Michael Pram Rasmussen:

1. Yet another good year for Coloplast shareholders

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

It's now been five years since we initiated our plan to improve the profitability. The mood back then was a little different than it is today. I told you back then about an EBIT margin of 12% and a return on invested capital after tax of 10%. Today, just five years later, the picture has certainly changed.

The EBIT margin today has almost tripled to 32%, and our ROIC after tax is now more than quadrupled to 44%. At the same time, Coloplast is outgrowing the market: our business grew by 7% in a market that is growing by 4–5%.

The journey Coloplast has been on is an impressive one, and it is indeed a great pleasure to be here today. I would like to thank all employees, managers and Executive Management for the work they put in to achieve these fine results.

Enhancing value creation is an objective for any company. Enhancing value creation provides benefits for all the company's stakeholders: customers get access to newer and better products; employees have better career opportunities; society benefits from innovation, growth and tax revenue; and the company's shareholders get a better return on their investment.

As chairman of the Board of Directors, my primary responsibility is to work with the Board and Executive Management to ensure continued value creation at Coloplast. As many of you know, Coloplast pursues a growth strategy – and it is profitable strategy too. In other words, the ambition is to grow the business *and* increase the earnings – at the same time. "Can you go on doing that," I'm often asked. "Can you grow your business and still be profitable? Won't you at one point have to choose *either* growth *or* profitability?"

To me, this is not a difficult question to answer. The answer lies in the results we've already achieved at Coloplast. As I've already mentioned, the company is outgrowing the market, and we're not just profitable: in fact, measured against a group of peer companies, we're now *the* most profitable med-tech business in the industry.

Last year, I spoke to you about our revised growth strategy intended to ensure profitable growth for Coloplast in the future, and before I review the financial results for the past year, let me briefly sum up the strategy and tell you about the progress on the growth initiatives.

2. Staying focused on increasing organic growth...

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The Board's decision last year to update the growth strategy was rooted in a very solid base of strict cost discipline combined with a professional sales force and a strong portfolio of new products. This means that the company has the right platform from which to invest in profitable organic growth.

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

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

Over the past financial year, Coloplast invested an estimated total of DKK 160m in growth initiatives.

Europe is a core market for Coloplast. 67% of the revenue in Europe is generated here, and Coloplast is clearly a market leader with a 40–50% market share. Coloplast 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 the users during the difficult time after their discharge from hospital.

In the developed markets outside Europe, Coloplast currently have a market share of 20–30%, and generates 20% of the revenue there as well. The intent is to accelerate growth and take market share, especially in the USA, where we continued to invest in stepping up the sales pressure over the past year. In this context, it is encouraging to note that the satisfactory growth trend in the US business has continued.

In Emerging Markets, Coloplast currently have a 25-35% market share and generate 13% of the revenue. Coloplast 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 of these countries to make healthcare more accessible.

During the past year, a new region that covers the Middle East, India and North Africa and has its head office in Dubai has been established.

In addition to stepping up investment in growth initiatives, Coloplast believe to enhance efficiencies even more. In other words, the long-term financial ambitions are unchanged. The 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 of the future growth path, and so are new high-quality products, as I mentioned earlier. Before I move on to the financial highlights of the past year, I would like to give you two examples.

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In the third quarter of the financial year, the Wound Care business launched a new and improved version of the Biatain® Silicone product, which provides, among other things, superior absorption for faster wound healing.

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In October, Coloplast introduced a new and improved design for the range of urine bags that means the products are more discreet and offer improved functionality.
Both products were well received by the customers.

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In August, Coloplast announced the decision to expand its global production capacity. Coloplast will be investing DKK 130–150m over the next two years to expand the factory in Nyírbátor, Hungary.

As the company grows, there is a need for more space and more production capacity. Coloplast have decided to expand one of the two factories in Hungary, because it is considered to be the most viable solution. The factory's central location in Europe is important, since the vast majority of our sales are in Europe.

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

Coloplast released its full-year financial results for 2012/13 on 31 October, and the Annual Report and updated Corporate Responsibility Report were also released that same day.

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3. Consolidated financial highlights for the 2012/2013 financial year

With healthy growth performance in all business areas and in all regions, Coloplasts position as a global market leader was consolidated in the past financial year.

Organic revenue growth was 7%, a full percentage point higher than the year before. Revenue measured in Danish kroner was up by 6% to DKK 11,635m from DKK 11,023m last year.

The gross margin was 68%, against 67% the previous year.

EBIT advanced by 13% to reach DKK 3,672m, with the EBIT margin at 32%, compared to 30% last year.

Net profit for the year was up by 24% to DKK 2,711m.

ROIC for the year after tax was 44%, against 38% last year. In other words, in the 2011/12 financial year, Coloplast earned DKK 38 for each DKK 100 invested in the company. In the past financial year, we earned DKK 44 per DKK 100 invested – and that's after tax. ROIC has improved consistently since the 2006/07 financial year, when it was at 6%. This is highly satisfactory and it bears witness to an increasing efficiency in the company.

At 30 September 2013, Coloplast had 8,563 employees, of whom 7,113 worked in international locations. During the financial year, the number of employees increased by 9%. This is the biggest increase we've seen for five years, and it shows that, as I said earlier, Coloplast is now investing more in growth initiatives.

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As I told you previously, the overall organic growth rate was 7%.

The **Ostomy Care business** also improved by 7%, driven mainly by the range of SenSura® ostomy care products and the Brava™ range of accessories in Europe and the USA. Sales amounted to DKK 4,849m.

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

The **Continence Care business** grew by 7%. Growth was mainly driven by sales of SpeediCath® intermittent catheters, especially the compact catheters. Continence Care sales increased to DKK 4,081m.

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

Sales in the **Urology Care business** increased by 9% to reach DKK 1,124m.

Coloplast currently holds a 10–15% share of the overall global market for urology products, which will grow an estimated 3–5%.

Sales in the **Wound & Skin Care business** increased by 5% to a total of DKK 1,581m.

I am especially pleased to note that the Wound Care business has now grown for three straight quarters and has achieved the turnaround the company initiated for a few years back.

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

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And now for the trends in Coloplast's geographical markets.

Europe remains an extremely important market for Coloplast. This is where most of our revenue is generated and where

Coloplast have the largest market share. Organic growth was 5%, and revenue totalled DKK 7,749m, which corresponds to 67% of our total revenue. Ostomy Care, Continence Care and Urology Care all reported satisfactory growth rates. Sales of wound care products were lower than last year, especially in France and Spain.

In other developed markets, organic growth was 9%, and revenue totalled DKK 2,395m, which corresponds to 20% of our total revenue. Especially the US Ostomy Care business and the Wound & Skin Care business reported satisfactory growth.

In Emerging markets, organic growth was 14%, and revenue increased to DKK 1,491m, which corresponds to 13% of our total revenue. Growth was mainly driven by China, Brazil and Argentina, whereas sales in Russia were down.

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And now for the costs:

Coloplast continue to have the costs well under control.

Distribution costs, which include the sales and marketing costs, amounted to DKK 3,312m, or 28% of revenue, which was consistent with last year.

Administrative expenses amounted to DKK 533m, against DKK 622m last year. Administrative expenses accounted for 5% of revenue, or one percentage point less than last year.

The financial result for the 2012/13 financial year resulted in tax payable for the group of DKK 986m, including DKK 764m in Denmark. For more on this, see note 5 to the consolidated financial statements and note 7 to the parent company financial statements.

R&D costs were DKK 380m and accounted for 3% of revenue, which was in line with last year.

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At DKK 9,364m, total assets were DKK 812m lower than last year.

During the year, equity increased by DKK 727m to DKK 6,769m. The comprehensive income for the year of DKK 2,639m was partly offset by dividend payments of DKK 1,476m. The net effect of treasury shares acquired, employees' exercise of share options, share-based payment, the sale of employee shares and tax on equity entries reduced equity by DKK 436m.

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The Board recommends that the company pays a year-end dividend of DKK 7 per share. When added to the dividend of DKK 3 per share paid in connection with the half-year interim report, this will bring the overall dividend for the year to DKK 10 per share, as compared with DKK 4 last year. In turn, this brings the total dividend payout for 2012/13 to DKK 2,105m and the pay-out ratio to 78%.

During the 2012/13 financial year, the company repaid its outstanding debt, and because the free cash flows exceed the amounts needed for investment purposes, the Board has resolved to amend the dividend policy. It is now intend to distribute excess liquidity to the shareholders by paying out dividends and buying back shares. It is expected that dividends will be paid twice a year: after the AGM and after the release of the half-year interim report. In addition, we have decided that Coloplast will no longer maintain minimum cash reserves of DKK 1 billion.

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On the final trading day of the 2011/12 financial year, Coloplast was quoted on NASDAQ OMX Copenhagen at a price of DKK 241.6 per share. On the final day of the financial year under review, the shares closed at DKK 313.9, which corresponds to an increase of 29.9%. Including the dividends Coloplast paid out in December 2012 and after the release of the H1 Interim report, Coloplast shares have produced a return on investment of 33.1%. By comparison, an investment in the OMX C20 index during the same period yielded a return of 16.9%. In other words, Coloplast shares performed quite well during the financial year under review. At lunchtime today, the share price was DKK 352,7.

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And now for the financial forecast.

The long-term financial ambitions are unchanged. The 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.

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For 2013/14, we expect organic revenue growth of around 7% and of around 5% in DKK.

We expect an EBIT margin of around 33%, both at constant exchange rates and in DKK.

Capital expenditure is expected to be around DKK 500m.

The effective tax rate is expected to be around 25%.

And 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 thanking employees, managers and executive team for a job well done and my colleagues on the Board of Directors for their good and constructive collaboration. Thank you!

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