Coloplast
Wednesday, 4th May 2011
18:00 Hrs UK time
Chaired by Lars Rasmussen

Lars Rasmussen

Good evening and welcome to this first half 2010/2011 conference call. I'm Lars Rasmussen, the CEO of Coloplast. I am as usual joined by CFO, Lene Skole, and our Investor Relations team. We have scheduled about an hour for the call. Lene and I will start with a short presentation and then we will open up for questions.

Please, turn to Slide Number Three. We realised 6% growth organically and 10% in Danish krone in the first half of 2010/2011. Growth was driven by a very satisfactory performance, primarily within Ostomy Care, where we saw growth rates of 8% in Q2. The continued decline within Wound Care impacted growth negatively. We finished our transfer of production as planned in March 2011 and the improvements from the transfer continue to improve margins compared with last year. Consequently, we can report an EBIT margin of 24% for the first half of 2010/2011.

This quarter we made several changes to our organisation; we changed management in the US and in our Europe 11 organisation, and we finally consolidated the management of our two Urology businesses under one hat. These changed will aim to support our long-term growth aspirations, and I will refer to them later in this presentation.

Our adjusted growth guidance for 2010/2011 reflects a continued challenging US market and also delays in returning to positive growth in Wound Care. We now expect a growth rate of around 6%, both organically in Danish krone, and the EBIT margin guidance is now 24% to 25%. Lene will provide more detailed comments on the revised guidance for 2010/2011 data in this presentation.

Please, turn to Slide Number Four. In Danish krone, revenues were up by 10%, to DKK5 billion, and the organic growth was 6%, just shy of our previous guidance. Within Ostomy Care we saw strong organic sales growth of 7%, with a significant – about a 4% to 5% - market growth. The biggest growth driver remains within (?) Europe product line, in the European markets. We also continue to see strong sales growth in South America, Asia and Russia.

In these markets, growth is primarily driven by the older Assura range. The only disappointing market remains the US market where we currently perform below our expectations. On 1 April the SenSura Mio was launched in four markets - Holland, Switzerland, Finland and Denmark – and has been launched in UK on 1 May. The SenSura Mio is a new ostomy bag with a soft, adhesive specifically designed to fit on even surfaces, and thereby reducing risks of leakage. The initial feedback is great, so our high confidence in this product remains.

In Urology and Continence Care organic growth was 7% for the first seven… six months, while growth for the second quarter was 6%. Growth was driven by intermittent catheters, especially the SpeediCath in Europe and Self-Cath in the US. We continue to see declining growth in the US, now followed by slight declining trends in Europe as well. The declining growth in the US is still caused by the full implementation of the 2008 reimbursement schemes, whereas we saw a slight decline in European sales trends. Conveen bags and UCs, as well as Peristeen, performed also in this quarter very well. Peristeen now surpassed DKK10 million in monthly sales.

The European urology business continues its satisfying performance whereas the US-based surgical urology business remains negatively impacted by the move towards mini-sling technology. We have now consolidated the management of the two businesses with the aim of strengthening the two franchises.

Our Wound and Skin Care saw a decline in organic sales of 2% and real product growth of 1% in the first half of this fiscal year. The Wound Care business remains challenged by adverse market conditions in, especially, Spain and Greece. France was also impacted negatively from the recently implemented price reductions.

A little good news also; we have launched Biatain Lite during the quarter, designed for what we call tough spots, such as toes, fingers and knee joints. On 1 May we signed a three-year contract with Medico in Holland which will give Medico exclusive rights to promote and distribute the portfolio in Holland. Holland is a smaller Wound Care market for Coloplast, but this agreement provides an example on how we continue to work with our smaller markets in order to strengthen growth in the Wound Care business.

We are, of course, that growth has not yet returned to this division, but we remain confident that we will see growth this year. We are basing this on the positive signs we are seeing in markets where we have invested in growth, as well as the good growth rates we continue to see in Asia.

Looking at sales in Europe, we saw organic growth in line with Q1. Slowing sales growth in Ostomy Care and Constant Care during the second quarter in Spain and the Netherlands was partly offset by the improvements in UK. Declining sales in the Wound Care business continue to have a negative impact on the revenue growth.

As I mentioned earlier, we have changed the management of our European Europe 11 region, where Kristian Villumsen has taken over from Jesper Jul. Kristian has done an excellent job in creating our global marketing platforms and we will use his marketing capabilities to drive growth in this, by nature, fragmented region.

Organic revenue in the Americas improved by 11%; we saw slowing growth rates in the US being offset by higher growth rates in the South American markets, especially Argentina and Brazil. I also mentioned earlier that we have made changes in the management in the US; our new head of US, Claus Bjerre, previously headed up our Emerging Markets where he has built solid growth and improved profitability. Whereas the US has become significantly more profitable under the previous management, we believe that Claus has the capabilities to increase profits. Finally, revenues in the rest of the world improved by 16% organically, with China and Japan continuing to lead the way. That concludes my part of the presentation. Lene will now provide more details on the financials. Please, turn to Slide Number Five.

Lene Skole

Thank you, Lars. Our gross profit amounted to DKK3.2 billion equal to a growth margin on 64%. This is an improvement of three percentage points compared to the same period last year. Increased efficiency in the production economy from transfer of production continues to drive the positive growth margin development. In the first half of 2010/2011 we reduced the number of job positions in Denmark by 83 due to the relocation, which is now complete. The growth margin for the first half-year includes cost of 25 million related to the layoff of employees in global operations. In Q2, as usual, we produced a high capacity in order to cover the summer holidays and this improved the growth margin in Q2 by close to a percentage point.

The SG&A to sales ratio was unchanged at 36%. The SG&A included increased investments of around DKK50 million in sales activities in Wound Care, as well as in China, and non-recurring costs of almost DKK10 million related to the relocations of finance functions from the European subsidiaries to the shared service centre in Poland; these are booked under administrative costs in Q2. The R&D to sales came in at 4%, in line with previous spend. This then results in a reported EBIT margin on 24%. Net of currency impact the EBIT margin was 23%. Our EBIT margin is in line with the underlying EBIT margin from the previous quarter.

Free cash flow was DKK179 million compared with DKK469 million last year. This is due to the higher tax payments and additional tie-up in working capital, and, finally, the acquisition of Mpathy medical devices. The increase in working capital that I mentioned is mainly due to the lengthening of our outstandings in Southern Europe.

Net interesting-bearing debt to EBITDA ended at 0.17 against 1.0 for the same period last year. Our net debt to EBITDA target remains suspended. CAPEX amounted to DKK135 million, which corresponds to a CAPEX to sale ratio of 3% and reflects continued low spend.

Now please turn to Slide Number Six. For 2010/2011 we now expect to grow around 6%, both in Danish krone and organically. The changes to the organic growth guidance are primarily related to our Wound Care business and our business in the US. We continue to expect increased revenue growth in the Wound Care business, but the effect of the changes implemented in the business are not materialising as swiftly as previously assumed. In addition, growth rates in the US business have fallen short of expectations, which also have led to the management changes that Lars mentioned earlier.

Mpathy’s still expected to contribute 40 basis points to the reported growth, which is included in the 6% growth guidance. The guidance still includes a potential negative impact on revenue of up to DKK50 million, stemming from our SKU reduction project. Currently, we have discontinued around 350 SKU in Continence Care, with impact in sales around DKK10 million in the first half of 2010/2011.

We have narrowed our earnings guidance to the upper end of the previous forecast of 23% to 25%. We’re very satisfied that we are able to absorb the reduced growth guidance by continued efficiency improvements and relocation gains in Hungary and China. So for 2010/2011 we now expect an EBIT margin in the range of 24% to 25% in fixed currencies as well as in Danish krone. Our CAPEX guidance for 2010/2011 has been adjusted from previously between DKK300 million to DKK400 million to now around DKK300 million. Finally, our effective tax rate is expected to remain around 26%.

This concludes our presentation. Thank you very much and, operator, we are now ready to take questions.

Questions and Answers

Carl Bradshaw (?)

Hi, there, thanks for taking my questions. I've got two questions; firstly, on the Wound Care business. I remember at Q1 results you stated that you expected the Wound Care business to return market growth rates by year-end. Do you think you can do this, and if not, could you sort of talk about how you see the future of the Wound Care business within Coloplast?

And my second question, in terms of your revenue growth guidance, you said it's about 6%. I mean, is this a conservative estimate, and what do you think it can be? I guess my question is, should we be thinking that this is the 6% to 7% guidance, or a 5% to 6% guidance? Thanks very much.

Lars Rasmussen

Let me thank you for the question, Carl, and let me start out with the Wound Care question. We still expect to see growth in the Wound Care business at the end of the year. It's hard for me state exactly how much, but we do know that the market is growing, like 4% to 5%. And, well, I can guide you more on that; the fact that we today say that we still are suffering hardship on Wound Care is not the same as saying that we say we put a For Sale sign on it.

I would like to reiterate what we said last quarter; we started to invest in growth following the turnaround and the carving-out of cost during the turnaround, and there we started to invest in growth activities in the second half of last year. We do see very nice development in parts of the market; we also do see some parts that are not working as nicely as we would expect it to; but overall, we remain confident that this will work for us.

When it…

Lene Skole

Okay, when it comes to the guidance, when we say about 6%, then, in our… the way we use that term about it, that means 5.5% to 6.5%, so that's anything that can be rounded off or will be rounded off to 6%.

Okay, that's great. Thanks very much.

Martin Tagweil (?)

Yes, thank you very much. A couple of questions; firstly, the management changes you made in the beginning of April due… of course, due to not… an unsatisfying growth - when do you think that that will actually start to be visible in your growth?

And then, secondly, with respect to your Urology and Continence Care business, there was a three percentage point difference between the organic growth in Q3 and… sorry, Q1 and Q2 – which one is the most realistic quarter, the growth, if we look, going forward?

And then, the final question: you made a lot of management changes, but the big reason you mentioned for your change to organic growth, that was the Wound Care business. Have you made any changes there as the growth is not continuing (?) up as fast as you're expecting?

Lars Rasmussen

Definitely very good questions. The management changes that we have done - when do we expect to see the positive effect of that? I think that's a fair question, it's also a question which is very hard to answer, because by nature it is a longer-term business that we're working with. It is, most of it, Chronic Care businesses where you don't see big swings, all of the swings that are made by the distributions.

It's very important for me to stress that just because we see results that we are not satisfied with, it's not the same as we dismiss people right away. What we're looking very much into is the quality of the plans that we are checking, and we would like to be very certain that we are following strict plans and that we see that they are executed on. And we did not see that to the tune that we wanted to see it, and that is the reason why we did the management changes.

And that also goes to explain the latter part of your question regarding Wound Care, that, because we do actually see that despite the hardships that we have on Wound Care, that we are following a very ambitious plan to the letter. We do not see the results as fast as we would like to, but still we see that people are doing a tremendous effort and we also see things are moving in the right direction.

So, coming back to when is it visible. It's hard for me to say; it's… we have to give Claus a chance to do the plans that he needs to do, and he has already () on that. And we have seen what we did to our emerging markets and we expect to see him also do similar things to the US organisation and the growth that we see there.

Regarding your question on Urology and Continence Care – which one is the most realistic one? You know, on the Urology side that we are suffering from the fact that we see declining trends in the female health due to us not having launched already a sufficient mini-sling technology. So in that sense, that is impacting us negatively. We also do see the effect taking off from 2008 Continence Care revision in the US, and on the other hand we are seeing that the SpeediCath Compact Male had been received fantastic (sic). We are bidding our own forecasts significantly on it. It's not like selling eye-patch: you know, you don't get a jump in the sales from one day to another, because it is a Chronic Care business. But that one will start going in the… or bringing sales in the other direction. So

I can't guide you on it. I guess that nine is probably a bit on the high end and six is maybe on the low end, it's hard to say, but it's probably how we see it.

Lene Skole

We can reiterate, as we said in the stock announcement, that we believe we see some timing differences between quarters as well, which, of course, is something you can only be absolutely certain about when you see the next quarters. But the best of what we can see is that we do have some timing differences.

Okay, thank you very much.

Scott Bader (?)

Thank you very much. I have a few questions, please. Firstly, just on Europe; I just wondered if you could help add a little bit of body to some of the performance in Europe. I think you've mentioned you've seen some slowing in Ostomy growth and you also mentioned that Urology and Continence Care was slowing in Europe, and I think you even mentioned SpeediCath. Can you talk a little bit about how you see the dynamic here in Europe? Do you think this is one of timing (?) nature, or is there some sort of structural change occurring in Europe? So that's the first question.

Secondly, you talked about some of your markets underperforming in terms of top-line growth expectations, and within a similar breath you're producing very impressive margins and have some ambitious margin targets in the future. In terms of how we think about phasing margin, going forwards, is there anything to make us assume that you should be stepping up investments more significantly over the next 12 to 18 months to help you realise your top-line growth aspirations in some of these countries? Can you help, talk a little bit about your investment plans to maximally realise revenues? So they're the first two questions; I have one follow-up, please.

Lars Rasmussen

I guess that it must be the way that I was phrasing myself when I talked about Ostomy Care in Europe, because we did see that in a couple of countries the Ostomy Care performance went down, but we also see that Ostomy Care also goes up in other countries. So, on balance, our Ostomy franchise is actually doing very well, but there's also no doubt that when you're looking at the total picture of Coloplast you will see that Ostomy and also the other franchises, they are growing more outside of Europe than they do in Europe.

I also think it's very, very vital for me to stress that the situation that we have been in, where we have taken Coloplast through a turnaround, where we today are, well, basically, more profitable than we have ever been, has not been, in a way, in the same across the board, because we have been through a real turnaround in Wound Care, where we have been taking out costs, we have taking out products, we have been taking out countries that we are not serving any more, and now we start to invest in growth there.

But when you're looking at the Chronic Care business, like Ostomy and Continence Care, all across those years we have been investing in all the growth initiatives that we've liked to go for. And I can safely say that when we have seen a growth initiative we have also invested in it. So we have invested in many, many sales reps in emerging markets; we have invested quite heavily in new products, and we have launched a couple of fantastic products recently; we have invested in sales-supporting tools; and this year we're also investing heavily in sales, simply in new sales force in the Wound Care business. So in that sense, we are not holding back in any sense when it comes to us wanting to invest in growth.

Thank you. And last question is: your leverage ratio, sort of target framework that you have, has been under review for quite some time now. Can you help explain a little bit about what actually is going on here, when we'll actually, finally, get some sort of target or some sort of explanation about where you're… where you… how you see a good use of your balance sheet? We've been expecting for some time some discussion about M&A, but it's been very quiet actually. Can you just give us some more sense about what the M&A market looks like, whether there are any potential targets that you're looking at? Thank you.

Lars Rasmussen

Yes?

Lene Skole

Yes. But just to make it clears, our target is not actually under review, it is suspended. It is as it is, but right now we're outside and have allowed ourselves to be outside, and that is, as you say, also because we have flagged that if a good acquisition comes along, we would certainly like to have a look at it. There is (sic) no changes in that. I can't comment on any specific targets but say that the situation here is unchanged, the target is suspended and we're still interested in looking at anything that might come up that would fit in our business.

Thanks for answering my questions.

Jasper Breidenstein (?)

Yes, hi, good evening. In US, if we can go back to that, can you try to explain if the changes in management is related to, say, you want a different approach to the market or different strategy, or is it just, let (?) me say, the execution, so we should, basically, see the same strategy, going forward? If you could put some flavour on that.

And then the second question in on SenSura Mio; how should we think of this? How big will this product be? And can you comment on the pricing on Mio compared to the, shall we say, old SenSura line?

Lars Rasmussen

Yes, thank you, Jasper. It's… if you're looking at the US strategy, it is a combination of a push and a pull strategy, which is really what we are aiming for. I think you could safely say that in the past we were much more concerned with serving the professional side of the community, and we definitely, with the management that we just said goodbye to, also were moving towards being much more professional in the way that we are handling distributors and dealers. And there's no doubt that we had to strike the right balance; I think that everybody serving the US market knows that. So, in that sense, nothing have (sic) changed.

We just need to be certain that the plans that we're working on are very, very solid, and we need to be certain that they're adhered (?) at any point in time and that we are able to support it best possible from the head office. And I think that with Claus on board, we make sure that that can happen even better, going forward.

So no change in the strategy and our intent still is, of course, to grow significantly more than the market is growing in the US and to win market shares, and that's definitely what we are going for.

But what do you think the new management can do to win some GPO (?) contracts or whatever it will take to penetrate the market?

Well, it's… that's a good question, which is what they're looking at now, but there's no doubt that we haven't seen the performance that we'd like to see and we haven't seen the execution of the plans that we've agreed to that we'd like to see, and that's, of course, the reason why we are moving on this. And it's more the latter part than the first part of it, because I think that everybody who are competing in those inner markets knows that sometimes things are a bit… you have more tailwind than other times; that's just how it is. But the most important part, when you're in the Chronic Care businesses, is that you are really detailed with your planning, and that you really are following up on them and that you implement them to the letter.

When it comes to the SenSura Mio, it's a fantastic product, it's only been in the market since 1 April, as you know, and we still not have the capacity to be able to launch it globally. We have got fantastic reviews on it and it's going to be a big product for us. I can't give you a number for how big it's going to be, but it is very well received. And it has got the similar pricing as the product it is replacing, so…

But do you think Mio will just replace the old SenSura products, or will this enable you to capture further margins in Europe, for example, where already enjoy a very high market share?

Yes, and I'm in no doubt that this will help our new patient discharge gains, also because even though ostomy bags have been on the market for many, many years, one of the biggest problems that people are facing still are leakages. And this is a very, very different type of adhesive that people are experiencing now; it has a much higher tag, so it means that it just adheres immediately to the skin. It will go into any wrinkle you can think about, and it's also very gentle when it's removed. So it's a completely different type and new type of adhesive, much softer, much more elastic than what everyone's seen.

Okay. One final question, for Lene: the receivables are going up in the quarter, also compared to the year intake (?). Can you explain the development in the working capital?

Lene Skole

It is mainly due to our outstandings in Southern Europe, where we do have some issues in collecting it, I think like everyone else has; it's very difficult, so they're going up. Otherwise, we see also… So that's sort of the… on the receivables.

Then, inventory, as I mentioned, we actually are producing a little bit more and taking our stocks up a little bit before the summer holidays in order to be able to cover that. That's something we always do, so that's not something that worries me as such. Those are sort of the key explanations for the working capital development.

Okay, great, thank you.

Richard Koch (?)

Hi, this is Richard Koch from (). I've got two questions; first, on the SpeediCath Compact Male. In the newly launched markets, what is the price premium on that product versus your previous catheter?

Lars Rasmussen

It's not… it's unfortunately not possible to have a price premium in all markets that we are serving. In many markets you just have to go into the category which is already there, and if you want to have more than what the current category is offering, you would have to… in many markets, to see if you can establish a new category which could, potentially, take years. So, therefore, you have the trade-off to say, would I launch it at this point in time and get the benefit from it now, or would I rather wait and see if I can have a higher price? So we have got in a few markets a price premium which is up to 20%, but in most markets, I have to admit, it's the same price as we have for its predecessor.

Okay. So on average, it's fairly flat?

Yes, if you think about value per patient, if they're using one or the other product, yes, it's flat.

Okay.

The only thing that you could speculate on is the fact that many patients are not having… are not following the guidelines for what kind of number of products they have to use per day, and that is, basically, if you use too few products, that is what is leading to a lot of the infections. And the whole trick behind SpeediCath Compact Male is it is much easier to use and, therefore, we also believe that the compliance over time will go up, but I have to say that that is not something that we can prove at this point in time.

Okay. You gained per cost of about DKK50 million for the SKU reductions – how much of that have you charged so far in the year?

Lene Skole

It is about ten, so the major part is still to come.

Okay. And I actually have one third question as well; on… coming back to the Wound Care, what do you believe is the reason for your implemented changes not taking effect on the growth yet?

Lars Rasmussen

As I think I can only reiterate what I already said, we started investing in growth in the last half of the last year. We have… we actually are spending significantly more on sales today than we did six months ago. Therefore Wound Care, we also see it starting to take effect some of the places where we are investing and we do feel confident that we will see growth coming back in that franchise. Why it's not coming back with the same, or with the… not to the tune that we planned, that's really hard for me to say. All I can say is that we are actually implementing the plans as we laid them out, so I can't criticise anybody in our team to go for this.

Then, you could say that some of the things that have worked against us compared to when we did the plan is, for example, if you're looking at the similar market in the UK, you know, the benefit from market have more or less deteriorated because the UK market is no… or the UK authorities are no longer prepared to pay extra for that technology. And that's a major blow, of course, which is holding us back a bit, but I guess that that's a known fact.

So it's nothing wrong with your products then, or…?

I'm absolutely certain that there is nothing wrong with our products. Actually, we, when we did the whole planning process for the turnaround, we were very detailed in figuring out if we had issues with the products that we were not… that's why we are not sort of on par. Our products are on par; they are… they're definitely very nice and also seen like that from the users.

But what we are trying to up is actually our market presence and our footprint, because, basically, most of the home care professionals, they are using what they have on stock. They would not be asking for, especially, Nephew (?) or Milton (?) or Coloplast products – they would use what is available.

Okay. That's all, thank you very much.

Edward Lay (?)

Thank you. Yes, good evening. Just a quick follow-up on the Wound questions, alas. Given your comments obviously over the last couple of months, including in interviews regarding the Wound business, and as you say, there are still indications that the Wound business will return to growth by the end of the year. But you've also stipulated that while, in your words, you won't put up a For Sale sign, ultimately you are looking at the strategic direction of that business. Is there a… can you give us maybe something more specific about the exact level of performance you're looking at for deciding whether or not you would… you feel you can go on with the Wound business in the… with your current market share? That's just a quick follow-up on Wound.

Yes. Maybe I should take that first. I think that… you know, you always have to be very cautious when you're reading about what I or what Lene is saying about Wound Care and when it's a journalist who has been writing it, because if you have ever given an interview to a newspaper, you know that they are probably not quoting you correct anyway. And what we consistently see is not what we always are quoted for, but what we consistently see is: we think that we can bring back growth in our Wound Care business and we think we can make profitable growth there.

We have given ourselves this year to come up with that. If, at the end of the year, we don't see a satisfying growth and a satisfying profitability, we have to think about, what do we then do? So that's what we say. And I can understand why people say Wound Care is for sale. What we say is we want to drive businesses that are yielding a return for our investors. And if we can make Wound Care do that also, it's a fine member of our family; if we cannot, we'll have to figure out what to do.

Fair enough, I'll move on. In terms of your Urology and Continence Care business, could you give us an idea regarding the, obviously, the changes in the US market, what you feel the US market grew at in Continence Care, say, in 2009, and what you feel the US market has grown at year-to-date?

Yes, I think that we probably saw a growth rate of… well, that's a bit hard for me because you are very specific – you would like to see the change of the data from last year to this year. What we can say is it's on a declining trend, of course. It's declining due to the fact that it have (sic) been… you know, the reform have (sic) been more or less implemented. It's also declined due to the fact that you see… since this has been a much more visible part of the US markets, you also see some of the people in the distribution chain who are bringing on board products that are a bit less expensive and they try to switch also - for instance, they are taking out value of the US markets - and it's a combination of that that you are seeing.

Fair enough. But, in terms of… do you still feel that the US market for Continence Care is positive or it actually is ()?

Yes, it's not a… if your question is: is it on a decline now? No, it's not.

No, okay, that's very good. And the final question, just to, again, add to some of the comments there regarding the change in management. Clearly, in the US one of the issues has been winning the GPO contract… I'll turn it around – is there anything that you feel… or are you getting any direction from the GPOs about what you need to do to win those contracts?

I'm not completely sure that it's just a matter of winning and keeping your contracts. It's, for us with the current market size and market share we have in the US and most of our franchises, it is also a matter of having the right contracts with dealers and distributors, because you need both in order to be… to get the value of your products in the markets.

No, that's great. Thanks very much.

Claus Matzen

Yes, hello, it's Claus Matzen here with a few questions. First, on the Wound business, could you perhaps give some details on how the sort of defined core markets are progressing, basically the key markets that you have decided to continue to serve with the varying business model and where your role as the community sales force… so if you could make that distinction between those markets and the rest of the markets and maybe give some at least quantitative comments? And also if you could comment on how the business has been performing in unit terms, i.e. how much ASP(?) pressure do you see in that division?

It's actually a bit difficult for me to be very precise on that, Claus. I also know that you have been asking these questions before, because it would be nice to sort of dig into those details. But we are stating overall that we are confident that we will see growth coming back, and that's, of course, because we see that the strategy is working. We also see many changing or moving paths in this picture, so therefore you have to take it on balance. But we do see that that a lot of the stuff that we're doing is actually working quite nicely.

When it… And, of course, you also know, it almost goes without saying, that we are focussing more on what you call our core markets or our directly served markets than other markets. And, therefore, it also goes by nature that they are doing better than other, smaller markets. When we're looking… there is a downward trend on the ASPs in these markets and UK is a very big part of that. As you know, the silver part of the market has more or less vanished, so… and UK is a big part of or chunk of the European market, so that impacts over all the markets; you see an impact from Greece, you see an impact from Spain on it also; so in that sense you see downward trends. It might be a bit more than the rest of what we see in the business, but what I… I'm not sure I can quantify it and give you a percentage number.

Okay, fair enough. Then, moving onto the Continence business; you've previously stated that you expected SpeediCath Male to act as a growth accelerator into fiscal 2011/2012. Could you perhaps give some indications on when you think this particular product will be able to balance the, you can say, the pressure you currently see in that business, so when we should see an inflection point on growth rates? I guess this has been asked in different places earlier in this call but it still remains relevant.

Yes! Well, would I give you now a date by which you could follow up on us? No, not really! You have to remember what kind of business we are in; this is a business where, of course, many people are orienting themselves and they will find us on the internet. But it is also a business where it means a lot that you're winning new patients. It's a business where you… it's, you know, it's not millions of customers we are talking about, so, in that sense, this is something which… where you just see growth rates. They will go up year over year, for the coming years, but that's the effect of it. It's not something where you just see sudden jumps. But you, on the other hand, are not seeing that these kinds of products are peaking after just seven or nine or 12 or 15 months. You will see that once you have something which is really interesting - and there's no doubt that this product is - you will just see that the growth rates will be picking up for quite a long time.

So, in that sense, it's… I can't give you a date and I think it's not the way that you should follow it up, because it is for… it's actually working on a longer-term and you have seen that; you have been following it for a long time; you have seen that on SpeediCath also time; it's actually been contributing to growth for many, many years after launch and we expect the Compact Male to be that kind of product for us.

Right. Then, finally, on the urology business, you've now combined the two businesses in the Europe and the US – if I remember correctly, you need to make some portfolio updates to actually start cross-selling, particularly the European portfolio in the US. And is this part of the combination that you will also sort of make local adaptation of the protocol formula (?) and start selling this on a global scale?

And, another question on urology; when you get FDA approval for your mini-sling, could you remind us if this is a single-incision device or it's a more conventional device?

To start with the latter part, it is a single-incision device. And more to the logic of why we are doing this move, we had two separate businesses before, and we treated them as separate businesses; the… what we call DSU business in Europe and the Surgical Urology business in US.

You know, by design we did not want them mixed up in any way because they have… they are distinct markets, and with the portfolio they had when we took them over they were very different portfolios and their business momentum were very different. So we had a sort of… an assignment to build on the momentum in US, and at the same time we had an assignment to basically turn around DSU business in Europe because it was not growing and it was loss-making.

We actually have a very nice performance now on the DSU business in Europe and we see that when we now put these two businesses together you can start working on the synergies, which we did not want to do until we had good business momentum on both of them. So that is what we start to do now.

We have not, as we speak, crafted a new strategy for this business area, but Stefan Hewitt (?) who has been running our European DSU business throughout the period when we have done the turnaround, the successful turnaround, he will now have a chance to look into both of these areas and find out where there are similarities that we can build on and where we should make sure that we are sort of not trying to change something that should not be changed.

Lene Skole

Maybe, just to make it clear, it's not actually merging the two businesses, that they're reporting into the same person so we can get some synergies - just to make sure that there is no misunderstanding about that: they're still two separate businesses.

Lars Rasmussen

Yes. They will be reported as two separate businesses – that's right. So, thank you for that, Lene. It's… but it's… we think it's a natural move with where we are now with the two businesses.

Right. Thank you for taking my questions.

Closing Comments

All right, but then I would thank you all for participating, and have a nice evening.