

**Coloplast**

**Moderator: Lars Rasmussen**  
**May 7, 2014**  
**3:00 p.m. GMT**

Operator: Thank you for standing by and welcome to the Q2 2013/2014 Financial Statement. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and answer session.

At which time if you wish to ask a question, you will need to press star one on your telephone.

I must advise that this conference is being recorded today, Wednesday, the 7th of May, 2014. If you require operator assistance at any time, please star zero. I would now like to hand the conference over to your speaker today, Lars Rasmussen. Please go ahead.

Lars Rasmussen: Thank you and good afternoon and welcome to this first half 2013/14 conference call. I'm Lars Rasmussen, CEO of Coloplast, and I am joined by CFO, Lene Skole, and our investor relations team. As usual, Lene and I will start with a short presentation, and then we will open up for questions. Please turn to slide number 3.

We have yet again delivered a very strong growth. Despite the expected low of Q2 compared with Q1, we delivered an organic growth for the first 6 months of 2013/14 of 10 percent. Our reported EBIT was down 43 percent relative to the same period last year due to the DKK1 billion provision to meet expenses expected in connection with settling these claims against Coloplast in the US. Excluding this provision, our EBIT guidance increased 14 percent, and the margin came in at 33 percent, in line with our guidance to the market.

Today the Board of Directors approved interim dividends of DKK844 million which will be paid out shortly. This marks the first interim payment under our revised cash return policy, and I am proud that we can do this at the same time as we invested more than ever in increasing our sales growth.

For 2013/14 we now expect an organic revenue growth of around 9 percent, and we expect an EBIT margin before special items of 33 percent to 34 percent in fixed currencies. We changed our growth guidance because we believe we can maintain the momentum of almost twice the market growth throughout 2013/14. The market guidance changes as a result of the higher expected sales.

Please turn to slide number 4. Revenues were up by 10 percent organically, and 7 percent in Danish krone, and amounted to almost DKK6.1 billion. In ostomy care organic growth was 9 percent and growth in Danish krone was 4 percent. The growth continues to be driven by solid performance of our SenSura portfolio in Europe and in the US, as well as strong and increasing uptick in the market for Brava accessories. In addition, we continue to see strong sales performance of Assura in markets like China and Brazil.

Organic growth in Q2 was 7 percent and was partly driven by the US and the emerging markets where we delivered on a tender in Argentina, and where our new distributor in Algeria was stocking up its inventory.

Our new generation of ostomy products under the brand name SenSura Mio has now been marketed for 3 months. The product has been launched in 10 markets in Europe and North America. Four more markets will come during 2014. In the 3 months of pre-marketing, we have received fantastic feedback, both from healthcare professionals, and from users who have signed up. This confirms that we have launched a truly great new product in ostomy care.

In continence care, organic growth was 11 percent and growth in Danish krone was 8 percent. In Q2 organic growth was 12 percent for continence care. Growth was driven primarily by our SpeediCath product range, especially our Compact range of products. Sales of Self-Cath catheters in the US also had a good quarter due to the change in buying patterns of a major

distributor. Our collecting device business continues its satisfying performance in Europe and in emerging markets.

Finally, but not least, our Bowel Management System, Peristeen, continues its strong double-digit growth in markets like UK, Germany and France.

In Urology Care, organic growth was 10 percent, and growth in Danish krone was 7 percent. In Q2 in isolation, organic growth was 9 percent. Sales of penile implants continue to drive the strong performance and our market share continues to increase. This was also the case within female pelvic health where our single-incision mini sling, Altis, maintains its strong performance despite difficult market conditions.

Finally, our endurology business had a very strong quarter, adding to the solid 10 percent organic growth for the first half-year.

In wound and skin care, organic growth was 11 percent and growth in Danish krone was 8 percent. Organic growth for wound care in isolation was 13 percent. Growth for the quarter was 6 percent for wound and skin care. The growth continues to be driven by our Biatain and Comfeel range of products. Growth was driven by countries like China, Brazil and Greece, on the back of continued stable sales in many European markets. We remain very satisfied with the underlying performance in our wound care business due to (inaudible) many of the movements we saw in the distributor level in Q1, the US had a very challenging quarter as last year's -- last contract we tendered now is in the comparison numbers.

During the quarter we pilot-launched our Negative Pressure Wound Therapy solution in Switzerland in order to gauge attractiveness of this product portfolio in a well-established European negative wound pressure therapy markets. The product was launched in Brazil in the beginning of this year and has been very well received as an intuitive and simple solution compared with other products in the market.

Our skin care and contract manufacturing business saw negative growth in Q2 on the back of a very strong Q1 with distributor and stock filling. Our contract manufacturing business continues a satisfying performance in Q2.

Turning to our geographical segments, we saw high organic growth of 7 percent for the first half of 2013/14 in our European markets. We saw very satisfying performance in all European markets despite the fact that Q2 slowed down a bit in many smaller markets. Growth was driven by major markets like UK, Germany, the Scandinavian region, as well as Southern Europe. Despite being a growth driver, the UK momentum was lower than in Q1 which also accounted for some of the slow-down in the quarter.

Organic revenue growth in other developed markets was 11 percent in the first half of 2013-14. We continue to see strong performance across all business areas. We see continued strong growth in ostomy care, and we continue successfully our conversion efforts towards Compact catheters in the US markets.

Our urology business continues its above-market growth, whereas our wound care business is facing tougher comparisons which reduced the growth rates. Both Canada and Japan continue their satisfactory performance.

Revenues in emerging markets grew organically by 25 percent in the first half of 2013/14. Markets like China and Brazil continue to deliver very satisfactory performance. We also delivered on a large tender in Argentina during Q2, as well as stocking (inaudible) with a new distributor in Algeria. This made up for an unsatisfying quarter in Russia where tender activity was slow.

I will now hand over to Lene, and please turn to slide number 5.

Lene Skole: Thank you, Lars. Q2 was yet another strong quarter in which we saw a strong development in our fundamentals. Gross profit was up 9 percent to DKK4.162 billion. This equals a gross margin of 68 percent, an improvement of one percentage point compared with first half last year. The improvement continues to be driven by higher production efficiency. The gross margin in fixed currencies was 69 percent against 67 percent in the first half last year.

The SG&A-to-sales ratio came in at 33 percent which is equal to last year. So far this year we have invested an incremental almost DKK100 million in sales

enhancing initiatives. The investments in sales initiatives were mainly in emerging markets and the US.

The admin-to-sales ratio came in one percentage point lower than in the same period last year. This reduction was primarily related to improved efficiency and fewer projects. We also reversed a provision of DKK20 million related to bad debt in Spain as we earlier this year received DKK45 million from the Spanish authorities.

R&D expenses amount to DKK185 million, down from DKK195 million in the same period last year. The ratio-to-sales was 3 percent and in line with first half last year.

All in all this results in an EBIT margin before special items of 33 percent compared with 31 percent in first half last year. Net of currency impact, the EBIT margin was also 33 percent.

As Lars mentioned, we have announced a DKK1 billion provision last week because new information was announced to the market when AMS announced a settlement covering the majority of their cases. This new information, combined with the knowledge we already have, enables us to estimate the total cost of our mesh litigation. The reported EBIT margin, including special items, was 16 percent for the first 6 months of 2013/14, and minus 1 percent for Q2 in isolation. For now, this provision will purely affect our P&L and balance sheet. Cash flow will not be affected until cases are actually settled.

Free cash flow amounted to DKK796 million compared to DKK872 million in first half last year. The 9 percent decrease was mainly due to increased taxes paid, where we paid DKK200 million on account taxes.

The Board approved interim dividends of DKK844 million in line with our new cash return policies. The dividend will be paid on May 14, 2014, and the stock will trade ex-dividend from May 9, 2014. For the avoidance of any doubt, our dividend policy will not be impacted by the DKK1 billion provision.

Our reported net profit for the period decreased by 39 percent to DKK761 million, corresponding to diluted earnings per share of DKK3.61, also a decrease of 39 percent compared with first half last year. Now please turn to slide number 6.

For 2013/14 we have increased our expectations to revenue growth from around 8 percent organically to around 9 percent organically, and from around 6 percent in Danish krone to around 7 percent in Danish krone. Our currency impact is based on spot rates as of the March 23, 2014, and the negative impact is mainly a result -- sorry, April 23, 2014 -- and the negative impact is mainly a result of the depreciation of the US dollar and Japanese yen against the Danish krone. Our organic growth guidance is based on continued stable and positive development in our main markets which we have experienced since the beginning of the year. We have now raised the growth guidance to fully reflect the underlying performance of close to 9 percent organic growth.

For 2013/14 we now expect an EBIT margin before special items of 33 percent to 34 percent in six currencies, and 33 percent in Danish krone. Last quarter we expected around 33 percent in fixed currencies. This change reflects the higher expected sales. When we include the DKK1 billion provision, the EBIT margin is expected to come in at 25 percent to 26 percent in fixed currencies.

The guidance includes investments in sales enhancing initiatives which are still expected to be in the range of DKK200 million to DKK250 million.

Our Capex guidance for 2013/14 remains around DKK500 million and includes investments in the planned expansion of our Nyirbator site. Our effective tax rate is expected to be around 25 percent.

Now this concludes our presentation. Thank you very much. And operator, we are now ready to take questions.

Operator: Ladies and gentlemen, that is star one to ask a question.

Michael Jungling from Morgan Stanley.

Michael Jungling: Thank you and good afternoon. I have three questions, please. Firstly on the gross margin, can you comment on how the depreciation of the renminbi will impact you in the second half? There seems to be quite a sharp depreciation of currency. Secondly, for provision write-backs, do you see further scope through averse doubtful debt provisions for the remainder of the year? And then the third question I have is on ostomy, with SenSura Mio, can you sort of comment on a relative basis how strongly Mio is as a product launch compared to previous product launches? And maybe we can make it quite simple saying five out of ten would be an average product launch. Maybe this is an eight out of ten. Some sort of guidance on that scale I think would be helpful. Thank you.

Lars Rasmussen: Can I start out with the SenSura question because, first of all, it is a very big launch for us? It is a big program where we are launching the first phase now. It is a program where the difference to what is in the market, the way that people experienced a product, the look and feel, but also the way that it performs is very different to, you could say, the older generations of ostomy products. And at the same time, we are putting the biggest marketing budget behind it than all. We are putting a marketing budget behind it which is the biggest one that we have ever pulled off. So we think it's a very big launch for us. It is not done with what we do now. You will see more launches within this range of products going forward. So this is just the beginning.

Lene Skole: Right. To answer on the -- let me start with the debt provision where we have written back DKK20 million, that is for now what we believe is the right thing to do, and whether there could be more depends entirely on how we'll see the development in Southern Europe.

As to the renminbi and how much that might impact us, so far this has been a very, very limited impact. There's not that much of what we-- of the actual expenses we have there that really originates in renminbi so I would say it would be neutral to slightly positive.

Michael Jungling: Okay. And then a final question on D&A, it seems to have given you a nice boost to margins. Is it fair to say that the run rate for the remainder of the year will be somewhere around DKK105 million per quarter?

Lene Skole: I think when you look at the admin costs, the only thing that you should take out in your calculation is the write-back of the DKK20 million, otherwise it's probably fair to look at it as a reasonable run rate. But do remember to adjust for that.

Michael Jungling: I was referring to D&A -- depreciation and amortization, sorry.

Lene Skole: Sorry. I heard you wrong. I'm sorry about that. D&A, yes that should be more or less the same. Maybe slightly less for the second half. Or sorry, it will be about the same.

Michael Jungling: Okay. And how come it's decreasing so much? Is it the amortization or is it the depreciation that's causing the number to fall quite meaningfully?

Lene Skole: What is actually causing it to fall is the (mentor) depreciations which are gradually becoming smaller and smaller. So that's what is costing the effect -- I think this has an effect of between DKK25 million and DKK30 million.

Michael Jungling: Great. Thank you very much.

Operator: Ian Douglas-Pennant from UBS.

Ian Douglas: Hi. Thanks. It's Ian Douglas-Pennant at UBS. On the intermittent catheter business, maybe you could talk about how much of the kind of increased growth you're seeing at the moment is coming from the disruption from one of your competitors that you've talked about previously, especially in the US.

Lars Rasmussen: Could you please repeat that? I'm not sure that we understood what you said?

Ian Douglas: Sorry, let me clear that. Is that better?

Lars Rasmussen: Yes.

Ian Douglas: So what - on the intermittent catheter business, what portion of the kind of the increase in growth rate, if you like, that we're seeing at the moment is due to the disruption that we're seeing from one of your competitors that you've talked about previously? And then secondly on the ostomy business, how important is the growth of access -- how important, sorry, is the accessories business to the level of growth you're seeing at the moment? I mean, it seems like given how sticky this business is and what the underlying growth rates are, you're delivering some very impressive growth. I just want to understand what the kind of split is there.

Lars Rasmussen: I can understand that but we're not going to give you a lot of details on the accessories.

Ian Douglas: I mean, just an idea.

Lars Rasmussen: But you know the accessories business is not a business in all conscience. It's primarily a business in the UK and the US. And you know, those two markets are, of course, important to us, but they're not the majority of our business. When it comes to IC, I actually think that you have to shed a bit more light on it. I'm not sure that we fully understand what you mean by the disruption that one of our competitors has.

Ian Douglas: I was talking about the (Completec) and distributor --

Lars Rasmussen: Okay, yes. So the fact is that in the US, you could say the generic products is a big category for us still, and part of why we are the market leader there, and that is not where we obtain our growth because that's a market where we get tough price competition. What really are creating the growth that we see in the US is the fact that we are converting the market from the old fashioned technology to the Speedi-Cath technology, and the Speedi-Cath Compact technology. And that is both where you operate off the market, but it is also a way to introduce the market to how a decent catheter should look. So in essence, it's a very nice upgrade that we have there. It's very hard for me to talk about what happens with competitors. I don't have any take on that or any comment on what they are doing.

- Ian Douglas: Okay, thanks. And then just one more, if I can. On working capital, Lene, maybe you could just run us through each of the lines. I mean, obviously the build-up in inventory, I've seen that's to do with the launch -- if you can just confirm that. And then there's this kind of increase in other receivables as well. Maybe you could talk about that. It just seems like everything's moved against you this quarter.
- Lene Skole: Yes. I mean, it hasn't moved much against us as you might see from the numbers, actually. Yes, there is a bit of an increase in inventory and that's got to do with the launch of new products. The big movement that you refer to as receivables is actually in connection with the provision that we have made because we have both made -- we have the provision of the DKK1 billion. Then we also have a product liability insurance of about DKK500,000,000 million. And now, as we have taken the provision, and we now also account for the product liability as a receivable, so it's not really a cash effect as such. It is because we now need to account for that as a receivable. Do that make --?
- Ian Douglas: Yes, I understand. Thanks very much.
- Lene Skole: That's the big fluctuation. It's not that all of a sudden a lot of other strange things are happening.
- Ian Douglas: Okay. So the only real thing is the inventory build on that.
- Lene Skole: Yes. So that's the only real thing. So therefore when you look at the total working capital, there's not that big of a change, actually.
- Ian Douglas: Okay. Perfect. Thanks very much.
- Operator: Alex Kleban from Barclays.
- Alex Kleban: Yes, thanks for taking the question. Just two. First of all, within budgeting and planning for the year, maybe three or four risks or opportunities you could highlight to us that would either be up or downside to the revised guidance as we go in H2. And second question just on wound care, could you give us some indication of where you think your wound care market share is, within

dressings, and particularly versus your largest competitor in the space.

Thanks.

Lars Rasmussen: Within wound care, it differs a lot from country to country. But if you look at the total size of Coloplast business, we don't have much market share. We are, as we have said, at several locations we are a sub-scale wound care business. We have significant market share in China. We have significant market share in Russia. But if you look at it in Europe, we think that we have -- it's a very broad range, I have to say, but we think that we have between 5 percent to 15 percent depending on where we are, if you look at it in the developed markets outside of Europe, it's between 0 percent and 10 percent. And in emerging markets as a whole, we have 10 percent to 20 percent. But then we have some very strong positions in China and in Brazil, and that if the current success builds a lot on a couple of factors, one is that we have a good momentum in China and Brazil, that we have stabilized the situation in Europe, and that we have great success with Biatain silicone.

Lene Skole: And then you asked about upsides and downsides on our growth guidance. It's actually not -- it's neither very conservative or very optimistic guidance. It is actually balanced with our sort of best estimate for what will happen. So I can't really say more about that.

Alex Kleban: Okay, maybe just to press a bit, but are there any potentially some specific (inaudible) tenders that might not come through. You know, in H2, when we think about countries like Russia or Eastern Europe where there's some turmoil at the moment, or anything just of that nature that we need to be on the lookout for.

Lars Rasmussen: There's no doubt that Russia is, of course -- it's a concern because of the situation we have there, but we also have to be mindful that it's only 3 percent to 4 percent of our total sales. And Russia has always been fluctuating a lot from one year to another, and from one quarter to another. But I think that's both a blessing and maybe also the opposite that it is a very stable market and the possible risks and opportunities are normally quite small.

Alex Kleban: Okay. That's clear. Thank you very much.

Operator: Martin Parkhoi from Danske Bank.

Martin Parkhoi: Hello. Martin Parkhoi from Danske Bank. Just two questions on SenSura Mio because you say it has been very well received. But can you elaborate a little bit about what is it that people are so enthusiastic about? Is it the new color? Is it the body fit? Is it the ballooning effect? And how do you think at least the two last things is compared with products from competition? And then the second question, also to the SenSura Mio, as I understand it, the users of ostomy products could sign up to get some free samples.

Have you looked at how many of these users are actually non-Coloplast users at the moment so we can get an idea of this is not only a product for new patients, but actually also going for the installed base? And then the last question, on the inventory impact the first quarter, you said there was an inventory impact positively, and this could potentially be reversed in the second quarter. So have we seen reversal and can you then give us what has been underlying growth in the second quarter, while you in the first quarter said the underlying growth was 8 percent to 9 percent?

Lars Rasmussen: SenSura Mio, I have to say that it is, of course, the full package that people like, but if I should be more specific, then the fact that it's not just the color. We are putting real fabric on the product which means that the feel that people have on the skin is very, very different. They basically don't feel the product. The way it behaves when people are taking a shower, you know, where it gets wet and so on, it doesn't get wet and it doesn't absorb any water, so it's more convenient than any other product in the market. So that's maybe in the nice to have end.

The other part is probably more interesting, and that is that it does have the Bodyfit technology in the adhesive which means that it adds to the fact that you don't feel your appliance. And then it really has a filter which is extremely well functioning, and that means that very few people are now experiencing ballooning. And what people used to do is they'd wake up at night, and then they'd have to empty their bag because they'd get air in it because of the clogging of the filter. And you could say these are all small things but if you add enough small things together, then you suddenly get a different

experience, and that is what people say to us. It is -- it's a different level. It works differently and it feels differently and it looks differently. So that's an overwhelmingly positive (inaudible) that we get.

About the sampling, you're absolutely right that our database is very elaborate. We have many users there, and not just Coloplast users. And we scan every name in the database to see if we think it's relevant that we contact them in order for them to understand what options that Coloplast are coming with now. So we use everything that we have in the toolbox on the commercial side in order to get something or to get full impact on this launch. Having said that, this is the launch year, so the impact this year is of course limited because we are actually still in the pre-launch phase, but we will see full impact from next year, and we are still -- of course, we are addressing (InstallBase), but we are, of course, primarily from next year addressing the new patients.

On the inventory side, you also had a question and I'll hand you over to Lene in that regard.

Lene Skole: Martin, I'm afraid I have to ask you to repeat the question. Could you just do that for me, please?

Martin Parkhoi: I would like to do that. In the first quarter you reported 11 percent organic growth, but you said it was -- on an underlying basis it was 8 percent to 9 percent due to (ease of) comparisons, and due to a positive inventory impact. Then you said that we would potentially see a reversal of this positive inventory impact in the second quarter. Now you report 9 percent underlying, and the question was if you look at underlying cause, does that differ from the 9 percent?

Lene Skole: Not really.

Martin Parkhoi: So you have not seen a negative reversal of the positive inventory you saw?

Lene Skole: There's still that underlying 9 percent.

Martin Parkhoi: Okay.

Operator: Niels Leth from SEB.

Niels Leth: Good afternoon. Niels Leth from SEB. First question about the continence division and to what extent the Compact set introduction has impacted the strong organic growth that you reported. And could you tell us how many countries this product has now been launched, if the launch is complete on the Compact set product. My second question would be what would be your remaining provisions for Southern Europe? Thank you.

Lars Rasmussen: The Compact set is first and foremost having an impact in France, and in the US, and then because they are already big markets when it comes to these kind of products. So in those markets, we have very, very nice growth in Compact set. It is launched in more markets, but in those markets we have a different task because the task is to build the category. So the impact there is less, so it's primarily coming out of actually two countries at this time, but it is quite robust. But the whole SpeediCath range is still strong, but of course the Compact set is adding to that.

Lene Skole: And with regard to the remaining provisions for Southern Europe, they are less than DKK80 million, around DKK75 million.

Operator: Veronika Dubajova from Goldman Sachs.

Veronika Dubajova: Good afternoon and thank you for taking my question. I have three if I can. The first one is just on the SpeediCath progress in the US. I think, Lars, in the past you've given us a sense for when you look at your customer base just how much -- what proportion of them have been converted. So I don't know if you have an update for us there in terms of percentage turns. The second question is just ostomy GPOs. Can you give us a sense -- I think there were some recent changes in contracts, if you can just walk us through those. And my last question is around the competitive environment in ostomy. Your competitor reported some pretty impressive Q1 growth rates yesterday, and I'm just wondering if you have any thoughts on are you seeing any changes in behaviors from them or what might have driven that. Thank you.

Lars Rasmussen: So the last one was in which business area?

Veronika Dubajova: In ostomy.

Lars Rasmussen: The SpeediCath in the US, I think that last quarter we said that we think that we have converted approximately 10 percent. So it's still early days, of course, but it's a conversion which is not losing speed. It's actually -- we can keep the speed up on it and we also see that people are not converting back again. Once you are on the SpeediCath, you stay there. So it's very, very positive.

On the -- there is no change in the GPO situation on ostomy care at this point in time. This is something that is -- there's a lot of work going into these accounts before decisions are made. But at this point in time, we don't have anything to report. And when it comes to comparisons to other ostomy companies in the US, I think that the only thing that I would like to say about our current performance in the ostomy business in the US one, we have a low market share, as you know. And two, we have a very, very strong growth which we are very satisfied with and we grow, as I also said last time, (inaudible) in the market. It's a performance that we are really happy with, and which we think we are going to even up now where we are right now going to launch SenSura Mio in the US.

Veronika Dubajova: That's great. So Lars, can I just retake that as meaning you're not seeing different competitive behavior from the other two major players in the market?

Lars Rasmussen: I think that there's no doubt that it's very clear that there is a serious competitor in town, but I think that our competitors have been doing their utmost. And so far they're doing that, but we are just winning much more than we used to.

Veronika Dubajova: That's terrific. And just a quick one for Lene, please. Can you tell us of the 7,000 cases that you have on the mesh litigation, have you settled any so far? And if so, just give us a sense for what proportion you have settled.

Lene Skole: We haven't settled anyone so far. We have entered into agreements in principle, in a few cases, and the way it works is that you enter into an agreement in principle with a litigation lawyer, and after that, they actually have to go and get releases from the individual, and use this before you have

anything that is firm and final. And we haven't gotten to that stage yet with our cases.

Veronika Dubajova: Okay. So you cannot give us a sense for when you might be expecting some of these cash outflows.

Lene Skole: No. I wish I could, but no, we can't do that. We don't know when we will have that. It could be quite a long time before it's finalized. It could still be years but we're talking and I cannot give you a reasonable estimate for when we might start seeing some cash payout.

Veronika Dubajova: That's terrific. Thank you. I'll jump back into the queue.

Operator: Chris Gretler from Credit Suisse.

Chris Gretler: Yes, hi. Good afternoon, Lars, Lene and Ian. Actually, there is one question left, Lars and Lene. Could you speak about the price increases in Japan? Were they in excess of the VAT increase, in general? And then maybe just now quickly, is there any teaser you can give us, you know, why we should come to Copenhagen early June?

Lars Rasmussen: That is, of course, to see the most spectacular Capital Market Day that we have once a year. It is ...

Lene Skole: He now feels the pressure.

Lars Rasmussen: No, but to be serious, that is a very good chance for you to meet our team. And since last time, there are a couple of new faces which that I think you will be very interested in knowing. So I think that's a good reason to get there.

And then with regard to the Japanese price increases, I think what is important for you to understand is -- and I think we've talked about this a number of times is that we are -- and we are working with our prices across the board in the Group. So we have also been working in Japan to get a different pricing vis-a-vis the distribution. I would not like to comment specifically on what that is, but I can confirm that we have entered the negotiations and you see, of course, also that in the numbers.

Chris Gretler: Okay. Good. So I'll see you in Copenhagen. Thanks.

Lars Rasmussen: See you in Copenhagen.

Operator: Oliver Metzger from Commerzbank.

Oliver Metzger: Yes, hi. Thanks a lot for taking my questions. The first one is you mentioned that you spent in the first half, DKK500,000 for the safe enhancing initiatives. So in the current Q2 results, do we see also some results of these initiatives? And my second question, do we have already some expectations for relevant tender businesses in the first quarter? And my last quarter is similar to Chris's question. It's on the VAT increase. Have you seen any impact on volumes due to customers who bought more product than usual?

Lars Rasmussen: It's very hard to be precise on some of your questions because we have many, many tenders that we are working with every quarter, and I think that if you look at it over time, they will level out. The only place where we may see that tenders are a bit less frequent right now would be Russia because that is 100 percent tender-driven market. But we have a lot of tenders win. We have a number of tenders that we don't win. And that is how it is every quarter. The bulk of our business is not driven out of tenders. The bulk of our business is driven out of stable consumption in the more mature markets.

And you then asked if we see any impact of the safe enhancing initiatives that we are doing. I would believe so because, as you see, we are reporting 10 percent growth for the first half year. You saw last year -- in the second half of last year, we saw that the momentum started to increase. And that is due to the investments that we are doing in (safe) enhancing initiatives. So the combination of good products, and also the investments that we're doing means that for the first half we are basically growing twice as fast as the market, and I think that's very good proof that our investments are paying off.

Operator: (Inaudible).

Male: Yes hello. Two questions. One on growth. You are now reporting 10 percent organic growth for the first half, and your online growth is 9 percent. And looking at past years, the growth momentum is usually stronger in the second

half than in the first half. And you are also launching the SenSura Mio which would gain gradually more and more traction, and you're guiding for 9 percent now. And my question is, basically, why is that you expect the growth to decline if it's on the comparison computation or what is it? And secondly, on the mesh, I see that your provision is in line with what ENDO is offering. And there's been enough noise to that in the market. Should we expect you to raise the provision if a large number of victims choose to reject the ENDO offer?

Lars Rasmussen: Let me start with the first one. I think it's a very good question that you're asking, and it's not the first time we've had that question today. As I just alluded to before, then you saw a different growth momentum in our second half last year so we get into a bit more-- or stronger comparison numbers in the second half. We also said after the first quarter that that was a very odd quarter because normally you would have some things that go really well and some things that are going not so well in a quarter, but in our first quarter we only had things that went really, really well. So in that sense, it was probably a bit too positive. And then we specifically, we also have seen that there are prices -- or there was price reductions in France which are impacting us and you also see that there are stronger comparison numbers in wound care. So we think on balance, if we -- where we are now, are able to come up with 9 percent. We think that's good. Having said that, it is of course, very difficult to be precise on sales expectations, and I think I have to say that because we have now twice this year upped our sales expectations. But with everything that we know now and all the (inaudible) done, we think that 9 percent is a good number and that is what we are going to deliver for the year.

Lene Skole: You also asked about the mesh, whether you would expect us to increase this one. I hope not. It is our very best estimate with everything that we know when we have taken everything into account. Also the fact that we actually believe our products are safe products. So with all the knowledge that we have today, that is our very best estimate.

Male: But it is fair to assume that a large part of the knowledge you have now is based on the ENDO offer because you didn't react to the settlement, you made yourself, besides responding to the journalist's article, so --

Lene Skole: Well, what is fair is to say that with what we -- with the negotiations we have done ourselves it's a relatively small part of what we have. And when we then, at the same time, see a very big settlement in the market, then for as many cases as 20,000, then we do need to take that into account compared with what we're doing ourselves, and then come up with a number on that basis, and that is what we have done, but it's not the same as saying that we have used the exact same number as ENDO, which we haven't.

Male: Right. Thank you very much.

Operator: Scott Bardo from Berenberg.

Scott Bardo: Yes. Thanks very much for taking my questions. So I just really wanted to comment on the current business performance which seems to be very strong on the topline and I wonder if -- and it might be difficult to do so -- but whether you think any of that growth relates to some stocking effects that you note in Algeria, all this change in discounting model in continence care in the US, whether you think any of that performance you've seen so far has benefited from that.

On that line, your investments, I think, into sales growth initiatives, historically you have expected these to take a little bit of time to accelerate the topline, and obviously that started to come through relatively well so far with new product launches coming through. So I guess, obviously, the market's quite excited about new products, and your current growth profile. So what would be helpful for me is to understand at this stage do you see growth acceleration into next year, or is it slightly an unusual base year as you sort of gradually roll out these new products? So that will be helpful to tackle those two, if possible, please.

Lars Rasmussen: How can you fix Algeria? I mean, Algeria is not the biggest market that we do have. So it's not -- it is adding to a positive picture, but it's not something which is large million krone numbers that we are talking about.

And the new products that we are bringing to the market, as I've said before, the new SenSura Mio products will not impact much this year. They will come in from next year. But the SpeediCath Compact set is impacting this

year, but the reason why we are seeing an uptick in our growth numbers compared to last year is primarily the fact that we have invested more in sales pressure. So you see that our emerging market is growing much more than it did last year at the same point in time. And we also have strong performance in Europe. We also have strong performance in the US so it's quite broad-based. But is this a point in time where we can talk about what is going to happen next year? We don't think so. We think that 9 percent growth this year is really good and also more than we expected when we started the year, and that is what we can talk about.

Scott Bardo: Understood. Thanks. Just to give us some sort of sense as to how quickly new ostomy products are taken up in the market, can you share with us, obviously we have over two years now experience with the previous generation SenSura Mio. Can you share with us what percentage of your business in ostomy was converted or could that business equate to with respect to the overall ostomy franchise? Just so we can get a sense of how quickly these new products are taken up.

Lars Rasmussen: No we're not -- we can't really share that, and I also think that we have a generation of products here where we are going to get quite some learnings because normally when we bring new products to the market, we are quite exclusive in the fact that we are launching them to the new accounts. And in that sense, you always know that you get a very limited impact because you are only addressing, in principle, 10 percent of the addressable market. This launch is different.

It is a launch where we are also utilizing the quite big database that we have now to also speak with current users. And therefore we don't have any take on how good are we at converting patients in there. So that is something that we are learning as we speak. But we also know this is very early days. It is still, actually, we are still in the pre-launch phase which means that we give out free samples and we only start the sales quite soon.

Scott Bardo: Understand. Thank you. And this last point on (inaudible), to your understanding, currently, would (inaudible) your products qualify for the Novation GPO contract that you have outstanding relative to beta as to

whether the old generation was innovative enough to qualify for that GPO?  
Do you think that this product line now addresses that need?

Lars Rasmussen: That's a good question and I don't have a comment for that at this point in time.

Scott Bardo: Lars, just on Germany, Germany historically has been a very lucrative and important ostomy market for you guys, and I noticed there was some management change in Germany. That also was at a similar time where I've seen comments about (sickness) funds, strength in negotiations on the flat rate in Germany. I don't know if there's anything you can share about the market dynamics in Germany, whether you' see any real change or risk to that environment.

Lars Rasmussen: I think we have been over this a couple times, actually, I think, because Germany is, as you say, an important market to Coloplast. It is also a market that has been quite efficient in driving our costs, and they have done so over the last 15, maybe even more years. Maybe 20 years. And therefore, we have seen many smaller things. We don't see any immediately large scale healthcare reforms on the horizon, but there is no doubt that the healthcare insurer, they are trying to pursue cost savings, and they also include lump sums and so on. So I think, actually, the situation in Germany is as it has been for many years now. There are pressure on prices. The market dynamics are quite strong and have been so also because of the homecare segment that we have there and the different players that are in there. But I think also that we are doing quite well in that market and that we have a very strong market share there.

Scott Bardo: Okay, great. Thanks very much, Lars.

Operator: Michael Jungling from Morgan Stanley.

Michael Jungling: Great. Thank you. A few more questions. Firstly on MPWTü can you comment on the progress that you're making with the distribution of Xtra Care. And secondly, on the net financial guidance, there's always some large swings in the fair value adjustments of the forward contracts. Can you just give us an indication of what the second half would look like in terms of net

financial income? And the finally question number three on staff retention, I think over the last two or so quarters, we've had Claus Bjerre leave, Vagn Heiberg leave. We've now had (inaudible) leave in Germany. Is it becoming an issue to retain good staff, and where did the Head of Germany go to? Did he go to a competitor? Thank you.

Lars Rasmussen: Yes. No, (inaudible) did not go to a competitor. He went to a different company in the industry where he could get a regional responsibility instead of a German responsibility. And we don't think that we have an issue with retention. We would, of course, always like to keep everybody on board all the time but the fact is that, Vagn Heiberg, he had said in good time that he wanted to retire.

And Claus Bjerre, the contract in the US was coming to an end, and he wanted to take on board a CO position in a different company instead of getting back to an SVP position in Coloplast and that is his choice, and he will of course pursue that according to what his wishes are. But we don't feel that people are leaving because they feel that we are on a wrong track. But we have a great team and of course people are looking at the team and seeing if they can get some of the competencies that we use to drive Coloplast into their companies.

On the negative pressure, it's a bit too early to say. What I said in the beginning was that we are happy with the conclusions that we get so far from the two pilots that we're doing in Brazil and Switzerland. And we get very important learnings about how we can bring or make this business become important to us. So we are very satisfied with where we are now, but it takes a bit of time to get the input that you need in order to take the next steps.

Lene Skole: Okay. Then you asked about our net financial incomes and you are absolutely right. It does seem to fluctuate quite a lot. If we look at the rates, they are now our best estimate for the full year is our net financial income of around DKK45 million.

Michael Jungling: Great. And then on NPWT, a follow up, when can we expect to see meaningful sales come through as a sign as maybe adding a point or so of organic growth to your wound care business?

Lars Rasmussen: I cannot be specific on that. What I can say is that it is -- the pilots are living up to the expectations that we had when we start the pilots out. And we are actually following the plan that we had. And it's actually a very good chance to see the product and discuss this further if you come for the Capital Market Day a little bit later. But at this point in time, I cannot comment more on this specific initiative.

Michael Jungling: Great. Thank you very much.

Operator: Ian Douglas-Pennant from UBS.

Ian Douglas: Funnily enough, Michael actually just asked my two last questions. But I'm going to one of them in a slightly different way if I can. Amongst your direct reports, Lene and Lars, what has been the staff retention over the last two years? If you just give it in a percentage number if you happen to have that.

Lars Rasmussen: Staff retention.

Lene Skole: Yes. For those reporting to us?

Ian Douglas: Yes.

Lars Rasmussen: So we have -- I think we are -- well, we are above 90 percent that have been retained thereabouts, so it's -- it's not even at the top of our minds because otherwise we would be able to give you a better answer on it. But it's Claus Bjerre and Vagn Heiberg that have left. And that's it.

Lene Skole: I don't think we've had any other leaving.

Ian Douglas: Okay, great. So I mean I was wondering whether this question keeps popping up because you give more disclosure than everybody else or because it was naturally an issue, but it seems to be around the disclosure side. Thanks very much.

Lars Rasmussen: You're welcome.

Operator: There are no further questions at this time.

Lars Rasmussen: Okay. Then I would like to say thank you very much on behalf of Lene and myself for participating, and for your questions. And we are looking very much forward to seeing you over the next weeks.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may all disconnect.

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