

Country by country tax report

2021/22

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



Coloplast's approach to taxes 2021/22

Respect & responsibility is a guiding principle for Coloplast. Irrespective of country and market, Coloplast wants to be known and trusted as an entity that upholds the highest standards of ethical business practices.

Coloplast sees taxes as an important part of the business, just as respecting local tax laws and regulations is important to the company's reputation and brand.

At Coloplast, taxes are paid where business activities generate value in accordance with internationally accepted standards. Coloplast does not allow commercial needs to override compliance with applicable laws, nor base commercial activities on tax avoidance schemes.

All transactions and tax structures must therefore have a business purpose or commercial rationale as a prerequisite, and Coloplast will only engage in tax planning schemes and structures that can, in full transparency, be shared with, and accepted by the tax authorities. In case of business changes, tax structures are revised accordingly.

Following these principles, Coloplast will leverage tax opportunities if they arise. This includes government sponsored tax incentives. Coloplast will also proactively seek knowledge to obtain a competitive effective tax rate as well as to avoid double taxation.

Tax risks and controlling activities are assessed and monitored in a tax control framework which is currently under global implementation. Risks identified are mitigated on an ongoing basis. The tax control framework is governed by Coloplast's Corporate Tax department.

Please find more information about Coloplast commitments in our tax policy [here](#).

Introduction to country-by-country reporting

Coloplast A/S is a global corporation with the ultimate parent located in Denmark.

The nature of being a global corporation implies that goods are sold, services are carried out, and intangibles are exploited between Coloplast entities across geographical borders and between different tax regimes.

We pay close attention to transfer pricing requirements and focus on pricing the value of these cross border intercompany transactions on arms-length basis according to best practice guidelines issued by the OECD. The guidelines ensure profits being taxed in the country, where the economic activities generating the profits are performed and where the value is created.

Coloplast A/S is the headquarters where the executive management as well as most of the research and development activities reside. Additionally, all intellectual property is held by Coloplast A/S.

Subsidiaries carry out their activities on behalf of Coloplast A/S. This means that Coloplast A/S buys all products manufactured in the Group and sells the products to the distribution entities, who then sell those in the local markets. Some services are carried out in the subsidiaries on behalf of Coloplast A/S and charged accordingly. All activities are remunerated based on regional benchmarked profit margins of independent enterprises with comparable activities.

This report discloses the country-by-country reporting (CbCr) data based on the content of the EU directive approved by the European Parliament in November 2021. According to the EU directive, country by country information is to be disclosed for activities in the 27 EU Member States and additionally for activities in jurisdictions classified as non-cooperative jurisdictions by the European Council. Aggregated numbers are presented for countries outside of the EU and non-cooperative jurisdictions

Beyond what is required by the EU directive, Coloplast has decided to provide additional data to increase the transparency as well as to strengthen the understanding of how the data is linked to the Group Annual Report.

- Deferred income tax accrued
- Income tax related to prior years and changes in tax rates
- Total income tax of the year
- Effective tax rate

The data source is the group consolidation reporting system. This means that the data is based on the International Financial Reporting Standards (IFRS) and the currency is DKK.

The reporting period is 1 October 2021 – 30 September 2022 for all countries irrespective that the fiscal year is different in a few countries outside EU. Financial figures from the Atos Medical Group are included in the reported numbers for the period February 1st, 2022 as represented in the annual report.

The financial information has been prepared under Coloplast's general financial controls. The country- by-country reporting is not subject to external audit opinion.

Definitions

Income tax

Income tax includes corporate income tax, other local taxes and tax credits classified as corporate income tax according to IFRS accounting principles.

Primary activities

The primary activities are reported per country. The primary activities are distribution, manufacturing or service.

Employees

The number of full-time employees (FTEs) is calculated as the average full-time employees during the year in line with the definition in the Annual Report.

Accumulated earnings

Accumulated earnings reflect the profits that are retained and not used for any other purpose. Accumulated earnings from investments in subsidiaries in the same country are eliminated per country to avoid double counting.

Total net turnover

The total net turnover includes revenue to related and unrelated parties. The revenue includes sales of products, service income, other operating income and financial income. The revenue to related parties is eliminated in the line item "Eliminations and other adjustments".

Profit before income tax

Profit before tax is reported based on IFRS group accounting policies. Local statutory financial statements might be different as these complies with the local accounting standards. The reported profit before income tax excludes the "profit after tax on investments in subsidiaries".

Income tax paid

Income tax paid includes the income tax actually paid during 2021/22 on a cash basis including withholding taxes and taxes related to branches are included in the country of the legal entity carrying the taxes.

Current income tax accrued

The income tax accrued is based on the expected profit before tax according to local accounting standards adjusted for permanent non-deductible/non-taxable items and temporary differences between local accounting policies and tax legislation. Current income tax posted on the equity, mainly related to equity settled share options, is not included.

Deferred income tax accrued

Deferred income tax accrued includes the income tax on temporary differences between profit before tax according to IFRS group accounting policies and taxable income in accordance with the tax legislation using the balance sheet liability method. An example is different tax amortization and depreciation periods compared to IFRS accounting policies. Furthermore, deferred tax assets include the tax value of tax losses. Deferred tax assets are only recognized 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 income tax posted on the equity, mainly related to equity settled share options and defined benefit pension plans, is not included. Deferred income tax is recognized per country when the amount is material.

Income tax related to prior years and changes in tax rates

Income tax related to prior years includes the difference between the current income tax accrued in prior years and the income tax filed in the corporate income tax return. Changes in tax rates includes effect on deferred income tax related to changes in tax rates.

Total income tax of the year

Total income tax of the year includes the sum of current and deferred tax accrued, income tax related to prior years and changes in tax rates.

Effective tax rate

The effective tax rate is the total income tax of the year divided with the profit before tax. The effective tax rate per country is impacted by the statutory tax rate in the country, local tax legislation regarding permanent adjustments like non-deductible expenses and non-taxable income, taxes related to prior years,

COUNTRY BY COUNTRY REPORTING COLOPLAST GROUP 2021/22 - DKK 1000

| Country | Primary activities | Employees | Accumulated Earnings | Total net turnover | Profit before income tax | Income tax paid | Current income tax accrued | Deferred income tax accrued | Income tax related to prior years and changes in tax rates | Total income tax of the year | Effective tax rate |
|---|--------------------------------------|---------------|----------------------|--------------------|--------------------------|------------------|----------------------------|-----------------------------|--|------------------------------|--------------------|
| Denmark | Principal | 1.412 | 5.386.314 | 15.271.507 | 4.260.787 | 727.990 | 917.424 | 3.840 | 1.579 | 922.842 | 21,7% |
| Austria | Distribution | 26 | 14.997 | 149.713 | 11.867 | 3.190 | 3.413 | 0 | -55 | 3.358 | 28,3% |
| Belgium | Distribution | 42 | 38.930 | 354.828 | 29.169 | 8.247 | 8.200 | -114 | 227 | 8.313 | 28,5% |
| Czech Republic | Distribution | 25 | 5.942 | 129.985 | 5.096 | 1.168 | 1.803 | -218 | -36 | 1.549 | 30,4% |
| Finland | Distribution | 34 | 18.079 | 139.041 | 9.118 | 1.954 | 22 | 1.877 | 99 | 1.998 | 21,9% |
| France | Distribution, Manufacturing | 734 | 332.807 | 3.145.547 | 142.808 | 72.803 | 51.739 | -707 | -4.270 | 46.762 | 32,7% |
| Germany | Distribution, Service, Manufacturing | 801 | 213.015 | 2.318.062 | 168.212 | 85.743 | 52.802 | -4.837 | 1.266 | 49.232 | 29,3% |
| Hungary | Manufacturing, Service | 4.271 | 1.004.825 | 4.000.251 | 164.292 | 33.721 | 33.861 | 5.634 | 257 | 39.751 | 24,2% |
| Italy | Distribution | 242 | 117.760 | 1.144.708 | 63.043 | 22.589 | 21.169 | 86 | -16 | 21.239 | 33,7% |
| Netherlands | Distribution | 82 | 54.211 | 635.703 | 42.281 | 11.039 | 10.562 | -208 | 317 | 10.670 | 25,2% |
| Poland | Distribution, Service | 642 | 42.227 | 322.027 | 23.452 | 6.416 | 6.000 | -680 | 159 | 5.480 | 23,4% |
| Portugal | Distribution | 26 | 12.473 | 87.630 | 7.318 | 1.226 | 1.829 | 2 | -19 | 1.812 | 24,8% |
| Slovakia | Distribution | 16 | 5.448 | 76.406 | 5.729 | 608 | 1.750 | -402 | 56 | 1.404 | 24,5% |
| Spain | Distribution | 162 | 87.510 | 869.802 | 58.559 | 7.350 | 15.082 | -2.845 | -10 | 12.228 | 20,9% |
| Sweden | Distribution, Manufacturing | 172 | 4.622 | 992.859 | 73.209 | 34.300 | 32.645 | -15.549 | -1 | 17.095 | 23,4% |
| Total EU member states excl. Denmark | | 7.275 | 1.952.844 | 14.366.562 | 804.153 | 290.355 | 240.877 | -17.961 | -2.026 | 220.890 | 27,5% |
| Total EU member states incl. Denmark | | 8.687 | 7.339.158 | 29.638.069 | 5.064.940 | 1.018.345 | 1.158.301 | -14.121 | -447 | 1.143.732 | 22,6% |
| Costa Rica | Manufacturing | 299 | 28.236 | 282.713 | 3.231 | 184 | 0 | -17 | 0 | -17 | -0,5% |
| Hong Kong | Distribution | 11 | 5.538 | 28.824 | 2.250 | 154 | 226 | 0 | -46 | 180 | 8,0% |
| Israel | Distribution | 17 | 8.670 | 92.236 | 8.469 | 1.520 | 1.984 | 0 | 38 | 2.022 | 23,9% |
| Russia | Distribution | 61 | 127.728 | 289.244 | 39.953 | 10.370 | 8.271 | 369 | 0 | 8.639 | 21,6% |
| Turkey | Distribution | 23 | 9.676 | 43.312 | 4.600 | 1.560 | 1.204 | 0 | -69 | 1.135 | 24,7% |
| Other countries | | 4.552 | 1.712.434 | 13.122.919 | 760.784 | 82.512 | 163.761 | 5.115 | 740 | 169.616 | 22,3% |
| Eliminations and other adjustments | | | -3.845.127 | -20.725.232 | 242.695 | 0 | 192.173 | -89.137 | -7.165 | 95.869 | |
| Coloplast group | | 13.650 | 5.386.314 | 22.772.085 | 6.126.922 | 1.114.645 | 1.525.920 | -97.792 | -6.950 | 1.421.177 | 23,2% |

Comments to 2021/22 numbers

Costa Rica

To gain operational efficiency and meet the increasing demand, Coloplast has invested in a volume factory in Costa Rica. The volume factory in Costa Rica is expected to produce 25% of our global volumes in 2025, ensuring that we have a more diversified global production network. Costa Rica, being close to US, which is one of our largest growth markets, has qualified and highly trained labor, green electricity supply, supporting our sustainability ambitions. In addition to this, the Costa Rican authorities are very corporative and supportive.

The government in Costa Rica has introduced favorable tax incentives in terms of investment credits and a favorable tax rate in specific zones to attract foreign investments. These incentives are broadly available based on meeting specific investment and activity criteria. Due to significant investments in the volume factory, investment credits eliminate the local corporate income tax.

Hong-Kong, Israel, Turkey, and Russia

Coloplast has legal entities providing distribution activities to support the medical needs of users in the territory. The remuneration of these entities is based on regional benchmarks in line with the principles applied to all distribution entities in the group.

The corporations tax rate in Hong Kong is 8.25% for profit below HKD 2 million. The profit realized in Hong Kong amounts to HKD 2.5 million. The effective tax rate is reduced by an adjustment related to prior year.