Coloplast
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Chaired by Lars Rasmussen

Lars Rasmussen

Good evening and welcome to this FY 2010/2011 conference call. I am Lars Rasmussen, CEO of Coloplast, and I am joined by CFO, Lene Skole, and our IR team. Lene and I will start with a short presentation and then we'll open up for questions.

Please turn to slide 3. We realised a 6% organically and 7% in DKK in 2010/11, passing DKK 10bn in annual sales. Growth continues to be driven by strong performance within our Chronic Care business. The organic growth for the quarter was 4%, which was not satisfactory, and I will revert to this later in the presentation.

We can report a solid EBIT margin of 25% for the year and 29% for Q4 in isolation. Despite the lower than desired growth in Q4, I am pleased with the results. Overall we continued to grow more than the markets in our Chronic Care business. Also our margins continued to improve, bringing us closer to our long-term targets of having profitability in line with the best-performing medical device components.

At our AGM in December the Board of Directors will propose a dividend of DKK 14/share, corresponding to a payout ratio of 32% or an increase of 40% per share. The Board of Directors has also decided to initiate a new share buyback programme of DKK 1bn, running over the next two fiscal years. Furthermore, Coloplast's long-term ambition has been reviewed and will remain unchanged, aiming for growth above the market growth and margins in line with the best-performing med-tech companies in the world.

For 2011/12 we expect to continue to grow both organically and in DKK by around 6%, based on current exchange rates. We expect a significant improvement of the EBIT margin to around 27% in both DKK and local currencies, based on current exchange rates. Lene will talk to that later.

Please turn to slide 4. In DKK revenues were up by 7% to DKK 10.2bn and the organic growth was 6%, in line with our guidance to the markets. Within Ostomy Care we continued to see strong organic sales growth of 7%. The biggest growth driver remains the SenSura product line in the European markets, but also emerging markets continue to contribute nicely to the growth. The growth in the quarter was 5% and was impacted by lower growth in a number of European markets, especially Spain, where we had some unfavourable comparisons to last year. We continue to roll out SenSura Mio and it has now been launched in 11 markets this fiscal year, including France, Germany and UK and we are still pleased with the sales performance from Mio.

In Continence Care, organic growth was 8% in 2010/11 while organic growth was 7% in the quarter. Growth over the year was driven by intermittent catheter sales in Europe and the US. Furthermore, Conveen bags, urisheath and Peristeen performed well during the

year. Growth in the quarter was amongst other things impacted by large distributor swings between quarters in the US.

In total, our chronic care businesses, which constitute 75% of the total revenue, grew by 7% for the year and 6% for the quarter. Although growth in Q4 was below the full year growth, it was still above the market growth and we were very happy with that.

In Urology Care organic growth was 4% in 2011, while organic growth was flat in the quarter. Growth continues to be negatively affected by declining sales of female slings, sales of mats for pelvic floor remain satisfying. Sales growth of penile implants was again flat this quarter due to the combination of postponements of procedures and direct cancellations. Sales of penile implants have proved to be sensitive to the economic developments and until the US financial sentiments improve, we must expect low growth within this segment. The European urology business on the other hand saw very satisfactory performance in 2011, especially sales within instruments for the removal of kidney stones were satisfying.

Our Wound and Skin Care saw organic growth of -1% in 2011 and -5 in Q4. During the year we have worked hard to re-establish our Wound Care business in the market and in December also Spain will be included under the Wound Care SBU. This will bring the total number of countries to 12 under the SBU. We can see signs of improvement, especially in markets like Germany where we are growing at healthy rates, but we do remain disappointed that it takes longer than we expected to reach a better sales momentum. We are not helped by the adverse market conditions in many European markets, especially Spain and Greece impacted negatively, but also France contributed negatively as the local market was impacted by recently implemented price reductions. In Q4 growth for Wound Care in isolation was -3%. This was disappointing and was due to lower sales in Southern Europe.

If we turn to the geographical split of the total sales, Europe experienced an organic growth of 4% for the year and 4% for the quarter. Growth continues to be driven by Continence Care, but also Ostomy contributed to growth, whereas Wound Care impacted growth negatively. Organic revenue growth in the Americas was 8% for the full year and 1% in the quarter. South America saw a very satisfying performance this year, particularly within ostomy care whereas the US saw growth below expectations. The new US management installed over the summer of 2011 are now executing on our plan to increase sales growth in the US.

Revenues in the rest of the world improved by 11% organically, but only 5% in the quarter. We saw a strong performance in China during the year, whereas Japan had large quarterly swings, first related to the earthquake earlier this year and in Q4 due to the distributor order patterns. Emerging markets generally grew at a more erratic pace than the mature markets and as we increased relatively our sales in emerging markets we will enjoy both the generally higher growth rates, but also the more erratic nature of the markets.

Finally, we have changed our combined market growth estimate to a range of 4-5% against previously around 5%. The adjustment is a result of the intense competition in the European Wound Care market, leading to a price and volume erosion and the depressed

macroeconomic situation in the US which has impacted electro surgery negatively. For the Ostomy and Continence Care businesses market growth is estimated to be unchanged.

That concludes my part of the presentation. Lene will now provide a more detailed insight in the financials. Please turn to slide 5.

Lene Skole

Gross profit amounted to DKK 6.6 billion, equal to a gross margin of 65%. This is an improvement of 4 percentage points compared to the same period last year. Increased efficiency in the production economy and lower salary expenses from transfer of production were key drivers in this positive gross margin development. The Q4 gross margin was 66% and was impacted positively by 1 percentage point from settling miscellaneous accruals and provisions following the finalisation of the transfer of production out of Denmark.

The SGA to sales ratio was unchanged at 35% even though the SGA includes increased capacity cost of DKK 90 million to increase sales activities in Wound Care and in China, as well as costs of almost 4o million related to restructurings. Accordingly, the underlying cost improvements have been sufficiently strong to allow us to invest in additional growth and efficiency initiatives without deteriorating the margin. For the quarter, SGA to sales was 34%, impacted positively by a general low level of spending, partly offset by an increased provision of DKK27 million for bad debts in Southern Europe.

The R&D to sales came in at 4% in line with previous spend, but Q4 in isolation was lower due to lower activity this quarter coinciding the Lean & Agile project. We have now largely completed the Lean & Agile headquarter project. All in all this results in a reported EBIT margin of 25% compared with 21% last year. Net of currency impact, the EBIT margin was also 25%.

Our net profit increased with 46% to DKK1.8 billion, corresponding to an earnings per share of DKK 42.6 compared with DKK29.1 last year. Free cash flow was DKK 1.8 billion compared with 1.5 billion last year. The increased cash flow compared with last year was due to increased earnings offset by higher tax payments and the acquisition of Mpathy Medical Devices. Lower interest payments and net gain on currency hedging contracts compared with a net loss last year had a positive impact on the free cash flow.

During the first three quarters of the year we saw receivables increasing more than justified by the revenue growth. The additional increase was caused by a general delay in payments in Southern Europe, which was the reason behind our increased provision for bad debt in Q4. However, Q4 has shown an improvement in outstandings and receivables, decreasing the total receivables by DKK107 million compared to the beginning of the quarter. Accordingly, receivables at the end of the year amounted to 65 days sales outstanding, which is unchanged from the beginning of the year. Working capital to sales thus ended at 23% which was unchanged from last year.

Net interest bearing debt to EBITDA ended at 0.2 against 0.6 for the same period last year. Our net debt to EBITDA target range remains suspended as we continue to look for suitable investment opportunities into 2012. As we have mentioned earlier, we do not aim

to have excess cash on our balance sheet, but as we remain focused on investing in our business and on participating on the consolidation of our markets, we will in an interim period accumulate cash. Capex amounted to DKK250 million, corresponding to a Capex-to-sales ratio of 2%, reflecting continued lower spend.

Please turn to slide 6. For 2011/12 we expect to continue to growth both organically and in Danish Krone by around 6% at the current currency exchange rates. Our growth expectations are built on the assumptions that performance will improve in our US business primarily within chronic care, but also in surgical urology as our new Mini Sling is expected to be launched mid 2012. Despite tough market conditions, we also assume a certain pickup of our Wound Care business as we continue to execute on our plans within this business.

We expect an EBIT margin of around 27% for 2011/12. This is a significant improvement compared with the 25% in 2010/11, but lower than the 29% we realised in Q4. Please bear in mind, however, that Q4 costs were unusually low as I explained earlier. The 27% assumes 6% organic growth, a slight improvement in gross margins from last year and improvements in opex related to efficiency gains from the implementation of the Lean & Agile headquarter in 2010/11.

Our Capex for 2010/12 is expected at around DKK 300 million corresponding to 3% of sales. Finally, our effective tax rate is expected to be 25-26%, which is slightly lower than last year due to more profit being taxed in Denmark under the 25% statutory corporate tax rate in Denmark. The Board of Directors has reviewed our long term ambition and our ambition remains unchanged. In 2010/11 we continued to outgrow the market and profitability wise we ended up above the median and we are now on our way towards the upper quartile of our peer group.

This concludes our presentation, so thank you very much. Operator, we are now ready to take questions.

Questions and Answers

Karl Bradshaw – Morgan Stanley

I've got three questions. Firstly, on your guidance, you mention the 2012 guidance of 6% top line growth and 27% EBIT margin is dependent on execution of the business plan in the US and also on the Wound Care business. Can you give us a sense of what your guidance would be if these improvements don't materialise? That's my first question.

The second question, again in terms of your margin improvements for next year, can you give us a sense of the proportion that will be contributed by improvements to gross margins and where the remaining improvements will come from?

Then finally, my last question is in terms of the surgical mesh market. Have you had any conversations with the FDA following their recommendations on surgical mesh? Thanks a lot.

Let me start off with the first question, Karl. We get questions when we discuss our guidance for next year where people say 'what do you base this on' and of course we have had a negative development in this year in the US compared to what we wanted and we have not had a very nice development on Wound Care also, so we cannot make the gross numbers if we don't succeed in those areas. I don't believe that the EBIT margin is dependent on these two specific issues; it's much more broader range we're talking about. It's very hard for us to give you another guidance. I mean how many different guidances would you like us to go with, so in that sense I think it's fair to say that we have a pretty good understanding of these things that we're implementing in both US and Wound Care and in the rest of the organisation for that matter and we feel that we have given a realistic guidance on both the top line and on the bottom line and that's really as much as we can say about it.

Moving on to question number 2, I think maybe Lena, you would take that.

Karl, obviously if we look at the guidance - how much is coming from gross margin and how much is coming from elsewhere, there are clearly a lot of moving parts, but if we could sum them all up and say broadly speaking you could say of the 2 percentage points increase, approximately half of that, i.e. 1 percentage point, I would expect to come from the gross margin and the other percentage point I would expect to come from other costs, mainly from the benefits from our headquarter restructuring and the Lean & Agile project.

And when it comes to further contact with the FDA, we have not had further contact with FDA. I think the outcome of the panel that together have been pretty clear and we don't have the full overview of everything that we have to do in this context, but I think we understand the boundaries of what this outcome is trying or what it is that the outcome tries to get to, so in that sense I think we don't need at this point in time to have further dialog with the FDA. We need to understand exactly what it means for our business.

Just one follow-up question. It's early days yet, but clearly the surgical mesh market dynamics have changed. I just wonder if you foresee any impairment related to your mentor or your Mpathy acquisitions in the future if this market doesn't pick up again.

Clearly, if the market doesn't pick up it's a very different situation, but I would like to stress also that the mesh that we have in the market right now is actually the lightest weight mesh which is there and it might help us going forward. You also have to bear in mind that we are only having sales of approximately 40 million in 2010/11 of the mesh, so it's a very small fraction of the sales that we have.

Martin Wales – UBS

Firstly, can you update us on where you are in terms of SKUs, in terms of how many you've reduced, whether you're still planning to reduce another thousand in 2012 and also what impact if any is that having on your top line and your bottom line?

Maybe I can start and you can add, Lars. What we have said to you earlier on about the SKUs was that we were going to reduce more or less as the clean-up before it just comes into normal operation something to the tune of affected revenue of DKK 200 million of which DKK 50 million revenue affected would be in the year that had just passed and approximately 150 million in the year we are in now. That's revenue affected. That's not

the net amount, because we obviously expect that there will be a good retention rate. It is practically impossible to measure this precisely, but we would certainly expect that we would have a retention rate of somewhere around 75% or something like that.

So tough to measure but thus far you've got no reason to change that guidance from the sound of things.

No, that is included in our guidance and still as we have said earlier on, it's included in our guidance and once we have done that, then we are into normal operation where we will make sure that we just continue to clean up in product units as we introduce new products.

Also in terms of the margin improvement story, you've been looking to reduce the standard delivery time to 24 hours from 72 hours. Have you seen any negative impacts on your business from doing so?

I don't think that we have implemented that as we speak.

Hello?

Sorry, we were just waiting for each other here. Of course our global operation has a new plan that they are just starting to execute. It will be a part of that plan and it is too early to say exactly when the various elements will be implemented, but this is part of the initiatives that they are looking at.

We'll wait and see. Thank you very much.

Jesper Breitenstein – Carnegie

A couple of questions to the sales guidance of 6%; first, the changes you're expecting - a pick-up in growth you're expecting in the US - should we expect that to come in the beginning of the year and will that be back-end loaded; that's the first question. The urology business, I think you mentioned for the full year 4% organic growth, but the growth during the quarter has fallen down to zero in the fourth quarter. Do you expect to grow in line with the market growth in urology for this coming year or should we expect the first couple of quarters to be in line with what we saw in the fourth quarter and then finally, on the Wound & Skin Care business, you mentioned that the market growth is now down to a couple of percent; does that include the negative pressure part of the market or is it only moist wound healing part of the market?

When it comes to the US I think we should expect to see that the growth in the chronic part of the business will be better than last year throughout the year. I don't believe that that will be that backend loaded, whereas if you're looking at the surgical urology business, it's very probable that it will stay low in the first couple of quarters and Wound Care is…moist wound healing, it's not including negative pressure.

On the ostomy business, you mention that the primary driver for growth was the new markets, but you also mentioned that the SenSura is a growth driver. I'd don't think the SenSura Mio is out on the new market yet?

That's right.

Does that mean that the SenSura Mio is cannibalising from the old products in the portfolio.

Yes it is, and the whole idea about having a new product in the market is very much that you would like to obtain new patent and of course as soon a you launch a new product in, for example ostomy, and as soon as it's in the country, they stop selling the old version of that product and they start selling only the new version, so in that sense with all the new patients that get out of hospital, they are immediately on the new products, so there the cannibalisation so to speak is 100% and then once you are covering that part of the chain, you start to search for other patients that you like to get on board because when people are on a product that that is the newest version, they might also stay more loyal to you, but please also bear in mind that once people are very well into the use of a product, they do not tend to change that often, so in that sense it's more people who are new in the first phase of them being an ostomy patient that you can make the switches, so the loyalties tend to be big and bigger over time.

Martin Parkhoi – Danske Bank

A couple of questions; first, with respect to a couple of questions on your long time guidance, you still state that you expect to have a capex to sales level of 4% and the last two years it has been around 3%. What you're guiding for '11, '12 is also around 3%. When should we expect the 4% level actually to come? Then a second thing, you guide that you expect to be on par with the best of the class in your peer group with respect to the margin; if you look in the environment right now, how do you actually expect the peer group to move if we look at the initiative from different governments?

I'm not finished – then I also have with respect to - I've talked to Lene about it earlier today, but with respect to receivables, now you have made a provision of 27 million in Southern Europe, but how big a part of your operations are actually coming from Southern Europe in order for us to see what the risk could be?

And then, coming back to your guidance with the 27% that you guide for the full year, now of course you had a much better margin in the fourth quarter and you have various reasons for why it should be lower next year, but I think I have heard that before because the last two years you also had a very good end to the year with a very high Q4 margin and there were reasons why it should not be better in the year after, and it happened that it was much better, so is that you are just a little bit conservative with respect to your 27%?

Martin, thank you for your questions – you almost make me feel like I have to apologise for the margin we just delivered. I don't think we are conservative. We have tried, as we usually do, our very best to see what we believe we can deliver and it is the 27%. I think we have also been able to explain where it is that we see the improvements, a bit from the gross margin where we get the full year effect of the transfer of production and the remaining part from efficiency improvements on Lean & Agile. I also know we have had the additional costs this year, and you could start stripping all those out and find out that we can deliver a lot more this year, but I think experience shows us that every year there is some cost you need to take. There are some investments that you want to make in sale,

etc, so we actually feel that the guidance of 27% is a realistic guidance that takes all the things that we can see into account.

Then you ask about the guidance for Capex, and you are absolutely right, I always say the 3% and the low level we are at now is not sustainable. We have had that situation for a couple of years now and my best guess is that for the next couple of years we will remain lower than the year around 4% that I would see as a more sustainable long-term Capex. That is really the impact of initially the transfer of production where we have had some additional cost or extra capacity that has given us the opportunity to wait and not invest immediately but having that capacity we can utilise. It is also now the impact of the new global operation plan that is working very much with becoming even more efficient in the production. I think this year or next year we are probably going to be below this long-term, more sustainable Capex.

With regards to where we are compared to our peers it is correct that with the guidance of 27 we are obviously, compared to where they are today and their latest reported numbers, getting a lot closer and I don't know – I will not comment on where I think they might move over the next year or so. This is the relative target we will continue to improve, to see if we can get to that of a quartile, and you are right, we talked earlier on today about our provisions. I promised to check how much we could tell you. I cannot give you the exact split or the split between how much of our provision is for Southern Europe and how much of our outstandings are for Southern Europe, but I can tell you that when we look at our exposure to Portugal, Ireland, Italy, Greece and Spain, then we have approximately 11% of our sales in those countries but we actually have approximately 25% of our outstanding receivables from those countries. That just goes to show that our focus on Southern Europe and our additional provision is a reasonable and justified provision to make.

Hans Mahler – DNB Nor

A couple of questions, first starting off with if it is possible to quantify the positive impact you've had on the growth margin from the decline in the Hungarian Forint versus the Krone and, secondly, if you have noticed any competitors after the launch of Softima by B. Braun and what you think will come ahead there? Finally also, I wonder how the absence of growth within wound care has affected your profitability within that area. Thank you.

We can start with the gross margin. What I will just give you here is I'll just tell you the sensitivity that we have towards the Hungarian Forint; that on an annual basis was a 10% change that will impact our EBIT and that's primarily obviously also our gross margin because that's where we have the cost by about DKK 40 million, so that gives you the sensitivity that we have had there.

When it comes to B. Braun's Softima and Fexima products, they have launched a one piece open and one piece closed pack, and it is also a flexible product like the one we have. It should not really be my task to talk about the competitor's products. I would rather like to talk about our own. It is our observation that they have problems with making the adhesive last long enough so there is this whole conflict of durability versus flexibility and I think we have a better solution in the market than the competitors at this point in time.

Could you please repeat the last question, because I can't remember the wound care question?

It was just in terms of profitability in wound care, given we have not seen much growth there; how has that affected profitability?

We said that we have improved our EBIT margin by 15% since we started the turnaround and as you can see we have been pretty good at dealing with costs, so even though we are not really seeing growth, we don't see a decline in the profitability at this point in time.

That should actually be seen in light of the fact that we have also invested in additional sales staff in wound care, so we have been able to do that and still have nice double-digits.

Okay, so expanding margins including sales force expansion and flowing top line?

Yes, but it is obvious that going forward we need the top-line growth in order to get profitable growth in the business.

Understood, thank you very much.

Chris Gretler – Credit Suisse

I have actually still 4 questions left, and the first relates to your global operations plan. I think you mentioned it already a few times on this call. Could you actually elaborate on that and what it consists of, and what kind of expectation you are having for that plan? I think you highlighted that at your Capital Market Day.

The second question related to your balance sheet. I saw that you have been busily investing in new mortgage bonds. I was wondering what's the background of that.

The third question, with respect to the contract manufacturing, I was wondering – strategically, looking at a couple of years knowing your annual report, this contract manufacturing has not grown and I guess also now in terms of margin it is somewhat diluted. I was wondering how you see the prospects of that business in the mid to longer run and how that would impact your business if you were to separate it/

The last question was on the new patient discharge – I heard that your competition is having some problems there and I was wondering on your end how you see the development there and how satisfied you are in this respect? That will be all.

That would be nice, if we could answer all of these. It is true that we do invest in PD gains and that is very important in a business like this. It is also a number which we do not publish because we don't know to what extent our competitors invest in it and it's also for sure that if we publish a number then they would need to invest less to get the full picture because then they could only go for the rest of the market to figure out what the NPD numbers are. I think it is fair to say that all of the activities, or many of the activities that we are doing in this business area is really to increase NPD and this is not something that you can do in a very short while. It's something that takes a long time. You don't make sudden jumps but you are working at this in the long term. That's a long-term

business that we’re a part of and that’s also why you see the stability in the business as you experience, so we will not give you a number. I am sorry for that.

When it comes to the contract manufacturing, I think you are talking about Compete and we used to own this business area and then we sold it off to Johnson & Johnson and we still do on contract the R&D or the novation for this product line for them, and we also do the manufacturing for them. We cannot measure this business on the same line as we are measuring the other parts of the business, so we actually measure it on economic profit. We do make sure that we have growth in economic profit year by year and that we have negotiations on the contract to make sure that we do this and if we are in a situation where we find that this is diluting the economic profit expansion that we need year on year, then we will not keep this business area; that’s for sure. We are here to make business, not to produce.

When it comes to the co-plan it is very clear that we have been spending most of our time on moving out of manufacturing, for a very long period of time, and now we have a manufacturing footprint which we are very happy with, where we have the bulk of our manufacturing out of Hungary and then the second big piece out of China and then a little bit – 10% to be specific in Denmark, and only 5% outside of these three areas, so we are very happy with the footprint. Now we have a chance to start working more on the footprint that we have now gotten into and there are a number of things that we can work on. I think the most important one is what we call Redesign for Manufacturing which is that we don’t just have new products in our product line; we actually have a lot of old products and we are redesigning them to make sure that we get a better gross margin on each of them. There are many things we can do to reduce waste.

There are also many things we can do just by changing materials so that we don’t use materials that are quite as exotic as we used to do when we invented these products years back. We can do still a lot in Lean; Lean is a very big part of the way that we are manufacturing, and we can also look at the distribution. One of the people before asked about our 72-hour delivery service which, as you know, today we have 24 hours in most of the world and a number of our customers are happy to have deliveries every week and some are happy with 3 days, and we start to become more specific and advanced in the way that people pay for our services and also the delivery times that go with that. That also means that we can save something on the distribution and that is a part of this also, so there are a number of different activities there – actually a little bit more than what I have just mentioned, but those are the most important ones.

Then you also had a question about the balance sheet-

-exactly, and why we are investing in mortgage bonds; we have some long-term mortgage loans in our buildings in Denmark and we have chosen to invest in the bonds that match those loans. The reason we have done it that way instead of just repaying the loans is, when you take mortgage loans in Denmark, you have a relatively steep step duty and other fees upfront that you pay which means it is actually a cheaper way, so to speak, of repaying them to buy the underlying bonds than to actually repay the loan, in particular if you want to maintain the option of taking up new loans, so that is why we have the mortgage bonds on our balance sheet.

So there is no risk in this sense?

No, because they're actually matching the loans.

Okay, thank you, and have a good evening.

Jacob Swan – S&P Capital

Most of my questions have been answered, but just a small question on the wound skin care business. Although it looks like it's particularly weakened in Q4, is there any sort of trend in this or is this just a blip, given that the three preceding quarters have been fairly flat, year on year? Is it possible for you to add a little colour to what kind of activities we should be expecting in wound and skin care in the coming year?

Then just a quick question on the other credit institutions that's gone up a bit – is that mostly from the Mpathy acquisition – that big change in the balance sheet? If you could just explain that to me, I'd be very happy. Thank you very much.

When it comes to wound and skin care, I think it's a little bit the old suspects that we are talking about; Southern Europe is impacting negatively quite a lot, especially Spain, and for this year France has been also - in a sense there's been quite dramatic price decline in France. We actually see on the line that we are not performing that badly in France, so once we see the price decline stop we actually expect to see quite positive momentum going forward.

Then we have in Q4 a one-off situation in the US where, because of this very unfavourable numbers to match up against last year, that is really what is impacting us. Actually, in the SBU countries as we call them – the countries that we first started to come out of the chronic care business and to start investing in with a set-up where we have an extra sales channel in the community to go to market, we continue to see an improvement in the numbers and that is also what makes us quite confident that we will see growth going forward. We remain confident about the wound care business and we think there are explanations that we also fully understand which are impacting Q4 relatively.

With regard to the other credit institutions and the increase there, it's not as such really related to the Mpathy – this was because earlier on in the year we took a loan from the European investment bank that we got on some quite attractive terms and that's the reason why the increase in the balance sheet.

Just a follow-up, Lars – this is a sort of let's call it one-off or solitary event in the US – if we add that back, what kind of number are we then looking for because – how are you specifying this?

I think I cannot be more specific on it. If you take it as an overall take on this business, we have just finished our third year of the turnaround. It is the first year where we started to invest in growth. It's a year where we have seen quite significant downward price pressure in a number of our biggest markets. It's a business where we are very exposed to Europe and where we are seeing a very nice growth outside of Europe so that part is starting to fill more space in that business. If you take all of this together, we see approximately minus 1 and with the movement that we see in the business we do believe

that will bring us into positive territory, but I am not talking about that you will see us coming out with double-digit growth rates in the year that we're going into.

Just a quick follow-up, if I may – the R&D cost ratio – obviously I understand that Q4 was exceptionally low; should we expect that the level in the coming year will be at the level of what we saw the first 9 months of this year just closed?

It is the same answer as we have been giving you a number of times on this – the way that we're set up today, we have a much more flexible cost base on the R&D and that means that we are also buying more stuff outside of the company, and that means you will see big swings in this function. You will have quarters where we are spending a lot. You will have quarters where we are spending less and therefore it is very hard for us to guide on it. What I can say, and what I think is the most important part of this, is that we know exactly what we are going to launch when, over the next 24 months, and we always do that. I really like the product portfolio that we have in our pipeline. I think it is really strong and it is the best that I can remember that we have ever had.

Thanks very much.

Klaus Madsen – Handelsbank

My first question relates to organic growth in Q4 and whether you have seen any de-stocking at distributors due to cyclicality probably that is impacting your organic growth overall? Then I was wondering if you can start to shed some more light on the key initiatives in your attempt to rejuvenate growth in the US? Finally, when looking at the growth in the rest of the world region it's very low in Q4 and is there any particular reason why some of the strongest growing markets are tailing off in Q4?

Just one final one – you in 2010/11 delivered 6% organic growth with a very modest growth in headcount, just below 2%; is it possible to repeat that exercise in 2011/12 and continue to grow with a very under-proportionate growth in headcount? Those are my questions.

The headcount growth number is a very difficult one to predict. I think the best way to answer this is to say that, despite the fact that we today are running a very profitable business where you would believe that financial discipline would be different than what it really is in the company because, as it is today, you can rehire blue collar workers and you can also employ blue collar workers when you are running a factory. You can also rehire salespeople if you run a sales subsidiary, but everybody also rehires.

You have to speak to Lene and myself; we are keeping a very tight handle on the number of heads because we do understand fully that heads are driving costs. Having said that, we have invested in any decent growth initiatives that we have seen – we have invested quite heavily in the year that we just came out of, in sales reps in Asia. When you don't see a higher growth number on the total headcount it is also due to the fact that many of the positions that we are closing down, we are transferring from being () people into being salespeople so, if you take the last three years and look at what happened in Coloplast, you will see that today we have more or less the same number of people that we had 3 years ago.

If you look at the type of people we have on board, we have more salespeople today than we had at that point in time. In these numbers you also have to bear in mind that we of course had more people on board when we were doing the move out than we have now that we have finished it, because you need extra people on board when you are training people to receive the machines that we have been moving out of Denmark, so that has also impacted positively the number. We don't do any budgets on future headcount; we simply discuss it from business case to business case if we want to employ new people, so that is the way we are running that and therefore I am unable to give you any guidance on what we believe will be the case going forward. We have a more efficient company next year than the company we had this year and you can see that in the numbers.

I would not like to really discuss key initiatives in the US yet in detail... of course we have a very simple plan but it does include, amongst other things, the fact that we are stepping up or already have stepped up significantly on getting DVO contracts. It does include the product portfolio that we bring to market where we'll be much more competitive in a number of the areas that we are competing in and, actually, I could maybe also say it might be that you should understand because on an earlier occasion we said that we did not have any DVO contracts in ostomy care, but we actually do have that now; we are in ostomy care with MedAssets and Bottling, which is one of the biggest in the US.

By the way it's a full line. We are also in Amerinet until 2014 with wound and skin care and we are on 16 of the member IDNs with ostomy, skin care can continence care. We also have got access to what is called the () Alliance which is part of the Premier Group, so we actually are already making progress on that. Those are just a few of the headlines that we are looking into but there are a number of things ongoing and we are very confident with what we see that the management team is doing there. We are even on TV commercials in the US now with our products, which we have never been before.

You had a question to the Q4 growth rates in the rest of the world and we do actually see that China is growing very well, and as I mentioned in my presentation we have been impacted in Q4 by low numbers in Japan. That is due to some distributor order patterns because they have been quite erratic this year, due to the earthquake. Japan is really still a big proportion of the Asia or rest of the world part, so therefore the impact on the numbers.

Just on de-stocking, if you in general see maybe smaller elements of de-stocking with your distributors throughout the world-

-it is really hard for us to answer that question. If you compare the business we have today to the business we had 5 years ago, we see much more swings in the order patterns with the larger distribution teams than what we used to see – I cannot explain to you why but that is a fact.

Thanks very much.

Veronica Dubegova – Goldman Sachs

Two questions, if I can – one, I was wondering if you could give us an update on how the price negotiations in France are progressing and whether your FY 2012 guidance assumes any impact from the price reductions scheduled in France as of January 1st?

The second one – maybe you can talk a little bit about the decision to continue with the buyback, given your focus on potential acquisitions – should we therefore expect the buyback to be more backend loaded versus front-loaded? Thank you.

Veronica, the price negotiation in France, not a lot of update to give there – we are obviously following very closely, doing whatever we can, and as we did not expect to see anything in this financial year it is not included in our guidance.

With regards to our buyback, the way that we manage buyback programmes we actually don't do it ourselves. We get it done by a bank, sort of the Safe Harbor Rules which mean we split it so we have half a billion in this FY and another half billion the next FY and then we go to a bank or get them to bid for that business, and they will actually then do the buyback programme for us, which means we do not have any influence on when it is done. We do that because we want to make absolutely certain that we do not end up in situations where anyone can say that we have done something with insider knowledge or anything like that and that also means that when we start it we don't have the option really of stopping it unless something very dramatic happens.

That is very helpful. Thanks very much. Can I just ask a follow-up on the France pricing question – have you seen any other countries in the past 2-3 months where you are worried about what pricing might look like into next year and is it still fair to assume that your 6% guidance assumes that 1% negative pricing impact?

It is fair to assume that our guidance includes anything we expect to see on the pricing front and anything that we have knowledge of is included in that.

Would that be in the negative 1% range?

That would be more or less in that range as well, yes.

That is very helpful. Thanks very much.

David Adlington – JPM

Thanks for taking the questions. Most of them have been asked already, but maybe just one on the buyback and the read-through to your interest line; firstly, just at what point in terms of your M&A activity would you feel comfortable increasing that buyback? That's the first question and, secondly, how should we be thinking about the interest line that's here?

In terms of the buyback, I assume that I understand your question correctly – at what point would we go out and do more than the billion we have announced, so in other words you are asking at what point do we say okay, we don't actually expect we'll do any big M&A and we will then increase the payout to the shareholders, and the way that we look at it is that we would want to stick to what we have said this FY and next. That brings us both in a position where, if we do see something on the M&A front, we can actually act and it also brings us in the situation that the loans that we have maturing in 2013 – we have a US private placement maturing there – loans that under other circumstances I would be starting to look at renewing already now, simply because of the credit market. We are not

doing that because we want to be in the position that if credit markets are difficult at that time, then we want to be able to repay them without renewing them. You should see this as being our policy for this year and next.

In terms of interest lines, you should continue to see that one decreasing as our net bearing debt decreases. Included in the financial items obviously you also have adjustment for fair value of options which we don't know which direction that will go because that depends on the development of the share price and it is actually a relatively big part of that line, but if we disregard that one then you should see it become gradually more positive.

Thanks very much.

I think we have spent the time, so I think we will close the meeting now.