying amounts.

Future cash flows are determined using forecasts based in 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 more general assumptions for the projected period.

The impairment tests performed for the urology business were based on forecasts for the 2015/16 financial year. Assumptions for the long-term strategy of the urology business were used for the financial years 2016/17 to 2018/19. For Ostomy Care and Continence Care, impairment tests were based on forecasts for 2015/16 and on assumptions for the long-term strategy for the financial years 2016/17 to 2018/19.

The impairment tests performed reflect price pressures expected from healthcare reforms implemented in individual markets.

Notes

Note

8. Intangible assets, continued

The tax rate applied in the impairment test for Urology Care 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. Non-recurring costs of postmarket surveillance studies, as are required by the FDA to keep products on the transvaginal mesh market have been applied in the period until 2019/20, at which time such studies are expected to be completed. The gross margin is expected to drop slightly until the terminal period, as our strategy for a broader geographical mix is expected to increase sales outside the USA, mainly to European countries with lower margins.

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

	2014/15			2013/14		
	Ostomy Care	Urology Care	Continence Care	Ostomy Care	Urology Care	Continence Care
Revenue growth in terminal period	2%	2%	2%	2%	2%	2%
Tax percentage	24%	35%	24%	25%	35%	25%
Carrying amount of goodwill, DKKm	20	348	474	32	313	427

Growth rates are expected not to exceed the long-term average growth rate for the business area as a whole. Ongoing efficiency improvements contribute to a rising EBIT margin and improved cash flows.

Capital invested has been projected using the same growth rate as that for revenue with the exception of special assets associated with the acquisition of the urology business.

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

	2014/15		2013/14	
	before tax	after tax	before tax	after tax
Urology Care	12.1%	9.2%	11.2%	8.6%
Ostomy & Continence Care	7.3%	6.0%	6.1%	5.0%

Acquired patents and trademarks etc.

The majority of our 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.

DKK million	Remaining amortisation period	Carrying amount **2014/15**	Carrying amount 2013/14
Patented technologies and unprotected technologies	1-13 years	300	331
Trademarks	9-13 years	176	183
Customer lists/loyalty	9-13 years	91	95
Total		**567**	**609**

Notes

Note

8. Intangible assets, continued

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 relate to know-how concerning 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 when acquiring the Mentor business, 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 with the acquisition of both the Mentor business 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.

2013/14 DKK million	Acquired patents and trademarks etc.	Goodwill	Software	Prepayments and intangible assets in progress	Total intangible assets
Total cost at 1.10.	1,602	735	328	35	2,700
Exchange and other adjustments	61	37	2	0	100
Additions and improvements during the year	3	0	7	19	29
Transfers	0	0	35	-35	0
Disposals during the year	-251	0	-80	0	-331
Total cost at 30.9.	**1,415**	**772**	**292**	**19**	**2,498**
Total amortisation at 1.10.	915	0	269	0	1,184
Exchange and other adjustments	33	0	2	0	35
Amortisation for the year	94	0	35	0	129
Amortisation reversed on disposals during the year	-251	0	-80	0	-331
Total amortisation at 30.9.	**791**	**0**	**226**	**0**	**1,017**
Carrying amount at 30.9.	**624**	**772**	**66**	**19**	**1,481**

Notes

Note

9. Property, plant and equipment

Accounting policies

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 the 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

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

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.

2014/15 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.	2,095	3,289	600	471	6,455
Exchange and other adjustments	55	38	8	4	105
Transfers	142	227	156	-525	0
Additions and improvements during the year	5	64	62	452	583
Disposals during the year	-29	-3	-45	-20	-97
Total cost at 30.9.	**2,268**	**3,615**	**781**	**382**	**7,046**
Total depreciations at 1.10.	1,168	2,421	404	0	3,993
Exchange and other adjustments	19	31	6	0	56
Transfers	0	0	0	0	0
Depreciation for the year	84	178	85	0	347
Depreciation reversed on disposals during the year	-20	-2	-33	0	-55
Total depreciations at 30.9.	**1,251**	**2,628**	**462**	**0**	**4,341**
Carrying amount at 30.9.	**1,017**	**987**	**319**	**382**	**2,705**
Gross amounts of property, plant and equipment fully depreciated	446	1,223	308	0	1,977

Notes

Note

9. Property, plant and equipment, continued

The Group has signed agreements with contractors for the supply of buildings, technical plant and machinery for DKK 63m (2013/14: DKK 103m).

2013/14 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.	2,095	3,118	520	409	6,142
Exchange and other adjustments	9	-58	2	1	-46
Transfers	20	197	85	-302	0
Additions and improvements during the year	9	80	53	363	505
Disposals during the year	-38	-48	-60	0	-146
Total cost at 30.9.	**2,095**	**3,289**	**600**	**471**	**6,455**
Total depreciations at 1.10.	1,117	2,329	410	0	3,856
Exchange and other adjustments	2	-30	2	0	-26
Transfers	0	-2	2	0	0
Depreciation for the year	85	164	48	0	297
Depreciation reversed on disposals during the year	-36	-40	-58	0	-134
Total depreciations at 30.9.	**1,168**	**2,421**	**404**	**0**	**3,993**
Carrying amount at 30.9.	**927**	**868**	**196**	**471**	**2,462**
Gross amounts of property, plant and equipment fully depreciated	416	1,105	280	0	1,801

DKK million	**2014/15**	2013/14
Depreciation breaks down as follows:		
Cost of sales	259	214
Distribution costs	26	23
Administrative expenses	40	46
Research and development costs	22	14
Total	**347**	**297**

10. Special items

Accounting policies

Special items comprise material amounts of a non-recurring nature, such as costs relating to divestment, closure or restructuring, provisions for lawsuits, etc. These items are presented separately to facilitate the comparability of the income statement and to provide a better picture of the operating results.
The separation of special items requires the making of accounting estimates when stating special items in the income statement. Management reviews transactions presented as special items and considers whether such items are part of ordinary operations.

Special items for 2014/15 contain expenses to cover potential claims, settlements and other costs arising in connection with legal assistance relating to litigation about transvaginal surgical mesh products.
See note 18 to the financial statements for more information about mesh litigation.

Notes

Note

10. Special items, continued

DKK million	2014/15	2013/14
Provisions for litigation about transvaginal surgical mesh products	3,000	1,500
Sum insured	0	-500
Total	**3,000**	**1,000**

11. Investments

Accounting policies

Investments in associates are recognised according to the equity method, i.e. at the proportionate share of the net asset value of these companies calculated according to the Group's accounting policies.

DKK million	2014/15	2013/14
Total cost at 1.10.	11	11
Additions	0	0
Other adjustments	0	0
Total cost at 30.9.	**11**	**11**
Adjustments at 1.10.	2	3
Profit/loss for the year	-1	-2
Other adjustments	-1	1
Adjustments at 30.9.	**0**	**2**
Carrying amount at 30.9	**11**	**13**

In the 2014/15 financial year, associates generated a loss of DKK 5m. Assets totalled DKK 75m and liabilities DKK 8m.

A company overview is provided in note 32.

12. Deferred tax

Accounting policies

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.

No provision is made for the tax that would arise from the sale of investments in subsidiaries if the investments are not expected to be disposed of within a short period of time.
Uncertain tax positions are recognised under tax payable.

Notes

Note

12. Deferred tax, continued

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.

Significant estimates and judgments

The recognition of deferred tax assets, deferred tax liabilities 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 assesses the possible outcomes of such disputes.

DKK million	**2014/15**	2013/14
Deferred tax, beginning of year	-289	-68
Exchange adjustments	-2	0
Adjustment due to change in tax rate	26	-2
Prior-year adjustments	0	1
Other changes in deferred tax – charged to income statement	-478	-257
Change in deferred tax - charged to equity	-64	37
Total	-807	-289
Of which deferred tax asset	808	360
Provision for deferred tax	**1**	**71**

Calculation of deferred tax is based on the following items:		
Intangible assets	270	269
Property, plant and equipment	47	35
Indirect costs of sales	26	25
Unrealised gain from intra-group sale of goods	-218	-168
Provisions	-787	-279
Jointly taxed companies (recaptured balances)	10	13
Share options	-19	-23
Tax losses carried forward and tax credits	-84	-92
Other	-52	-69
Total	**-807**	**-289**

Taxable temporary differences regarding investments in subsidiaries, branches or associates 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

12. Deferred tax, continued

DKK million	2014/15	2013/14
The Group's tax losses and tax credits expire as follows:		
Within 1 year	0	0
Within 1 to 5 years	0	0
After more than 5 years	1,523	888
Total	**1,523**	**888**

The losses listed above include a recognised tax asset of DKK 88m (2013/14: DKK 114m).

13. Inventories

Accounting policies

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.

Significant estimates and judgments

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 413 million as at 30 September 2015 (30 September 2014: DKK 359 million).

DKK million	2014/15	2013/14
Raw materials and consumables	190	163
Work in progress	368	319
Manufactured goods	915	840
Inventories	**1,473**	**1,322**
Inventory writedowns at 1.10.	50	44
Inventory writedowns used	-39	-31
Inventory writedowns reversed	-5	-6
Inventory writedowns for the year	73	43
Inventory writedowns at 30.9.	**79**	**50**

Cost of sales includes directly attributable production costs for goods sold in the amount of DKK 2,612m (2013/14: DKK 2,307m).

Notes

Note

14. Trade receivables

Accounting policies

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 bad and doubtful debts. Provision is made for losses considered likely to arise if a customer proves unable to pay. If the financial position of customers deteriorates, making then 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 analyses 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	**2014/15**	2013/14
Portion of receivables falling due after more than one year after the balance sheet date		
Other long-term receivables	14	7

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.	98	128
Exchange adjustment	-2	0
Change of provisions during the year	63	2
Losses realised during the year	-25	-32
Provisions at 30.9.	**134**	**98**

The provisions are generally due to customer bankruptcy or expected bankruptcy.

Receivables due are specified as follows:		
Up to 30 days	244	190
Between 30 and 90 days	155	194
More than 90 days	316	275
Total receivables due	**715**	**659**

Receivables at 30 September		
DKK	139	110
EUR	964	951
GBP	337	369
USD	432	319
Other currencies	595	461
Total carrying amount	**2,467**	**2,210**

Notes

Note

15. Restricted cash

Accounting policies
Restricted cash consist of cash held in escrow with third parties for litigation purposes.

Amounts have been paid into escrow accounts in connection with pending litigation and not yet released by the courts. See note 18 to the financial statements for more information about mesh litigation.

DKK million	**2014/15**	2013/14
Restricted cash	72	418

16. Treasury shares and share options

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

	2014/15	2013/14	**2014/15**	2013/14
Treasury shares	Million B shares of DKK 1		% of B share capital	
Holdings of treasury shares at 1.10.	9.5	9.6	4.7%	4.8%
Acquired during the year	1.0	1.1	0.5%	0.5%
Cancelled	0.0	0.0	0.0%	0.0%
Sold during the year	-1.9	-1.2	-0.9%	-0.6%
Holdings of treasury shares at 30.9.	**8.6**	**9.5**	**4.3%**	**4.7%**

The Group does not hold A shares.

Share-based payment

Accounting policies
Share options are granted to the Executive Management and executives.
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 price 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 executives.

Share options have affected the profit for the year as follows:	**2014/15**	2013/14
Staff costs - equity-settled programmes[1)]	29	39
Staff costs - cash-settled programmes	1	1
Financial costs - fair value adjustment of cash-settled programmes	1	-15
Total share option cost	**31**	**25**

[1)] In 2013/14, DKK 6m was expensed in respect of former employees.

Notes

Note

16. Treasury shares and share options, continued

At 30 September 2015, the accounting liability of the option programmes was DKK 4 million (2013/14: DKK 9 million), while the fair value of the option programmes amounted to DKK 746 million (2013/14: DKK 1,594 million).

Outstanding options	2014/15			2013/14		
	No. of options	Avg. exercise price	Avg. share price	No. of options	Avg. exercise price	Avg. share price
Outstanding at 1.10.	6,191,344	228		7,414,207	172	
Options vested	862,911	593		1,075,874	409	
Options cancelled	-67,593	433		-112,172	304	
Options expired	-104,870	91		-154,890	67	
Options exercised	-2,277,152	143	517	-2,031,675	107	400
Outstanding at 30.9.	**4,604,640**	333		**6,191,344**	228	

Issued in	Number Units	Share options lapsed Units	Options exercised Units	Not exercised 30.9.2015 Units	Exercise price[1)2)]	Exercise period
2006	1,010,150	132,050	765,675	112,425	88.16	01/11/10 - 01/11/15
2010	1,767,195	18,065	1,382,255	366,875	161.77	31/12/13 - 31/12/15
2011	1,791,181	27,785	686,722	1,076,674	176.77	31/12/14 - 31/12/16
2012	1,272,332	93,285	0	1,179,047	305.62	31/12/15 - 31/12/17
2013	1,075,874	48,263	0	1,027,611	404.45	31/12/16 - 31/12/18
2014	862,335	20,327	0	842,008	592.66	31/12/17 - 31/12/19

1) Adjusted by DKK -4.38 kr. due to payment of dividend.

2) Average exercise price for options exercisable at the balance sheet date is DKK 166.83.

Share options are granted to members of the Executive Management and other senior executives in order to motivate and retain a qualified management group and in order to align the interests of Management and the shareholders. In the period 2004-2006, options were awarded subject to the achievement of specific consolidated EP and EBIT margin targets. If only one of the targets was achieved, 50% of the options under the scheme were awarded. Options awarded in 2007 and later are made 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 two 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

16. Treasury shares and share options, continued

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

	2014	2013
Black-Scholes value	33.42	28.80
Average share price (DKK)	519.27	358.98
Exercise price (DKK)	597.16	412.83
Expected dividend per share	1.50%	1.50%
Expected duration	4.00	4.00
Volatility	17.43%	18.55%
Risk-free interest	0.09%	0.80%
Value (DKKm)	28.82	30.99

17. Provisions for pensions and similar obligations

Accounting policies

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 considered historical costs. Historical cost 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 2014/15, DKK 238m (2013/14: DKK 199m) was recognised.

Notes

Note

17. Provisions for pensions and similar obligations, continued

Defined benefit plans

For certain groups of employees in foreign subsidiaries the Group has signed agreements to pay defined benefits, including pension payments. These liabilities are not or are only partly covered by insurance. Uncovered liabilities are recognised in the balance sheet and in the income statement as indicated below. 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 in 2002.

The pension plans are based on the individual employee's salary and years of service. A few countries may require that the liability is covered, but this is not the case for the majority of the countries. The plans have no requirements for risk diversification on equities or for matching strategies. The plans have a duration of an average of 17 years, and all plans generally mature after more than 10 years.

DKK million	2014/15	2013/14
The following is recognised in the consolidated income statement:		
Defined contribution plans	238	199
Defined benefit plans	12	13
Total	**250**	**212**
The costs regarding defined benefit plans are recognised in the following income statement items:		
Cost of sales	2	2
Distribution costs	10	10
Administrative expenses	0	1
Total	**12**	**13**
Pension costs recognised in the income statement:		
Pension costs concerning current financial year	7	7
Net interest expenses	5	6
Total amount recognised in income statement for defined benefit plans	**12**	**13**
Pension costs recognised in other comprehensive income:		
Actuarial gains/losses on pension obligations	-19	-59
Difference between calculated interest and actual return on plan assets	15	32
Total amount recognised in other comprehensive income regarding defined benefit plans	**-4**	**-27**

Notes

Note

17. Provisions for pensions and similar obligations, continued

DKK million	2014/15	2013/14
Plan assets at 1.10.	268	193
Exchange adjustments	15	16
Actual rate of interest	11	9
Difference between interest element and actual return on plan assets	15	32
Paid by the Coloplast Group	30	30
Benefit paid out	-21	-12
Plan assets at 30.9.	**318**	**268**
Specification of plan assets:		
Shares, listed	48	39
Bonds	263	224
Cash and similar assets	7	5
Plan assets at 30.9.	**318**	**268**
Specification of present value of defined benefit obligation:		
Obligation at 1.10.	478	388
Exchange adjustments	19	21
Pension costs concerning current financial year	7	7
Calculated interest on liability	16	15
Actuarial gains/losses, financial assumptions	18	55
Actuarial gains/losses, demographic assumptions	0	4
Actuarial gains/losses, experience	1	0
Benefit paid out	-21	-12
Present value of liability at 30.9.	**518**	**478**
Fair value of plan assets	-318	-268
Net liability recognised in the balance sheet	**200**	**210**

Notes

Note

17. Provisions for pensions and similar obligations, continued

DKK million	2014/15	2013/14
Net liability recognised in the balance sheet at 1.10.	210	195
Expenditure for the year	12	13
Other comprehensive income:		
Actuarial gains and losses on pension obligation	19	59
Exchange adjustments	4	5
Difference between interest element and actual return on plan assets	-15	-32
Payments received	-30	-30
Net liability recognised in the balance sheet at 30.9.	**200**	**210**

The Group expects to pay DKK 32 million to the defined benefit plans in 2015/16.

Assumptions of actuarial calculations as at the balance sheet date are as follows (expressed as an average):		
Discount rate, %	3	3
Future rate of salary increases, %	2	2
Inflation, %	2	2

The sensibility analysis shows that a given change in the main assumptions will trigger changes in the gross liability as follows:	+1%	-1%
Discount rate	-17%	22%
Future rate of salary increases	3%	-2%
Inflation	14%	-12%

18. Other provisions

Accounting policies

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. This provision is calculated based on prior experience.

Notes

Note

18. Other provisions, continued

Significant estimates and judgments

Provisions for legal obligations consists 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.

2014/15 DKK million	Legal claims	Other	Total
Provisions at 1.10.	964	13	977
Provisions during the year	3,005	0	3,005
Unused amounts reversed during the year	-2	0	-2
Charged to the income statement	**3,003**	**0**	**3,003**
Use of provisions during the year	-737	-6	-743
Exchange adjustments	114	0	114
Provisions at 30.9.	**3,344**	**7**	**3,351**
Expected maturities:			
Current liabilities	2,028	1	2,029
Non-current liabilities	1,316	6	1,322
Provisions at 30.9.	**3,344**	**7**	**3,351**

Legal claims

The amounts are gross amounts relating to certain legal claims. Having consulted external legal experts, the management believes that any losses resulting from these legal claims will not exceed the provisions made.

Since 2011, Coloplast has been named as a defendant in individual lawsuits in various federal and state courts around the United States alleging injury resulting from use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence.

A multidistrict litigation (MDL) presided over by Judge Joseph Goodwin was formed in August 2012 to consolidate federal court cases in which Coloplast is the first named defendant in the Southern District of West Virginia as part of MDL No. 2387. The cases are consolidated for purposes of pre-trial discovery and motion practice. MDLs against other major transvaginal mesh manufacturers are being heard at the same venue.

As an alternative to litigation, Coloplast has entered into tolling agreements. The parties to a tolling agreement agree all defences are preserved while the parties exchange medical histories and other relevant information for the purpose of evaluating and potentially resolving or eliminating a claim out of court. Under a tolling agreement the limitation period is suspended. Against this background, Coloplast has reached settlements with groups of law firms.

Notes

Note

18. Other provisions, continued

On September 14, 2015, Judge Joseph Goodwin ordered Coloplast to make substantial progress in the settlement process and to enter into the discovery phase of litigation with 200 cases.

Coloplast intends to dispute the current and any future litigation, and will continually consider which strategy and other steps that may serve the company's best interests. Coloplast will amend its strategy as a result of Judge Goodwin's order, and there is an increased probability that certain cases will proceed to trial.

An expense of DKK 3,000m was recognised in the 2014/15 financial year to cover potential claims and settlements and other costs arising in connection with legal assistance. The expense is recognised under special items in the income statement.

A similar provision, for DKK 1.5bn (before insurance cover of DKK 0.5bn), was recognised in the 2013/14 financial year, bringing the total expected cost of litigation in the USA including legal costs to DKK 4.5bn. The total expense is based on a number of estimates and assumptions and is therefore subject to substantial uncertainty. As a result, there can be no assurance that the amount will not change materially over time.

The remaining provision made for legal claims at 30 September 2015 amounted to DKK 3.3bn plus DKK 0.7bn recognised under other debt. In reference to the provisions of 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 claims and settlements.

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.

19. Credit institutions

Accounting policies

Debt is recognised at fair value less expenses paid and subsequently at amortised cost.

DKK million	**2014/15**	2013/14
Breakdown of debt to financial institutions stated in the balance sheet:		
Current liabilities	100	92
DKK	0	0
Other currencies	100	92
Total carrying amount	**100**	**92**

Notes

Note

19. Credit institutions, continued

DKK million	2014/15	2013/14
Current financial liabilities including interest has the following terms to maturity:		
Less than one year	691	660
Total	**691**	**660**

Net interest-bearing debt at 30.9.		
Other credit institutions	100	92
Marketable securities	-519	-619
Bank balances	-881	-970
Other payables	0	7
Total	**-1,300**	**-1,490**

Other payables relate to employee bonds .

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

2014/15

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	-41	0	-180	0	-281	0	-607	0	-291	0-9	-1,400
	Liabilities									100	1-13	100
Total, less than 1 year		-41		-180		-281		-607		-191		-1,300
1 to 5 yrs	Receivables											0
	Liabilities											0
Total, 1 to 5 yrs												0
More than 5 years	Receivables											0
	Liabilities											0
Total, more than 5 year												0
Total		**-41**		**-180**		**-281**		**-607**		**-191**		**-1,300**

2013/14

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	-48	0-1	-166	0	-305	0-1	-886	0-1	-184	8-21	-1,589
	Liabilities							7	0-4	92	1-5	99
Total, less than 1 year		-48		-166		-305		-879		-92		-1,490
1 to 5 yrs	Receivables											0
	Liabilities											0
Total, 1 to 5 yrs												0
More than 5 years	Receivables											0
	Liabilities											0
Total, more than 5 years												0
Total		**-48**		**-166**		**-305**		**-879**		**-92**		**-1,490**

Notes

Note

20. Financial instruments

Accounting policies

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 the 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 concern 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.

Financial instruments by category
2014/15

Assets	Loans and receivables	Assets at fair value through the income statement (level 1)[1]	Derivatives used for hedging (level 2)[2]	Total
Trade receivables and other receivables	2,606	0	81	2,687
Marketable securities	0	519	0	519
Cash and cash equivalents	881	0	0	881
Total	**3,487**	**519**	**81**	**4,087**

Equity and liabilities	Liabilities at fair value through the income statement[1]	Derivatives used for hedging (level 2)[2]	Other liabilities at amortised cost	Total
Other credit institutions	0	0	100	100
Trade payables	0	0	591	591
Other payables	0	77	1,670	1,747
Total	**0**	**77**	**2,361**	**2,438**

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

Notes

Note

20. Financial instruments, continued

Financial instruments by category 2013/14

Assets	Loans and receivables	Assets at fair value through the income statement (level 1)[1]	Derivatives used for hedging (level 2)[2]	Total
Trade receivables and other receivables	2,544	0	26	2,570
Marketable securities	0	619	0	619
Cash and cash equivalents	971	0	0	971
Total	**3,515**	**619**	**26**	**4,160**

Equity and liabilities	Liabilities at fair value through the income statement[1]	Derivatives used for hedging (level 2)[2]	Other liabilities at amortised cost	Total
Other credit institutions	0	0	92	92
Trade payables	0	0	566	566
Other payables	0	132	1,488	1,620
Total	**0**	**132**	**2,146**	**2,278**

[1] The securities portfolio consists of mortgage bonds and corporate bonds. The bond portfolio carried an effective rate of interest of 1-6% (2013/14: 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

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. This is done by hedging significant balance sheet items denominated in foreign currency and a part of the expected future cash flows. Currency hedging is achieved by means of forward contracts and options. As at 30 September 2015, an average of 85% of the following twelve months of expected net cash flows were hedged (2013/14: 87% of the following twelve months of cash flows). The Group does not hedge amounts in euro.

Notes

Note

20. Financial instruments, continued

Holdings of derivative financial instruments

2014/15

DKK million	Contract amount	Loss/gain when stated at market value	Amount incl. in income statement for 2014/15	Transferred to currency hedging reserve	Expiry period
Forward exchange contracts and options outstanding at 30.9. to hedge future cash flows					
USD	343	-21	0	-21	Oct. 2015 - Mar. 2016
USD-denominated options	375	2	0	2	Oct. 2015 - Mar. 2016
GBP	765	-27	0	-27	Oct. 2015 - Mar. 2016
GBP-denominated options	564	10	0	10	Oct. 2015 - Mar. 2016
JPY	151	-2	0	-2	Oct. 2015 - May 2016
HUF	-263	-2	0	-2	Oct. 2015 - Sep. 2016
Other	889	31	0	31	Oct. 2015 - Sep. 2016
Total	**2,824**	**-9**	**0**	**-9**	
Other forward exchange contracts including fair value hedges at 30.9.					
USD	-3,321	-1	-1	0	Oct. 2015 - Sep. 2016
GBP	459	6	6	0	Oct. 2015
JPY	111	0	0	0	Oct. 2015
HUF	-405	-2	-2	0	Oct. 2015 - Nov. 2015
Other currencies	532	10	10	0	Oct. 2015
Total	**-2,624**	**13**	**13**	**0**	

The Group had no material foreign exchange risks relating to debt in foreign currency as at 30 September 2015. 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 2015.

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[1)] and the effect on revenue and EBIT of a change of +/- 5% in all major currencies:

DKK million	2014/15	USD	GBP	HUF	2013/14	USD	GBP	HUF
Income statement	+/-10	+/-8	+/-7	+/-6	+/-18	+/-1	-/+2	+/-2
Other comprehensive income	-113/+146	-20/+27	-31/+68	+13/-13	-/+156	-/+42	-/+65	+/-13

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

Notes

Note

20. Financial instruments, continued

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 financial 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 from time to time.

The cash policy stipulates that the Group must obtain a competitive return and high liquidity when investing its excess cash. Cash pools is 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.

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.

Notes

Note

20. Financial instruments, continued

Holdings of derivative financial instruments

2013/14

DKK million	Contract amount	Loss/gain when stated at market value	Amount incl. in income statement for 2013/14	Transferred to currency hedging reserve	Expiry period
Forward exchange contracts and options outstanding at 30.9. to hedge future cash flows					
USD	716	-45	0	-45	Oct. 2014 - Sep. 2015
USD-denominated options	73	-2	0	-2	Nov. 2014 - Dec. 2014
GBP	1,234	-59	0	-59	Oct. 2014 - Sep. 2015
JPY	142	0	0	0	Oct. 2014 - Sep. 2015
HUF	-257	-2	0	-2	Dec. 2014 - Sep. 2015
Other currencies	752	-10	0	-10	Oct. 2014 - Sep. 2015
Total	**2,660**	**-118**	**0**	**-118**	
Other forward exchange contracts including fair value hedges at 30.9.					
USD	-613	16	16	0	Oct. 2014 - Nov. 2014
GBP	406	-4	-4	0	Oct. 2014 - Nov. 2014
JPY	118	0	0	0	Oct. 2014
HUF	-479	-2	-2	0	Oct. 2014 - mar. 2015
Other currencies	458	2	2	0	Oct. 2014
Total	**-110**	**12**	**12**	**0**	

21. Adjustment for other non-cash operating items

DKK million	2014/15	2013/14
Net gain/loss on divestment of non-current assets	12	6
Change in other provisions	2,356	942
Total	**2,368**	**948**

22. Changes in working capital

DKK million	2014/15	2013/14
Inventories	-140	-261
Trade receivables	-241	-210
Other receivables	499	-486
Trade and other payables etc.	275	693
Total	**393**	**-264**

Notes

Note

23. Cash, cash equivalents and current debt with credit institutions

Accounting policies

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

DKK million	**2014/15**	2013/14
Cash	1	1
Bank balances	880	970
Cash and bank balances	881	971
Short-term debt	-100	-92
Total	**781**	**879**

24. Unutilised credit facilities

DKK million	**2014/15**	2013/14
Unutilised credit facilities	645	723

25. Public grants

Accounting policies

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 cost of sales 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 0m in public grants for research and development purposes (2013/14: DKK 1m). The Group received DKK 39m (2013/14: DKK 4m) in public grants for investments.

An amount of DKK 23m is recognised in the income statement (2013/14: DKK 24m) in production costs and DKK 0m (2013/14: DKK 1m) in research and development costs in respect of grants for investments.

Notes

Note

26. Other liabilities

DKK million	2014/15	2013/14
Operating leases fall due in		
Less than one year	177	172
Within 1 to 5 years	529	347
After more than 5 years	37	13
Total	**743**	**532**

Operating lease payments recognised in the income statement amount to DKK 86m (2013/14: DKK 80m).

Operating leases represent primarily leasing of cars. 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.

27. Contingent liabilities

Other than as set out in Note 18 Other provisions, the Coloplast Group is a party to a few minor legal proceedings, which are not expected to influence the Group's future earnings.

In February 2014 the Department of Justice in the United States initiated an investigation of Coloplast and other Durable Medical Equipment producers, focusing on marketing and promotion activities related to the ostomy and continence business. Coloplast has cooperated with the Department of Justice in this investigation by providing documents and participating in interviews, and in June 2015 Coloplast reached an agreement in principle with the Department of Justice. Coloplast has taken a provision to cover the agreement in question and related costs. As part of the agreement, Coloplast will pay a settlement of USD 3.1m plus legal fees.

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

Remuneration

It is Coloplast policy that the remuneration of members of the Board of Directors and the Executive Management should be competitive relative to that of other major Danish companies. The principles applied for the remuneration of members of the Executive Management are unchanged from last year, with adjustments made only in terms of amounts. Share options vest over a three-year period of employment, but are otherwise awarded as unconditional allocations and at a percentage premium to the market price at the date of grant. The option value is calculated according to the Black-Scholes formula. See note 16.

Board of Directors

Board members receive a fee of DKK 400,000 each (2013/14: DKK 375,000). The Chairman receives the basic fee plus 200% (2013/14: 200%), while the Deputy Chairman receives the basic fee plus 75% (2013/14: 75%). Members of the Audit Committee also receive a fee corresponding to 50% of the basic directors' fee (2013/14: 50%), while the chairman receives an additional fee of 50% of that amount. Members of the Board of Directors are not eligible for share option or bonus schemes.

Notes

Note

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

Executive Management

The fixed remuneration paid to members of the Executive Management consists of salary, pension contribution and other benefits. Members of the Executive Management are also eligible for an annual cash bonus based on individually agreed financial performance targets. The bonus proportion varies for each member of the Executive Management, but is subject to a maximum of 25% of their annual remuneration.

In addition, each member of the Executive Management is granted share options at a value equal to a maximum of 40% of the Executive Management's remuneration. 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.

The Executive Management's and the Directors' remuneration is included in staff costs (see note 3) by:

DKK million 2014/15	Net salaries	Pension	Other benefits	Cash bonus	Resigna-tion	Total	Share options
Lars Rasmussen	10.0	1.5	0.3	0.0	-	11.8	4.4
Anders Lonning-Skovgaard	3.0	0.5	0.2	0.0	-	3.7	0.6
Allan Rasmussen	4.0	0.6	0.2	0.0	-	4.8	1.7
Kristian Villumsen	5.0	0.8	0.1	0.0	-	5.9	2.3
Executive Management total	22.0	3.4	0.8	0.0	0.0	26.2	9.0
Board and Audit Committee fees	5.4	0.0	0.0	0.0	0.0	5.4	0.0
Total	**27.4**	**3.4**	**0.8**	**0.0**	**0.0**	**31.6**	**9.0**

DKK million 2013/14	Net salaries	Pension	Other benefits	Cash bonus	Resigna-tion	Total	Share options
Lars Rasmussen	7.5	1.3	0.2	1.2	-	10.2	4.3
Anders Lonning-Skovgaard	0.8	0.1	0.0	0.2	-	1.1	-
Allan Rasmussen	1.1	0.2	0.0	0.2	-	1.5	-
Kristian Villumsen	1.3	0.2	0.0	0.3	-	1.8	-
Lene Skole	3.7	0.7	0.1	0.7	4.1	9.3	7.3
Executive Management total	14.4	2.5	0.3	2.6	4.1	23.9	11.6
Board and Audit Committee fees	5.0	0.0	0.0	0.0	0.0	5.0	0.0
Total	**19.4**	**2.5**	**0.3**	**2.6**	**4.1**	**28.9**	**11.6**

Share options held by members of the Executive Management:

2014/15	1.10. Units	Exercised Units	Granted Units	30.9. Units	Market value DKK million
Lars Rasmussen	828,515	175,175	137,161	790,501	140
Anders Lonning-Skovgaard	57,077	0	21,250	78,327	10
Allan Rasmussen	238,117	85,665	55,176	207,628	23
Kristian Villumsen	428,070	94,005	70,521	404,586	71
Total	**1,551,779**	**354,845**	**284,108**	**1,481,042**	**244**

Notes

Note

28. 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:

2014/15	1.10. Units	Bought during the year Units	Sold during the year Units	Increase/decrease during year Units	30.9. Units	Market value DKK million
Lars Rasmussen	68,750	175,175	113,690	-	130,235	62
Anders Lonning-Skovgaard	0	0	0	-	0	0
Allan Rasmussen	1,135	85,665	85,665	-	1,135	1
Kristian Villumsen	5,560	94,005	68,880	-	30,685	15
Executive Management total	75,445	354,845	268,235	-	162,055	78
Board of Directors, A shares	12,285,000	0	0	0	12,285,000	5,807
Board of Directors, B shares	33,487,507	900,000	900,080	-330	33,487,097	15,829
Total	**45,847,952**	**1,254,845**	**1,168,315**	**-330**	**45,934,152**	**21,714**

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.

29. Related party transactions

Related parties to the Coloplast Group include members of the Board of Directors and the Executive Management, as well as main shareholders of the parent company, Coloplast A/S. There have been no major transactions with related parties. Information about remuneration of the Management is set out in note 28.

30. Fees to appointed auditors

DKK million	2014/15	2013/14
Overall fees to PricewaterhouseCoopers	14	10
Of which:		
Statutory audit	8	8
Other services	6	2

31. 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 2015.

Notes

Note

32. 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 Danmark A/S	Denmark	100
Coloplast Oy	Finland	100
Laboratoires Coloplast S.A.S.	France	100
Coloplast Manufacturing France S.A.S	France	100
Coloplast B.V.	Netherlands	100
Coloplast (India) Private Limited	India	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 OOO	Rusland	100
Coloplast AG	Switzerland	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 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
Coloplast Ges.m.b.H.	Austria	100
Other companies		
Coloplast Ejendomme A/S	Denmark	100
Coloplast Business Centre Sp. zo.o.	Poland	100
Acarix A/S	Denmark	16
IctalCare A/S	Denmark	12

Representative offices and branches

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

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 (%)	$\frac{\text{EBIT x 100}}{\text{Revenue}}$
Return on average invested capital (ROIC), %	$\frac{\text{EBIT x 100}}{\text{Average invested capital}}$
Return on equity, %	$\frac{\text{Profit for the year attributable to Coloplast x 100}}{\text{Average equity before minority interests}}$
Equity ratio, %	$\frac{\text{Total equity x 100}}{\text{Assets}}$
Net asset value per share, DKK	$\frac{\text{Equity excluding minority interests}}{\text{Number of outstanding share}}$
Market price/net asset value per share	$\frac{\text{Market price per share}}{\text{Net asset value per share}}$
PE, price/earnings ratio	$\frac{\text{Market price per share}}{\text{Earnings per share (EPS)}}$
Pay-out ratio, %	$\frac{\text{Dividend declared x 100}}{\text{Profit for the year attributable to Coloplast}}$
Earnings per share (EPS)	$\frac{\text{Profit for the year attributable to Coloplast}}{\text{Number of outstanding share (average of four quarters)}}$
Free cash flow per share	$\frac{\text{Free cash flow}}{\text{Number of outstanding share (average of four quarters)}}$

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.

Shareholder information

Announcements 2014/15

2014

- 11/2014 Announcement of full-year financial results 2013/14
- 12/2014 Annual report 2013/14
- 13/2014 Notice of Annual General Meeting
- 14/2014 Annual General Meeting of Coloplast A/S
- 15/2014 The Board of Directors of Coloplast A/S elected its own Chairman and Deputy Chairman

2015

- 1/2015 Interim financial report, Q1 2014/15
- 2/2015 Coloplast initiates the second part of the DKK 1bn share buy-back programme
- 3/2015 Major shareholder announcement
- 4/2014 Interim financial report, H1 2014/15
- 5/2015 Capital Market Event in London
- 6/2015 Financial guidance for 2014/15
- 7/2015 Interim financial report, 9M 2014/15
- 8/2015 Financial calendar 2015/16
- 9/2015 Coloplast increases its provision for litigation in the USA by DKK 3bn and revises financial expectations for 2014/15

Financial calendar 2015/16

2015

- 8.10. Closing period until 3 November
- 27.10. Notice of submission of agenda points for the Annual General Meeting
- 3.11. Financial Statements for the full year 2014/15 and Annual Report 2014/15
- 9.12. Annual General Meeting
- 14.12. Dividends for 2014/15 at the disposal of shareholders

2016

- 9.1. Closing period until 2 February
- 2.2. Interim Financial Statements for Q1 2015/16
- 8.4. Closing period until 3 May
- 3.5. Interim Financial Statements for H1 2015/16
- 8.7. Closing period until 16 August
- 16.8. Interim Financial Statements for 9M 2015/16
- 7.10. Closing period until 2 November
- 21.10. Notice of submission of agenda points for the Annual General Meeting
- 2.11. Financial Statements for the full year 2015/16 and Annual Report 2015/16
- 5.12. Annual General Meeting
- 8.12. Dividends for 2015/16 at the disposal of shareholders

Banks and stockbroking companies following Coloplast

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

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Coloplast A/S

Parent company

Financial statement

for 2014/15

Income statement

1 October - 30 September

Note	DKK million	2014/15	2013/14
2	Revenue	10,098	8,869
3	Cost of sales	-4,731	-4,309
	Gross profit	**5,367**	**4,560**
3.5	Distribution costs	-3,766	-1,808
3.4	Administrative expenses	-351	-302
3	Research and development costs	-468	-405
	Other operating income	21	18
	Other operating expenses	-8	-10
	Operating profit (EBIT)	**795**	**2,053**
11	Profit after tax on investment in subsidiaries	480	701
11	Profit/loss after tax on investment in associates	-1	-2
6	Financial income	38	99
7	Financial expenses	-276	-13
	Profit before tax	**1,036**	**2,838**
8	Tax on profit/loss for the year	-139	-537
	Net profit for the year	**897**	**2,301**
	Profit distribution		
	Retained earnings	-1,747	-122
	Dividend paid during the year	953	844
	Proposed dividend for the year	1,691	1,579
	Total	**897**	**2,301**

Balance sheet

30 September

DKK million

Note		2015	2014
	Assets		
9	Intangible assets	652	810
10	Property, plant and equipment	1,095	947
11	Financial assets	3,198	2,857
	Non-current assets	**4,945**	**4,614**
12	**Inventories**	**896**	**762**
	Trade receivables	429	361
	Receivables from Group enterprises	2,211	2,799
16	Deferred tax asset	543	65
	Other receivables	125	274
	Prepayments	43	42
13	Restricted cash	72	418
	Receivables	**3,423**	**3,959**
	Marketable securities	**519**	**619**
	Cash and bank balances	**588**	**672**
	Current assets	**5,426**	**6,012**
	Assets	**10,371**	**10,626**
	Equity and liabilities		
	Share capital	220	220
	Fair value reserve	-7	-89
	Proposed dividend for the year	1,691	1,579
	Retained earnings	2,324	4,209
14	**Total equity**	**4,228**	**5,919**
15	Provisions for pensions and similar obligations	1	1
15	Other provisions	1,315	287
	Provisions	**1,316**	**288**
15	Other provisions	2,020	671
	Trade payables	276	248
	Payables to Group enterprises	1,747	2,288
	Income tax	0	466
	Other payables	784	746
	Current liabilities	**4,827**	**4,419**
	Liabilities other than provisions	**4,827**	**4,419**
	Equity and liabilities	**10,371**	**10,626**

17 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 30.

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 28.

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.

With reference to section 11(3) of the Danish Financial Statements Act, the company has derogated from the rules of the Act as it has in previous years. Accordingly, actuarial gains and losses are not recognised in the income statement but directly in equity. The derogation from the Danish Financial Statements Act is considered to provide a true and fair view and is within the scope of the IFRS. The change had a positive effect on profit/loss for the year in the amount of DKK 4m (2013/14: DKK 27m). Equity at 30 September 2015 and 30 September 2014 was not affected by the derogation.

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	**2014/15**	2013/14
Business area		
Intimate healthcare	10,098	8,869
Total	**10,098**	**8,869**
Geographical markets		
Europe	7,325	6,606
North and South America	1,812	1,474
Rest of the world	961	789
Total	**10,098**	**8,869**

Notes

Note

3. Staff costs

DKK million	2014/15	2013/14
Salaries, wages and directors' remuneration	962	910
Pensions	77	73
Other social security costs	17	16
Total	**1,056**	**999**
Average number of employees, FTEs	1,563	1,478

See note 28 to the consolidated financial statements for information on the Executive Management's and the Directors' remuneration.

4. Fees to appointed auditors

DKK million	2014/15	2013/14
Overall fees to PricewaterhouseCoopers	7	4
Of which:		
Statutory audit	3	3
Other services	4	1

5. Distribution costs

Distribution costs include expected costs relating to pending litigation. See note 18 to the consolidated financial statements for more information about mesh litigation.

DKK million	2014/15	2013/14
Costs related to pending litigation	3,000	1,000

6. Financial income

DKK million	2014/15	2013/14
Interest income, etc.	4	37
Interest income from Group enterprises	34	26
Fair value adjustments, forward contracts	0	32
Fair value adjustments, share options	0	4
Total	**38**	**99**

Notes

Note

7. Financial expenses

DKK million	2014/15	2013/14
Interest expense, etc.	6	5
Interest expense to Group enterprises	0	2
Net exchange adjustments	270	6
Total	**276**	**13**

8. Tax on profit for the year

DKK million	2014/15	2013/14
Current tax on profit for the year	713	803
Change in deferred tax on profit for the year	-583	-266
Prior-year adjustments	-3	0
Change due to change in tax rate	12	0
Total	**139**	**537**
Tax on equity entries	**112**	**95**

9. Intangible assets

DKK million	Goodwill	Acquired patents and trademarks	Software	Prepayments and ntangible assets in progress	2014/15 Total	2013/14 Total
Total cost at 1.10.	587	1,425	240	14	2,266	2,547
Reclassification	0	0	6	-6	0	0
Additions and improvements during the year	0	2	5	21	28	20
Disposals during the year	0	0	0	0	0	-301
Total cost at 30.9.	**587**	**1,427**	**251**	**29**	**2,294**	**2,266**
Total amortisation at 1.10.	459	820	177	0	1,456	1,563
Amortisation for the year	59	102	25	0	186	194
Amortisation reversed on disposals during the year	0	0	0	0	0	-301
Total amortisation at 30.9.	**518**	**922**	**202**	**0**	**1,642**	**1,456**
Carrying amount at 30.9.	**69**	**505**	**49**	**29**	**652**	**810**

Notes

Note

10. Property, plant and equipment

DKK million	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	2014/15 Total	2013/14 Total
Total cost at 1.10.	969	385	377	1,731	1,528
Reclassification	185	149	-334	0	0
Additions and improvements during the year	62	46	226	334	381
Disposals during the year	-100	-39	0	-139	-178
Total cost at 30.9.	**1,116**	**541**	**269**	**1,926**	**1,731**
Total depreciation at 1.10.	564	220	0	784	763
Depreciation for the year	74	67	0	141	99
Depreciation reversed on disposals during the year	-65	-29	0	-94	-78
Total depreciation at 30.9.	**573**	**258**	**0**	**831**	**784**
Carrying amount at 30.9.	**543**	**283**	**269**	**1,095**	**947**

11. Financial assets

DKK million	Investments in Group enterprises	Receivables from Group enterprises	Other securities and investments	2014/15 Total	2013/14 Total
Total cost at 1.10.	3,161	124	11	3,296	3,402
Capital investments during the year	0	26	0	26	88
Divestments during the year	0	-59	0	-59	-194
Total cost at 30.9.	**3,161**	**91**	**11**	**3,263**	**3,296**
Value adjustment at 1.10.	-440	-1	2	-439	-920
Profit/loss after tax	480	0	-1	479	699
Dividend received	-51	0	0	-51	-54
Exchange adjustments	93	0	0	93	-28
Other adjustments	-147	1	-1	-147	-136
Value adjustment at 30.9.	**-65**	**0**	**0**	**-65**	**-439**
Carrying amount at 30.9.	**3,096**	**91**	**11**	**3,198**	**2,857**

An overview of subsidiaries is provided in note 32 to the consolidated financial statements.

Notes

Note

12. Inventories

DKK million	2014/15	2013/14
Raw materials and consumables	59	64
Work in progress	211	199
Manufactured goods	626	499
Inventories	**896**	**762**

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

13. Restricted cash

Amounts have been paid into escrow accounts in connection with pending litigation and not yet released by the courts. See note 18 to the consolidated financial statements for more information about mesh litigation.

DKK million	2014/15	2013/14
Restricted cash	72	418

14. Statement of changes in equity

DKK million	Share capital A shares	Share capital B shares	Reserve for currency hedging	Proposed dividend	Retained earnings	2014/15 Total	2013/14 Total
Equity at 1.10.	18	202	-89	1,579	4,209	5,919	6,539
Transfers				3	-3	0	0
Value adjustment for the year			-156			-156	-131
Transferred to financial items			265			265	-33
Tax effect of hedging			-27			-27	40
Tax on equity entries					139	139	55
Dividend paid out in respect of 2013/14				-1,582		-1,582	-1,476
Dividend paid out in respect of 2014/15				-953		-953	-844
Currency adjustment of opening balances and other adjustments relating to subsidiaries					-93	-93	-164
Acquisition of treasury shares					-500	-500	-500
Sale of treasury shares, loss on exercise of options					299	299	101
Share-based payment					20	20	31
Net profit for the year					897	897	2,301
Proposed dividends				2,644	-2,644	0	0
Equity at 30.9.	**18**	**202**	**-7**	**1,691**	**2,324**	**4,228**	**5,919**

Notes

Note

15. Provisions

DKK million	Legal claims	Pension	2014/15 Total	2013/14 Total
Provisions at 1.10.	958	1	959	1
Provisions during the year	3,000	0	3,000	1,500
Charged to the income statement	3,000	0	3,000	1,500
Use of provisions during the year	-737	0	-737	-608
Exchange adjustments	114	0	114	66
Provisions at 30.9.	**3,335**	**1**	**3,336**	**959**
Expected maturities:				
Current liabilities	2,020	0	2,020	671
Non-current liabilities	1,315	1	1,316	288
Provisions at 30.9.	**3,335**	**1**	**3,336**	**959**

See note 18 to the consolidated financial statements.

16. Deferred tax

DKK million	2014/15	2013/14
Calculation of deferred tax is based on the following items:		
Intangible assets	118	136
Property, plant and equipment	53	49
Production overheads	26	22
Provisions	-734	-238
Jointly taxed companies (recaptured balances)	10	13
Other	-16	-47
Total	**-543**	**-65**

Notes

Note

17. Contingent items and other financial liabilities

DKK million	2014/15			2013/14		
Falling due in:	Other operating leases	Rent	Total	Other operating leases	Rent	Total
Less than one year	11	1	12	9	2	11
Within 1 to 5 years	26	1	27	6	1	7
After more than 5 years	0	0	0	0	0	0
Total	**37**	**2**	**39**	**15**	**3**	**18**

At 30 September 2015, the parent company had provided guarantees for loans raised by Group enterprises amounting to DKK 390m (2013/14: DKK 484m).
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 18 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.

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 created the ostomy bag. A bag that does not leak, giving Thora – and thousands of people like her – the chance to return to their normal life.

A simple solution with great significance.

Today, our business includes ostomy care, urology and continence care and wound and skin care. But our way of doing business still follows Elise's and Aage's example: we listen, we learn and we respond with products and services that make life easier for people with intimate healthcare needs.

Ostomy Care
Urology & Continence Care
Wound & Skin Care

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare. Our business includes ostomy care, urology and continence care and wound and skin care. We operate globally and employ more than 10,000 people.

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