Coloplast Capital Market Day 4-5 April 2005

Tatabanya, Hungary

Programme 5 April 2005

09:30	Welcome	General Manager John Raabo Nielsen
09:40	Strategic review - top line growth drivers	Chief Executive Sten Scheibye
10:20	Coffee break	
10:40	Efficiency gains - drivers for margin improvements	Group Director Lars Rasmussen
11:15	LEAN experiences in Coloplast	General Manager John Raabo Nielsen
12:15	Lunch	
13:00	Factory tour	
14:00	US market developments	Director, Regional Sales Jens Fabricius
14:45	Q&A	Moderator: Group Director Carsten Lønfeldt
15:30	End meeting	
15:45	Bus transportation to Ferihegy Airport	

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Coloplast strategic review

Sten Scheibye, CEO

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Coloplast’s Mission

Throughout the world we wish, within our selected business areas, to be the preferred source of medical devices and associated services, contributing to a better quality of life.	Business platform
By being close to customers we fulfil their needs with innovative, high quality solutions. Through empathy, responsiveness and dependability we seek to earn their loyalty.	Customers
Our culture attracts and nourishes individuals who are energetic, committed and have passion for our business.	Employees
We respect differences and pledge to act responsibly in social, environmental and business contexts.	Society
By striving to be best in our business we achieve growth and increased value for our customers, employees and shareholders.	Shareholders

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Coloplast's Vision

Balanced value creation for all key stakeholders

Customer promise	Employee promise	Society promise
An active life with highest possible quality of life for people with special needs	A challenging workplace with plenty of opportunities	Responsible behaviour in all matters

Long term shareholder return

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Expectations and targets

2004/05

- Sales growth of 8-9% in local currencies
- Profit margin 15-16%

2008

- Sales exceeding DKK 9 billion through organic growth
- Profit margin (EBIT) reaching 18%
- ROAIC of 20%
- Acquisitions and divestments

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Macro trends

Trend	Demographics	Health care reforms	Power to distribution
Description	Population aged 60 or older is growing steadily in Europe, Asia and North America… … and with higher demands for health care Changing lifestyles triggered by improved wealth	Health care budget constraints… … lead to the need for cost containment programmes… … through co-payment and consumption capitation	The major distributors grow their share... ...through both retail pharmacy, home care and parallel importing... ...changing them to competitors, not customers

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Risk factors related to macro trends

1. Reimbursement policy changes
2. Increased price pressure in the market from e.g.
   - Consolidation of wholesalers (distribution monopolies)
   - Fewer and more powerful insurance companies
   - Increased group purchasing, tendering and managed health care
3. Harmonisation of health care systems in Europe resulting in decreasing prices in high-price countries
4. Escalation of parallel importing
5. Market growth influenced by:
   - Earlier cancer detection reduces need for radical surgery
   - Improved surgical procedures
   - Increased longevity
   - New technologies and treatment alternatives
   - Slowdown in conversion from older products

…that must be addressed appropriately

1. Reimbursement
   - Monitor/influence policy
   - Product design
   - Emphasis on clinical documentation
2. Price pressure
   - Observe market trends
   - Improve tendering capabilities
3. Harmonisation of health care systems
   - Monitor development
4. Parallel imports
   - Monitor importers' activities
   - Price strategy coordination
   - Product and packaging diversification
5. Slowdown in market growth
   - Focus on growth segments
   - Search for new technologies
   - Low cost production

Changing power among key customers…

- The payer ⇧
- The end customer ⇧
- The health care professional ⇩

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… changes the game for Coloplast's market activities

1. Continue to market new products within existing product areas

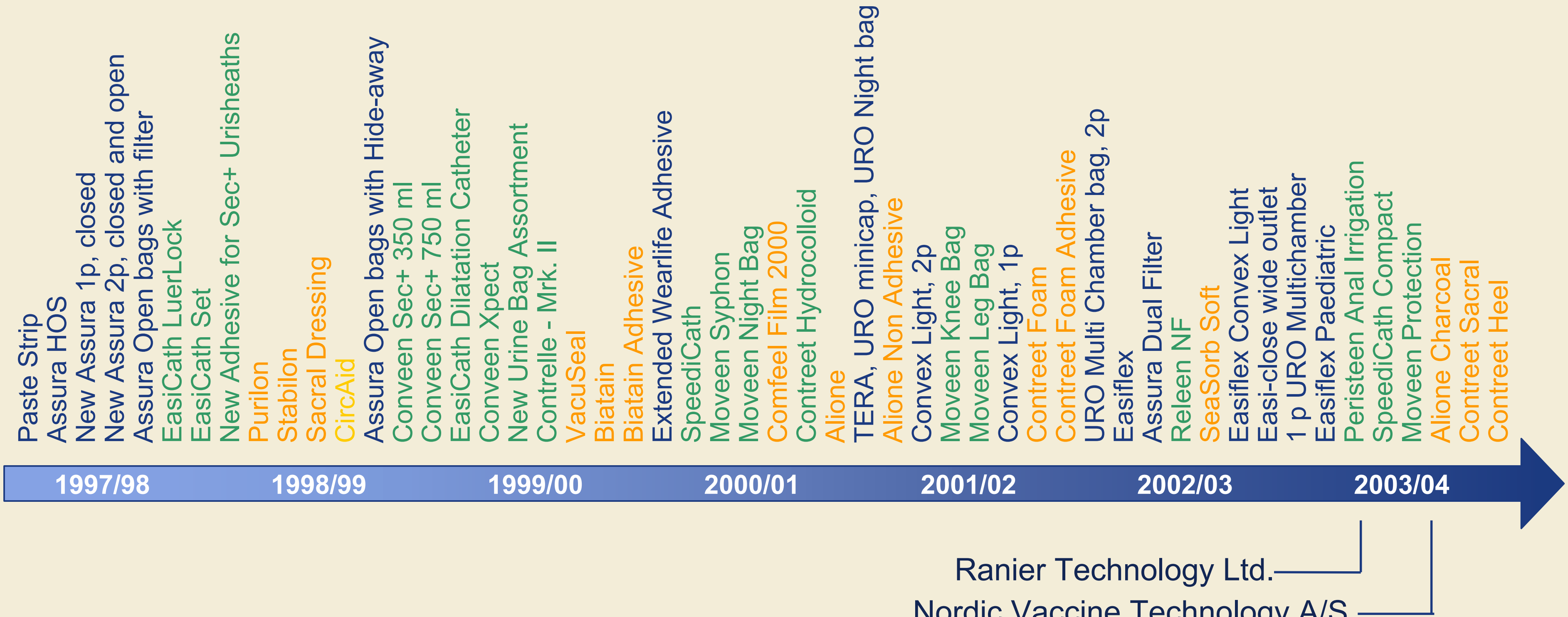
2. Complement hospital strategy (NPD) with community strategy to maintain and convert end-customers

3. Identify new business opportunities

4. Improve market positioning through cost-in-use studies

1. Innovation

- Launch of new products within existing product areas



2. Community strategy
- Charter Roadshow

A mobile truck that can be converted into:

- Showroom
- Waiting room
- Two private consultation rooms

2. Charter Roadshow

- Direct dialogue with end-customers

- Direct dialogue with users in their own environment
- Ideal way to introduce new products
- Supportive of Coloplast's community strategy
  - conversion and retention of users

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3. New business opportunities
- Corsinel hernia support garment

Corsinel

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A hernia is a bulge that may develop 3-12 months after an ostomy operation

Approximately 30% of the ostomy operated develop a hernia

Hernia is the cause of a number of problems:

- A feeling of not being in physical control of the stomach
- Frequent feeling of pain to a varying degree
- Difficulties when applying the ostomy bag
- Asymmetrical body causing problems when choosing what to wear
- Generally, low self-esteem is experienced.

3. Corsinel hernia support garment
- Global market potential

Stoma population ('000)	1,352
Suffering from Hernia ('000)	412
Potential turnover (dkk)	376 mn
Realizable penetration (66%)	248 mn
Actual market size (40%)	150 mn

More than 30% of ostomists suffer form hernia. By penetrating the market towards a 66% penetration rate and by generally upgrading the support garment market, market growth is expected to be 4-6%.

3. New business opportunities

- Peristeen trans anal irrigation set

- A majority of SCI patients suffer from faecal incontinence and constipation
- Trans anal irrigation has proven to be an efficient method for prevention of this
- Peristeen Anal Irrigation is developed to SCI wheelchair drivers in their homes
- The benefit of the product is eliminated/reduced incontinence, prevention of constipation and reduced time spend for bowel emptying
- No direct competitors - Coloplast as first mover
- The product will be positioned against existing conservative treatments as laxatives and suppositories

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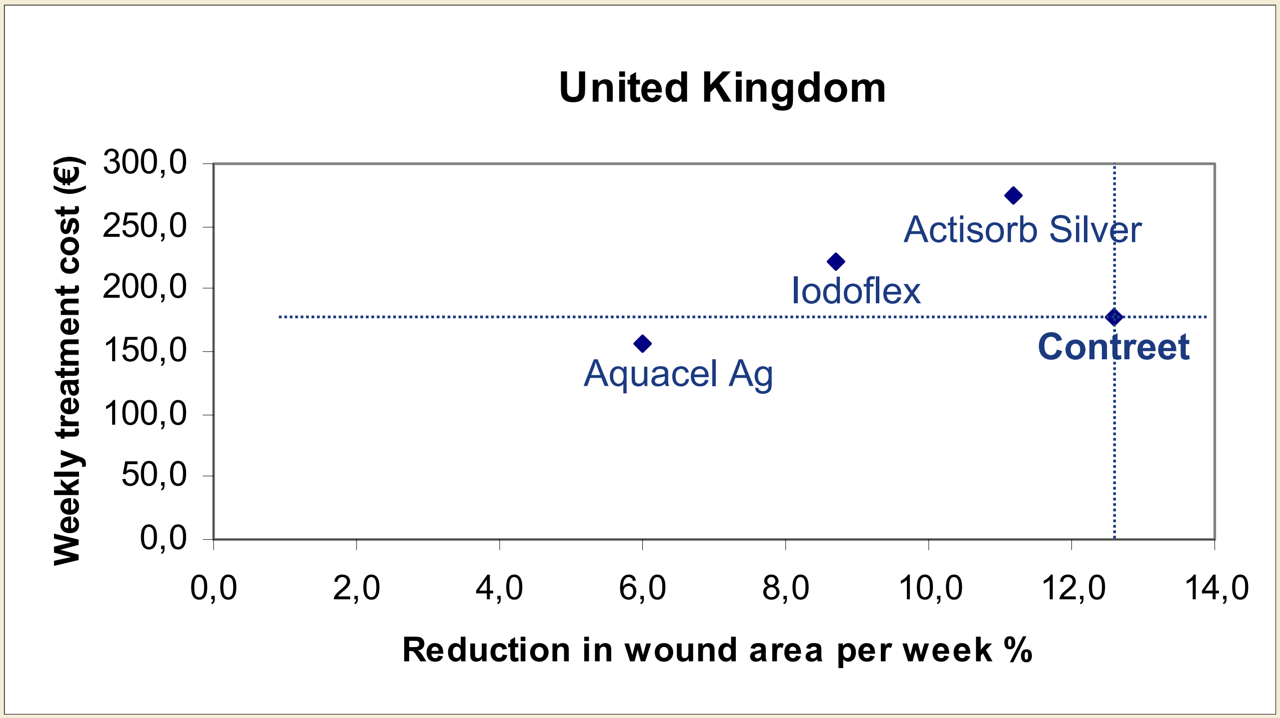
3. Peristeen trans anal irrigation set
- Global market potential

- 80 % of all SCI patients suffer from colorectal dysfunctions.
- 20 % of SCI and MS end users will accept and perform the irrigation treatment.
- 50 % of SB end users will accept and perform the irrigation treatment as it is already accepted for treating bowel problems within this patient segment.
- Global market potential is estimated to be approximately 2 bn DKK
- The realisable market is estimated to be 1 bn DKK in Europe/US (50 % of the potential market)

4. Cost-in-use studies

- Results from a UK health economic analysis of Contreet



Contreet heals faster and is more cost-effective

Scanlon et al. (2005): ”*Cost-effective faster wound healing with a sustained silver Releasing foam dressing in delayed healing leg ulcers - A health economic analysis*”, *In press, IWJ.*

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4. Cost savings as an outcome of improved healing

<u>Cost savings</u>

The savings for the British health care system would be between €3.2 - 7.0 millions using Contreet Foam instead of the other dressing alternatives.

<u>An example of the impact of the savings</u>

The savings for the British health care system equals to hiring between 54 - 119 new nurses in the community

4. Cost in use studies

- Results from a comparative study of diapers and Conveen urisheaths

Costs variable / cost per day (€)	Diapers	Conveen 2-pcs. latex urisheaths
Direct material cost	0.90	1.73
Indirect material and laundry cost	3.42	1.33
Waste disposal cost	0.33	0.03
Labour cost for changing product	3.30	0.82
Other labour cost due to incontinence leakage	3.91	1.36
Total direct cost	11.86	5.27

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Strategic review - main conclusion

Power from clinical advisors to financial decision makers and end-customers

Revised customer strategy needed to ensure revenue growth

Coloplast well prepared for the future and is able to adjust

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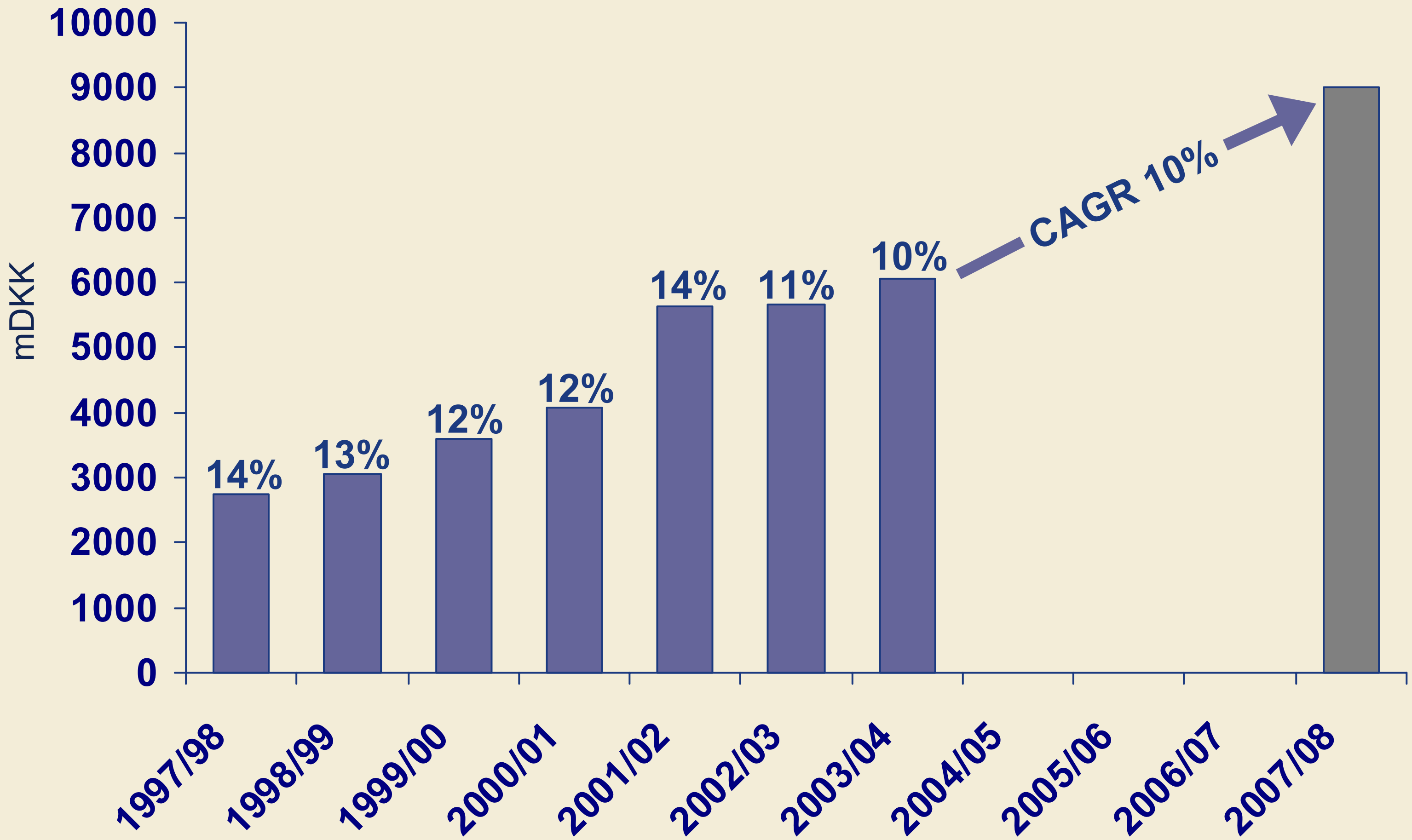
Track record

- Organic growth rates



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Tatabanya, Hungary

Coffee Break

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Tatabanya, Hungary

Coloplast's manufacuring strategy towards 2010

Lars Rasmussen, Group Director, COO

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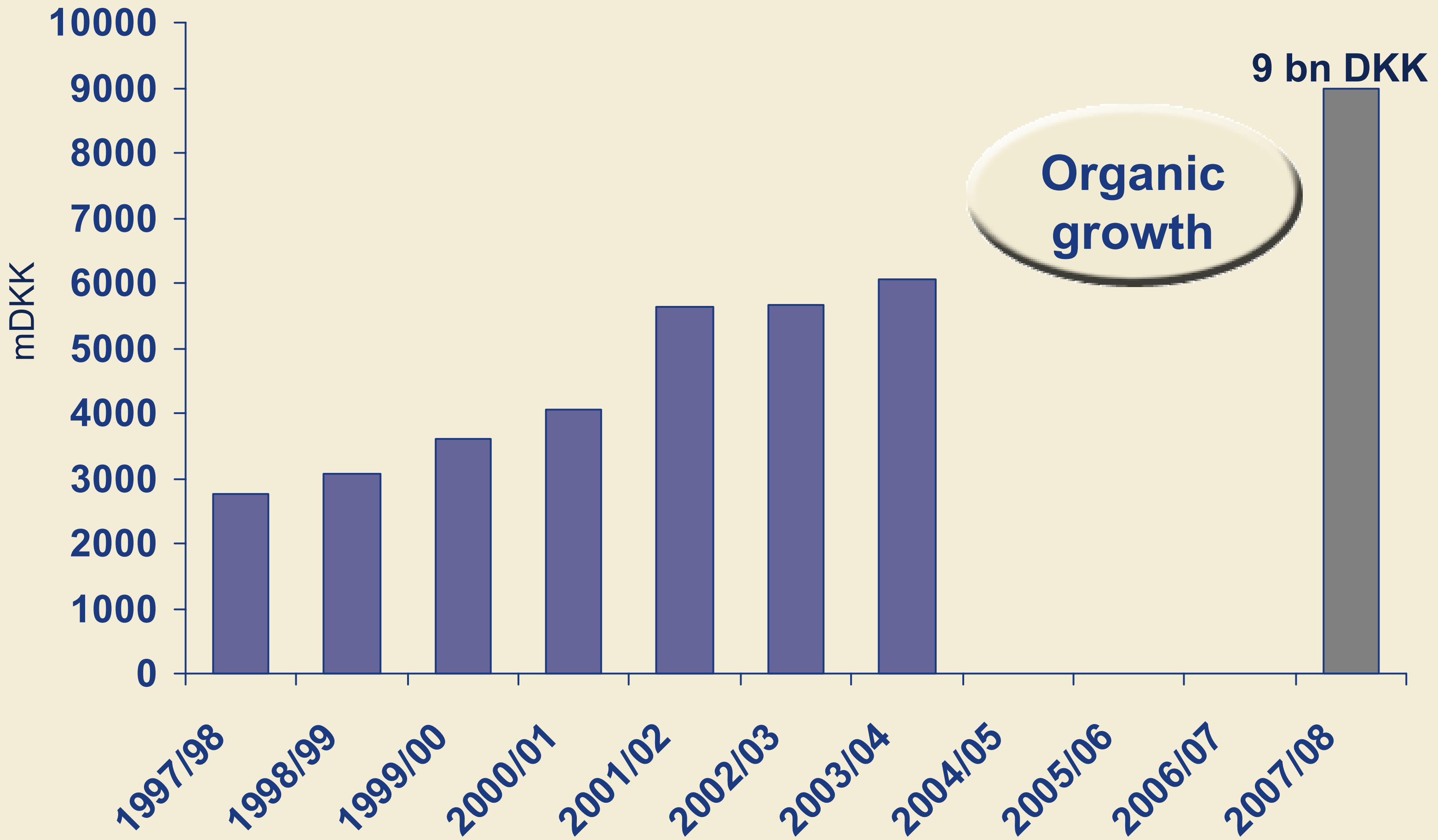
Objective for 2008:
Turnover of at least 9 bn DKK



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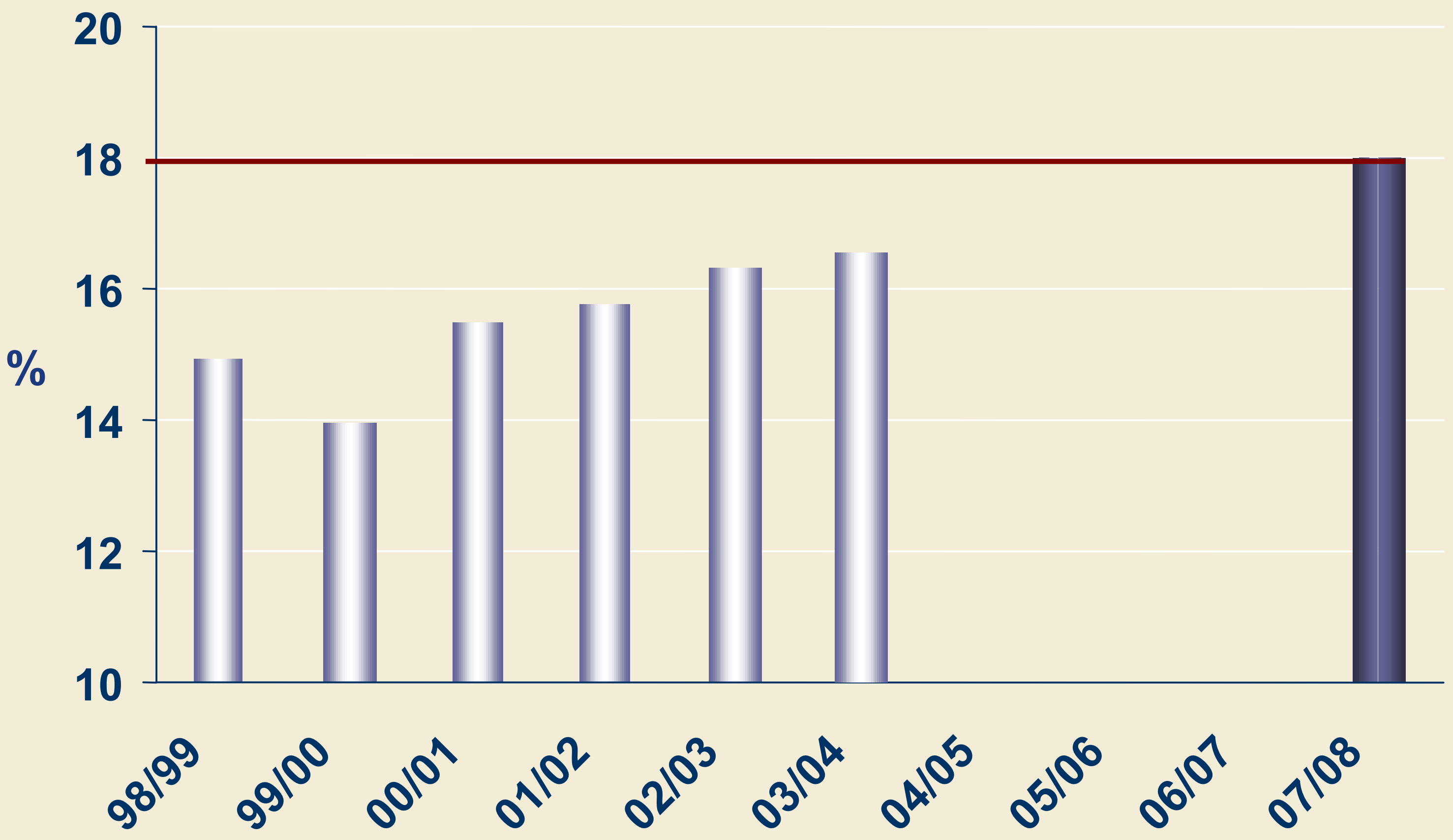
Clear goal…


20
18
16
%
14
12
10
98/99
99/00
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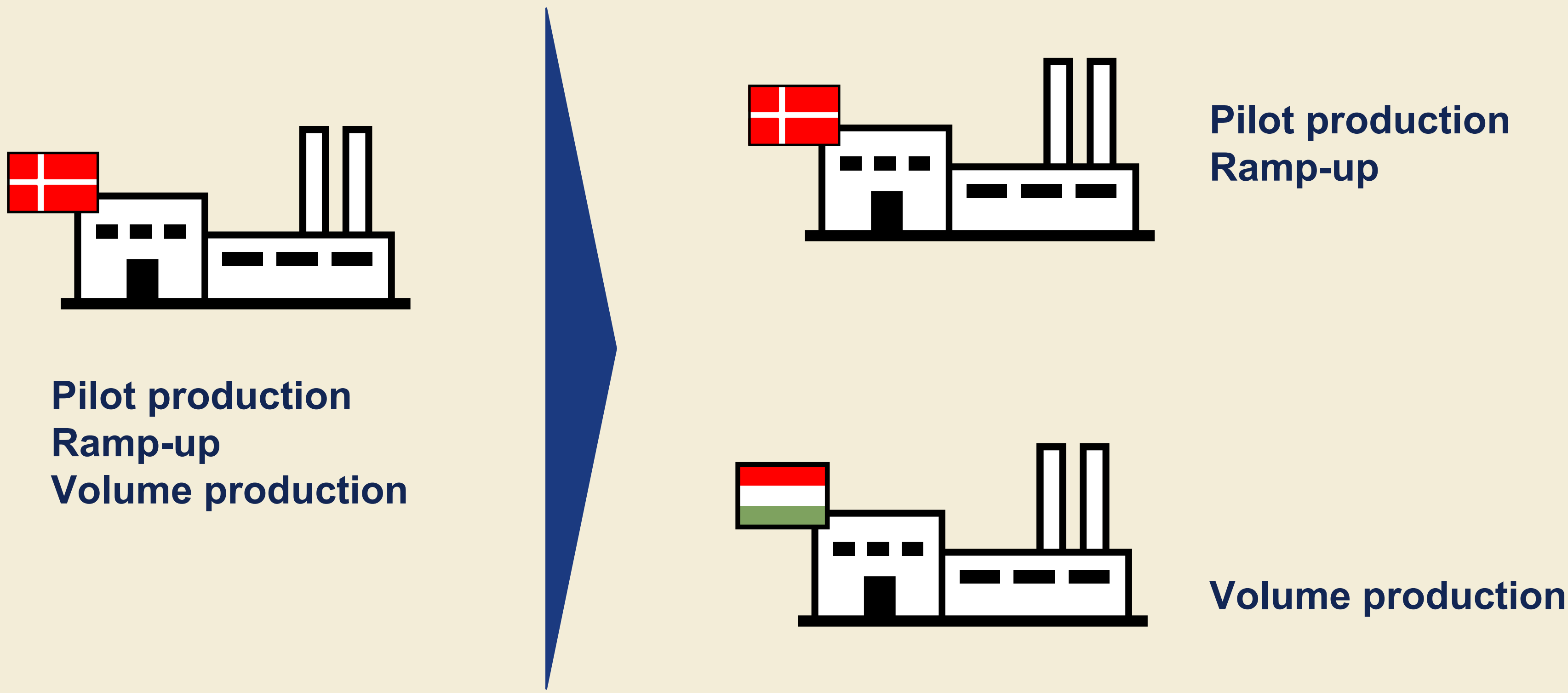
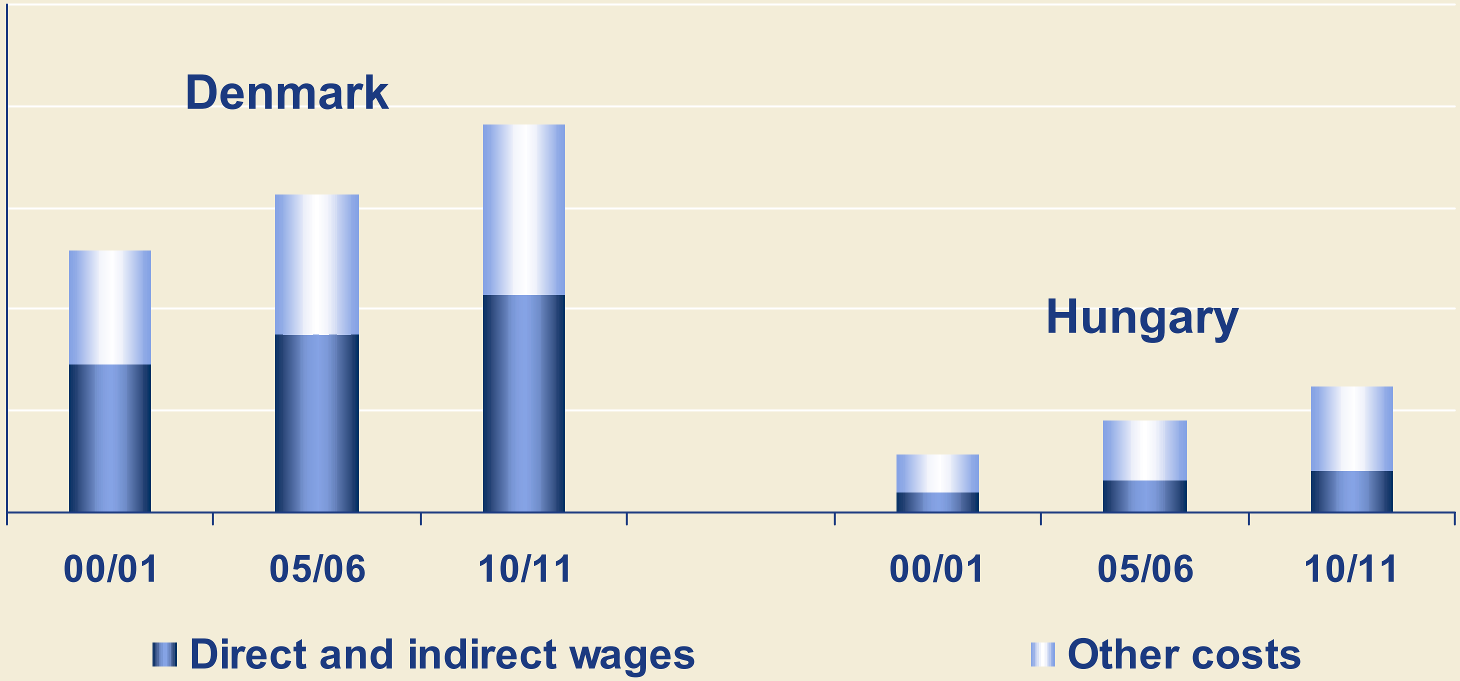
07/08

Manufacturing strategy as it was laid out in 2001



Reduction of costs



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Building costs

Building costs, not including the site	DKK/m^2
Denmark	
Factory/adm. (Humlebæk)	10,000
Clean room	25,000
Hungary	
Factory/adm.	5,000
Clean room	10,000

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Phase I, 1 April 2002

13,800 m^2 production and administration.

Cost of building: about 65 mDKK

Phase II, 1 October 2003

Another 10,000 m^2 production including clean rooms.
Cost of building: about 65 mDKK

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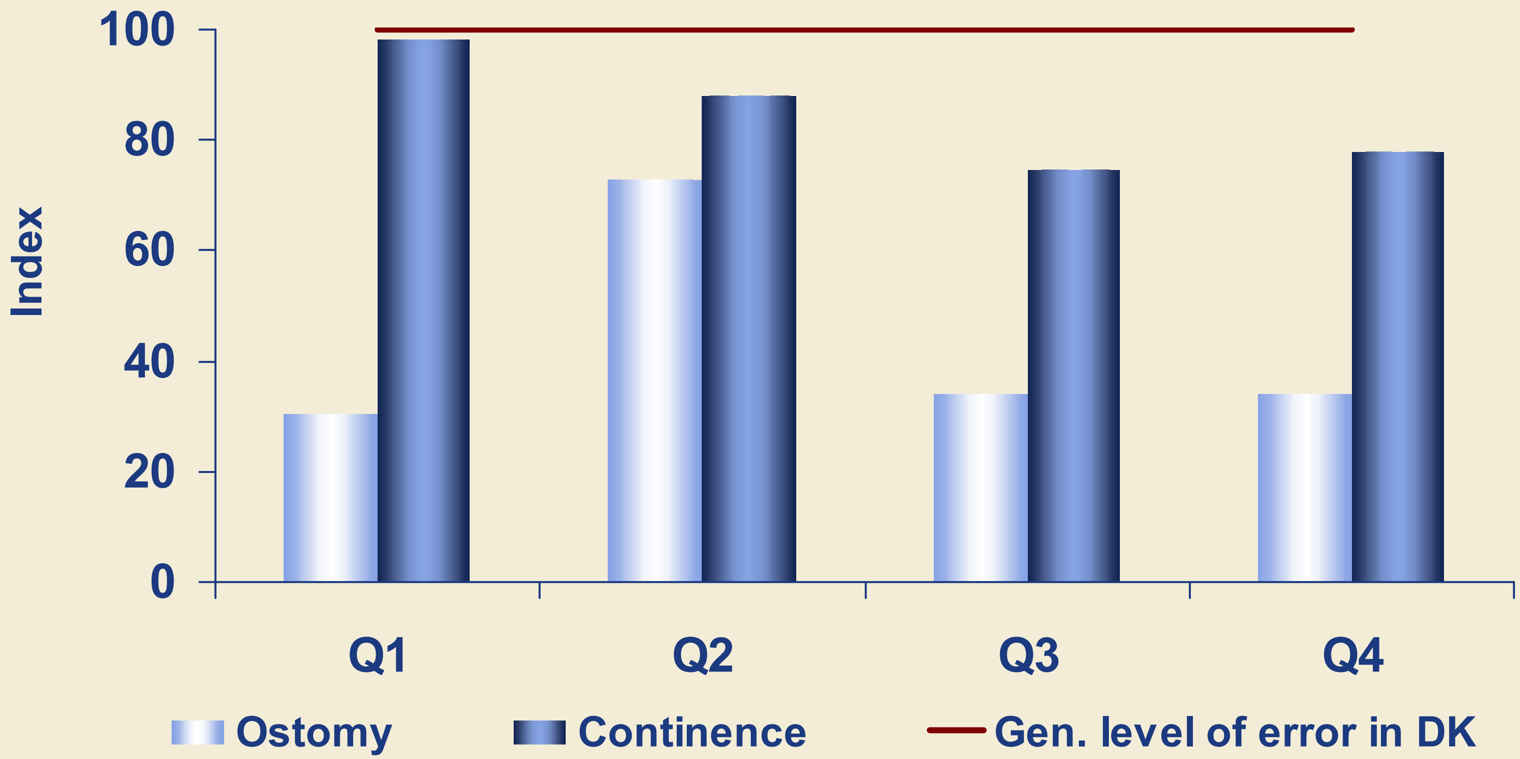
Tatabanya, Hungary

- 550 headcounts by March 2005
- Construction completed
- DKK 1.5bn sales value in 2005/06
- Corporate tax rate 16%
- Tax investment incentive
  DKK 150mn

Coloplast, Phase I-III, Tatabanya, Hungary

- Phase I - finalised: ostomy bags, urisheaths
- Phase II - finalised 2004: ostomy bags, dressings, catheters
- Phase III - finalised 2005: Assura ostomy bags, baseplates, adhesives

High quality…



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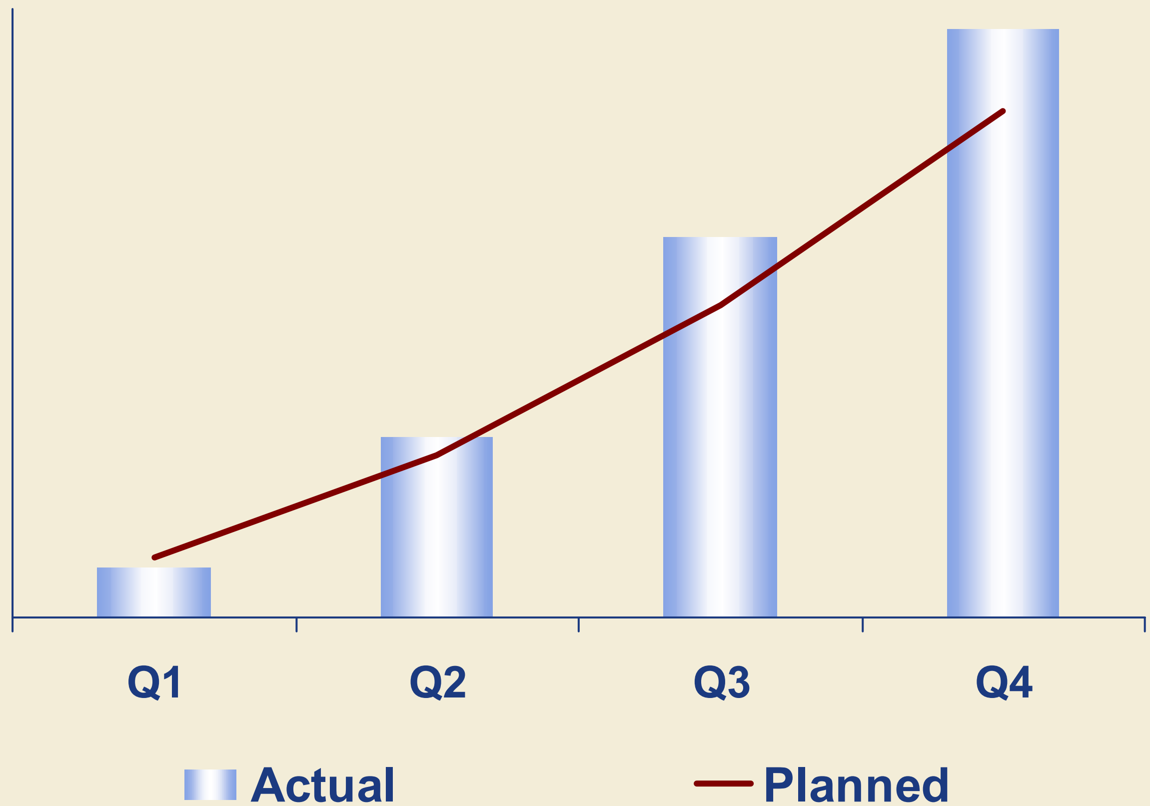
Efficiency is developing according to plan

When fully utilized and with 900 headcounts savings amount to a min. of 75 mDKK/year

Yearly tax effect of 30-50 mDKK in 2005-11.



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What to do when HU is fully utilized

- The factory in Hungary will be fully utilized within 1½ to 2 years.
- A new manufacturing strategy has been developed and were presented to all employees mid March 2005
- Now China will be the location for our next factory for volume production. How did we arrive at this conclusion?

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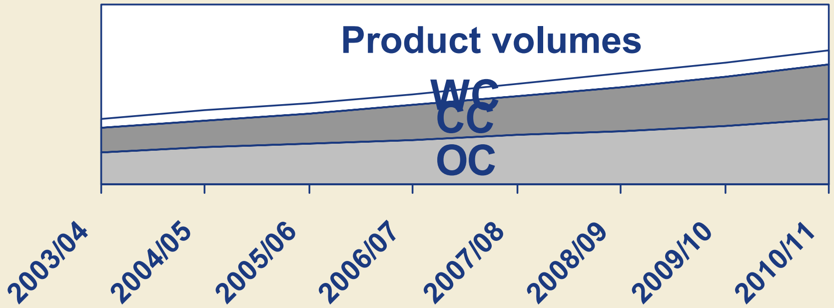
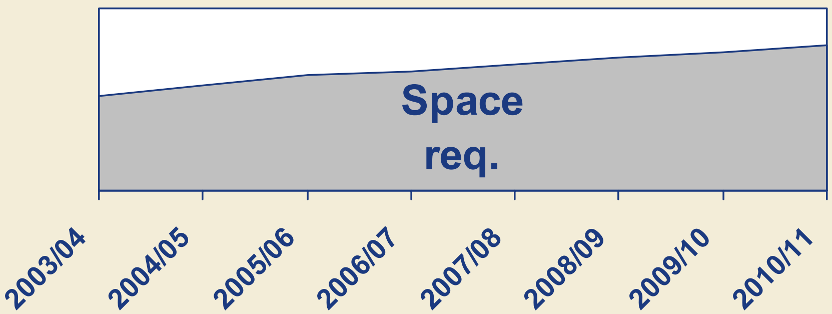
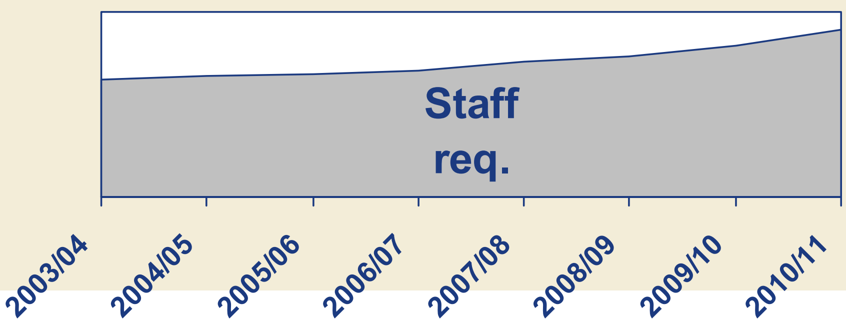
Coloplast’s manufacturing challenges towards 2010



A doubling of Coloplast’s product volumes



A 50% increase in manufacturing space requirements



A 50% increase in manufacturing staff requirements

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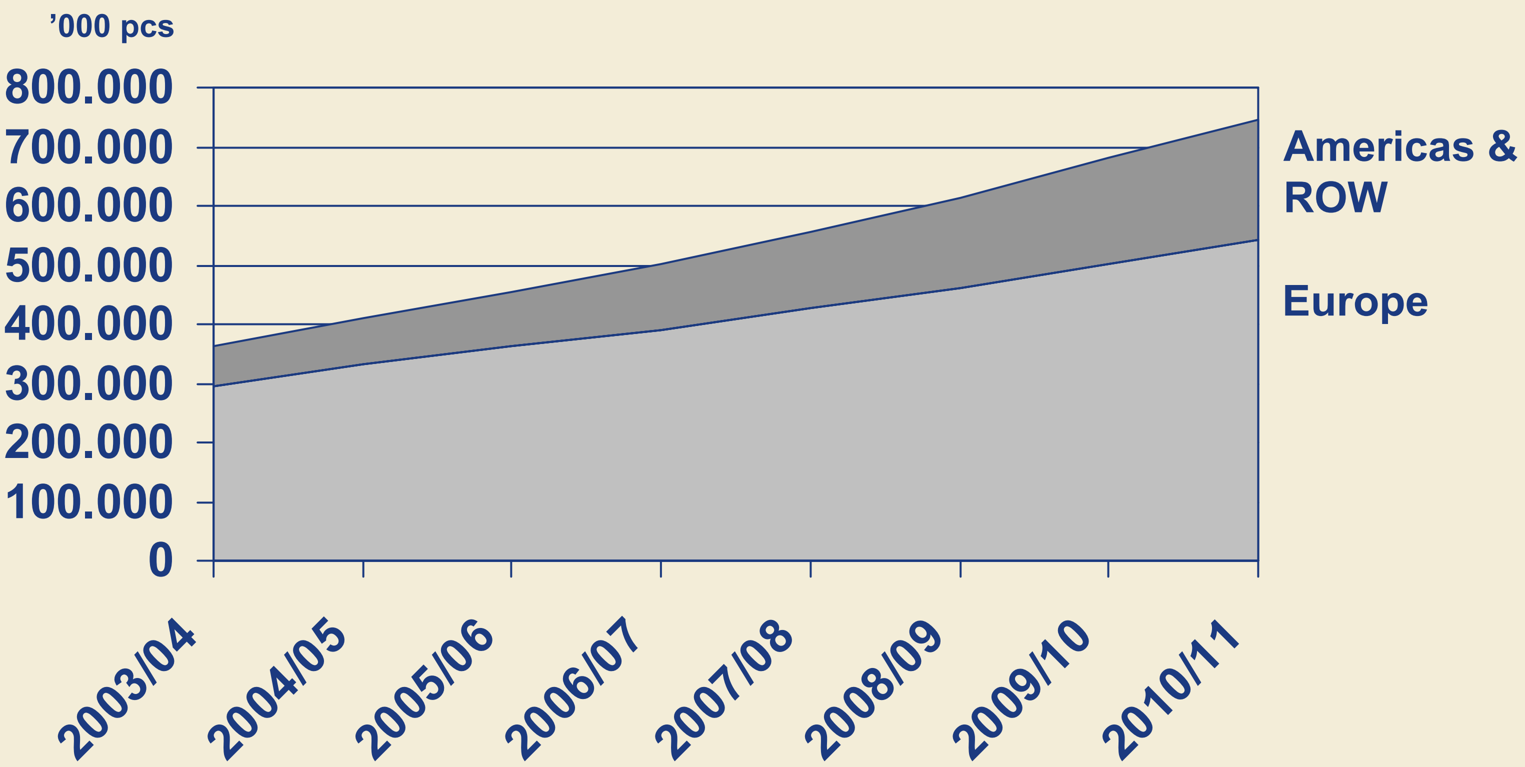
The majority of the growth (measured in volume) is expected to come from the European market



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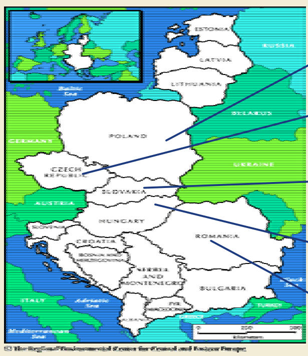
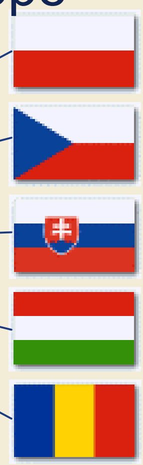
Central/East Europe and China were considered for Coloplast's future factory expansions

Central/East Europe





Poland

Czech Rep.

Slovakia

Hungary

Romania

China

Beijing (Tianjin)

Shanghai (Suzhou)

Hong Kong (Macau)

Existing facilities in HU used as benchmark

Existing facilities in CN used as benchmark

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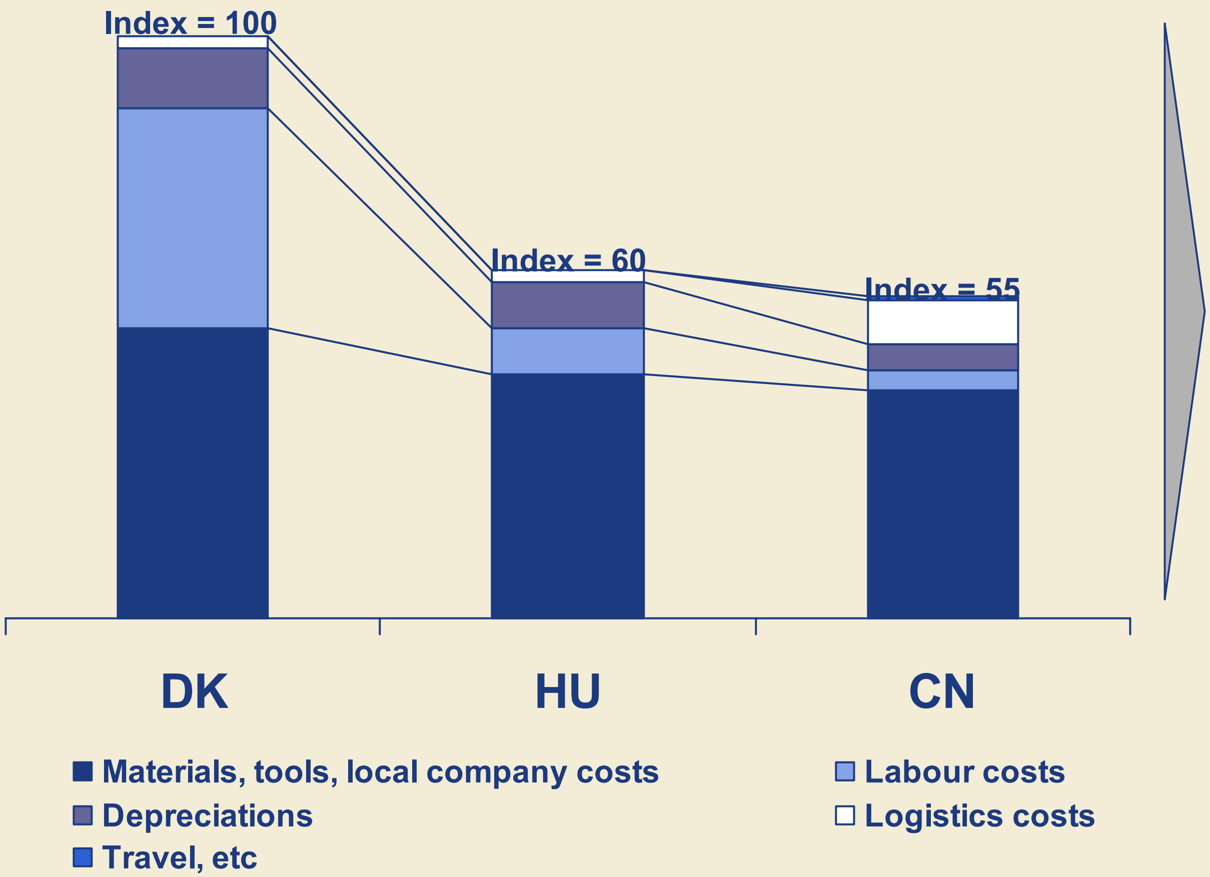
The primary sources of cost reductions are labour costs and depreciations

- Large, additional savings potentials are to be realised through local sourcing of materials, tools, etc.

Average unit cost by location (DKK/unit)



Total cost Index	HU	CN
DK	60	55
HU	X	92

Manufacturing cost Index*	HU	CN
DK	60	48
HU	X	82

Note: No effect from local sourcing has been included in any of the above calculations

* Excluding logistics costs

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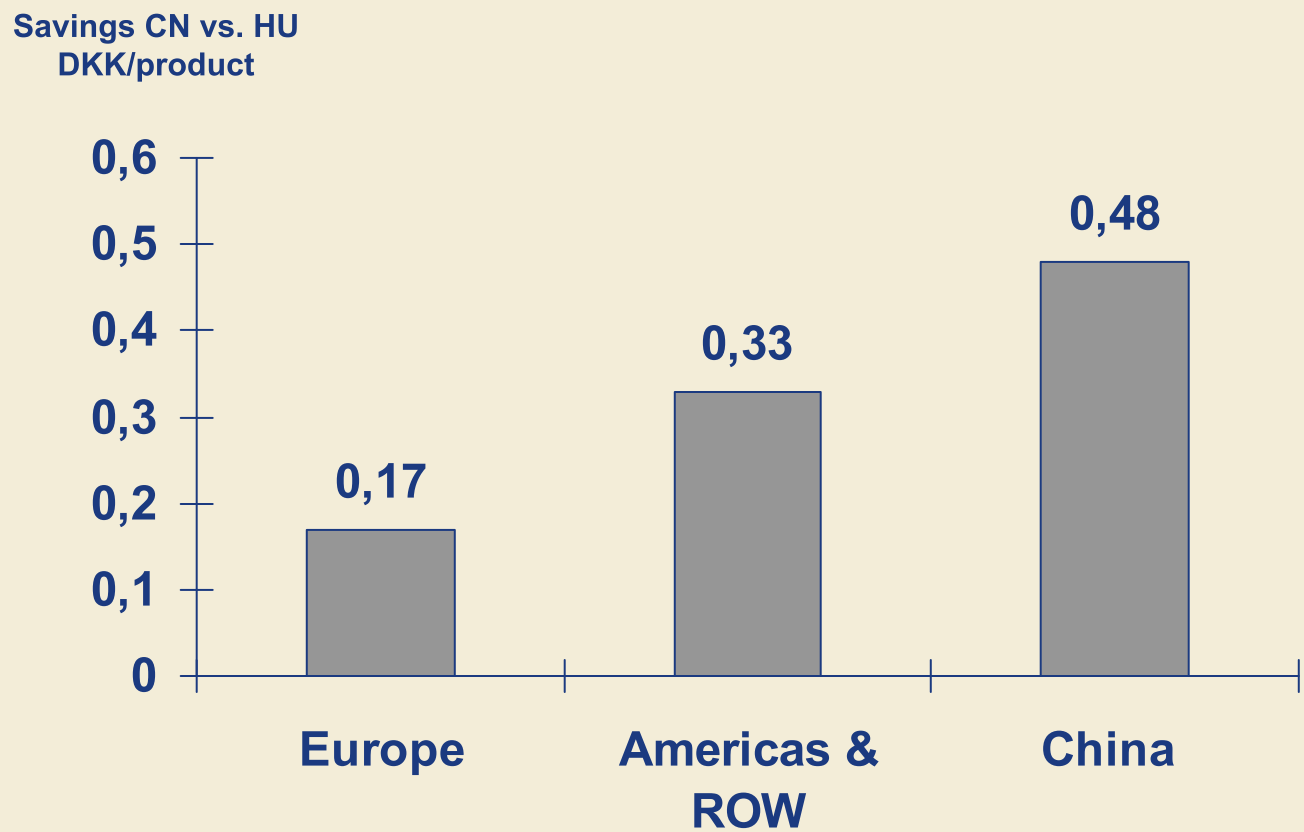
Due to the relatively high logistics costs, the average savings per product will vary from market to market



Average Savings per product per market from production in CN vs. HU

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Building costs

Building costs, not including the site	DKK/m²
Denmark	
Factory/adm. (Humlebæk)	10,000
Clean room	25,000
Hungary	
Factory/adm.	5,000
Clean room	10,000
China	
Factory/adm.	4,000
Clean room	8,000

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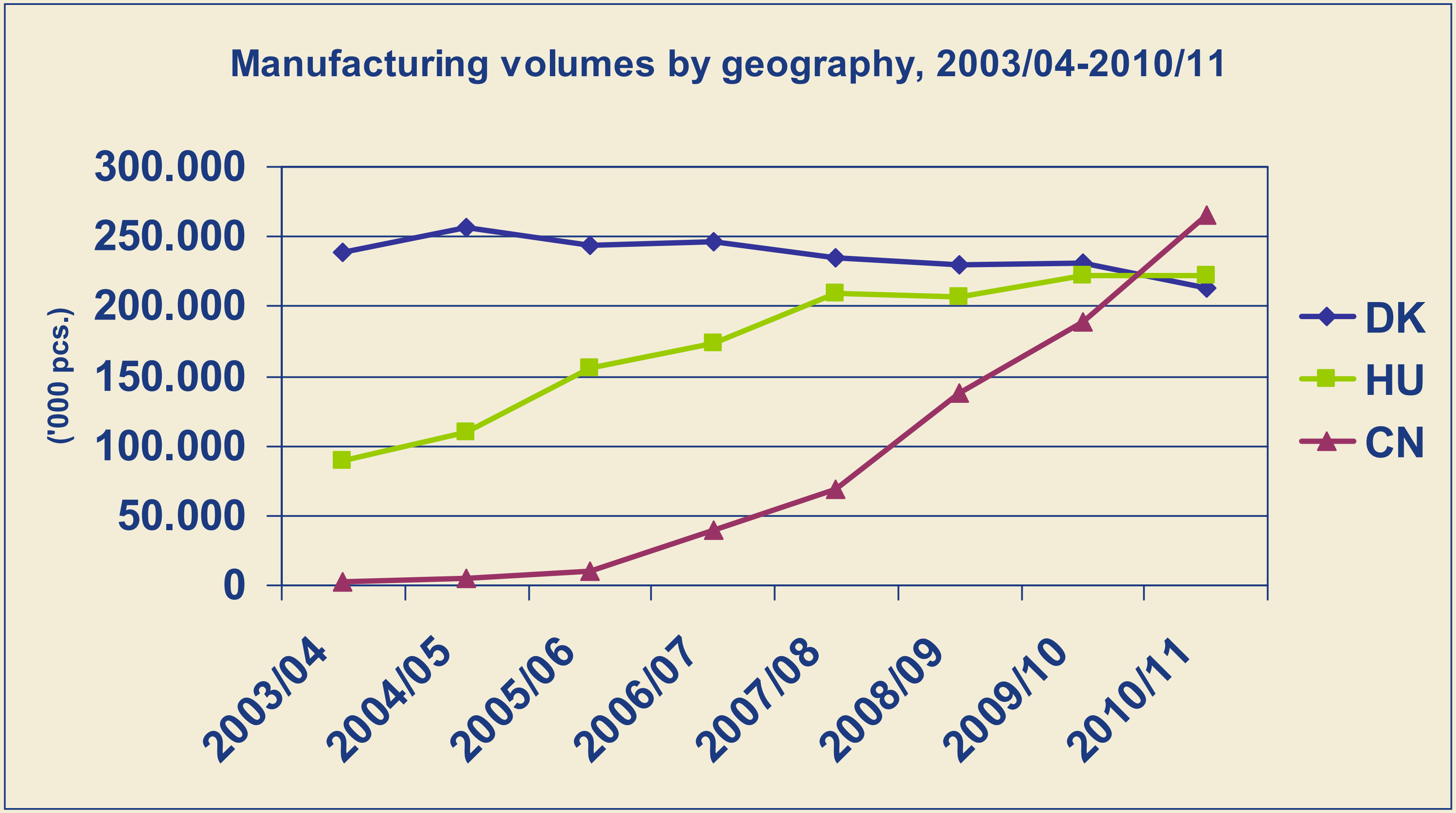
Implications of the chosen strategy: Coloplast's manufacturing volumes by geography, 2003/04-2010/11



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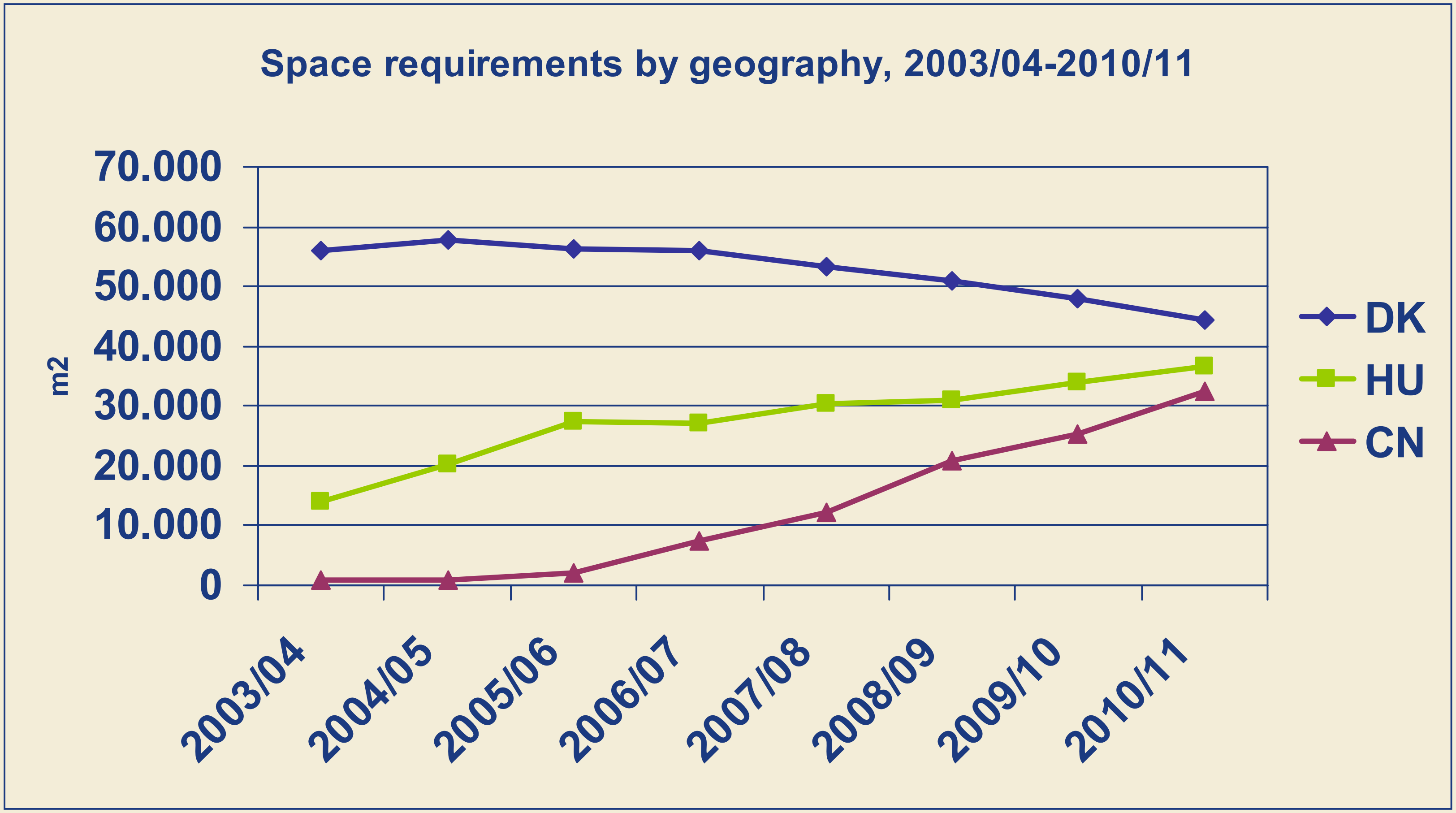
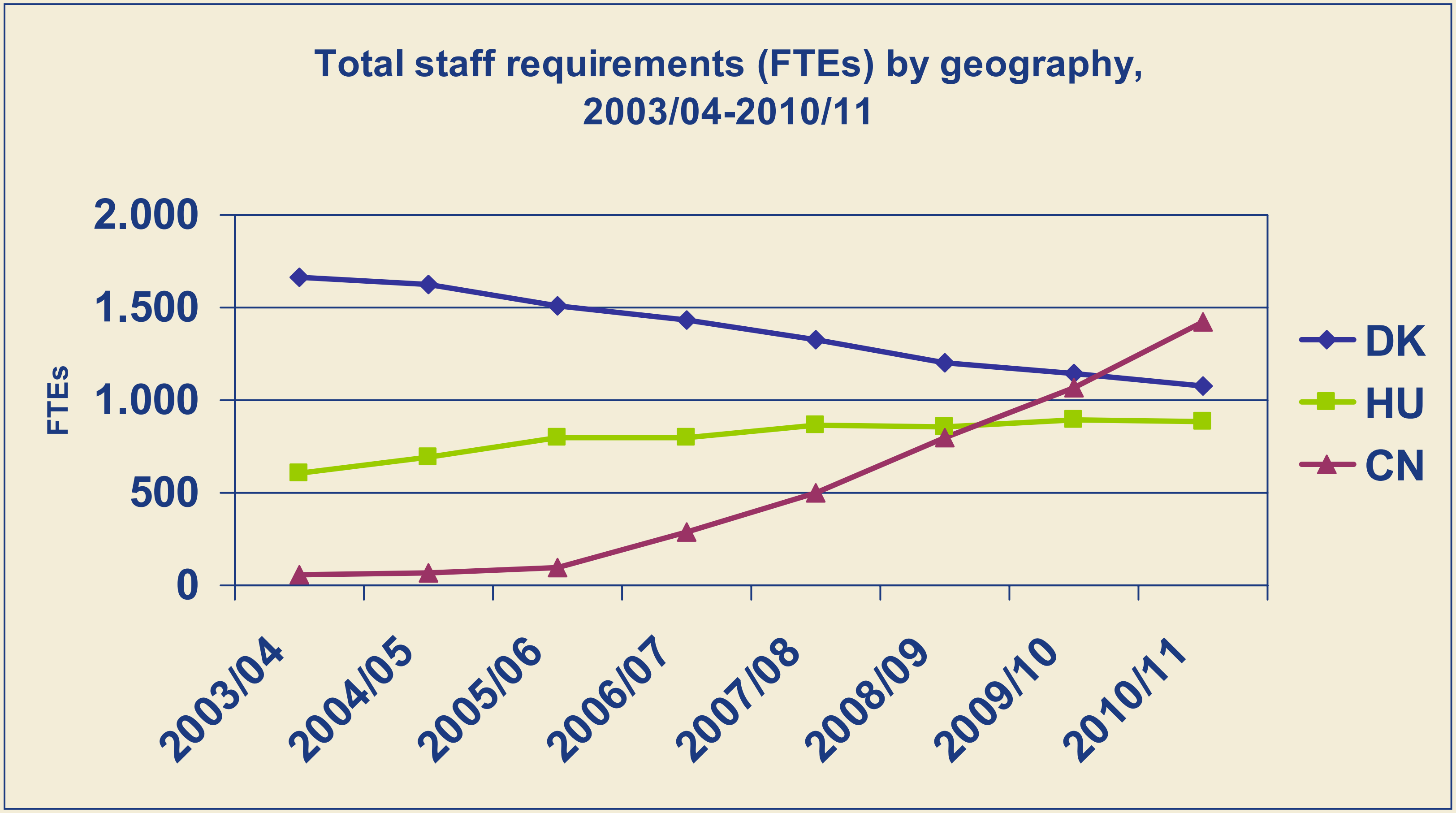
Implications of the chosen strategy: Coloplast's space requirements by geography, 2003/04-2010/11



Implications of the chosen strategy: Coloplast's total staff requirements (FTEs) by geography, 2003/04-2010/11



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How do the employees react …?

Coloplast opgiver at producere i Dan[mark]

Ungarn tiltrækker dansk produktion

Eksporten til Ungarn steg sidste år med 30 pct. Det tyder på et dansk gennembrud

Employee Satisfaction Measurement 2003

Scale 1 - 5

		2003	2002	2001	2000	1998	1997
20	You feel safe in your employment	**4,07**	4,13	4,02	3,97	3,97	3,82
32	Your superior is reliable in word and action	**4,05**	4,00	3,78	3,87	4,00	3,99
42	You have been informed of the objectives and plans of the company	**3,98**	3,99	3,82			

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The process

- 30 managers participated in formulating the manufacturing strategy
- Well over 50 SU-members in 2-day conference

Action plan

- A minimum of 1 job offer per employee in Sealand factories
- Job centre for central coordination of hirings and transfers
- Establishment of common communication platform
- Information to all production workers on the very day the Copenhagen Stock Exchange was informed

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Tatabanya, Hungary

Lean Experiences
Coloplast Hungary Kft

John Raabo Nielsen, General Manager

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Sustainable results require a way of thinking

	Target
Inventory Turns	x 5
Productivity	+ 30%
Waste / Scrap	- 67%
Lead-time	- 75%

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Lean is not the tools …

TAKT TIME	TIME OBS.	BARCHART	6S
PROD. CONTROL BOARD	SPAGHETTI DIAGRAM	STANDARD WORK SHEET	STD. WIP
KEY POINTS	CAPACITY SHEET	COMBINATION SHEET	LOAD-LOAD
PULL SYSTEM (KANBAN)	TPM	POKE-YOKE	1 PC FLOW
	SETUP REDUCTION	LEVELING	

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Lean is the ability to see value … user value

The five principles of lean

Value

- To the customer

Value stream

- Analyse and identify waste

Flow

- The shortest way from idea to happy customer

Pull

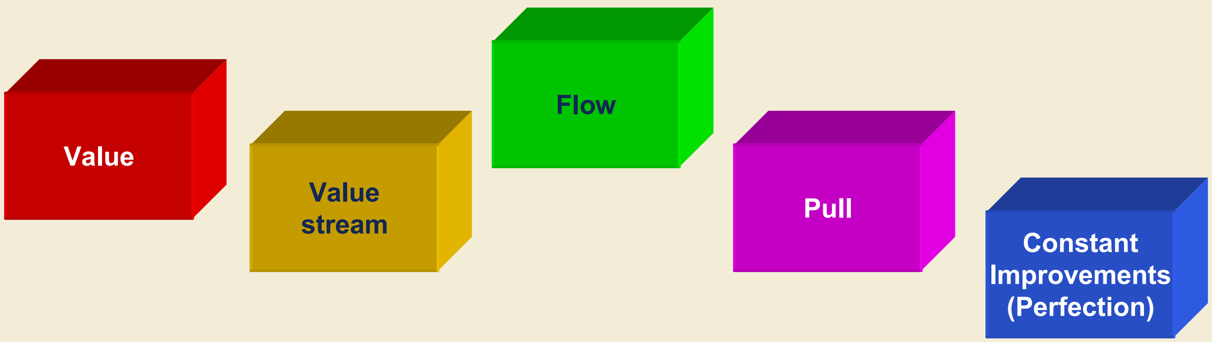
- Delivery according to customer needs

Perfection

- Small as well as big constant improvements

Airplane Game

Will illustrate the power of Implementing **Flow** and **Pull** principles



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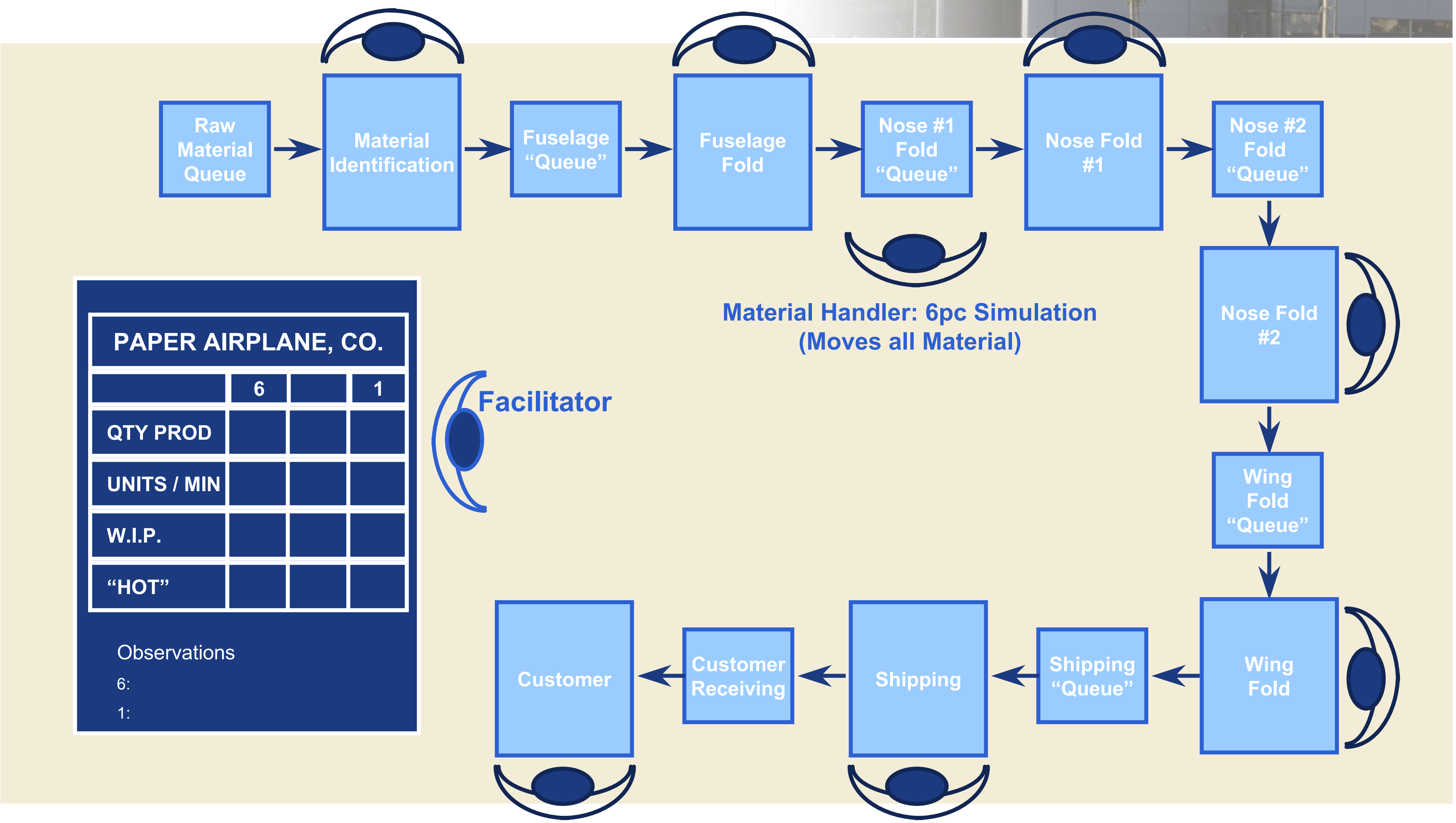
Simulation Physical Layout



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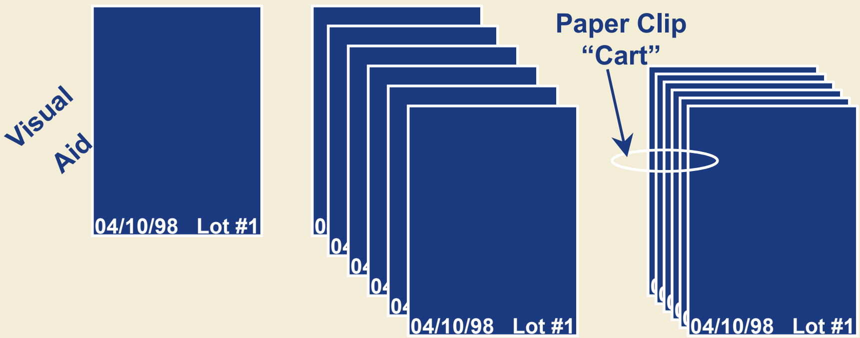
Work Station Examples

MATERIAL IDENTIFICATION



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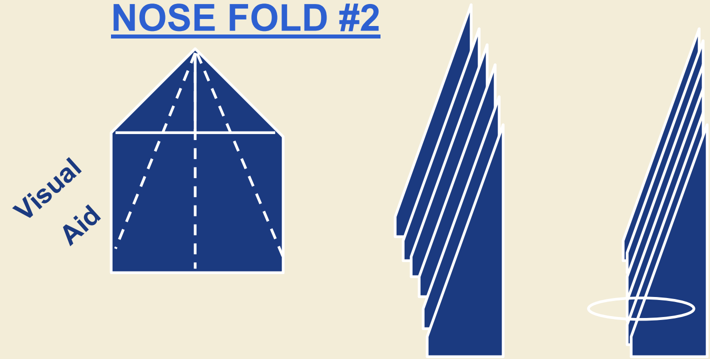
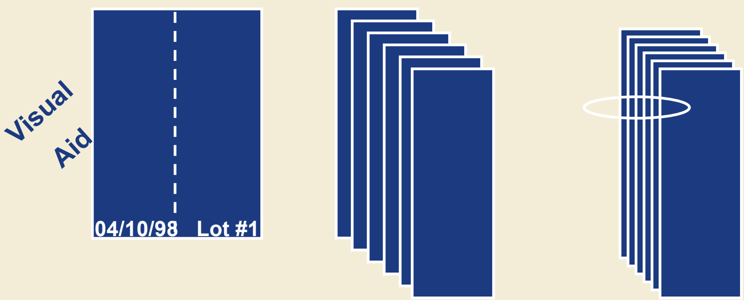
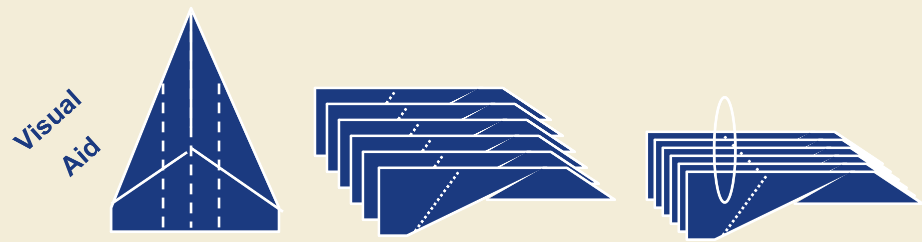


FUSELAGE FOLD



WING FOLD



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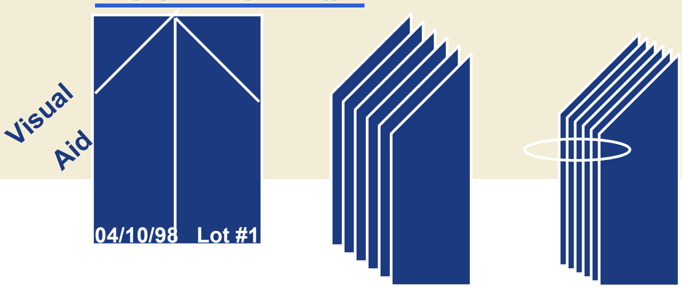

Notes

This exhibits the 6pc Batch

No Paper Clips Required for 1pc Flow

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Tatabanya, Hungary

Our lean journey

Coloplast Hungary Kft

Opportunity to start from scratch

A recognized benchmark in volume manufacturing organized around the core manufacturing processes delivering medical devices meeting market demand on product quality and service level.

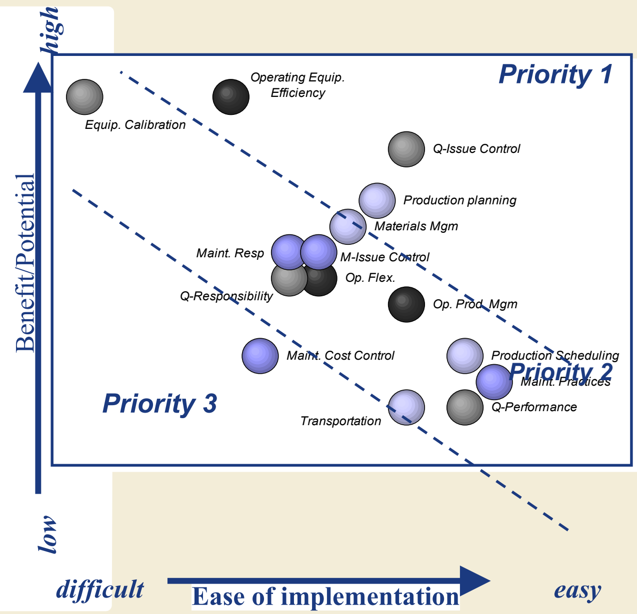
Vision

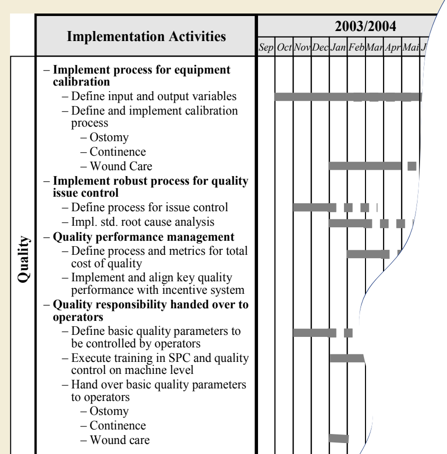
Identifying improvement areas

Prioritizing improvement areas

Implementation plans

	Stage I	Stage II
Operator Responsibility	• Operators have no quality responsibility	• Operators perform Go/No-Go tests • Operators report quality issues
Performance Management	• Informal performance measures, limited accountability since quality is not measured on individual, team, or manager level • Process capability not measured	• Formal performance measurement process in use. • Narrow focus: primarily time and cost reporting • Process capability measured infrequently, based on discretion of local management
Input Variables	• Process set points vary by operator and process inputs aren't measured	• Several set points are defined and process inputs measured
Output Variables	• Product attributes are defined at finished goods only	• Product attribut throughout the process are defi
Issue control	• Limited analysis of issues	• Root cause analy is conducted and efforts are made t develop partial solutions
Equipment Calibration Process	• Equipment occasionally calibrated	• Key equipment calibrated accordi to major issues





Guiding principle
White collar ratio: Max 10%

Plant Mgmt

Operation Mgmt

Primary Support Functions

- Quality
- Engineering & Maintenance
- Planning & logistics

Manufacturing

- Production Ostomy
- Production Continence
- Production Woundcare

Classic Ostomy

- Day Shift Lead
- Operator Sub Teams

- Evening Shift Lead
- Operator Sub Teams

- Night Shift Lead
- Operator Sub Teams

Post Op

- Day Shift Lead
- Operator Sub Teams

- Evening Shift Lead
- Operator Sub Teams

- Night Shift Lead
- Operator Sub Teams

Assura

- Day Shift Lead
- Operator Sub Teams

- Evening Shift Lead
- Operator Sub Teams

- Night Shift Lead
- Operator Sub Teams

Secondary Support functions

- IT
- Facilities Management
- Finance/ Controlling
- HR

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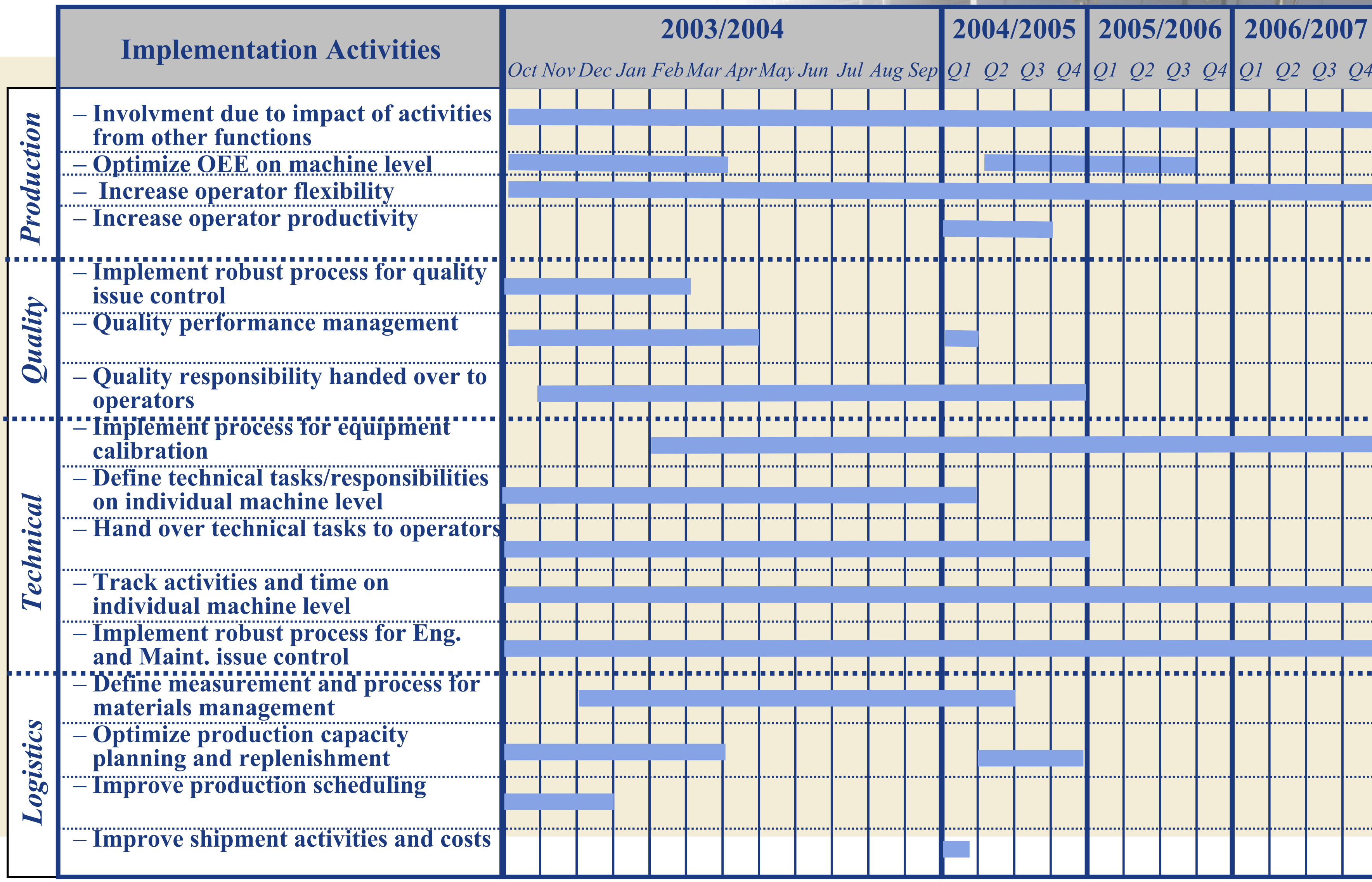
Project based improvement project



abc

a better company

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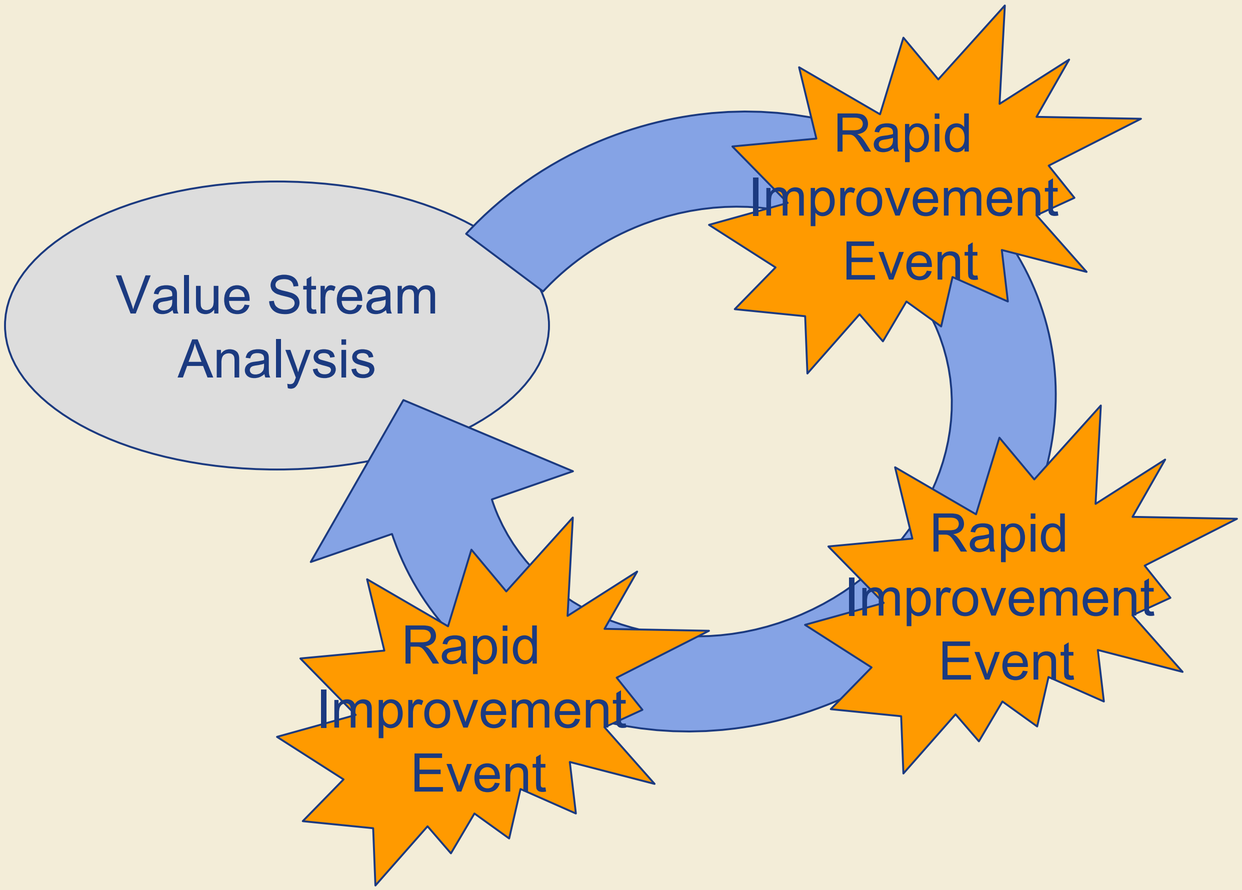
Two powerful tools and a systematic process



Value Stream Analysis

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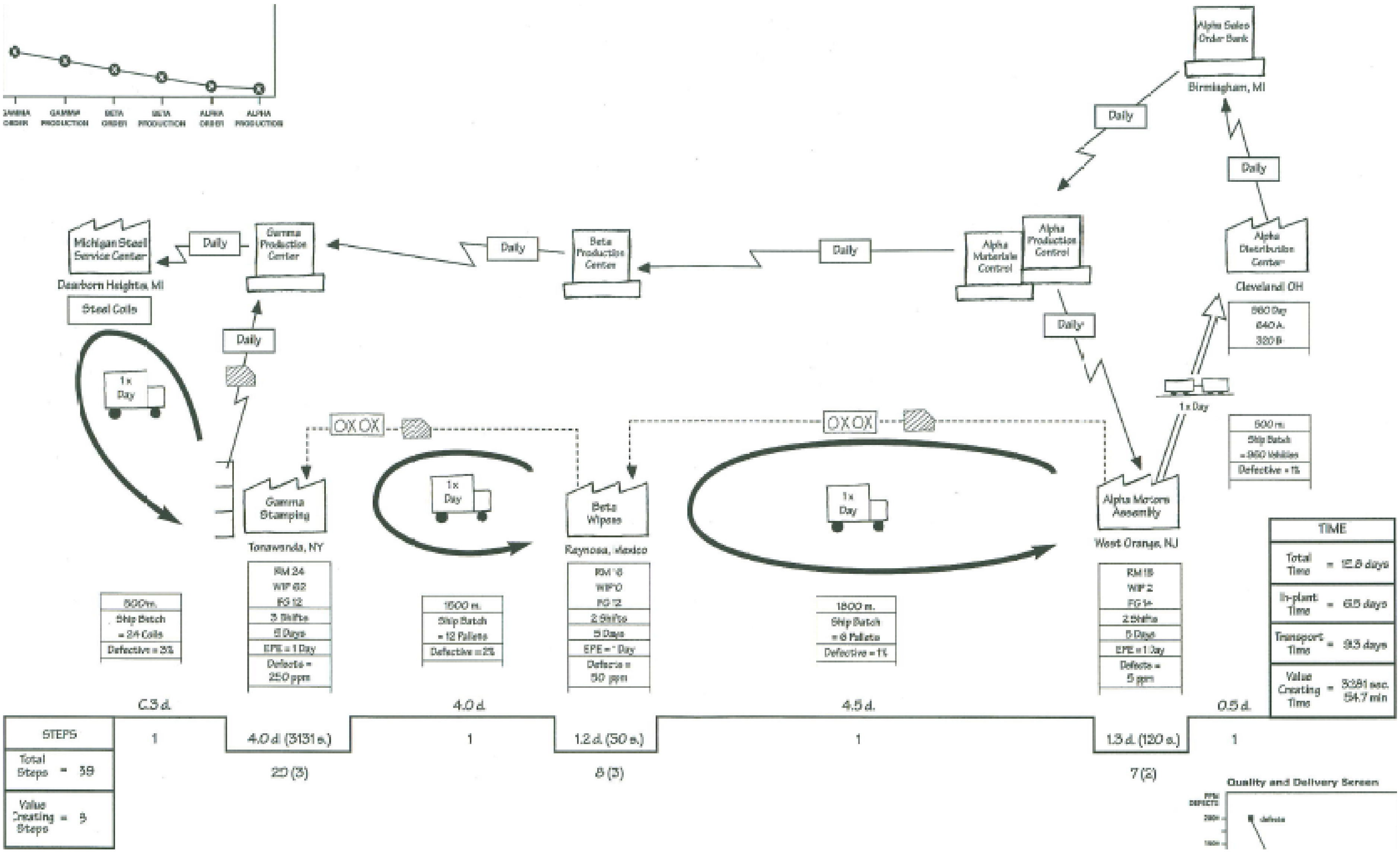
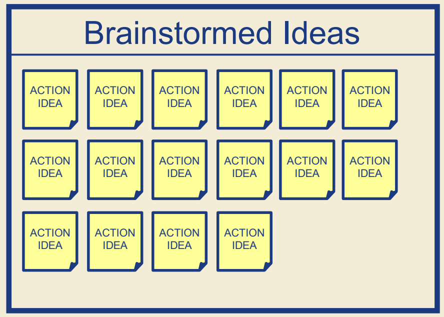
Value Stream Mapping

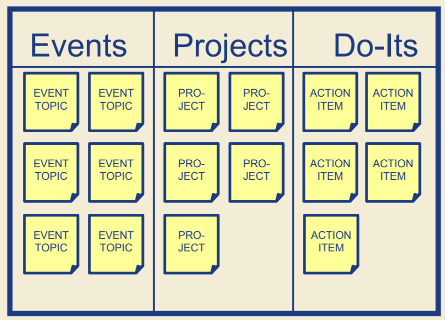


VSA is really a planning event

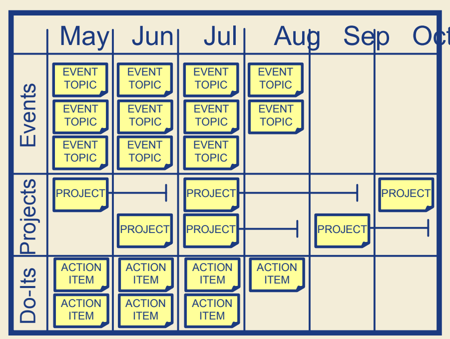
Brainstorm and discuss



Sort ideas



Plan actions



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We are measuring productivity and lead time...

	Productivity	Lead time
Corporate		
Subsidiaries		
Home Care		
Divisions		
SBU's		
Volume production		
Corporate staff		

...and we measure how well abc is implemented

<u>**abc** indicators</u>

1. Number of **abc** specialists
2. Number of events carried out
3. Share of employees that have been in at least 1 event
4. Competence score
5. Number of training hours
6. Policy deployment implementation


Accelerate speed to
World Class Manufacturing Excellence
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Lunch

Factory tour

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Successful penetration of US markets

Jens Fabricius, Director, Regional Sales

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Agenda

OC/CC Market overview

Strategy basis

03/04 Implementation status

Home Health retention/conversion

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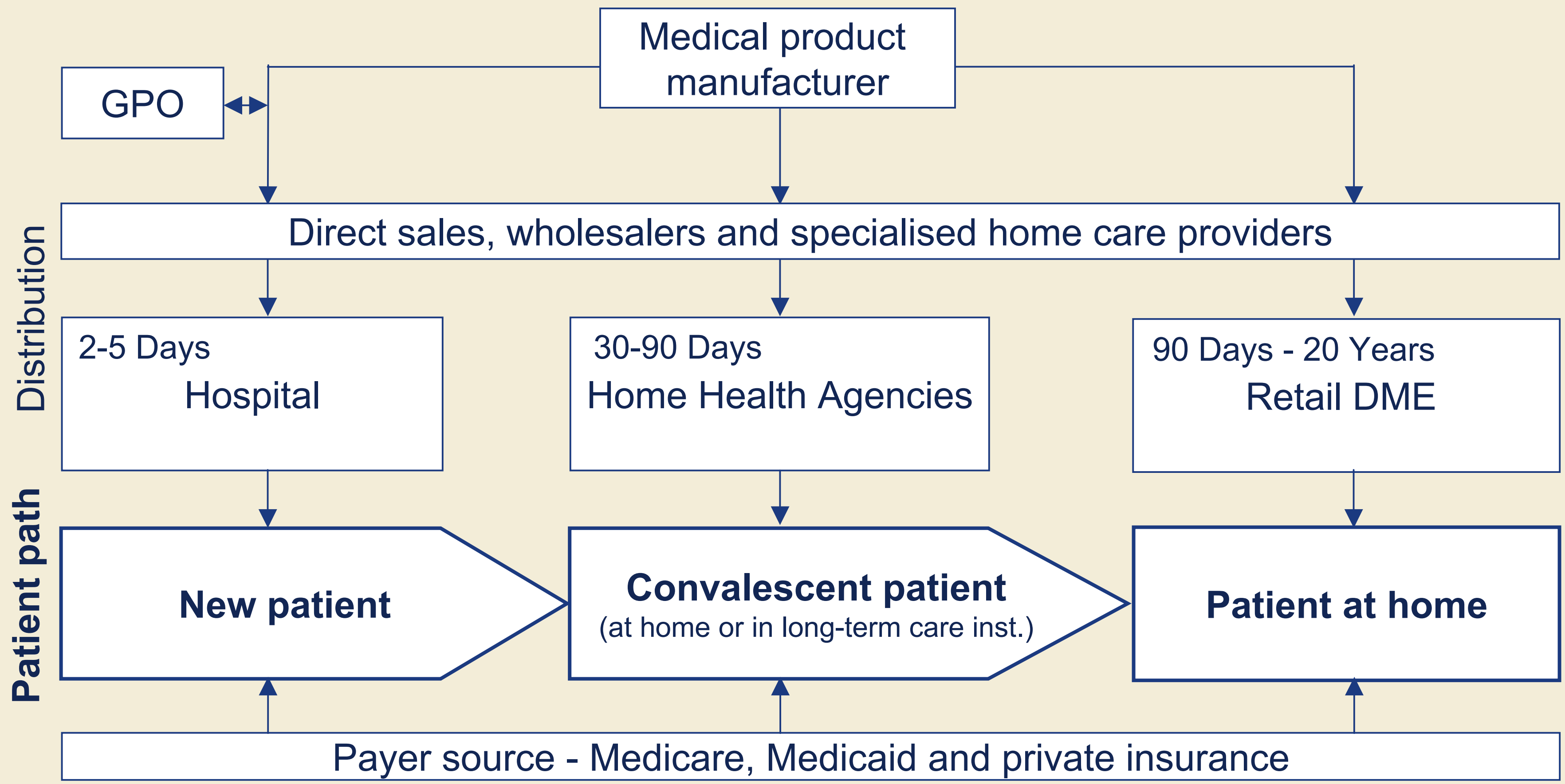
OC/CC Market overview

Chronic care - US patient path



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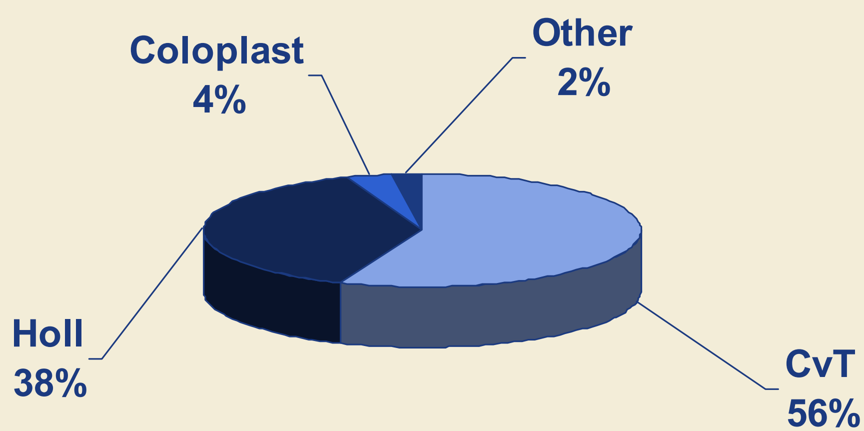
Market status - Ostomy

<u>Total Market value 280 mill. USD 03/04</u>

- $280mm
  - ConvaTec
    - Index 100 to 02/03
  - Hollister
    - Index 101 to 02/03
  - Coloplast
    - Index >125 to 02/03



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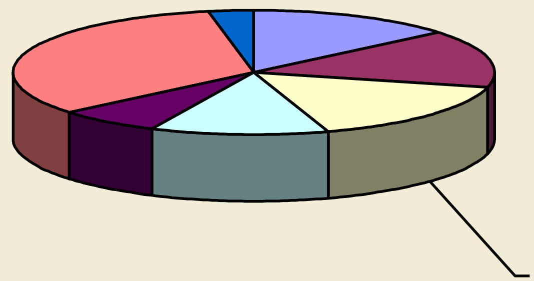
Market status - Continence care

Total Market value 370 mill. USD 03/04



Intermittent Coated Catheters

Estimated value potential

60 mill. USD, 16% of total CC

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Market Status - reimbursement

2004 – US passes Medicare Modernization Act

- New Prescription Drug benefit for Seniors, disabled
- Contracting Reform
  - Requires competitive bidding in the 10 largest MSAs beginning in 2007, followed by the next 80 largest in 2009. Competitive bidding prices could be applied nationally beginning in 2011.
- Chronic care Improvement programs
  - Extended Care reforms
  - Preventative Care Programs for;
    - CHF, Diabetes, COPD, Hypertension
    - Disease Management focus

Strategy basis

Key goals - market share and topline growth

- Reach two-digit ostomy market share within 3-5 years
- Ostomy NPD and Key Player awareness/preference
- Develop intermittent coated catheter market segment
- OC/CC CAGR sales > 25%
- Sterling Medical Services (SMS) an enabler of CP OC/CC
- Build strategic end-user franchise with other HC providers - Byram, Edgepark and certain urological dealers

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Key challenges

HC enabling

- 3% ms ex manufacturer and 4% ms in HC
- Fragmentation, consolidation, full product lines, transaction-orientation

Price pressures

- IC catheter reimbursement
- GPO's
- Medicare reform

Organisation

- New OC/CC specialist sales force
- OCG/SMS alignment and coordination

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03/04 implementation status

Hospital coverage => key player relations and NPD

		02/03	03/04	04/05
Ostomy sales representatives		17	32	38
ET's per ostomy sales reps	2.500	147	78	66
Hospitals per rep needed to cover those hospitals performing 90% of all Ostomy Surgeries (77,000)	2.271	134	71	60
Optimal Hospital Coverage per Rep		35	35	35

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Important successes

- Consorta GPO contract
- Significant NPD growth
- Sustained OC Hospital growth > 30%
- OC market share growth towards two digit in 3-5 years
- Sustained OC/CC growth> 25%

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04/05 Coloplast medical sales/marketing objectives

- Timely implementation of sales force expansion
- Enhance competencies of sales organisation through training programs
- Successful implementation of existing GPO contracts Consorta, Amerinet, Shared Services, VHA SE contracts
- Realize full value of existing contract commitments (hospital, DME, etc.)
- Focus in pursuing IDN's (2-3 per OS)
- Significantly increase field sales involvement with financial Key Decision Makers
- Active involvement with SMS staff (targeting, strategy development,enduser referrals and retention)

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Home Health retention/conversion

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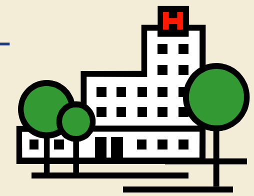
Ostomy patient retention - Home Health is key!



Hospital

60%-70%

Home Health Agency

55%-60%

Medicare / PPS Customers

40%-45%

Private Insurance, Medicaid, Other

5%-15%

Extended Care

20% - 30%

Community

Possible "Paths" - New Patients

#1 – Hospital -> HHA -> Community

#2 – Hospital -> Community

#3 – Hospital -> Extended Care

#4 – Hospital -> Extended Care -> Home Health

#5 - Hospital -> Extended Care -> Home Health -> Community

Primary Path - Existing Ostomates

Community -> HHA -> Community/Extended Care

Sterling Medical Services

What Sterling brought to Coloplast:

- US net profit contribution
- Unique capability platform
- Foothold into value added distribution
- Patient access

How to extract value from end-users in Sterling?

- Coordinate CP/SMS (best of both) end-user activities
- Transform CP/SMS end-user activities into a standalone business system for chronic care
- Absorb end-user activities into Coloplast

Sterling Medical Services - Enabling of Coloplast ostomy

Signs of Home Care enabling

- CP double digit product share of Sterling ostomy in 03/04
- Ostomy patient acquisition doubled in 03/04
- Ostomy patient ”retention”: 92%
- Coloplast conversion: 26% out of 1.280 attempts YTD

Challenges

- End-user management
- End-user database integrity and segmentation
- Cost of conversion/retention
- Homecare margin pressures

Coloplast OC/CC USA

Key challenges

- Profitable growth, will it ever happen?
- Home Care enabling, does it work?
- US market, will we win?

Conclusions

- 04/05 will see sales force productivity turnaround
- 06/07 will see an EP turnaround
- US Home Care enabling requires a major scale up of HC patient reach

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Q&A

Moderator
Carsten Lønfeldt, Group Director, CFO

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Bus leaves for Ferihegy airport 15:45

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