Coloplast

Ostomy Care
Continence Care
Wound & Skin Care
Urology Care

Announcement no. 1/2017
1 February 2017

Coloplast A/S
Holtedam 1
3050 Humlebæk
Denmark

CVR no. 69749917

Q1 2016/17

Interim financial report, Q1 2016/17

(1 October 2016 - 31 December 2016)

Highlights

- Organic revenue growth was 6%. Revenue in DKK was up by 3% to DKK 3,755m.
- Organic growth rates by business area: Ostomy Care 6%, Continence Care 5%, Urology Care 8% and Wound & Skin Care 5%.
- As expected, growth in the US Chronic Care business was adversely affected by inventory reductions at large distributors, and inventory levels are now back to normal.
- The South Korean healthcare authorities have enhanced subsidy schemes for intermittent catheters effective 1 January 2017 to cover approximately 25,000 South Koreans.
- The acquisition of US distributor Comfort Medical was approved at the end of December at a value of DKK 1.1bn.
- Management estimates that more than 95% of the lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse and stress urinary incontinence have been settled at the date of this report.
- EBIT was up by 3% measured in DKK and 8% at constant exchange rates, to DKK 1,226m. The EBIT margin was 33% at constant exchange rates, against 32% last year. Measured in DKK, the EBIT margin was 33%, which was in line with the year-earlier period.
- The net profit for the reporting period was up by 15% to DKK 946m, while diluted earnings per share were also up by 15% to DKK 4.46.
- The free cash flow was negative at DKK 833m, DKK 1,664m less than in the same period of last year. Adjusted for payments made in connection with lawsuits alleging injury resulting from the use of transvaginal surgical mesh products and the acquisition of Comfort Medical, the free cash flow was an inflow of DKK 1,439m against DKK 1,284m in Q1 2015/16.
- The second part of the share buy-back programme totalling DKK 1bn running until the end of the 2016/17 financial year is expected to be launched in Q2 2016/17.

Financial guidance for 2016/17

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

Conference call
Coloplast will host a conference call on 1 February 2017 at 15.00 CET. The call is expected to last about one hour. To attend the conference call, call +45 3271 1659, +44 (0)20 3427 1900 or +1 646 254 3363. Conference call reference no. 9193731.
A webcast will be posted on www.coloplast.com shortly after the conclusion of the conference call.

Ostomy Care
Continence Care
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Financial highlights and key ratios

1 October - 31 December

(Unaudited)

Consolidated	DKK million 2016/17 Q1	2015/16 Q1	Change
Income statement			
Revenue	3,755	3,656	3%
Research and development costs	-138	-126	10%
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	1,368	1,325	3%
Operating profit (EBIT)	1,226	1,194	3%
Net financial income and expenses	2	-123	N/A
Profit before tax	1,228	1,071	15%
Net profit for the year	946	825	15%
Revenue growth			
Period growth in revenue, %	3	11	
Growth break down:			
Organic growth, %	6	7	
Currency effect, %	-3	4	
Acquired business, %	0	0	
Balance sheet			
Total assets	12,883	10,810	19%
Capital invested	7,466	5,100	46%
Equity end of period	4,214	4,026	5%
Cash flow and investments			
Cash flow from operating activities	254	629	-60%
Cash flow from investing activities	-1,087	202	N/A
Investments in property, plant and equipment, gross	-107	-118	-9%
Free cash flow	-833	831	N/A
Cash flow from financing activities	-1,831	-1,588	15%
Key ratios			
Operating margin, EBIT, %	33	33	
Operating margin, EBITDA, %	36	36	
Return on average invested capital before tax (ROIC), % [1)]	61	62	
Return on average invested capital after tax (ROIC), % [1)]	47	47	
Return on equity, %	82	76	
Equity ratio, %	33	37	
Net asset value per outstanding share, DKK	20	19	5%
Share data			
Share price, DKK	476	557	-15%
Share price/net asset value per share	24.0	29.3	-18%
Average number of outstanding shares, millions	212.0	211.7	0%
PE, price/earnings ratio	26.6	35.7	-25%
Earnings per share (EPS), diluted	4.46	3.87	15%
Free cash flow per share	-3.9	3.9	N/A

1) This item is before Special items. After Special items, ROIC before tax is 75% (2015/16: 97%), and ROIC after tax is 58% (2015/16: 75%).

Management's report

Sales performance

Revenue in DKK was up by 3% to DKK 3,755m on 6% organic growth. Currency depreciation against DKK, especially of GBP, was only partly offset by USD appreciation.

Sales performance by business area

	DKK million		Growth composition			
	2016/17 3 mths	2015/16 3 mths	Organic growth	Acquired operations	Exchange rates	Reported growth
Ostomy Care	1,509	1,469	6%	0%	-3%	3%
Continence Care	1,317	1,308	5%	0%	-4%	1%
Urology Care	408	376	8%		1%	9%
Wound & Skin Care	521	503	5%		-1%	4%
Net revenue	**3,755**	**3,656**	**6%**	**0%**	**-3%**	**3%**

Sales performance by region

	DKK million		Growth composition			
	2016/17 3 mths	2015/16 3 mths	Organic growth	Acquired operations	Exchange rates	Reported growth
European markets	2,331	2,313	6%		-5%	1%
Other developed markets	821	763	4%	1%	3%	8%
Emerging markets	603	580	7%		-3%	4%
Net revenue	**3,755**	**3,656**	**6%**	**0%**	**-3%**	**3%**

Ostomy Care

Q1 sales of ostomy care products amounted to DKK 1,509m, a 3% increase in DKK. Organic growth, at 6%, remained driven mainly by the portfolio of SenSura® products and the Brava® accessory range.

The SenSura® portfolio generated highly satisfactory sales growth, driven in part by performance in the UK, Germany, southern Europe and Japan. In particular, the performance of the SenSura® Mio products lifted sales growth, including the SenSura® Mio Convex range.

SenSura® Mio Convex is now available in sixteen countries, and feedback on the product remains highly positive. Due to greater than anticipated demand, further capacity will be introduced in 2016/17.

The Assura/Alterna® portfolio generated satisfactory sales growth, driven mainly by the Chinese, Russian and Spanish markets and with Argentina also contributing.

The Brava® range of accessories generated a satisfactory sales performance, driven mainly by the Chinese, UK and French markets.

From a country perspective, the UK reported highly satisfactory sales growth, and the Charter homecare business continues to win market share. China, southern Europe and Germany were also positive contributors to growth.

Japan reported similarly positive growth, especially for the SenSura® portfolio.

Q4 15/16 sales growth was adversely impacted by back orders on urostomy bags due to quality issues experienced by an external raw materials supplier. The back order situation has normalised in the first quarter.

As expected, growth in the US was adversely affected by inventory reductions at large distributors, and inventory levels are now back to normal. In addition, growth was adversely affected by developments in a number of countries in the emerging markets region, especially Saudi Arabia and Brazil.

Continence Care

Continence Care generated Q1 revenue of DKK 1,317m, a 1% improvement in DKK and 5% organically. Growth remained driven by sales of SpeediCath® intermittent catheters and Peristeen®.

Sales of compact catheters were driven by positive sales momentum in the United States, the UK, France and Germany, but the Nordic markets and Italy were also positive contributors.

Sales growth in standard catheters remained challenged, primarily due to a lower tender value in

Saudi Arabia in Q1 relative to last year and inventory reductions in the US market.
SpeediCath® Flex is now available in 11 countries at 1 January 2017, and feedback on the product is highly positive.
The slightly positive sales performance in urine bags and urisheaths was based on a consistently improved momentum in France, but growing competition in the Netherlands and a lower tender value in Saudi Arabia had a negative impact.
Sales of Peristeen® continued to grow at a fair rate, driven by good performances in the UK, the US and France.
From a country perspective, the US, French, German and UK markets were positive contributors to growth in the Continence Care business. Also, Argentina, Denmark and Russia continued to report positive sales momentum.
As expected, first-quarter sales growth was adversely affected by inventory reductions at large distributors in the United States, and inventory levels are now back to normal. However, this was partly offset by strong momentum in sales of SpeediCath® intermittent catheters. Saudi Arabia detracted from growth due to a lower tender value compared with the first quarter of last year.

Urology Care

Sales of urology care products were up by 9% to DKK 408m in Q1, while the organic growth rate was 8%.
Growth was driven primarily by Altis® slings and Restorelle® products designed to treat stress urinary incontinence and pelvic organ prolapse in the US market, in which Coloplast is taking market share. Titan® penile implants continued to generate satisfactory sales growth in the US market.
Growth in sales of disposable surgical products was supported by healthy sales in France, but were dented by lower tender activity in Brazil and Saudi Arabia.
From a country perspective, the US market continued to drive growth in the Urology Care business, but Europe, and France in particular, also contributed, whereas especially Brazil detracted from sales growth.

Wound & Skin Care

Sales of wound and skin care products were up by 4% to DKK 521m in Q1, while the organic growth rate was 5%. The Wound Care business in isolation generated 8% organic growth.
In Wound Care, growth was driven by sales of Biatain® foam dressings, especially by Biatain® Silicone and Biatain® Super. Biatain® Silicone sales growth was driven by the UK, French and German markets. Healthcare reforms in Greece have led to a shift in the product portfolio to products such as Biatain® Super and have generally affected sales due to inventory build-ups. China also contributed to sales of Biatain® foam dressing, although at a lower growth rate than last year, whereas Saudi Arabia continued to detract from growth due to a lower tender value compared with Q1 2015/16.
The Biatain® Sizes & Shapes portfolio was available in 8 countries at 1 January 2017, and feedback on the portfolio is highly positive.
The Comfeel® Plus portfolio, which has been upgraded in terms of design and user experience, has been relaunched in ten countries at 1 January 2017.
Growth was adversely affected by sales of skin care products due to a strong momentum in the first quarter of last year.
Contract production of Compeed contributed to growth.
From a country perspective, Greece, Germany and the UK all contributed favourably to growth in the Wound & Skin Care business, whereas Wound Care was challenged by developments in Saudi Arabia, China and Brazil.

Gross Profit

Gross profit was up by 3% to DKK 2,580m from DKK 2,506m in the Q1 2015/16 period. The gross margin was 69%, which was in line with last year. The ongoing efficiency enhancements supported the gross margin, including especially the production relocation of SenSura® Mio and Compeed products to Hungary. The product mix and depreciation charges reduced the Q1 gross margin. At constant exchange rates, the gross margin was 69%, against 68% last year.

Costs

Distribution costs amounted to DKK 1,067m, a DKK 26m increase from DKK 1,041m last year. Distribution costs amounted to 28% of revenue, which was in line with last year. First-quarter costs included sales and marketing initiatives, mainly in the USA and in the Wound Care business.
Administrative expenses amounted to DKK 148m in Q1, a DKK 13m increase from DKK 135m last year. Administrative expenses thus accounted for 4% of Q1 revenue, which was in line with the year-earlier period. Costs in Q1 include transaction costs associated with the acquisition of Comfort Medical.

First-quarter R&D costs were DKK 138m, a DKK 12m or 10% increase over the Q1 2015/16 period that was due to a general increase in business activity. R&D costs amounted to 4% of Q1 revenue, compared to 3% in the same period of last year.

Other operating income and other operating expenses amounted to a net expense of DKK 1m in the first quarter, against a net expense of DKK 10m in Q1 2015/16.

Operating profit (EBIT)

The Q1 EBIT was DKK 1,226m, a DKK 32m (3%) increase from DKK 1,194m in Q1 2015/16. The EBIT margin was 33%, which was in line with Q1 2015/16. At constant exchange rates, the EBIT margin was 33%, against 32% in Q1 2015/16.

Financial items and tax

Financial items were a net income of DKK 2m, compared to a net expense of DKK 123m in the year-earlier period. The change in net financials was mainly due to last year's loss on realised forward exchange contracts, especially on USD and ARS. This year, losses on USD were offset by gains on GBP.

The tax rate was 23%, which was in line with last year. The Q1 tax expense was DKK 282m as against DKK 246m in the year-earlier period.

Net profit

The Q1 net profit was DKK 946m, a DKK 121m or 15% increase over last year's net profit of DKK 825m. Earnings per share (EPS), diluted, also improved by 15% to DKK 4.46.

Cash flow and investments

Cash flows from operating activities
Cash flows from operating activities amounted to DKK 254m, against DKK 629m last year. Most of the decline was due to payments in connection with settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products. Payments made in respect of the above-mentioned lawsuits in the US in Q1 amounted to DKK 1.2bn. Total payments made to date amount to DKK 3.6bn.

Investments
Coloplast made investments of DKK 112m in Q1 2016/17 compared with DKK 124m in the year-earlier period. The decrease was due to timing differences of investments in machinery used for new products and factory extensions. CAPEX accounted for 3% of revenue. The Comfort Medical acquisition was an investment of DKK 1.1bn, and sales of securities amounted to DKK 110m, DKK 207m less than in the same period of last year. Total cash flows from investing activities were a DKK 1,087m outflow.

Free cash flow
The free cash flow was an outflow of DKK 833m against an inflow of DKK 831m in the same period of last year, primarily due to the Comfort Medical acquisition and settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products. Adjusted for payments made in connection with the above-mentioned lawsuits and the acquisition of Comfort Medical, the free cash flow was an inflow of DKK 1,439m against DKK 1,284m in Q1 2015/16.

Capital resources
At 31 December 2016, interest-bearing net debt amounted to DKK 1,956m, against interest-bearing net deposits of DKK 222m at 31 December 2015. Liquidity outflows due to settlements in lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products and the Comfort Medical acquisition are covered by the credit facilities established for these transactions.

Statement of financial position and equity

Balance sheet
At DKK 12,883m, total assets increased by DKK 1,876m relative to 30 September 2016.
Intangible assets amounted to DKK 2,532m, which was DKK 1,135m more than at 30 September 2016. The increase was due to the Comfort Medical acquisition.
Property, plant and equipment decreased by DKK 6m relative to 30 September 2016 to stand at DKK 2,919m.
Other non-current assets declined by DKK 4m from DKK 521m to DKK 517m.
This increased non-current assets by a total of DKK 1,125m to DKK 5,968m.

Working capital was 25% of revenue, against 24% at 30 September 2016. Inventories were DKK 108m higher at DKK 1,626m due to inventory build-ups in connection with replenishing of inventories following back orders on urostomy bags and preparations for product launches. Trade receivables were up by DKK 10m to DKK 2,689m, while trade payables

were down by DKK 185m, or 27%, to DKK 512m relative to 30 September 2016.
Coloplast reached a number of additional agreements during the quarter relating to lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh. In that connection, amounts held in escrow increased by DKK 723m net relative to 30 September 2016 to stand at DKK 1,180m.

Marketable securities amounted to DKK 379m, DKK 110m less than at 30 September 2016. Cash and cash equivalents fell by DKK 1m to DKK 545m. Current assets rose by DKK 751m relative to 30 September 2016 to stand at DKK 6,915m.

Equity
Equity fell by DKK 854m relative to 30 September 2016 to DKK 4,214m. Payment of dividends of DKK 1,909m was offset by the comprehensive income for the period of DKK 971m, sale of treasury shares of DKK 78m and share-based remuneration of DKK 6m.

In 2015/16, Coloplast launched a DKK 1bn share buy-back programme running until the end of the 2016/17 financial year. The first part of the share buy-back programme of DKK 500m was completed in August 2016. The second part of the programme is expected to commence in the second quarter and is expected to be completed by the end of the current financial year.

Treasury shares
At 31 December 2016, Coloplast's holding of treasury shares consisted of 3,778,556 B shares, which was 482,020 fewer than at 30 September 2016. The reduction in the holding of treasury shares was due to options being exercised.

Financial guidance for 2016/17

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

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

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

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

The capital investments will boost the production capacity for new and existing products and will provide for the completion of a new factory during 2017/18.

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

Other matters

Acquisition of Comfort Medical
At the end of December 2016, Coloplast acquired Comfort Medical for a cash consideration of USD 160m, equal to approx. DKK 1.1bn. Comfort Medical is a US direct-to consumer Durable Medical Equipment (DME) nationwide dealer of catheters and ostomy supplies founded in Florida in 2010. The acquisition provides one more piece in Coloplast's overall ambition of bringing innovative products and services to the US market. The integration of Comfort Medical is proceeding according to plan.

Improved subsidy schemes for catheter users in South Korea
The South Korean healthcare authorities have enhanced subsidy schemes for intermittent catheters effective 1 January 2017. The new subsidy schemes expand the patient group entitled to intermittent catheters to include spinal cord injury patients, among others. Approximately 25,000 South Koreans will be covered by the scheme.

New factory in Hungary
Coloplast has decided to expand production capacity at the factory in Nyírbátor, Hungary. The 26,000 sq. m. expansion is scheduled for completion in the first half of 2017/18. The total investment will amount to approx. DKK 175m.

Exchange rate exposure
Our financial guidance for the 2016/17 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 2015/16[1)]	956	671	2.39	745
Spot rate, 19 January 2017	858	699	2.41	744
Estimated average exchange rate 2016/17[2)]	858	696	2.41	744
Change in spot rate compared with the average exchange rate 2015/16	-10%	4%	1%	0%

1) Average exchange rate from 1 October 2015 to 30 September 2016.

2) Estimated average exchange rate is calculated as the average exchange rate year to date combined with the spot rates at 19 January 2017.

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 2015/16)	Revenue	EBIT
USD	-290	-130
GBP	-260	-170
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.

Statement by Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and approved the interim report of Coloplast A/S for the period 1 October 2016 – 31 December 2016. The interim report, which has neither been audited nor reviewed by the company's auditors, is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets, equity, liabilities and financial position at 31 December 2016 and of the results of the Group's operations and cash flows for the period 1 October 2016 – 31 December 2016.

Also, in our opinion, the management's report includes a fair account of the development and performance of the Group, the results for the period and of the financial position of the Group. Other than as set forth in the interim report, no changes have occurred to the significant risks and uncertainty factors compared with those disclosed in the annual report for 2015/16.

Humlebæk, 1 February 2017

Executive Management:

Lars Rasmussen
President, CEO

Anders Lonning-Skovgaard
Executive Vice President, CFO

Allan Rasmussen
Executive Vice President, Global Operations

Kristian Villumsen
Executive Vice President, Chronic Care

Board of Directors:

Michael Pram Rasmussen
Chairman

Niels Peter Louis-Hansen
Deputy Chairman

Per Magid

Birgitte Nielsen

Jette Nygaard-Andersen

Brian Petersen

Jørgen Tang-Jensen

Thomas Barfod
Elected by the employees

Martin Giørtz Müller
Elected by the employees

Torben Rasmussen
Elected by the employees

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Tables

The financial figures are unaudited

Statement of comprehensive income

1 October - 31 December

(Unaudited)

Consolidated		DKK million		
		2016/17	2015/16	
Note		Q1	Q1	Index
1	Revenue	3,755	3,656	103
	Production costs	-1,175	-1,150	102
	Gross profit	**2,580**	**2,506**	**103**
	Distribution costs	-1,067	-1,041	102
	Administrative expenses	-148	-135	110
	Research and development costs	-138	-126	110
	Other operating income	8	7	114
	Other operating expenses	-9	-17	53
	Operating profit (EBIT)	**1,226**	**1,194**	**103**
2	Financial income	37	8	>200
3	Financial expenses	-35	-131	27
	Profit before tax	**1,228**	**1,071**	**115**
	Tax on profit for the period	-282	-246	115
	Net profit for the period	**946**	**825**	**115**
	Other comprehensive income			
	Items that will not be reclassified to income statement:			
	Remeasurements of defined benefit plans	18	-6	
	Tax on remeasurements of defined benefit plans	-5	1	
		13	**-5**	
	Items that may be reclassified to income statement:			
	Value adjustment of currency hedging	-53	-36	
	Of which transferred to financial items	-33	77	
	Tax effect of hedging	19	-10	
	Currency adjustment of opening balances and other currency adjustments relating to subsidiaries	79	52	
		12	**83**	
	Total other comprehensive income	**25**	**78**	
	Total comprehensive income	**971**	**903**	
	Earnings per Share (EPS)	4.47	3.90	
	Earnings per Share (EPS), diluted	4.46	3.87	

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Balance sheet

At 31 December

(Unaudited)

Consolidated	DKK million		
Note	31.12.16	31.12.15	30.09.16
Assets			
Acquired patents and trademarks etc.	638	562	468
Goodwill	1,800	862	844
Software	69	62	65
Prepayments and intangible assets in progress	25	28	20
Intangible assets	**2,532**	**1,514**	**1,397**
Land and buildings	1,080	1,006	1,089
Plant and machinery	1,131	973	1,075
Other fixtures and fittings, tools and equipment	344	309	344
Prepayments and property, plant and equipment under construction	364	439	417
Property, plant and equipment	**2,919**	**2,727**	**2,925**
Investment in associates	11	11	11
Deferred tax asset	491	809	495
Other receivables	15	16	15
Other non-current assets	**517**	**836**	**521**
Non-current assets	**5,968**	**5,077**	**4,843**
Inventories	**1,626**	**1,505**	**1,518**
Trade receivables	2,689	2,510	2,679
Income tax	41	63	37
Other receivables	304	345	312
Prepayments	151	134	126
Receivables	**3,185**	**3,052**	**3,154**
Amounts held in escrow	**1,180**	**563**	**457**
Marketable securities	**379**	**201**	**489**
Cash and cash equivalents	**545**	**412**	**546**
Current assets	**6,915**	**5,733**	**6,164**
Assets	**12,883**	**10,810**	**11,007**

Balance sheet

At 31 December

(Unaudited)

Consolidated		DKK million		
Note		31.12.16	31.12.15	30.09.16
	Equity and liabilities			
	Share capital	216	220	216
	Currency translation reserve	-58	-29	-78
	Reserve for currency hedging	-26	24	41
	Proposed dividend for the year	0	0	1,905
	Retained earnings	4,082	3,811	2,984
	Total equity	**4,214**	**4,026**	**5,068**
	Provisions for pensions and similar liabilities	221	178	236
	Provision for deferred tax	107	0	106
7	Other provisions	76	1,017	258
	Other payables	0	1	1
	Prepayments	45	42	29
	Non-current liabilities	**449**	**1,238**	**630**
	Provisions for pensions and similar liabilities	15	28	14
7	Other provisions	411	1,270	814
	Other credit institutions	2,880	391	222
	Trade payables	512	441	697
	Income tax	372	321	111
	Other payables	4,019	3,083	3,436
	Prepayments	11	12	15
	Current liabilities	**8,220**	**5,546**	**5,309**
	Current and non-current liabilities	**8,669**	**6,784**	**5,939**
	Equity and liabilities	**12,883**	**10,810**	**11,007**

8 Contingent liabilities
9 Acquisitions

Statement of changes in equity

(Unaudited)

Consolidated DKK million	Share capital A shares	 B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2016/17							
Balance at 1.10.	18	198	-78	41	1,905	2,984	5,068
Comprehensive income:							
Net profit for the year						946	946
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements of defined benefit plans						18	18
Tax on remeasurements of defined benefit plans						-5	-5
Other comprehensive income that may be reclassified to income statement:							
Value adjustment of currency hedging				-53			-53
Of which transferred to financial items				-33			-33
Tax effect of hedging				19			19
Currency adjustment of opening balances and other currency adjustments relating to subsidiaries			20			59	79
Total other comprehensive income	*0*	*0*	*20*	*-67*	*0*	*72*	*25*
Total comprehensive income	*0*	*0*	*20*	*-67*	*0*	*1,018*	*971*
Transactions with shareholders:							
Transfers					4	-4	0
Sale of treasury shares						78	78
Share-based payment						6	6
Dividend paid out in respect of 2015/16					-1,909		-1,909
Total transactions with shareholders	*0*	*0*	*0*	*0*	*-1,905*	*80*	*-1,825*
Balance at 31.12.	**18**	**198**	**-58**	**-26**	**0**	**4,082**	**4,214**

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Statement of changes in equity

(Unaudited)

Consolidated DKK million	Share capital A shares	 B shares	Currency translation reserve	Reserve for currency hedging	Proposed dividend	Retained earnings	Total equity
2015/16							
Balance at 1.10.	18	202	-54	-7	1,691	2,856	4,706
Comprehensive income:							
Net profit for the year						825	825
Other comprehensive income that will not be reclassified to income statement:							
Remeasurements on defined benefit plans						-6	-6
Tax on remeasurements on defined benefit plans						1	1
Other comprehensive income that may be reclassified to profit or loss:							
Value adjustment of currency hedging				-36			-36
Of which transferred to financial items				77			77
Tax effect of hedging				-10			-10
Currency adjustment of opening balances and other currency adjustments relating to subsidiaries			25			27	52
Total other comprehensive income	*0*	*0*	*25*	*31*	*0*	*22*	*78*
Total comprehensive income	*0*	*0*	*25*	*31*	*0*	*847*	*903*
Transactions with shareholders:							
Transfers					5	-5	0
Sale of treasury shares						108	108
Share-based payment						5	5
Dividend paid out in respect of 2014/15					-1,696		-1,696
Total transactions with shareholders	*0*	*0*	*0*	*0*	*-1,691*	*108*	*-1,583*
Balance at 31.12.	**18**	**202**	**-29**	**24**	**0**	**3,811**	**4,026**

Cash flow statement

1 October - 31 December

(Unaudited)

Consolidated		DKK million	
		2016/17	2015/16
Note		3 mths	3 mths
	Operating profit	1,226	1,194
	Depreciation and amortisation	142	131
4	Adjustment for other non-cash operating items	-580	-1,062
5	Changes in working capital	-429	509
	Ingoing interest payments, etc.	4	8
	Outgoing interest payments, etc.	-103	-132
	Income tax paid	-6	-19
	Cash flows from operating activities	**254**	**629**
	Investments in intangible assets	-5	-6
	Investments in land and buildings	-2	-2
	Investments in plant and machinery	-7	-3
	Investments in property, plant and equipment under construction	-98	-113
	Property, plant and equipment sold	21	9
	Acquisition of operations	-1,106	0
	Net sales/(-purchase) of marketable securities	110	317
	Cash flow from investing activities	**-1,087**	**202**
	Free cash flow	**-833**	**831**
	Dividend to shareholders	-1,909	-1,696
	Acquisitions of treasury shares	0	0
	Sale of treasury shares	78	108
	Cash flows from financing activities	**-1,831**	**-1,588**
	Net cash flows	**-2,664**	**-757**
	Cash, cash equivalents and short-term debt with credit institutions at 1.10.	323	781
	Value adjustment of cash and bank balances	6	-3
	Net cash flows	-2,664	-757
6	**Cash, cash equivalents and short-term debt with credit institutions at 31.12.**	**-2,335**	**21**

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

Notes

(Unaudited)

Consolidated

1. Segment information

Operating segments

The operating segments are defined on the basis of the monthly reporting to the Executive Management, which is considered the Senior Operational Management, and the management structure. Reporting to Management is based on three operating segments: Chronic Care, 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 this background. No single customer accounts for more than 10% of revenue.

Operating segments	Chronic Care		Urology Care		Wound & Skin Care		Shared/ Non-allocated		Total	
DKK million	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16
Segment revenue										
Ostomy Care	1,509	1,469	0	0	0	0	0	0	1,509	1,469
Continence Care	1,317	1,308	0	0	0	0	0	0	1,317	1,308
Urology Care	0	0	408	376	0	0	0	0	408	376
Wound & Skin Care	0	0	0	0	521	503	0	0	521	503
Group external revenue as per the Statement of comprehensive income	**2,826**	**2,777**	**408**	**376**	**521**	**503**	**0**	**0**	**3,755**	**3,656**
Segment operating profit/loss	1,706	1,667	155	137	177	184	-812	-794	1,226	1,194
Costs not included in segment operating profit/loss									0	0
Operating profit before tax as per the Statement of comprehensive income									**1,226**	**1,194**
Net financials									2	-123
Tax of profit for the year									-282	-246
Income from investments in associates									0	0
Profit/loss for the year as per the Statement of comprehensive income									**946**	**825**

Notes

(Unaudited)

Consolidated		DKK million 2016/17	2015/16
2.	**Financial income**		
	Interest income	4	8
	Fair value adjustments of forward contracts transferred from Other comprehensive income	33	0
	Total	**37**	**8**
3.	**Financial expenses**		
	Interest expense	3	1
	Fair value adjustments of forward contracts transferred from Other comprehensive income	0	77
	Fair value adjustments of cash-based share options	0	1
	Net exchange adjustments	20	43
	Other financial expenses and fees	12	9
	Total	**35**	**131**
4.	**Adjustment for other non-cash operating items**		
	Net gain/loss on divestment of non-current assets	1	2
	Change in other provisions	-581	-1,064
	Total	**-580**	**-1,062**
5.	**Changes in working capital**		
	Inventories	-92	-15
	Trade receivables	66	-32
	Other receivables	-736	-633
	Trade and other payables etc.	333	1,189
	Total	**-429**	**509**
6.	**Cash, cash equivalents and current debt with credit institutions**		
	Cash	1	1
	Short-term bank balances	544	411
	Cash and bank balances	**545**	**412**
	Short-term debt	-2,880	-391
	Total	**-2,335**	**21**

Notes

(Unaudited)

Consolidated

7. Other provisions

Product liability case regarding transvaginal surgical mesh products

The amounts are gross amounts relating to certain legal claims.

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

A multidistrict litigation (MDL) was formed in 2012 in Southern District of West Virginia to consolidate federal court cases in which Coloplast is the first named defendant.

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

Against this background, Coloplast has from the outset reached settlements with groups of law firms. This process was accelerated after Judge Joseph Goodwin several times ordered the parties involved to make substantial progress in the settlement process.

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

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

The remaining provision made for legal claims at 31 December 2016 amounted to DKK 0.5bn (30 September 2016: DKK 1.1bn) plus DKK 2.5bn recognised under other debt (30 September 2016: DKK 2.4bn). Liabilities are classified as other debt when settlements are reached and amounts and timing become known.

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

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

8. Contingent liabilities

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

Notes

(Unaudited)

Consolidated

9. Acquisitions

On 20 December 2016, Coloplast agreed to acquire all shares and voting rights of Comfort Medical, LLC. Comfort Medical, LLC is a US direct-to-consumer Durable Medical Equipment (DME) nationwide dealer of catheters and ostomy supplies. The acquisition is expected to expand Coloplast's footprint in the US market and enable the company to offer innovative products and services to a broader part of the US market, including through the CARE program. The acquisition also represents an opportunity for Coloplast to build closer relationships with end-users and to attract new users through Comfort Medical's business model of direct response advertising and physician referrals.

Comfort Medical is recognised in the consolidated income statement at a revenue of DKK 7m for the period. The pro forma effect on consolidated revenue for 2016/17, as if the company had been acquired on 1 October 2016, amounted to approximately DKK 60m.

	Fair value at date of acquisition (20.12.16) DKKm
Intangible assets	188
Property, plant and equipment	1
Other non-current assets	2
Receivables	46
Cash	2
Trade payables	-9
Other payables	-3
Net assets acquired	**227**
Goodwill	919
Total consideration paid for the company	**1,146**
Acquired cash and short-term debt	-2
Cash consideration	**1,144**

Intangible assets consist of customer lists (DKK 143m), trademarks (DKK 34m) and software (DKK11m).

Customer lists consist of access to Comfort Medical's existing customer base.

Trademarks represent the Comfort Medical brand and name, both associated with sales of catheters and ostomy supplies.

Trade receivables represent a gross amount of DKK 112m, implying that a DKK 66m writedown has been recognised.

After recognition at fair value of identifiable assets and liabilities, goodwill related to the acquisition amounts to DKK 919m, which is deductible for tax purposes. Goodwill expresses the synergies expected to be achieved from the broader geographical coverage of the US market, access to providing innovative products and services and the opportunity to attract new users through Comfort Medical's business model of direct response advertising and physician referrals.

Coloplast incurred transaction costs relating to the acquisition of approximately DKK 7m in the 2016/17 financial year, which amount was recognised in administrative expenses in the statement of comprehensive income.

The agreed consideration for the shares amounted to USD 160m, which amount fell due for payment on the date of acquisition.

Income statement, quarterly

(Unaudited)

Consolidated

	2016/17	2015/16			
DKK million	Q1	Q4	Q3	Q2	Q1
Revenue	3,755	3,739	3,686	3,600	3,656
Production costs	-1,175	-1,178	-1,174	-1,147	-1,150
Gross profit	**2,580**	**2,561**	**2,512**	**2,453**	**2,506**
Distribution costs	-1,067	-1,017	-1,037	-1,036	-1,041
Administrative expenses	-148	-138	-148	-140	-135
Research and development costs	-138	-129	-132	-122	-126
Other operating income	8	12	10	13	7
Other operating expenses	-9	-5	-4	-1	-17
Operating profit before special items	**1,226**	**1,284**	**1,201**	**1,167**	**1,194**
Special items	0	-750	0	0	0
Operating profit (EBIT)	**1,226**	**534**	**1,201**	**1,167**	**1,194**
Profit/loss after tax on investment in associates	0	-1	0	0	0
Financial income	37	46	9	3	8
Financial expenses	-35	-28	60	20	-131
Profit before tax	**1,228**	**551**	**1,270**	**1,190**	**1,071**
Tax on profit for the period	-282	-127	-292	-274	-246
Net profit for the period	**946**	**424**	**978**	**916**	**825**
Earnings per Share (EPS) before special items	4.47	4.77	4.62	4.33	3.90
Earnings per Share (EPS)	4.47	2.00	4.62	4.33	3.90
Earnings per Share (EPS) before special items, diluted	4.46	4.75	4.60	4.31	3.87
Earnings per Share (EPS), diluted	4.46	2.00	4.60	4.31	3.87

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This announcement is available in a Danish and an English-language version. In the event of any discrepancies, the Danish version shall prevail.

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare.

Our business includes Ostomy Care, Urology Care, Continence Care and Wound and Skin Care. We operate globally and employ around 11,000 people.