

Coloplast
Thursday, 28th January 2010
14:00 Hrs UK time
Chaired by Lars Rasmussen

Lars Rasmussen

Good afternoon and welcome to this Q1 2009/10 conference call. I'm Lars Rasmussen, CEO of Coloplast. With me, as usual, I have CFO, Lene Skole, and Director of Investor Relations, Jan Christensen (?). The call is scheduled to last around one hour.

So let's turn to slide number three. Q1 2009/10 was a very satisfactory quarter and, as far as we can see, all indicators are pointing in the right direction. This is also why we can report a very satisfying earnings development. In Q1 2009/10, EBIT went up by 36% resulting in an EBIT margin of 20%. We realised 7% organic growth and a 5% reported growth, which is in line with the guidance. This development is due to good growth rates realised in ostomy care and urology and continence care. Our free cash flow remains strong due to improvement in earnings and working capital. As for the share buyback programme, we expect to launch it in February 2010.

On the back of this set of numbers we can make the following upgrades to our guidance for 2009/10. We still expect an organic growth rate of six to 7%, now corresponding to five to 6% in Danish kroner. We upgrade our EBIT margin expectations to 19% from, previously, 17 to 18% in fixed currencies and 16 to 17% in Danish kroner. We also lower our capex expectations slightly to now around DKK 500 million. As a consequence of the guidance upgrade for 2009/10 we now believe that our long term financial expectations will be achieved within two years against, previously, two to four years.

I'm proud of the numbers that we have released today. I.. we are confident in the programmes and measures taken to make Coloplast a more agile and efficient company. We will follow our margin improvements practice all the way through to the end, but we will also start to invest more in growth initiatives within all business areas.

So let's take a closer look at the sales growth and move to slide number four. Revenues went up by 5% to DKK 2.2 billion, corresponding to an organic growth of 7%, which is within our guidance given in November. Within ostomy care we saw an organic sales growth of 6% to almost DKK 1 billion. The biggest growth driver in this business segment is still the SenSura product line. Urology and continence care sales also came to almost DKK 1 billion. This equals an organic growth of 11%. Growth was driven by intermittent catheters, especially SpeediCath and Self-Cath. But sales within the remaining portfolio of continence care management products were also satisfying.

Also, the US and European urology business had a good quarter. We no longer see the postponement of elective procedures in the US and this supports growth. We also continue to receive good feedback in the market for our Virtue Male Sling. Our wound and skin care business went up by 2% to around DKK 350 million. The wound care project shifted focus from pure cost reductions to getting growth back into the business. This involves, primarily, a fine tuning of the go to market models in different markets and

the build up of sales forces focused on the community segment in selected markets, now organised under our new SVP.

Looking at geographies, the European sales ended at DKK 1.8 billion and the organic growth was 7%. Sales showed good momentum in all major markets, both within ostomy and continence care, whereas the wound care business was impacted negatively. Organic revenue in the Americas went up by 12% to DKK 350 million with satisfying growth, especially within continence care and skin care, whereas growth in ostomy care was slightly below expectations. Revenue in the rest of the world improved by 4% organically to almost DKK 200 million. Growth was negatively impacted by a lower number of tenders in this region and lower sales in the Japanese market.

With this sales overview I'd like to say just a few words about our new Biatain Silicon, so please turn to the next slide, which is slide number five. Recently Coloplast launched Biatain Silicon and it received very good uptake and feedback from the market. This product is directed to a very attractive part of the market where growth rates approach 20%. This is a significant launch where our wound care business... for our wound care business and we now carry a more complete product portfolio. We will roll out this product in France to begin with, with all major markets following at a later stage.

With this I'll hand you over to Lene for more details on the financial numbers. Please turn to slide number six.

Lene Skole

Thank you, Lars.

Gross profit amounted to DKK 1.4 billion. That's equal to a gross margin of 59% in line with Q1 last year and up two percentage points compared with Q4 last year. We continue to see significant improvements in the production economy from the relocation of production to Hungary and China. This improvement, however, is more than offset by our production running below full capacity. Furthermore, production costs for SenSura and biatain foam dressings continue to be high as around 50% of these products are still produced in Denmark. The transfer of production to Hungary of these product groups is well underway and we expect production costs to normalise when the transfer is finalised during 2010.

We're very satisfied that our SGNA to sales ratio improved by four percentage points compared with Q1 last year and ended up at 35%. The distribution to sales ratio ended at 29% of revenues, a full percentage point lower than in Q1 last year, and this shows the impact of our sales force efficiency programme. Our admin to sales ratio declined three percentage points compared with Q1 last year, but, as expected, increased slightly compared with Q4 last year. The improvements from last year are a result of our focus on savings, efficiencies and cost containment throughout the organisation. We will aim towards maintaining our admin to sales ratio at around this level.

Finally, the R&D to sales came in at 4%. This is slightly lower than Q1 last year but in line with previous quarters and within the range of four to 5% we have seen over the past year. The final result is a reported EBIT margin of 20%. Net interest bearing debt to EBITDA is now 1.0, which is down from 2.1 last year. This change stems from the

combination of high cash generation and the cancellation of the remaining share buyback programme last year.

The new share buyback programme approved in December 2009 is expected to commence in February 2010. Further details in this connection will be published separately to the stock exchange as and when required.

The working capital to sales ratio is 23%, which is one percentage point better than Q4 last and seven percentage points better than the same period last year. This shows that our efforts to improve working capital continue to yield results. Capex amounted to DKK 66 million, corresponding to a capex to sales ratio of only 3%. The lost capex does not reflect stock investments but is due to the fact that major projects only begin later this year. We mentioned some of the main investments in our release and they are our technical competence centres in Denmark and office space conversion in our Humlebæk facilities. Return on invested capital after tax was 20% for the quarter compared with 13% same period last year and up from 18% in Q4 last year. This is the result of the combination of increased profit, lower capex and improving balance sheet items.

Finally, the free cash flow was DKK 175 positive compared to DKK 250 million negative last year. The significant improvement comes mainly from the combination of stronger earnings freeing up cash from net working capital and from lower capex.

I believe this is a very convincing set of numbers and confirms the direction Coloplast is heading. This is also why we can make a solid set of guidance adjustments, which I would like to comment on further.

Now, please turn to slide number seven. For 2009/10 we continue to expect a growth of six to 7% organically, but the growth in Danish kroner is now expected at five to 6% from, previously, four to 5%. The change in guidance is primarily related to a slight strengthening of the British pound sterling, which has appreciated since our previous guidance. The organic growth guidance continues to be based on the trends we currently see in the market. These include negative impacts from the implementation of healthcare reforms in the UK in April together with the estimated price cut on certain wound care product categories in France which has not yet been implemented.

For 2009/10 we now expect the EBIT margin to be around 19% in fixed currencies as well as in Danish kroner from, previously, 17 to 18% in fixed rates. We changed the EBIT guidance because we see that the results of our efforts are coming faster than we had forecasted. Our sales growth is satisfying, our gross margin is improving as expected and SGNA continues to be slightly better than expected. Our organisation has truly committed to our efficiency drive and that is bringing us slightly ahead of the plan.

The guidance includes around 60 million in special items related exclusively to relocation of production facilities. We expect our capex for 2009/10 to be around DKK 500 million from, previously, between 500 and 600 million. This reflects continued optimisation of investment programmes. Finally, our effective tax rate is expected to be around 27%.

I mentioned that Coloplast is slightly ahead of the plan. This also means that we now expect to reach our long term guidance within the next two years instead of two to four years mentioned in connection with the full year results.

This concludes our presentation of our results for the first quarter 2009/10. Thank you very much.

Questions and Answers

Klaus Madsen – Handelsbanken

Yes, hello, it's Klaus Madsen here from Handelsbanken. My first question relates to organic growth. The rest of the world region is, I guess, the main outstanding concern there and could you elaborate on what you see in the, sort of, key regions there? Is there any positive sign that things are normalising?

My second question is relating to the gross margin trend following the final big relocation project. You now, I guess, have good visibility on the completion of this project and, hence, I guess you should be able to provide some comments on the gross margin potential within the next few quarters on that specific item.

And finally, obviously you now initiated your share buyback programme, but you also need to accelerate that significantly unless you get involved in M&A activity, and what is the status there? Do you see any increase deal flow or something that potentially could lead to transactions?

So those are my first questions.

Okay, Klaus, let me start out with the... your question regarding what we call rest of world. It's... the prime reason for the lower growth in this area this specific quarter is actually driven by Japan, as I also mentioned in the presentation. And the reason really is that last year in January we had a significant price increase in the market and therefore there was some stock loading going on in the first quarter last year. And that actually means that this year we have, you could say, normal development but we are comparing against the very, very last quarter last year, which was, sort of, skewing the whole thing. And that is simply the explanation for it. Apart from that we are actually seeing that the growth is coming back in this region and things are starting to normalise, I would say.

And, Lene, would you take the next bit of the question?

Yes, Klaus, you asked about the growth margin trend, and yes, we've seen an improvement from Q4, which was great to see. And we also see continued improvement in the efficiency in the production. Gross margin is still impacted to some degree from the below capacity production, but we do expect to see further improvements in the gross margin and it is the improvement in gross margin that we expect will be what will take us to our long term target. So that's where we see the improvements coming from to reach, finally, the 20 plus within the two years.

You talked about the share buyback programme, and yes, we will be initiating that. You were also absolutely right with the cash flow generation that we're seeing now, as in that programme on its own will not bring us within our range for net debt to EBITDA, which just to remind you is between 1.5 and 2.5. It is also right that it would be of course great to find things to invest the money in here, either in the business organically or on the

M&A front. We don't see any increased activities in the M&A front within this base and I would also say that we are still in a situation where the areas that, you know, potentially could be relevant, such as wound skin care, urology, are still in the, sort of, improvement process and thereby have not yet, in our mind, earned the right to acquire. So you shouldn't see us... expect us to be doing something right away, but, you know, as time goes by we would hope that we could get to that situation.

Okay, thank you. Then a couple of follow ups.

The sales force efficiency programme you have implemented with improved targeting and segmentation, you've earlier indicated that it has at least shown some promising signs on sales per rep. Could you elaborate on the trend, maybe also in some of the key geographies, as you have implemented this project?

And could you give more details on the trend in urology and continence respectively and primarily with focus on the US market?

And finally on wound care, exactly how long will it take to roll out this new product in the five, six key markets?

First of all, I'm actually very happy with the first question that you are posing on segmentation and targeting because actually we do see that we have a double digit improvement rate on sales efficiency. Actually you will see that almost one percentage point of the improvement that we're seeing on the bottom line comes directly out of us being more efficient in the sales force. And that is pretty good because now the programme is, sort of, implemented through the () being followed, but as I have also explained on several occasions, this is a programme which is aimed at working with the bigger and more professional accounts, so they do... they don't just start buying just because you start visiting them. So therefore there is some time lag before we see the full effect, but I'm very happy that we now straight out can see the effects in the earnings of the company.

When it comes to continence care and urology care, you know, I think we have a positive development which is planned for the US. Continence care is progressing... or the intermittent catheters I should say, are progressing as... more or less as we expected, maybe slightly better. And then our... then we, contrary to what MS (?) earlier said, we actually start to see a pickup of the surgeries, the elective surgeries inside of men's health, and we actually do believe that what we are seeing is that now there are so many people who have postponed that now it starts to normalise and we start to see the surgeons running more or less at their normal capacity again. So that is positively received by us of course. And also, the latest launch we have made for male incontinence in the US is having a very nice pickup. So it's basically all positive on that note.

When it comes to wound care and how fast we can implement the products, the... I would like to say that the implementation of the new silicon product in the market is of course a little bit hindered or stopped by the fact that we are now reorganising so that we have a sales force which is going directly to the community and we also have that sales force, or the sales force within wound care being, to a major extent, now run by this new SVP that we have put in, Nicolai Buhl Andersen. And of course we need to make sure that we are launching right the first time and that we are launching in a way or a fashion that fits with

the changes go to market model that we have. So that means that we have launched now in France, but I cannot say exactly when we are going to launch in the next new country, but we will roll it out as fast as we... That's because (?) you cannot launch a new product twice; you have to make it right the first time, so therefore we are cautious in the way that we are going to market with it. But it has been, as I also said in the presentation, received very positively by the market.

Okay, thank you very much and congratulations on the results.

Thank you.

Vak Chopra – PiperJaffray

Hi, good afternoon, this is Vak Chopra from Piper Jaffray. I have a couple of questions for you. The first one is on your gross margin improvement... sorry, on your EBIT margin improvement. You say that comes from gross margin. And is that primarily through moving cost to goods sold through low cost production countries? And is any of it through SGNA improvement as well?

And the second question I have for you is in terms of which specific markets are you seeing pricing pressure in the wound care division?

Hang on a second, I'm not sure that I understood your second question about the SGNA.

Is any of the EBIT margin improvement... is it because of SGNA improvement as well or SGNA leverage?

Yes, maybe I can just explain briefly on the EBIT margin improvement. If you compare the EBIT margin of the 20% reported to the 15% that we reported in the same quarter last year, then 1% comes from slightly lower distribution to sales ratio, so that's the targeting and segmentation, the better... or the more sales per rep that we're seeing there. Then we have one percentage point that comes from lower R&D spend, and then three, i.e. the remaining three percentage points of the improvement, actually comes from lowering the admin to sales ratio, which has been lowered from nine to 6% of sales. I hope that answers your question.

And I suppose for the price of that you are asking for, I think that the one market where we see the highest pressure is in France, so that would make up a major part of our comments on that note.

Okay, thanks. And just a quick follow up. Can you give us any guidance on gross margin trends for this year, where you expect it to end up?

No, we don't guide on gross margins; we guide on EBITDA.

Okay, thanks.

Hans Postrom – Goldman Sachs

Hello, this is Hans Postrom at Goldman Sachs in London. I have a couple of questions. Firstly, in the... well, you made some comments to the German business improving. Should I read that as being the ostomy business? And if so, what is it that has happened in the quarter that has developed favourably? If you could share that with us. Sorry if you said it earlier, I arrived a bit late to the call, but if you don't mind talking about that.

And secondly, what is the price point of the silicon biatain version of... or silicon version of biatain, I should say, compared to other versions of biatain and what risks do you see pertaining to patents and any challenge from () regarding their very strong Safe Tech (?) patents? Thank you.

Let's start with the German business. And it's not because you were late in, Hans. It's basically because we didn't speak, really, about the German business this time and there's a good reason for that. And that is that we feel that we are normalising the situation, as we also said last quarter, in Germany, and this quarter, for the first time in many quarters, actually had a positive growth. All of the business areas we have in Germany are improving. And we still need to see positive growth in ostomy care in Germany but we are quite confident that we will see that. So I don't have much more to say about the German situation. We have done a great effort there to improve on the business and both the, sort of, core business there and also the home care business, Seiver (?), is running according to... are better than the plans that we have laid out for it, so we are quite happy with what is going on there.

And is the loss of market share slowing in the ostomy business or is that the same level?

Absolutely, it's a very, very different situation than what we had a year ago, so as sales is starting to pick up it's also changing completely the picture there. So we are quite... we feel much better about this area than what we have done.

When it comes to the price points on the new silicon dressing, we are launching it at the same price as our competitors, if at all possible. There are some geographies where you come in a little lower when you are not the first mover, but we try to get the same price of course. We have a better product, we are convinced, so we should at least have the same price. And you are absolutely right that one of the things that have kept Safe Tech alone in the market for years is their patent position. Our products, I would say that their patent position has helped us to develop a product that is better than what has been seen on the market before because we're launching a product where you have silicon where you need it and you have foam where you need it. So we don't have complete coverage of the foam plates with silicon, so it is actually a difference and a much more soft product that you will find on the market with us than what you have seen previously. Therefore, in other words, we don't have any IP problems.

Okay, so you are not... if there had been any IP issues, you expect to have seen them by now then. Is that how we should understand (?) it?

I would say that we do understand... not just in this area but in most areas, we understand our competitors' IP position very well and we don't launch a product where we think that there is any infringement risks.

If we compare this with a traditional, well, non silicon version of biatain, is the price point double or treble, or what is the difference compared to a non silicon coated biatain dressing?

Oh, I can't make that comparison for you.

Because of?

Because I don't have the knowledge at hand, so that's the honest answer on it. I simply can't remember where we have it. But Jan can come back to you with that so that you can get a feel for that.

Okay, that would be helpful, thank you.

David Adlington – JP Morgan

Good morning, it's David Adlington... good afternoon, it's David Adlington from JP Morgan (). Most of my questions have been answered, but really just a big picture question on margin. Given the progress you're making, do you think that's just an early delivery or do you think we should be thinking about further gains beyond that?

Well, you know, we are guiding 20% and we have actually, with today's announcement, said that we are going to...

We're guiding... we're saying we'll reach the 20% [overtalking].

No, our long term guidance is 20%. This year we come out with 19. And we have also, with the way that we are phrasing today's announcement, we are also saying that within the next year we are going to reach 20%. And when we have a full year with 20% we think that we will come back to you and discuss what is the new long term target.

Maybe I can rephrase that. I mean, you've clearly got some easy gains you've made, particularly on the admin side and on the cost of goods. That will come to an end over the next year or two. Beyond that next year or two, what further areas should you make further cost savings on to drive the margins from where we are now?

Maybe I should also rephrase because what I... the way that I'm trying to phrase this is that during the next fiscal year that we have we think that we will reach the 20%. That's what is in the guidance. And I think that what... the uptake that we will see going forward will come primarily from the improvements in the manufacturing set up because we will end or move out of manufacturing during next year and from there on we will see the uptake.

Okay, thank you.

Kristian Marthedal – Nordea Markets

Yes, good afternoon ladies and gentlemen. It's Kristian Marthedal from Nordea Markets. Firstly a follow up question for the wound care business. Could you be more specific about the reason behind the non satisfactory sales development? And in relation to that,

when would you expect the division to be on par with the market growth that you have stated at the five to 7% growth?

Then secondly, on the ostomy business, you are saying that the European sales has been driven by SenSura. Is it right to assume that cost prices on SenSura have decreased during Q1 and what should we expect on that going forward?

Thirdly, you're still guiding for special items of DKK 60 million. Should we expect that to be evenly split between the remaining quarters?

And then lastly, could you tell us about your net financial guidance for the full year? Thank you.

I'm not sure I got all of that, but I can start out with the wound care and why we are not growing as fast as the rest of the market. I think that we are in a situation where we are growing as we planned to grow, because we made a decision one and a half years ago to make a turnaround of this business. And the first phase of that was to make a classic, I would say, shrink to grow strategy where we have been pruning the product portfolio, we have been pruning the number of countries that we are serving ourselves and we have been cutting costs, so we took out 50 million in cost last year in that product area and we also expect to take out 50 million in cost this year. So you don't do those things without it costing you on the growth side of the business. What we do do now is that we say, we are now in a situation where we start investing in growth again.

And then you would like to ask us when we see that coming back to normal, and that's of course very difficult for us to say, but we start... we expect to see it start to pick up slowly again because now we start to work on the market in a different fashion and we are putting more sales pressure in the market than what we had previously.

Okay.

What was your next question?

I was asking, within the ostomy business, I think at the latest analysis meeting following the full year results we discussed the cost prices on the SenSura and I think you stated that cost prices have decreased somewhat. Is it still the picture, or could you comment on that?

Actually, what we are doing for... over the next 12 months is that we are moving the last bit of our manufacturing out of Denmark. At least then we are down to the level where we want to be in Denmark. And the machines that we are moving now are the SenSura machines, so we see of course that is going to have a major impact on the cost prices for SenSura. But this year, of course, also the results and the guidance is impacted by the fact that we have the 60 million in the guidance for the redundancy cost.

Yes, and in terms of these special items, should we expect those to be evenly split between the remaining quarters or...?

Yes, yes. Lene, would you take over now?

Yes, I mean, we... I think that is what you should expect. We said the last time, and that, to some extent, still goes, so therefore I don't want to be too precise on it because it really is depending on, you know, when we need to lay off people. And that should, sort of, you know, come from us to them first. But, sort of, for your calculation spreadsheets I would advise you to just spread it evenly over the rest of the year.

You also asked about, I think, the net interest bearing debt.

No, no [overtalking].

Oh, you didn't? Okay. Net financial?

Net financial actually, yes.

Right, okay, we don't actually have a guidance for it and it's quite difficult for us to guide on it because that's also where, you know, the share options that we have, the ones that we... you know, where we have a portion of a specific kind, where we need to take the change in market value onto net financials. We will continue to have them until 2013 and that means, sort of, if our share options go up, then that's an expense. If it goes down, then that's a positive, so... and it's very difficult to guide on. We can say that, as a rule of thumb, a ten kroner change on the share will cost about 4 million, so actually today has been quite expensive.

Yes, okay, thank you very much. That was all from me for now.

Jesper Breitenstein – Carnegie

Yes, hi, good afternoon, it's Jesper from Carnegie, Copenhagen. The first question is related to the gross margin. You were kind enough to mention that within wound skin care you expect a 50 million improvement from the change of production to Hungary. Would it be fair to assume that we'll see a bigger impact from the SenSura production transfer, which is a much more important product for you?

Jesper, with regards to the 50 million that we have mentioned, that is the 50 million that we have improved the total profitability for wound and skin care with all the different initiatives that we have had in place over the past year and also it's the same amount that we expect this year. So that's definitely not all if it on the gross margin. That's a mix of different initiatives. We haven't actually said how much that we expect, in kroner, that the gross margin will improve for the transfer of biatain and neither have we done so for SenSura.

Okay. Regarding the sales efficiency programme, it seems like you still have something to realise there. How much of that will be reinvested in the growth, on attempting to increase growth, and how much will, say, come as a further reduction of distribution costs relative to sales?

I guess the simple answer, Jesper, would be as much as possible, but the fact really is that over the last year, despite us having a hard... I would say a very hard focus on cost, we have been investing in growth. We have never launched as many new products as we did in the year that just passed. We have invested heavily in the education of our sales force

and we are... we have been working extensively with how we get more out of our innovation. And now, lately, we have also said that we want to invest in having... in growing again. And that is... those are all investments in growth and we take any opportunity to find ways to grow profitably. So it's... it is... we are not in a situation where we feel that we have really stopped projects that should... that would... where we're sure that we get growth. And you also see that the growth is picking up slowly.

But would it be fair to assume that the level of distribution costs relative to sales will stay at this level and any, I would say, additional savings will be invested in sub line?

We think that 29% is a good number.

Okay, thank you very much.

Niels Leth – SEB

Yes, good afternoon. My first question is about the UK healthcare reform. If I remember correctly there was an agreement that you should be compensated for missing price increases over the past six years or so in your home healthcare business and this compensation should be paid to you in this fiscal first quarter and in your next quarter, second quarter. Can you just comment on the magnitude of this compensation?

The compensation, it's not actually a compensation. What happened was that when this whole consultation process started, then the normal, sort of, annual adjustment for inflation stopped. And what they're doing is that they are reinstating it and they're saying that 12 months from the effective date of the UK healthcare reform, and that will be in April, then they will reinstate the inflation adjustment. They won't actually give us compensation for the period that has passed.

So there has been no adjustment to your prices in your home healthcare business in the UK in the past quarter?

Not due to this, no.

Okay. Then secondly, on the proposed 5% price cut on wound care products in France, could you just remind us when is that proposal set to start?

We don't know yet.

It's still being discussed, so we don't know.

Okay. And then finally, on your gross margin potential, a few years ago you were generating, like, 62, 63% gross margins. Is there anything that would hinder you from getting back to that level, say in a near term future?

We need to split that in two. I can start and I'm sure Lars would also like to comment. I think in a world of all other things equal, then obviously there are still some, you know, gains to be had from the transfer, but we also know that the world isn't, sort of, an all other things equal. And we've talked about, on several occasions, that the, you know, cost of caring for the () health burden is increasing and there will be fewer and fewer people to

pay for it, and that of course has to be taken into account as well. And where that takes us is a bit difficult to know now. We do know that we will do whatever we can to improve gross margin so that we are as ready as at all possible for any changes in market due to the volume demand, and from that, of course, the focus on price.

Do you want to add to that? I'm sure you do, Lars.

I think I like your phrase about all other things being equal, because this is definitely, sort of, an example that all other things have not been equal, because the reason why we have slid down has of course a lot to do with the currencies, and the move out of manufacturing have also, sort of, circumvented a lot of the currency effects on the gross margin. But I would just like to remind everybody that we're not guiding on gross margins; we are guiding on EBIT. But I would like to pick up on the all other things being equal, because all the other things being equal, we are certain that we will get about 60% again.

Okay, and then just finally on your acquisition strategy, basically what you are saying is that you now feel that you're ready to do even larger acquisitions again. Could you tell us a little about your priorities here? I mean what you're looking for right now, would that be smaller add on acquisitions within certain technologies or are you actually actively looking for bigger chunks of, you know, bigger companies that you could take over?

Just to clarify, we have, I think, the strength. We have the muscle, the financial muscle, to do something on the M&A side. That is not the same thing as saying that we are, sort of, desperately seeking to do something. We are not at the moment. As we normally say, sort of, our business areas have to earn the right to acquire. We don't think either wound care nor urology are there yet. And even though continence care and ostomy care, they are there, then we also know the difficulties of actually finding anything that would be... we would be allowed to buy. So right now, yes, we have a financial muscle to do something. We would like, at some point, to start doing M&A, but the focus here and now and for a while will be on improving the wound care business further and improving the urology business also.

Okay, thank you.

David Adlington – JP Morgan

Hi. Thanks for taking the follow up call. Just on the Eaver (?) Care disposal, I just wondered if you could give us some insight into why you disposed of that product line, any... the size of any gain or... and also the size of any sales on that product line and will that gain be recognised in the second quarter?

I think it's less than... we're talking about something that's less than 1 million kroner. It's really, really very small, so it's... it was something that simply didn't fit into the portfolio that we got with... that mean low margins and it was a very small area.

Understood. Thank you.

Closing Comments

Okay, but then if there are no further questions then we would like to say thank you for your participation and we're looking forward to meeting many of you over the next weeks.