

Information to the Copenhagen Stock Exchange no. 3/2005
Humblebæk, 18 May 2005

Interim Financial Report, 2004/05

(1 October 2004 – 31 March 2005)

- During the first six months, sales grew by 7% in local currencies, 6% in Danish kroner, as the second quarter saw the expected positive development of revenue and profit
- The profit margin was 14% and operating profit came to DKK 430m
- Inventories were reduced by DKK 106m
- Free cash flow was DKK 366m compared with a negative balance of DKK 115m last year
- Sales of ostomy products increased by 12%, making this business area the strongest performer
- Expectations for the full year 2004/05 remain an organic revenue growth of 8-9% and a profit margin of 15-16%

Key figures mDKK (unaudited)	Actual 2004/05 6 months	Actual 2003/04 6 months	Indexed on H1 2003/04	Actual 2003/04 full year
Revenue	3.099	2.924	106	6.069
Operating profit (EBIT)	430	477	90	988
Separate items	-17	0		0
Net financial income and expenses	-52	-48	108	-89
Profit before tax	361	429	84	899
Tax on profit for the period	-119	-152	78	-317
Net profit for the period	242	277	87	582
Minority interests	-2	-2	100	-5
Coloplast's share of profit for the year	240	275	87	577
Profit margin, EBIT, %	14	16		16
Earnings per share of 5 DKK, EPS, DKK	5	6		12
Return on equity, %	20	27		27
Return on average invested capital (ROAIC), %	15	17		17
PE, price/earnings ratio	30	25		24
Equity interest, %	43	39		42
Total assets	5.644	5.404		5.643
Investments in tangible assets	208	173		548
Investments in intangible assets	27	79		106
Adjustments of tangible assets under construction	8	78		-4

Appended are income statement, balance sheet, cash flow statement, statement of changes in equity, notes and 5 years' key figures and ratios.

Revenue increased in the first six months by 7% in local currencies and the profit margin was 14%. Revenue growth and the profit margin were affected by the German health-care reform, which, as earlier announced, caused average reductions of reimbursement prices for Coloplast's ostomy products of 13% as at 1 January 2005. The German authorities have not yet determined new reimbursement prices for continence care products and, we expect that these prices will be determined towards the end of the financial year 2004/05.

Financial performance

Operating profit before separate items was DKK 430m compared with DKK 477m in the same period of the previous year, corresponding to a profit margin of 14%. In the second quarter the profit margin was 16%.

Administrative costs and R&D costs were unchanged compared with the previous year. The costs of distribution, sales and marketing increased by 10% on last year owing to an intensification of the sales effort, in the USA, and to the establishment of a European distribution centre, which will cut distribution costs and improve the delivery service to European sales subsidiaries.

During the first six months, inventories were reduced by DKK 106m, including the effect on indirect cost of sales, with inventory reductions continuing into the second quarter. Inventory decreases cause the charging to revenue of earlier activated indirect cost of sales. Such carry back of indirect cost of sales amounted to a total of DKK 32m for the first six months.

Separate items include project costs of a non-recurring nature relating to an acquisition activity now closed.

Free cash flow was DKK 366m for the period, DKK 481m up from a negative balance of DKK 115m for the same period last year. This significant improvement is a result of reduction of inventories and receivables and lower investment activity. Cash flow from investments came to a negative balance of DKK

185m compared with a negative balance of DKK 328m last year.

Financial items include interest and exchange rate adjustments. These items accounted for DKK 52m against DKK 48m during the reference period. The Group's total interest-bearing debt has been on a downward curve during the first six months reflecting the positive cash flow.

Tax on profit for the period is calculated at DKK 119m, corresponding to a tax rate of 33%, which was down 2 %-points compared with the first quarter. The lower rate is due to shifts in the income distribution among Group companies. Tax on transactions between companies related within a Group are increasingly attracting the attention of tax authorities in many countries. The Danish tax authorities has raised the issue of transfer pricing with Coloplast.

Revenue development

Revenue grew during the first six months of 2004/05 by 7% in local currencies. Group revenue was DKK 3,099m compared with DKK 2,924m last year. This corresponds to an increase of 6% in Danish kroner. The weak sales growth in the first quarter was replaced, in the second quarter, by higher growth (10%) despite price reductions in the German market for ostomy products.

The value of Coloplast's invoicing currencies was reduced by 1 %-point from the same period of the last financial year.

Segment information

Primary segment split

Coloplast's primary segment split reflects our business activity division into a chronic care segment, comprising ostomy and continence care products and home care, and an SBU segment, comprising our three independent business units, Wound Care, Skin Health and Breast Care.

The chronic care segment

Overall revenue for the chronic care segment was DKK 2,375m, representing a growth of

8% in local currencies on the first six months of 2003/04. The segment includes sales of products from other manufacturers through the home care business.

Ostomy

Sales of ostomy products increased by 12% in local currencies, making this business area the strongest performer.

Open bags with **Hide-away** closure and bags with convex adhesive were the key sales growth drivers. The **Easiflex** range saw strong growth, accounting for an increasing share of ostomy turnover. Also sales of urostomy bags saw good growth. The support garment for ostomists with hernia problems, **Corsinel**, has been very well received in Denmark and Australia, where the product was launched in the second quarter. **Corsinel** is also available in the British and Spanish markets and will be launched in several other countries in the coming quarters.

In Europe, Coloplast's market share continues to grow, also in the German market, where all manufacturers are affected by the healthcare reform. To counter increasing competition in the home care market, Coloplast's German home care business, HSC, is going through a restructuring process aiming to strengthen the effort and improve efficiency. This process has resulted in a common service centre for the HSC companies and changes to the administrative systems. Some sales people have, during this process, chosen to leave HSC to start competing business. This may negatively affect the HSC result for the last six months.

Continence Care

Sales of continence care products increased by 9% in local currencies compared with the year before. There was good growth in most European markets, and sales of intermittent catheters grew by more than 15%. Catheter sales accounted for more than half of continence care sales. Sales of urine bags increased by approx. 5%, while sales of urisheaths were at last year's level. The **Peristeen** anal irrigation system for bowel management has been well received.

Our **SpeediCath** Compact catheter for women was launched in 2003/04. Sales of this catheter exceeded expectations in the first six months.

The SBU segment

Revenue for the business units Wound Care, Skin Health and Breast Care came to a total of DKK 724m, corresponding to a 5% growth in local currencies.

Wound Care

Sales of wound care products increased by 8% in local currencies. The performance was driven by good sales growth for the **Contreet**, **Alione** and **Biatain** products. More than 10% of wound care sales are now generated by the range of antibacterial silver foam dressings. These products were launched in February in the important French wound care market, where they were well received. In the markets in Great Britain and Germany the silver dressings made strong headway, too.

Skin Health

Skin health products increased by 7% in local currencies. The skin health business unit is also responsible for sales of wound care products in the USA. Both product areas grew. In the second quarter, the distributors reduced their inventories after extra purchases in anticipation of a price increase announced to take effect from early January. During the quarter sales returned to normal levels.

Breast Care

Sales of breast care products decreased by 1% in local currencies. We believe that the sales development has now stabilised since sales grew in spite of the decline in the US market. Also several European markets showed progress. In Europe, sales were affected by lower sales in Germany, Coloplast's biggest single market in Europe. This development reflects replacement by many customers of old breast forms last year before co-payment was introduced for the products. However, sales normalised also in the German market during the quarter.

Secondary segment split

European sales grew by 5% in local currencies. Good growth was recorded for most markets. New products are launched within all business areas on an on-going basis.

In the Americas, revenue grew by 10% in local currencies. In the USA, sales of ostomy and continence care products continued to grow at more than 20%, gaining market share for Coloplast in these business areas. Also sales through the home care business increased.

In Australia, in Japan and in the other markets in Asia sales increased by 23%, continuing the strong growth trend.

Corporate affairs

Investments

Fixed investments – exclusive of fixed assets disposed of – were reduced by DKK 81m compared with the same period last year, accounting for DKK 249m. The main reason for the reduction was a lower level of investments in buildings and IT systems.

Investments in buildings and technical plant amounted to DKK 216m, including adjustments of tangible assets under construction. This is DKK 35m less than during the same period last year. The building of the Tabánya facility in Hungary has been completed and its capacity is expected to cover the need for added production space for the next 1½-2 years.

Changes in equity

Total equity increased during the period by DKK 51m, accounting at the end of the finan-

cial period for DKK 2,408m. The increase consists of profit for the period of DKK 240m less dividend paid out (DKK 140m) and other changes (DKK 49m). The equity interest increased to 43% of overall assets as at 31 March, 2005.

Holdings of own shares amounted to 1,170,344 units at the end of the period, corresponding to 2.6% of the class B share capital. No purchases of own shares were made during the period, while the holdings were reduced by 13,142 units owing to share options being exercised.

Outlook

Expectations for the full financial year 2004/05 remain a revenue growth of 8-9% and a profit margin of 15-16%. These expectations allow for the negative effects of the German healthcare reform, which for 2004/05 is expected to reduce profit by approx. DKK 100m.

Investments in fixed assets are expected to amount to DKK 400-450m. The tax rate is expected to be 32%.

Coloplast's long-term objectives towards 2008 remain unchanged, a revenue of DKK 9bn through organic growth, a profit margin of 18% and a return on average invested capital (ROAIC) of 20%.

Major fluctuations in the exchange rates of key currencies, significant changes in the healthcare sector or radical changes in the world economy may affect the company's possibilities of achieving its long-term objectives and meeting expectations.

Palle Marcus
Chairman of the Board

Sten Scheibye
CEO

This announcement includes information about Management's expectations for future developments. Being based on assumptions that embody uncertainty and risk, including – but not restricted to – changes in relevant legislation and treatment methods as well as the financial markets, actual results may turn out to differ from those expected.

This information is available in a Danish and an English version. In case of doubt, the Danish version shall prevail. For further information, please contact Group Director Carsten Lønfeldt, phone + 45 4911 1611.

Coloplast Group

INCOME STATEMENT (unaudited)

1 October 2004 - 31 March 2005

NOTE	Group		Index	Group		
	MDKK			MDKK		
	2004/05 6 months	2003/04 6 months		2004/05 Q2	2003/04 Q2	
1	Revenue	3,099	2,924	106	1,534	1,408
	Cost of sales	-1,274	-1,121	114	-597	-533
	Gross profit	1,825	1,803	101	937	875
	Distribution, sales and marketing costs	-947	-864	110	-465	-419
	Administrative expenses	-352	-352	100	-173	-174
	Research and development costs	-106	-106	100	-50	-58
	Other operating income	15	11	136	2	2
	Other operating expenses	-5	-15	33	-3	-3
1	Operating profit	430	477	90	248	223
	Seperate items	-17	0		-17	0
2	Financial income	19	27	70	51	13
3	Financial expenses	-71	-75	95	-73	-35
	Profit before tax	361	429	84	209	201
	Tax on profit for the period	-119	-152	78	-66	-77
	Net profit for the period	242	277	87	143	124
4	Minority interests	-2	-2	100	-1	2
	Coloplast's share of profit for the period	240	275	87	142	126
	Earnings per Share (EPS)	5	6		3	3

Coloplast Group

BALANCE SHEET (unaudited)

At 31 March 2005

NOTE	Group		
	<i>mDKK</i>		
	<i>At 31 Mar 05</i>	<i>At 31 Sep 04</i>	<i>At 31 Mar 04</i>
Assets			
Acquired patents and trademarks	12	13	6
Goodwill	298	298	302
Software	119	83	78
Prepayment for intangible assets and intangible assets in progress	7	31	26
Intangible assets	436	425	412
Land and buildings	1,133	1,191	1,036
Plant and machinery	437	397	336
Other fixtures and fittings, tools and equipment	227	214	229
Property, plant and equipment in progress and prepayments for property, plant and equipment	292	284	370
Property, plant and equipment	2,089	2,086	1,971
Investment in associates	2	2	2
Other investments	6	0	0
Deferred tax asset	96	102	134
Investments	104	104	136
Fixed assets	2,629	2,615	2,519
Inventories	816	922	1,025
Trade receivables	1,127	1,195	1,127
Receivables from associates	7	6	7
Other receivables	103	116	153
Prepayments	48	47	47
Receivables	1,285	1,364	1,334
Marketable and securities	97	2	82
Cash and bank balances	817	740	444
Current assets	3,015	3,028	2,885
Assets	5,644	5,643	5,404

Coloplast Group
BALANCE SHEET (unaudited)

At 31 March 2005

NOTE	Group		
	<i>mDKK</i>		
	<i>At 31 Mar 05</i>	<i>At 31 Sep 04</i>	<i>At 31 Mar 04</i>
Liabilities			
	240	240	240
	-87	-39	-39
	0	140	0
	2,255	2,016	1,883
	2,408	2,357	2,084
4	3	5	2
	79	83	91
	31	29	9
	10	28	28
	120	140	128
	522	529	534
	1,202	1,287	1,362
	255	203	183
	1,979	2,019	2,079
	5	6	6
	174	181	212
	245	298	275
	34	61	21
	546	508	523
	130	68	74
	1,134	1,122	1,111
	3,113	3,141	3,190
	5,644	5,643	5,404
5	Contingent items		

Coloplast Group

CASH FLOW STATEMENT (unaudited)

1 October 2004 - 31 March 2005

NOTE	Group		
	MDKK		
	2004/05 6 months	2003/04 6 months	
	Operating profit	440	477
A	Adjustment for non-cash operating items	143	157
B	Changes in working capital	163	-123
	Separate items	-17	0
	Ingoing interest payments, etc.	14	11
	Outgoing interest payments, etc.	-71	-75
	Company tax paid	-121	-234
	Cash flow from operations	551	213
	Investments in intangible assets	-27	-79
	Investments in land and buildings	-32	-54
	Investments in plant and machinery	-176	-119
	Adjustments of tangible assets under construction	-8	-78
	Fixed assets sold	64	2
	Acquisition of business	-6	0
	Cash flow from investments	-185	-328
	Free cash flow	366	-115
	Dividend to shareholders	-140	-117
	Dividend to minority interests	-4	-13
	Investment in own shares	0	-55
	Financing from shareholders	-144	-185
	Financing through long-term loans	-41	37
	Cash flow from financing	-185	-148
	Net cash flow for the period	181	-263
	Liquidity at 1 October 2004	555	573
	Adjustment, exchange rate	-1	-2
	Change in liquidity for the period	181	-263
	Liquidity at 31 March 2005	735	308
	Liquidity includes:		
	Marketable securities	97	82
	Cash	5	2
	Bank balances	812	442
		914	526
	Utilised credit facilities, short term	-179	-218
		735	308
	The consolidated cash flow statement cannot be extracted directly from the published financial statements.		
	A Adjustment for non-cash operating items		
	Depreciation	165	143
	Change in provisions	-22	14
		143	157
	B Changes in working capital		
	Inventories	101	-148
	Trade receivables	64	8
	Other receivables	12	-13
	Trade and other payables	-14	30
		163	-123

STATEMENT OF CHANGES IN EQUITY (unaudited)

Parent mDKK	Contributed capital		Reserve for equity value	Reserve for fair value	Proposed dividend	Retained earnings	Equity Total
	A-shares	B-shares					
1.10.2003 - 31.3.2004							
Balance at 1.10.2003							
As reported in annual report	18	222	456	-30	117	1,213	1,996
Effect of changes in accounting policies			6				6
Restated value at 1.10.2003	18	222	462	-30	117	1,213	2,002
Hedging against interest risks				-13			-13
Effect of hedging on deferred tax				4			4
Hedging against exchange-rate risks							
Effect of hedging on deferred tax							
Net gain/loss not recognised in income statement	0	0	0	-9	0	0	-9
Dividend paid out for 2002/03					-117		-117
Tax value of loss on employee shares							
Profit for the period						275	275
Own shares purchased and exchange loss on exercised options						-59	-59
Own shares sold						4	4
Dividend on own shares							0
Foreign currency translation adjustment relating to subsidiaries						-12	-12
Balance at 31.3.2004	18	222	462	-39	0	1,421	2,084
1.10.2004 - 31.3.2005							
Balance at 1.10.2004							
As reported in annual report	18	222	512	-39	140	1,504	2,357
Effect of changes in accounting policies							0
Restated value at 1.10.2004	18	222	512	-39	140	1,504	2,357
Hedging against interest risks				-64			-64
Effect of hedging on deferred tax				19			19
Hedging against exchange-rate risks				-4			-4
Effect of hedging on deferred tax				1			1
Net gain/loss not recognised in income statement	0	0	0	-48	0	0	-48
Dividend paid out for 2003/04					-140		-140
Tax value of loss on employee shares							0
Profit for the period						240	240
Own shares purchased and exchange loss on exercised options						-4	-4
Own shares sold						4	4
Dividend on own shares							0
Foreign currency translation adjustment relating to subsidiaries						-1	-1
Balance at 31.3.2005	18	222	512	-87	0	1,743	2,408

NOTES (unaudited)

1. Segment information

Primary segment - business activities

Group 2004/05

mDKK	Chronic Care		SBU segment		Total	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Revenue, outside segment						
1 October 2004 - 31 March 2005	2,375	2,220	724	704	3,099	2,924
Operating profit for segment,						
1 October 2004 - 31 March 2005	376	441	54	36	430	477

Group

MDKK

2004/05	2003/04
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2. Financial income

Interest income	11	11
Exchange-rate adjustments	8	16
Total	19	27

3. Financial expenses

Interest expense	64	60
Fair-value adjustments transferred from equity	4	13
Other financial expenses	3	2
Total	71	75

4. Minority interests

Minority interests at 1.10.2004	5	14
Acquisitions	0	-1
Share of net profit from subsidiaries	2	2
Dividend paid	-4	-13
Minority interests at 31.3.2005	3	2

5. Contingent items

Contingent liabilities

At 31 March 2005 the parent company had guaranteed loans raised by Group enterprises and associates of mDKK 426 (2003/04 mDKK 431).

Minor lawsuits are pending against the Group. These are not expected to influence the company's future earnings.

Coloplast Group

KEY FIGURES AND RATIOS (unaudited)

1 October 2004 - 31 March 2005

	Group		Group
	<i>mDKK</i>		<i>mDKK</i>
	<i>2004/05</i>	<i>2003/04</i>	<i>2003/04</i>
	<i>6 months</i>	<i>6 months</i>	<i>Year</i>
Income statement			
Revenue	3,099	2,924	6,069
Research & development costs	106	106	203
Operating profit before amortisation and depreciation (EBITDA)	595	620	1,295
Operating profit (EBIT)	430	477	988
Net financial income and expenses	-52	-48	-89
Profit before tax	361	429	899
Coloplast's share of profit for the year	240	275	577
Revenue growth			
Annual growth in revenue, %	6	9	8
Increase consists of:			
Organic growth, %	7	12	10
Currency effect, %	-1	-3	-2
Acquired business, %	0	0	0
Divested business, %	0	0	0
Balance sheet			
Total assets	5,644	5,404	5,643
Invested capital	5,667	5,869	5,838
Net interest-bearing debt	1,249	1,773	1,465
Equity	2,408	2,084	2,357
Cash flow and investments			
Cash flow from operations	551	213	845
Cash flow from investments	-185	-328	-621
Acquisition of tangible assets, gross	208	173	544
Cash flow from financing	-185	-148	-239
Free cash flow	366	-115	224
Key figures			
Profit margin, EBIT, %	14	16	16
Return on average invested capital (ROAIC), %	15	17	17
Return on equity, %	20	27	27
Ratio of net debt to EBITDA	105	143	113
Interest cover	11	12	13
Equity interest, %	43	39	42
Rate of debt to enterprise value, %	8	12	10
Book value per share, DKK	50	43	49
Share data			
Share price	297	282	291
Share price/Book value per share	6	7	6
PE, price/earnings ratio	30	25	24
Dividend per share, DKK	-	-	6.00
Pay-out ratio, %	-	-	24
Earnings per share, EPS, DKK	5	6	12
Free cash flow per share	8	-2	5