Ladies and gentlemen, thank you for standing by. Welcome to your conference call. 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 then the number one on your telephone keypad.

I would now like to hand the conference over to your first speaker today, Lars Rasmussen. Thank you. Please go ahead.

Lars Rasmussen: Thank you. Good morning. Welcome to this conference call, following our stock exchange announcement yesterday evening.

I'm Lars Rasmussen, CEO of Coloplast. And I have with me today CFO, Anders Lonning-Skovgaard, and our investor relations team.

Globally, Coloplast has invested into building a strong consumer platform, based on our Coloplast Care program and direct-to-consumer initiatives.

In the US, the Coloplast Care program has grown into a strong patient program, where currently one-third of chosen US care MPDs within ostomy care enrolled into the Coloplast Care, and a rapidly growing enrolment into Coloplast Care within continence care.
Due to the market structure in the US, Coloplast has decided, as a complement to our consumer strategy, to actively participate in the ongoing forward integration into the distribution channel by manufacturers in the US.

Coloplast has entered a definitive agreement to acquire Comfort Medical for a cash consideration of $160 million, equal to approximately DKK1.1 billion, on a cash and debt-free basis.

Comfort Medical is a privately owned, US direct-to-consumer durable medical equipment nationwide dealer of catheters and ostomy supplies with a forecasted revenue for 2016 of $38 million, or approximately DKK270 million.

The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the first quarter of 2016/2017.

The strategic rationale behind the acquisition is threefold. First, Coloplast has a stated consumer ambition whereby we plan to get closer to our end users to provide them with the product support they need.

Support is provided through our strong Care program. Comfort Medical will continue to be part of Coloplast Care's dealer landscape, helping us to ensure that Coloplast uses that access to products.

Second, within continence care Coloplast is committed to driving the shift in the market towards hydrophilic catheters. Coloplast's growth in hydrophilic catheters is strong, and through the acquisition of Comfort Medical the growth can be accelerated.

Finally, Comfort Medical is a small player in the market today, yet Coloplast has a strategic plan in place with the intention of growing the scale of the business.
If completed, the acquisition will result in a revised guidance for the financial year 2016/2017. The organic sales growth guidance of 7 percent to 8 percent is unchanged, as is the EBIT margin guidance of 33 percent to 34 percent in constant currencies.

Sales growth in Danish krone is expected to increase by 1 percentage point to 2 percentage points.

The EBIT margin in Danish krone is expected to be unchanged at around 33 percent.

The transaction will be financed through a credit facility, and it is assumed that the debt will be repaid over a two- to three-year period.

The acquisition has no impact on our dividend policy.

With that, I would like to open up for questions. Operator, could you open up for questions, please?

Operator: Ladies and gentlemen, we will now begin our question-and-answer session. If you wish to ask a question, you can press star and one on your telephone and wait for your name to be taken by an operator. And if you wish to cancel your request, you can press the hash key. Again, that is star one on your telephone. You have questions coming in, please stand by while we compile the queue. Our first question is coming from the line of Michael Jungling. Please go ahead and ask your question, your line is open.

Michael Jungling: I have three. Firstly, how much was the acquisition driven by your SpeediCath patent expiry in 2017?

Number two is, what is the Coloplast share of intermittent catheters and ostomy bags within Comfort Medical?

And thirdly, on forward integration, I think earlier this year, at your CMD, I asked the question whether you were interested in doing more forward
integration in the US, as we've seen with Bard and with ConvaTec, and I thought there was a little bit of hesitation to do this. Does the acquisition today indicate that you are more fond of pursuing forward integration?

Lars Rasmussen: Thank you, Michael. The reason why we do this acquisition is because we feel that we have a very strong traction on the current direct-to-consumer channel in the US.

As I mentioned in my opening statement, we have a significant part of new patient discharges already on Care. We have a market in the US on catheters which is very unlike all other markets, still dominated by old-fashioned technologies. And we have the best products in the markets, and we also have the broadest range of products in the markets.

By the way, as we speak, we are launching a new non-touch (co-day) solution in the US. So we think that we have an access which -- or a product offering which is second to none and we are very keen to push that into the market.

So with the strong traction of the DTC channel, which is actually stronger than we believed it to be, we think that we are now ready to take one further step into the market and get even closer to the patients, and that is what we do now.

We don't disclose what our CF products are inside of Comfort, but what I can say is that the biggest part of their business is within catheters. So there is this more catheters than -- and ostomy in that set up.

And this is not a global change of strategy, if that is what you mean by your last question. As you know, we are forward integrated in the chain in the UK. We are forward integrated in Germany. And now we are also more forward integrated in the US.

But with the distribution of profits in the chain in the US, we think that it's actually a pretty profitable and fast-growing channel that we are part of here. So we have a plan for how to expand that.
But as we also said, it's not a big investment that we have done. It's not a big deal that we have bought. But it gives us the access that we are interested in at this point in time.

Michael Jungling: Thank you.

Operator: Thank you very much, and your next question is coming from the line of Ian Douglas-Pennant. Your line is open.

Ian Douglas-Pennant: It seems like this is a change in strategy in the US. As Michael says, you've been pretty vehemently opposed to the idea of vertical integration for a while. Now that you've started on this track, presumably, you can't go halfway in.

With a manufacturing market share of, what, 50 percent/60 percent and a retail market share of, what, 3 percent there's a bit of a mismatch there. Is this the start of a long chain of M&A that we're going to see in the US retail space? Or are you going to be putting a lot of money organically into this business to build that market share up as quickly as I think you need to?

Secondly, in terms of your mid-term guidance, if you do do a lot of focus on retail in the US, as you say, this is margin accretive for you quite strongly, does this mean that your longer-term guidance is -- there's potential upside there?

Lars Rasmussen: To start with the last part first, this is definitely strengthening our growth in the US. Our reported growth in the US is not strong right now. But our underlying growth, as we have said at several occasions, is very strong; and we are going to show that also in this current fiscal year.

I think that what we have done now is that we have entered into the dealer segment in the US with this acquisition. And we do that because we feel that we have everything else in order. And we do that because we can scale the business.
We have a plan for that; and we will talk more about that later on, once we have closed this deal, and once we have integrated Comfort Medical into Coloplast.

Ian Douglas-Pennant: So you'll give us an update next Capital Markets Day, or before that?

Lars Rasmussen: We give you an update once we are ready to do that.

Ian Douglas-Pennant: OK, great. Thank you.

Operator: Thank you very much, and your next question is from the line of Martin Parkhoi. Please ask your question; your line is open.

Martin Parkhoi: Danske Bank. Two questions, I believe. Firstly, going into forward integration, are there any risks of any kind of collateral damage where you become competitor to some of your existing clients, which will not be satisfied by this move; also, the fact that you now highlight at this conference call that you expect to be building it more aggressively organically?

And then, second question, just to understand that the impact on the top line, adding the sales from Comfort Medical, I guess, there is also some sales elimination since you're already selling to Comfort Medical. How much would this sales elimination be?

Lars Rasmussen: I think it's more detail than we are ready to answer right now, Martin. As we are saying, it will give us 1 to 2 percentage points on the growth in Danish krone for the year, or for this fiscal year. And that is the accuracy that we are ready to give at this point in time. And it doesn't have any impact on the EBIT margin.

What was your first question, could you --?

Martin Parkhoi: Collateral damage.
Lars Rasmussen: Yes, with the DTC program that we have built, or with the digital marketing channel that we have built in the US, we are producing a vast number of what we call lead contacts. And that is what has given us a very strong collaboration with the DME dealers today.

There is plenty for all parties. But this gives us an opportunity to get the product range that we have, especially inside of continence care, to get that to the market in a very different way than we can do that today. And it is, as I also said, very, very profitable.

So we think that this is global. And if you wanted to go after Coloplast because now it's also a competitor, I think we're the last manufacturer to now have this multi-channel. So I don't know where to go. I think it is the market model today.

Martin Parkhoi: OK. Thank you.

Operator: And your next question is coming from the line of Carsten Madsen. Please ask your question. Carsten, your line is open.

Carsten Madsen: SEB. Just one question left here, I think. Can you talk about some of the strategic observations or considerations you made when buying exactly this player?

It is a relatively small player in this market and you will probably, or at least, I assume, also have to invest in building a market share going forward. How do you see these investments? Is it something that can be leveraged easily? Or will you be spending money to grow this channel?

Is it correct to say you're roughly 5 percent market share? Is that the correct number? Thanks.

Lars Rasmussen: Yes, it's around the 5 percent. So it's a small market share, you are right about that.
A major part, as we talked about earlier on, of the rationale here is that the market in the US for catheters is underdeveloped. For the same money that are already in the markets people could get a significantly better product offering, and we could, all of the manufacturers, also make a significantly better margin. And this is what we are tapping into here.

As we said, we have plans for how to scale this business, once we have the business model lined up in the correct way. That is as much as I can comment on now. But it is a major driver for us, to change the market into hydrophilic catheters.

And now that we are talking about that, as we speak, we are launching what we call the SpeediCath Flex, which is at the front page of the investor presentation, which is -- which you can find at the Coloplast home page. That's the latest addition to the catheter line.

And this has been approved by FDA in the US. And it has also been approved into the A352 category, which is also called the (Code A) category, which is a high-value category, and we are launching into that, as we speak.

Carsten Madsen: Thanks.

Operator: Thank you very much Carsten. And your next question is coming from the line of Annette Lykke. Please ask your question; your line is open.

Annette Lykke: Handelsbanken. Lars, just a question on why Comfort Medical? I think previously, when you have discussed the options of doing forward integration, then in the US you were very keen on not owning warehouses and stuff like that.

Is there any -- could you put a little bit more color on why it has been this company and not others? Is this simply because this is the only one available? Or is there other options you would consider expanding your position in this area? 5 percent is maybe less of the ambitions you would have normally.
And also, the timing aspect, why is this now and not one or two years ago? Is that associated with some of the other challenges you have had in the US, I'm thinking DoJ? Or could you say a little bit about the timing in this respect?

Lars Rasmussen: You got it perfectly right, that we are not very keen on owning stocks, and so on. But it's hard. When you are going forward in the chain, of course, you will have more of that. But in this specific case, Comfort Medical actually has outsourced all of this to a third-party company; but, of course, we pay for that, or they pay for that, as we speak.

But the main reason why now is because we have invested significant both money and effort into making the digital channel work, and it works extremely well.

We see, for example, in the UK how well the DTC that we have created, and the physical distribution that we also have, that whole charter set-up that we have, how well they work together. And now we feel that we have this basic strength in the US, we are generating an exceptional amount of -- or number of patients in care, and also through the DTC channel.

And we think that we can drive more value out of our business and grow faster by taking this step forward. We were not ready to do that two years ago, so we needed to have this in place first. There is a limit to how much you can cope with in an organization at the same point in time. So, I think that's the major part of it.

And then, as you are also are alluding to, we had the DoJ investigation last year. And we would under no circumstances, under such an investigation, go in and do acquisitions and forward integrating, because we didn't understand what it was about until afterwards.

And, of course, that also means that, on the other side of it, where we are today, we know the strength of our business; we know how -- what are the
rules in the playbook very, very well. So we feel very comfortable going forward in the chain with the knowledge that we have today.

Annette Lykke: OK. And what about potentially other (tasks), or this company? And why Comfort Medical, maybe I didn't get it right there; why this one? And will there be other options?

Lars Rasmussen: Yes, I'm sure there are plenty of other options, because there are many dealers in the space.

But Comfort Medical is a very good starting point, we think. It's growing really, really fast. And that's also -- you can almost see it in the price, because we tell you about the price for the -- or the sales for the full year. But, actually, the price that we pay is based on the last quarter's run rate, because you basically can't even use the full-year numbers to put a price on it.

So, it is high growth. It is a management team that we feel fits with the values of Coloplast. And we think that is very, very important, because they are quite independent in the way that they work. But it needs to be something that is adding to Coloplast, not something that we are afraid will subtract from it. So, it's a good fit. And it's the fit that we could see right now, and that's why we're acting on it.

Annette Lykke: Thank you very much.

Operator: Thank you. And your next question is from the line of Veronika Dubajova. Your line is open; please ask your question.

Veronika Dubajova: I have three questions, please. I actually want to follow on the price comment, Lars, that you've made. And looking at the acquisition multiple here, it is substantially higher than what Bard paid for Liberator; I think it's almost twice that.

So, can you just elaborate a little bit on the comment that you just made? Are sales really growing that fast? Are we really talking about significant double-digit growth in the business, which would put the multiple more on par? Or is
there something else that meant to you that the price that you paid was worth paying? That's my first question.

My second question is just what do you think is a realistic pace of conversion within Comfort to expand your share?

I know you don't want to comment on what your own share is today, but let's assume, for the sake of argument, that it is 20 percent, do you think it's realistic to get it to 50 percent in a 12-month timeframe? Or is this going to be a more prolonged process? Just your general thoughts on how quickly can you convert the products from competitors to your own within Comfort would be really helpful.

And I have one question after that, but I'll let you answer the first two, first.

Lars Rasmussen: I think Anders, he will take the first one.

Anders Lonning-Skovgaard: Yes. The trading multiple, it's based on the Q4 run rate. Because Comfort has done a number of acquisitions throughout of -- for 2016, so it's the Q4 run rate that we have used for the multiple.

Lars Rasmussen: And that means that the multiple that we are paying is very much comparable with what you have seen other companies are paying for these type of companies.

Veronika Dubajova: OK. Thank you.

Lars Rasmussen: And then, at the pace of conversion, it's very hard to be specific on that. We have a very high growth of hydrophilic catheters in the US, we have also a very large base, very, very large base, of standard catheters that we are selling in the US, so we don't have to do a lot of actions with that big base in order to even improve on the number or the speed of the conversion.
But I don't know, or we don't have a target, for how fast we can convert the market. We have a target for how fast we want to grow, and we are improving or lifting that number or that ambition now with this acquisition, of course.

Veronika Dubajova: OK. And my last question is more big picture. If I look at how the -- especially on the continent side, the market has changed. Obviously, we've had quite a lot of vertical integration in the US over the past five years. Is your expectation that your competitors step up their efforts here in terms of vertically integrating in a response to your own efforts?

And, I guess, to what extent are you worried about, I don't want to call it a race to the bottom, but race for everyone to vertically integrate and effectively your share will become a function of your control of retail? Do you think that's ultimately where the US market is headed, or is that too extreme of a view?

Lars Rasmussen: There are a very large number of the scripts in the US that are unbranded. As it works today, because the market is very transparent, if an unbranded script is handled in a normal dealer business people get the cheapest possible version of a production; that's just a fact.

The whole drive we have is to get -- is to promote modern products. It's not more expensive to society, but it just gives a much better quality of life for people; and, by the way, it also gives a better business to Coloplast. And that is what we are chasing.

We are not chasing a race to the bottom, so to speak. We don't think that with what we are doing here that we're taking value out of the market scene from a manufacturer standpoint; we are actually selling value to the market. So, in that sense, this is the most logics that we can do. We are just not ready to do it before now.

Veronika Dubajova: OK. OK, thank you very much, Lars, really appreciate it.
Operator: Thank you very much Veronika. And our next question is from the line of Christian Ryom. Please ask your question; your line is now open.

Christian Ryom: Nordea Markets. I have three questions, please. My first one is can you elaborate a little bit on to what extent your experiences from your European home care companies might be relevant for your managing of Comfort Medical; that is whether you are confident that you won't see any surprises in going about managing Comfort Medical?

And can you also elaborate a little bit more about what this ambition for organic growth in Comfort Medical translates into? Will this mean that you have to expand upon your previously announced DKK2 billion investment plan towards 2020?

And finally, can you say a little bit about whether there is also potential for using the Comfort Medical platform in wound care? Thank you.

Lars Rasmussen: We think that the UK experience that we have, and also the German experience, to a certain extent, are relevant in this context, because what we have, as I said earlier on, is an extremely strong direct-to-consumer platform on the digital side.

And that can't be used with a more physical activity that we have when we talk about the dealers, because the dealers they take care of the insurance claims and the physical distribution, and so on, and so forth.

And they do link together in a very nice way. We can see that we can give a better service to hospitals. Because we have this, we can give a better service experience to the end users.

Because we have call centers that are extremely well educated, we have homepages that are -- that have the level that they have, we have Track & Trace on what we said to people, and so on and so forth, so we can definitely utilize the experience that we have there.
It's been a tough ride in the UK, as those of you who have followed us knows well; but it's also been a very encouraging last 12 months, because we have seen how much we have been able to improve the experience, both from the professional side, but also from the end-user side. And that has given us a lot of comfort in what we can do going forward in the chain in the US also.

So we feel very confident about that, so certainly it's very relevant.

We are not prepared to talk about what are the specific ambitions inside of the different units of Coloplast. But what we can confidently say is that this acquisition, and this mood that we're taking now in the US, will accelerate our growth, and that is why we are doing it.

Then, you had a question about Comfort Medical, and what was that (multiple speakers). But we don't see that. As we speak, it would be great if that would be the case at some point in time, but for now it is continence and ostomy care.

Christian Ryom: Great. Thank you.

Operator: Thank you very much. And your next question is from the line of David Adlington. Please ask your question; your line is open.

David Adlington: Apologies if you've covered this off already, but I just wondered if you could give us an idea of whether you continue to supply your competitors' products through them, and for how long? Do you anticipate still supplying those products in five years' time?

Secondly, I just wondered if you could give us a high-level view of the margin structure; around gross margin and EBIT margin of the business, would be great. Thank you.

Lars Rasmussen: Yes, of course we will still continue to sell our competitors' products through this channel. We are also selling a lot of our products through our competitors'
channels in the US. We also continue to drive a very large number of (leads) to other dealers who are not manufacturers, also. So there's nothing there.

It's the difference of -- the way I could comment on the margins is to say that when we are -- (on side) of ostomy care the margins that you enjoy as a dealer are relatively low, and as soon as you work with catheters the margins that you have are significantly higher. And, of course, in the case where we are selling a Coloplast product through this channel, the margins are really, really high.

And then, back to what I said before, we have just launched the SpeediCath Flex in the US; and it was launched in (Class A) category, which is a really high-value category. And this is probably the least scary products that you have in that category.

So, in that sense, I think that it is just a very force that point in time that we come out with that.

I think that we are ready for the last question.

Operator: The last question is from Niels Leth. Please ask your question; your line is open.

Niels Leth: Thank you for the question. Could you comment on the number of customers that Comfort is serving?

Secondly, just for way of understanding this move, could you also talk about so what is the average price of an ostomy bag that you receive as a wholesaler, as opposed to becoming a kind of retailer of ostomy bags? Thank you.

Lars Rasmussen: I'm afraid I can't answer any of your questions, Niels. We don't give the number of customers out at this point in time, and I don't have what you're asking for at the top of my head. But there is no doubt that, as I said before, it's more profitable for any dealer to handle continence care patients than to handle ostomy patients. But, of course, a Coloplast patient, whether it's
ostomy or continence care in Comfort Medical, is quite value-accrative to the Company.

So, with that, I think that we will close down the call.

The last thing that I'll mention is that, we also came out with that earlier on this week, and now that we have everybody together, we have also obtained reimbursement for modern catheters in Korea. And we have a very strong organization in Korea. So that is adding to what is going on in that region.

Because not that long ago we talked about that we have gotten a better access to reimbursement in both Japan and Australia. So we are very happy about that our efforts in that region have yielded such a great success.

So, with that, I wish you all a very good day. Thank you very much.

Operator: And that does conclude our conference for today. Thank you, all, for participating. You may all disconnect. Speakers, please stand by.

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