

Michael Pram Rasmussen:

1. Yet another good year for Coloplast shareholders

Each year, I look forward to the AGM and to presenting the Board's report on Coloplast for the past financial year.

This year is no exception. Our EBIT margin improved to 30% from 25% in 2010/11. At the same time, Coloplast is outperforming the market, which means that we continue to deliver on the promises we've made to our shareholders.

The journey Coloplast has been on during the past few years is indeed an impressive one, and I would like to start this year's report by thanking our managers and employees for all the work they've put in to achieve these results.

Many people benefit when things are going well for a company: the customers get newer and better products; the employees gain an opportunity to develop their skills and create even better results; society benefits from innovation, growth and the tax revenue the company contributes; and the shareholders get a better return on their investment.

Sometimes, success and good results also lead to a natural scepticism and raise the issue of whether the company can keep up to the good performance. In my opinion, that is a healthy scepticism. Getting good results is hard work. What created results yesterday won't necessarily do the same tomorrow, and that is why, as a company, we must constantly work to do even better than before.

During the past year, I have in fact been asked now and then if it is possible to continue adding value at Coloplast. Given the current setting of stable growth and earnings that place us among the absolute top performers of the industry, can we continue to add value? The short answer is: Yes!

I would like to elaborate on that, so before I delve into the numbers of the past year, I would like to talk about our company's strategy, Profitable Growth, that we revised during the year in order to accelerate growth and contribute to continued value creation at Coloplast.

2. Sharpening our focus on organic growth...

[SLIDE: 10]

First, let's take a look at our past performance. This chart shows Coloplast over the past ten years. The red line shows our EBIT margin, the black line is our organic growth and the columns show our return on investment (ROIC) after tax.

You all know that cost discipline has been a very central issue at Coloplast in recent years. But that's not all. At the same time, we have invested in professionalising our sales and marketing organisations and have created a commercially-driven product development process centred on value creation, both for the customer and for our business.

These efforts have supported our growth, and the cost discipline has strongly enhanced our earnings, as you can see from the chart.

And let me now get back to the question I mentioned a minute ago: Is it possible to continue increasing the value of our company. On behalf of the Board, I can tell you that we

believe that, yes, it is. As you can see from the chart, Coloplast has built a very solid base. That means, when combined with our top-professional sales force and a strong portfolio of new products, Coloplast now has the right platform to grow more organically by investing more in growth initiatives.

[Slide: 11]

In March 2012, your Board approved a revised strategy intended to enhance top-line growth by stepping up investments in:

- Continued growth in the core markets of Europe
- Increased growth in the developed markets outside Europe, meaning the USA, Canada, Japan and Australia
- Further expansion in Emerging Markets

Let me briefly explain what the new strategy will mean for our three geographical segments:

Europe is a core market for Coloplast. We generate 67% of our revenue in Europe, and Coloplast is clearly a market leader with a 40–50% market share. Going forward, we intend to retain and expand this position by launching strong new products and by engaging even more with our customers – through the Coloplast Care programme, for example – a nurse-directed programme offering help and support to our users during the difficult time after they are discharged from hospital.

In the developed markets outside Europe, we currently have a market share of 25–35%, and we generate 21% of our revenue there. Going forward, one particular way we aim to accelerate growth is by taking market share in the USA. In

that context, it is particularly encouraging to see that we grew our US business by a substantial margin in the past financial year.

In Emerging Markets, we currently have a market share of 25–35%, and we generate 12% of our revenue there. We intend to step up sales growth in countries such as China, Brazil and Russia by continuing to invest in sales forces while also working with the health authorities and healthcare professionals in each country to make healthcare more accessible.

In addition to stepping up investments in growth initiatives, we believe that Coloplast can enhance efficiencies even more and maintain earnings margins that are in line with the best performing med-tech companies. That means our long-term financial ambitions are unchanged. Our ambition remains:

- for the company to outgrow the market
- for the company to deliver earnings margins in line with the best performing med-tech companies in the industry

Investing in the sales force is a key element on our future growth path. So are our strong new products, as I mentioned earlier. Before I go into the financial highlights of the past year, I would like to give you two examples of this.

[SLIDE:12]

The first one is a series of accessories that Coloplast launched under the Brava™ brand earlier this year. The products have been well received by users, and the launch is part of the reason why sales of accessories continue to contribute strongly to overall growth in the Ostomy Care business.

[SLIDE:13]

The second example is the portfolio of compact catheters, which we expanded towards the end of the fourth quarter when we launched the SpeediCath® Compact Set, a coated, instantly ready-to-use catheter in a compact design with an integrated urine bag. The catheter is expected to be rolled out in the major markets during 2013.

Both products have been well received. According to our customers, these are different and innovative products that enable them to lead a more active lifestyle.

I will now review our financial highlights for the past year.

Coloplast released its full-year financial results for the 2011/12 financial year on 6 November, and later that day the Annual Report was published along with our updated Corporate Responsibility Report.

[SLIDE: 14]

3. Consolidated financial highlights for the 2011/2012 financial year

Organic revenue growth was 6%. Revenue measured in Danish kroner was up by 8% to DKK 11,023m from DKK 10,172m last year.

The gross margin was 67% against 65% in 2010/11.

EBIT was up by 26% to DKK 3,255m, equal to 30% of revenue (2010/11: 25%).

The net profit for the year was up by 21% to DKK 2,194m.

ROIC after tax was 38% for the year against 30% last year. In other words, in the 2010/11 financial year, Coloplast earned DKK 30 for each DKK 100 invested in the company. In the past financial year, we earned DKK 38 per DKK 100 invested – and that's after tax! Our ROIC has improved consistently since the 2006/07 financial year, when it was at 6%. That is a very satisfactory performance and it bears witness to the ever increasing efficiency in our company.

At 30 September 2012, Coloplast had 7,875 employees, of whom 6,548 worked in international locations. During the financial year, the number of employees increased by 6%. This is more than what we have seen in the last five years, and it shows that, as I said earlier, Coloplast is now investing more in growth initiatives.

[SLIDE: 15]

As I said previously, our overall organic growth rate was 6%.

The **Ostomy Care business** also improved by 6%, driven mainly by growth in the established European markets, especially the UK. Measured in Danish kroner, the growth rate was 9% and revenue amounted to DKK 4,633m.

Coloplast has retained the position as the global market leader of ostomy care products, holding more than 35–40% of the market. The market growth is estimated at 4–5%.

The **Continence Care business** grew by 8%. Sales of intermittent catheters were highly satisfactory, driven mainly by the UK and the USA.

Continence Care revenue increased to DKK 3,831m. Measured in Danish kroner, growth was 11%.

Coloplast remains the global market leader in this field, with an estimated market share of 40–45%. The market growth is estimated at 4–6%.

The **Urology Care** business grew 6%. In **Danish kroner** revenue increased grew by 11% to DKK 1,037m. Coloplast currently holds a 10–15% share of the overall global market for urology products, which is estimated to grow at 3–5%.

Sales of **wound and skin care products** amounted to DKK 1,522m, equal to a 1% increase in DKK and a 1% decline organically. The Wound Care business alone reported 3% negative organic growth during the year due to challenging market conditions in France, Greece and Spain primarily. Sales in the Chinese market were highly satisfactory.

Growth in the wound care market alone is still estimated at 2–4%. Coloplast holds about a 5–10% market share, making us the world's fourth-largest manufacturer of advanced wound care products.

[SLIDE: 16]

And now for developments in Coloplast's geographical markets.

Europe remains a very important market for Coloplast. This is where we generate most of our revenue and where we have our largest market shares. Organic growth was 4%. Revenue was DKK 7,388m, which translates into reported growth of 6%. Both Ostomy Care and Continence Care reported satisfactory growth rates. The lack of growth in the European wound care business had a negative impact on overall sales growth.

In the established markets organic growth was 7%. Revenue was up by 15% to 2,288m. Sales growth in the USA for intermittent catheters was highly satisfactory, lifted by the relaunch of SpeediCath®, a coated, intermittent catheter, ready-to-use. The Ostomy Care business reported satisfactory growth driven by the USA and Japan.

In other markets, organic growth was 13%. Revenue increased by 14% to DKK 1,347m. China reported high, stable growth rates during the year, and Russia continued the very satisfactory growth performance. Reduced growth in Brazil during the year and a major inventory cut-back at our Greek distributor in the first quarter were the main reasons for the lower growth rate relative to last year's 20% organic growth.

[SLIDE: 17]

And now for our costs:

As I've already mentioned, we have our costs well under control.

Distribution costs, which include our sales and marketing costs, amounted to DKK 3,172m, equal to 29% of revenue, which was consistent with last year.

Administrative expenses amounted to DKK 622m, against DKK 604m last year. Administrative expenses accounted for 6% of revenue, which was in line with last year.

Our business activities of the 2011/12 financial year triggered tax payable in Denmark of DKK 618m.

R&D costs were DKK 342m and accounted for 3% of revenue, which was less than we spent last year. I mentioned earlier that Coloplast has worked to enhance its product development process, creating a more effective and commercially-driven platform. That means Coloplast is now making fewer product launches than before while aiming for every new product to make a big difference to our customers and their ability to live an active lifestyle. Making fewer, large product launches also represents a greater commercial potential for our company. All in all, this means that our product development is now a more focused process than it was earlier and that also makes it more efficient. The lower level of R&D costs signifies that Coloplast has a new way of working. That does not change the fact that good and innovative products always have been and always will be the hub of our business.

Of course that also made it extra exciting when earlier in the year Coloplast was ranked as having the best corporate reputation from the patient perspective in a survey conducted by the UK-based independent research organisation PatientView. Different patient groups were asked to give their assessment of product safety and product quality. A total of 18 global companies were surveyed on six categories, and Coloplast was ranked No. 1 in all of them.

[SLIDE: 18]

At DKK 10,176m, total assets increased by DKK 958m relative to 30 September 2011.

The increase in total assets was especially due to a DKK 732m increase in cash and marketable securities relative to 30 September 2011. The other balance sheet items developed in line with sales, and overall they increased by less than revenue.

During the year, equity increased by DKK 1,590m to DKK 6,042m. The comprehensive income for the year of DKK 2,267m was partly offset by dividend payments of DKK 587m and share buy-backs of DKK 500m. Employees' exercise of share options and the sale of employee shares lifted equity by DKK 326m.

As I have already mentioned, Coloplast has a strong cash flow, and the company repaid loans during the year. We no longer have any net debt and expect to repay the final loans in the third quarter (ending 30 April 2013) of the current financial year. That is the reason why the Board is proposing today that it be authorised to pay extraordinary dividend during the financial year.

[SLIDE: 19]

Your Board recommends that the company pays an ordinary dividend of DKK 20 per share. That's DKK 6 per share, or 43%, more than last year, and it equals a pay-out ratio of 38%. In other words, we're distributing 38% of the year's profit to the shareholders.

[SLIDE: 20]

On the final business day of the 2010/11 financial year, Coloplast was quoted on NASDAQ OMX Copenhagen at a price of DKK 803.5 per share. On the final day of the financial year under review, our shares closed at DKK 1208. That is an increase of 50.3%. Including last year's dividend, that equals a 12-month return of 52.8%. At lunchtime today, the share price was DKK 1387. In other words, Coloplast shares performed impressively well during the financial year.

[SLIDE: 21]

And now for our financial forecasts.

As I have already mentioned, our long-term financial ambitions are unchanged. Our ambition remains:

- for the company to outgrow the market
- for the company to deliver earnings margins in line with the world's best performing med-tech companies

[SLIDE: 22]

For the 2012/13 financial year, Coloplast is guiding for 6–7% revenue growth, both organically and in DKK.

Expected EBIT margin of 31–32%, both at constant exchange rates and in DKK.

Capital expenditure is expected to be around DKK 400m.

The effective tax rate is expected to be 25–26%.

This marks the end of my report today. Once again, I am very pleased with our performance of the past year. Coloplast has become an even better company for everyone involved.

Let me conclude my report by once again extending a Thank You to our employees, managers and our executive management for a job well done and to my colleagues on the Board of Directors for their good and constructive collaboration. Thank you!

[SLIDE: 23]