Coloplast - Gunila Jensen
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Chaired by Lene Skole

Lene Skole

Thank you. I am Lene Skole and welcome to all of you to this healthcare reform update. With me today I have Director of Marketing, Christian Bo Pedersen; I have Senior Manager of Public Affairs, Mark Draper; Senior Manager of Public Affairs, Louise Feilberg; Ian Christensen, VP of Investor Relations; and Henrik Nord, Manager of Investor Relations.

Those of you who participated in our Capital Market last year know that we had quite a large and extensive presentation on healthcare reforms and updates and actually the intention was that for the Capital Markets Day that we have next week we wanted to have an update on what has happened since last year. We then felt that we needed the time to really have a deep dive into our revised strategy and, as we thought this was still important, we decided to put this subject on this call that can be seen as a warm-up to our Capital Market Day.

So with this information, I will leave you to listen to the presentation and I know there will be a possibility to ask some questions at the end of it. I hope that I will see as many of you as possible on Wednesday at the Capital Market Day, but now I will hand over to Louise to start the presentation. Thank you.

Louise Feilberg

Thank you very much, Lene, and good afternoon. My name is Louise Feilberg and I will start at page 3. For the next 30 minutes we will give you an update on how we see the healthcare reform picture right now. We will do a short recap from last year's seminar. We will review the latest healthcare trends and we will take a closer look into our key regions and markets and, as Lene mentioned, we will finish with a Q&A.

If you turn to page 4 please, to set the scene, I would like to take you a year back to the key conclusions from last year. Now why is that? Well, we believe that the conclusions are still relevant and we believe they're still valid and they also very much frame the way that we see the reform environment today. Let me just go through these key take-aways. We believe that healthcare systems are a choice. Why is that? Well, that is because healthcare delivery will always be a choice. How you choose to structure healthcare delivery, how you prioritise the types of healthcare will always be a political decision. Very clearly that means that which types of reforms or price cuts that Governments choose to do will very much depend on the political wishes and priorities.

We have seen reforms as a permanent part of our business environment. Let me start by stressing that reforms come in many different types. We see both austerity measures, periodic reviews, fundamental healthcare reforms as a reform and within that, the majority of these are periodic reviews. We have experience with all types but I think it's also relevant to say that we have only seen austerity measures two places, that being in Greece and Spain. We have also seen emerging economies are increasingly investing in health. That means that it's not only potential for business development but also general market development and building up reimbursement systems. Finally, we have multiple tools or a toolbox to assess these trends and respond to reforms. It's very much related to ourselves when we look in-house that we have the right tools to use in a structured way, that being either developed market access or public affairs capabilities such as strategic pricing or general efficacy.

If I should conclude from these four key take-aways, I would say they lead to the overall and most important message from last year and that is that our reforms in any shape they come lead to our -1% price erosion guidance. It's an ongoing process to test this and validate it but we believe that it's still valid today.

With that in mind, let us take a look at the details in the various markets and turn to page 5. We will start by the region Europe and what does this slide show you? Well, first of all, it shows you that we have continued price pressure but it's a stable business environment. With 75% of our sales in Europe, it is very important that we have a stable business environment and we believe we do have that. Of course, with this current economic situation, it is no surprise that the price pressure continues. What you see here is a picture of the current reform activity and it's important for me to underline that the picture can change anytime. This is a snapshot of today. If we take it a few years back, the price pressure was dominated by a few big countries and the picture might well change next year. I think that only underlines that reform is our everyday business.

With the exception of Spain and Greece, the European price pressure and the business environment remains stable but let me go into some specifics and spend a few minutes on three key markets, France, UK and Spain. First of all, France, we have heard a lot about the Continent and the austerity reforms in France. Earlier this year they were postponed. They have been postponed until 2014. There was no particular reason for this given but in my opinion (and I stress this is only my opinion), the main reasons were restructuring of the French Healthcare Authority, new senior management people and also the fact that maybe these two reforms are not the highest priority.

If we turn to the UK, just recently in late April the Health and Social Bill got adopted with more than two years of planning. This Bill contains two very important things: first, budget savings as a main priority; and the second the patient's choice of treatment. Just how much this Social and Health Bill will affect us, it's too early to say. We do know that there are some changes to the primary care set-up. We just don't know how much that will affect us yet.

If we turn to Spain, it's somehow different because there we have a late payments problem and that remains a problem and I would even say an increasing problem. There is a payment plan in place with the regions, the Spanish regions, that will be effective as from June this year. Hopefully, we will see the impact in the coming months. The situation, however, has been deteriorating with regards to the payments and furthermore the Spanish

Government has or might lean towards further budget cuts. So far we haven't got any indications that it will be related to medical devices or that we will be hit but, on the other hand, we cannot predict austerity measures, just like we saw them two years ago with the 7.5% cut that we got overnight.

So to sum up the European overview, yes, there is a lot of activity going on in Europe. We're used to it. Of course, we stay alert about the price pressure throughout Europe but we believe that it's a stable environment but we also believe that we're mitigating it in a responsible way and we see no reason to change this 1% price erosion.

If you to page 6, what does this mean to us? How do we deal with it? First and foremost, it means that we have increased our level of activities. Now we're not only responding to reform threats but we are also proactively trying to prevent the upcoming reforms. I think the best way to illustrate this is to give you a couple of examples. If I start by Germany, in Germany we have no immediate reforms or reviews foreseen but that doesn't mean that we are just going to sit on our hands and wait until it comes. We are right now building up strong relations to policy-makers, to healthcare key stakeholders, all with the purpose of being prepared whenever something might come or preferably avoid any of these price cuts. In Austria we had this year quite a successful campaign. It's a different story because a year ago the authorities announced a 13% cut on our OC products but with a successful campaign where we got close to key stakeholders, we tried to change the setting... We managed to get it lower until 3.5% and the prices will not change until 2015.

What do these two examples show you? Well, they show that we take this political and economic situation very seriously. Hopefully, we act accordingly and we have leaned towards being rather proactive than just accept the changes that we see.

So to sum up and conclude this very short session o the region Europe, we believe that this price pressure continues but we also believe that it's part of our everyday business. We see no end within the next couple of years but we're that we have found the right way to respond to the pressure. Next to commercial activities, we do both proactive public affairs campaigning and we use the market access tools all to minimise the reimbursement and the price cuts.

With that, I would like to hand the floor to my colleague, Mark.

Mark Draper

Thank you very much, Louise, and once again welcome everybody. My name is Mark Draper, Senior Public Affairs Manager, and I am going to walk all of you through basically two areas, one beginning with the United States and also reviewing significant developments there. We are going to take a little bit of a look at both the budgetary environment and then talk specifically about healthcare reform. Then, moving on from the US, we'll take a few minutes and just touch on emerging markets and then, of course, after that we will conclude and open it up for your questions.

So going to the United States, if we can take a look at slide 7 please and what we wanted to do upfront was just to sort of frame the discussion by reminding everyone that 2012 is going to be a very critical year for us. We have a graph here that tracks healthcare spending over the last decade and this will probably look familiar to all of you that

followed the discussion and debate in the United States. The blue bars track the access on the left-hand side and basically show what is absolute amounts of healthcare spending through time and, as you can see now, we're approaching a period where our annual healthcare spending is over $2.5 trillion and it's approaching 19-20% of GDP. So the clear question for many policy-makers and one that we obviously follow as well is is that sustainable and what is the political environment and debate that will shape that healthcare spending trend?

So as you can also see from the red line in the graph, if you follow that, that tracks the access on the right-hand side. Even though absolute spending has been increasing for quite some time, the rate of increase has been slowing and so we have actually seen a deceleration of healthcare spending through the last decade. The interesting question, of course, for us is what does that mean pre- and post-recession. We saw that, obviously looking at this graph, things were already slowing down prior to the financial crisis and clearly the crisis and the recession in the United States has had an impact spending but, as we hope to move into a period where we being to see a little more robust growth in the United States, hopefully within the next couple of years, the question is can we see a resurgence of spending or will it succeed policy-makers to actually go in and hold that trend and keep spending in line? That's the central question for us because it frames obviously everything that comes in terms of the policy debate and the reform debate.

So that's just a little bit about the long and short term trends that we're watching on the budget side but there are two important events that we are watching quite closely that are coming up at the beginning of 2013 and, of course, they're related. We had this past year the Super Committee in Congress that was charged with trying to come up with a consensus budget. They failed and we know now that, of course, that means that there will be automatic cuts beginning in January 2013 unless the President and Congress can agree on a new budget. Given the political deadlock that we see right now, that's a very open question and so that Super Committee cut in terms of the impact on the economy and also healthcare spending is, of course, important. Now on healthcare spending we're a little protected in the Medicaid was taken out of the equation for the automatic cuts and the Medicare cuts, of course, were capped at 2% but, inasfar as the Super Committee cuts impact the overall economic growth in the economy, then of course it also indirectly impacts healthcare spending.

That leads to one other area that we're also watching closely and that also is beginning now to draw an increasing amount of tension we know in the debate and that is the idea of a fiscal cliff approaching in early 2013. This, of course, would be not just linked to the Super Committee cuts or sequestration; it would be linked to other types of measures like, for example, the expiration of the Bush administration tax cuts and other loss of revenue generation measures or re-entry of other types of tax measure that were previously stopped.

So you put all these things together and it creates a very, very open question in terms of how the budget environment will look in early 2013 and how that, of course, will impact what we hope is an economic recovery in the US that's starting to take hold. So the key message here is that yes, we do watch the budget questions very carefully, we do watch the healthcare spending very carefully because, of course, that's the context for the overall policy debate.

If we can move on to slide number 8, then let's go ahead and talk a little bit about the specific areas of healthcare reform that we're watching and here, of course, we're talking about the ACA (the Affordable Care Act) and those provisions that we, as Coloplast, really view as important. Of course, the state of implementation of healthcare reform is still very fluid and it is a little bit difficult, even still two years later, to be able to make too many forward-leaning statements about this because many of the measures in the Bill were designed to begin to take effect in 2013 and 2014 and especially the more controversial or the more difficult or expensive provisions like, for example, the beginning of the individual mandate that will bring, it is hoped, tens of millions of people into the healthcare system and provide them coverage for the first time or something closer to us, of course, would be measures like the Medical Device Tax.

So let's go ahead and take that specific example of the Device Tax as something that we're watching because I know it will be very much on your minds as we move forward. The Device Tax is I think in some ways emblematic of how the healthcare reform implementation has moved forward. We saw earlier on when the device tax was proposed and we saw the passage of the ACA, there was a lot of buzz early on about how the Device Tax would be applied say to – it would be applied on the basis of device classification. So class 1 devices might not be subject, class 2 devices would but there was a lot of ambiguity and, as we have moved forward through time and the Treasury Department and the Internal Revenue Service have now begun to put meat on the bones of this proposal, when we saw the IRS proposed guidance back a couple of months now and now that we have a proposal out, what they're looking now is more a model that would apply the tax based on where or how a particular person gets it. So in other words, does it come through a retail channel or a wholesale channel, that sort of question. Then, of course, is the device something that would be administered by say a layperson or patient or is it something that would have to be administered by a medical professional.

So those are the types of considerations now that we know the IRS is looking at and we, as a company, like many others, have now gone in to the IRS and offered our views that, based on the proposed rule and the guidance, we believe obviously that the device tax should not be applied to ostomy and continence devices. We feel strongly about that and we're watching to see what will come back in the way of an answer. We don't have yet a defining timeframe in terms of when we expect an answer. We think it will probably be in late summer but, of course, a lot of that will be driven by the volume of other comments that the IRS receives and then, of course, they will have to go back and collate all of that and decide whether or not they want to make changes.

There are also, of course, repeal efforts out there in Congress right now for the Device Tax. Right now there's one in the House of Representatives that's moving forward. To be honest, in our judgment, I think the prospects of passage of any sort of repeal right now are pretty long. So I think it's one of these things where we would consider the Device Tax as going into effect on the beginning of January 1, 2013, and if it turns out that the IRS comes back to us and says that it will apply to our products, then we're prepared to do that. We're prepared to administer the tax.

The device tax is not the only issue we're watching and it is also one that ties in with other sorts of measures in the Affordable Care Act. So, for example, I already mentioned the individual mandate that we're watching carefully. Obviously, we watch that to see how many people will be coming into the system, will they be coming in as private payers, will

they be coming in under Medicare, will they be coming in under Medicaid. That obviously is of interest to us. We're watching measures, for example, like competitive bidding which, even though it actually technically wasn't part of the healthcare reform law, is still something that is being used as a common cost control measure. We had just a first round that was done recently and you may have seen some news coverage not long ago that CMS (Centre for Medicare & Medicaid Services) was troubling the fact that this had been quite successful. Our view was a little bit different. It was quite bumpy in terms of the early implementation. Our types of products were not included in that first round, so so far this competitive bidding has had really no impact on us but it is something that, as it is implemented down the road, could obviously increase pressure on reimbursement and so that's something that we watch and watch carefully.

Then the other more general thing that we were looking for is what is the impact of these reform measures going to be, not only on the Federal but also State budgets, and it is the case that many states out there are still having a very difficult time and so that will drive what they are able to do in terms of their types of Medicaid funding, for example, and also how they participate in other aspects of reform. Now central to all of this as well is the very open question of what will happen with the US Supreme Court. Aspects of the ACA, particularly the individual mandate, have been challenged by the states before the Supreme Court. We had oral arguments now a couple of months back and it is widely expected that the court will come back with a ruling sometime within the next couple of weeks. Everybody seems to keep pointing to late June.

So depending upon what the court does, of course, that could dramatically impact a lot of different areas that I have discussed so far. Clearly, the individual mandate will be the most important part but if, for example, the court were to say narrowly rule and throw out the individual mandate but leave other aspects in place, that still calls into question the very delicate political compromises that were made in putting this reform bill together. Say, for example, even though the Device Tax is not something that's currently being looked at by the Supreme Court, if you had the individual mandate thrown out and all of a sudden you had people reviewing what was left, then sometimes you could argue the argumentation for something like the Device Tax that was seen as a revenue-generating measure to help pay for other provisions could be easier to challenge politically.

So bottom-line on this slide and what we want to say on US healthcare reform is it's still a very, very fluid situation, still a lot of uncertainty but we feel that we're well-positioned to watch it. For example, Coloplast just recently rejoined AdvaMed, the largest US medical association – I am sorry, medical device association in the States after a couple of year hiatus. So we're back and also using them and other folks as tools to be able to monitor and watch. We're also going to work proactively, like I have mentioned, in terms of engaging with policy-makers, whether it is on the Device Tax or other types of issues. So watch this space and we'll see how implementation proceeds as we go forward.

That then concludes the quick discussion of the US. If we can just move on to slide number 9 now, we wanted to also do a quick fly-by of emerging markets because we obviously view emerging markets as an area of significant opportunity for us and the approach, I think the mindset, the toolset that we bring to emerging markets is different than obviously what we use in other parts of the world because, as Louise described, the ongoing challenges in Europe and, as I was mentioning, in terms of what we see in the United States, there we clearly are broadly engaged and we are trying to make sure that we

are ahead of any types of proposed reforms or austerity measures that might create difficulties for us.

In emerging markets it's a very different type of game and it's one where we really are able to actively pursue opportunities. I think the challenge in most of these places is that you oftentimes are looking at environments where clearly the healthcare delivery and financing systems are still being built. They're still evolving and so we may be only active in one particular business area. We may want to go out and see what the environment looks like for other types of business areas. We may be wanting to see if a particular market has potential to be able for us to enter at all, whether it makes sense to be there on a scale or price sense.

So just to give a couple of examples, looking at, for example, China, Brazil, Mexico, China we have been increasingly engaged. We have hired now a Government Affairs Manager out there that can help us now more closely engage with the Chinese and follow their ongoing reform and regulatory measures. The Chinese are adopting new insurance schemes that are designed to bring more and more of the real population into some sort of basic coverage. So we have opportunities there to be able to engage and build and do some market development.

Brazil is an example where we are strong on ostomy but we have not really had an opportunity to really actively engage on the continence side. There the challenge would be to go in and try to say increase awareness of intermittent catheterisation so that we could raise the standard of care and be able to again create some opportunities.

Mexico is one of these countries where, even though the size of it would suggest that there is a tremendous amount of business, it has been a relatively modest market for us so we're trying to look and see why is that, what are the different types of things that have kept the business small so far, do we have opportunities to go in and engage there as well.

So those are all examples of the different opportunities we face and we really do view emerging markets as something exciting and as a place where we really want to be able to also use some of these tools we have been building, whether it's the market access tools that Christian Bo and his shop run, whether it's working in what Louise and I have been doing on public affairs. We really view that there are tremendous opportunities here.

That takes us to slide number 10 and we're going to go ahead and just sum up here. We want to go back and quickly just recover some ground on what we have had in the presentation today and then open this for your questions. So we feel that, looking at these broader economic trends, the market developments, the new strategy that you will hear more about from Lars next week and our own internal assessment of these different markets, we do believe that we have an overall picture where we have a broadly stable environment; yes, there's a lot of activity; yes, we're engaging; yes, we're vigilant, but we also feel like we are able to do this in a controlled way where we have good tools and good approaches and ones that are working for us. So the bottom-line is that that again brings us back to the -1% price pressure as our jumping off point for where we feel we are.

So that is our overview. If we move to slide 11, you will see that we have now the ability to move to questions and, operator, if you will please open that up, we would be happy to take them.

Questions and Answers

Klaus Matsen – Handelsbanken

Hello, it's Klaus Matsen here with a couple of questions. My first question relates to the reiterated 1% negative ASP that's implied in your guidance. Does that consider emergency price cuts or should we consider this to be the estimated impact of fundamental reform revisions and repetitive revisions? So that's question number 1.

Number 2: do you see any increased trends towards cross-national comparison of device prices in Europe, in particular, and hence increased trends towards reference pricing?

Finally, do you now have broad evidence that your strategic pricing initiatives are working on a broader scale, both defensively and proactively?

This is Christian Pedersen from the Market Access. First of all, the provision of -1% is covering what we can see from a historic trend plus what we know is factual outlook about price buts and in that estimate we do also have you call it emergency price cuts. Of course, should there be a huge price cut all of a sudden in a big market, then we have to deal with that separately but overall it actually includes everything. So that should be the answer to the first question.

If we can take the last question first about the strategic pricing, this is something that we have been working on for a couple of years now. It is not something you implement overnight but what we have done there is that we have implemented the whole price-setting very early on in our product development pipeline so that everything we do now with private development is actually aligned with the price-setting in terms of a more value-based approach and we are actually building also on clinical programmes to support our products as we launch it. So yes, that is very much in line.

About the outlook for the international price comparisons, we do not believe that we see anything different there than we already knew. This is something, of course, we are also handling through pricing policies but please also remember that we have a more differentiated pipeline than, for instance, pharmaceutical companies. So we will also be more able to actually have the prices that the different governments are asking for – sorry, products that different governments are asking for and this is actually reflected in our pipeline in the different markets. So I don't think that we have seen any changes, no.

Thank you.

Martin Wales – UBS

Hi, it's actually Martin Wales from UBS. Just remind me of why you left AdvaMed and why you rejoined now. Secondly, are you seeing much of any impact of any form of group purchasing of your products in European countries? Thirdly, could you just expand a little bit on the differentiated products, differentiated pricing point that you made in relation to your ability to match what governments want to spend on the pricing?

This is Mark Draper. I will take the first part on AdvaMed. It really just came down to a question of how much it costs. A couple of years ago, of course, we were in a different environment. We didn't feel that we had quite the number of issues to track that we do now and when we looked at AdvaMed membership, which is quite expensive and based on a percentage of annual revenue in the States, we just made the decision that that cost didn't outweigh the potential benefit that we might be getting in terms of the additional information. I think though, as we have gotten more and more into the implementation of healthcare reform in the United States now, then clearly that balance is shifting again and also we were able to, through a little creative negotiation, I think get a little bit of a price break but we more than anything believe that right now it's a good time to be back in because AdvaMed obviously speaks on behalf of industry. It has a seat at the table and so, as a lot of these provisions are being now finalised or negotiated with the Government, then it makes a lot more sense to be able to have their insights. So that's the AdvaMed issue.

Okay. Sorry, just are you using AdvaMed – I know it's a US organisation but my understanding was they were beginning to try and do some more stuff internationally but you're purely focused – you're a member of AdvaMed purely for the US...

Well actually, no, that's a good point. I'm glad you mentioned it because one of the things, of course, that AdvaMed is doing is they are increasingly engaged overseas and, in fact, I had a phone call with their Executive Vice-President for International Affairs just last week because we are also interested as AdvaMed begins to engage in places like China, for example, or Japan or Brazil. Then, of course, it's just an additional source of information and also it can be a much larger weight in terms of having a voice in policy debates. Then, of course, we're also – being members of Eucomed, there are some synergies there as well and Eucomed and AdvaMed, for example, do have regular quarterly conference calls, for example on Transatlantic issues that bear on regulatory issues, those things. So we do also use them internationally although I think that's an area where we want to do more.

Okay, thanks.

This is Christian Pedersen again. So you also had a question about the international GPOs or Group Purchasing Organisations. What we are doing there is that, of course, we are monitoring the trend. However, I think also that we should maybe also remind everyone that we are mainly –most of our sales is mainly in the community sector, where you have national rebirthing(?) systems and I think this international GPOs are you can firstly at least something that is addressing the hospital device companies because this is where you sometimes have often high discounts and rebates. It's not something that is really a big concern of ours at this moment but, of course, we are always monitoring what is happening.

The last question was about?

Sort of elaboration on just how you're differentiating your product pricing for what different governments want, maybe you could give a few examples.

Yes. Of course, when it comes to the pricing policies and how we position us there, we cannot share everything but one example would, of course, be that we have different

qualities of, for instance, our capitals(?) and we, of course, take these considerations into account when we decide which markets can, for instance, have access to speedy compact products and this is something that is easier for us to align with the different markets, so they can get what they are willing to pay for.

And they don't push back on saying they want the more expensive products at the cheaper price or they don't write the specifications...

Yes, then they will just get a more suitable product compared to their willingness to pay.

Okay, thanks very much.

Yidan Wang – Deutsche Bank

Thank you very much. I have three questions. The first question on the 1% ASP impact, can you give us your assumptions for your US and rest of the world please? The second question is on the – how consolidated is the purchasing of your products, if you could give us some idea of that, that will be helpful. Then the third question is if we look at your products across Europe, how easy is it to compare them? I understand that you do try to differentiate them as much as possible but how differentiated are they across Europe? Thank you.

So this is Christian Pedersen from Market Access. So the first question about the details about the 1% price erosion is not something we share because it is actually a rather complex evaluation because remember it consists of everything, both the reforms but also price-setting in tenders and so forth where you go into competition with competitors. So, of course, we will not share those figures but I can assure that we are very comfortable we have given you.

I didn't exactly understand your second question about how consolidated the purchase of products are. Can you please elaborate a bit on that one?

Yes. So if we look at your products, they mostly go through distribution channels that are operative in the community. I just want to understand how fragmented that distribution is, to understand then how much pricing pressure you are actually exposed to just through general competition. Does that make more sense?

Well, in some markets in the distribution is actually quite similar to pharmaceuticals. It's the same distributors that are operating those markets. Then you have other markets where it's more in line with the tender markets and so forth. So it is actually a quite complex picture that is probably even more fragmented than what you're used to from pharma and it doesn't really make sense to give an overall picture on it. It really depends on the markets.

Okay. Would it be right to say then that your distribution partners don't really have much muscle to leverage more pricing from you when it comes to the purchase of your products?

I wouldn't say it's very wrong.

Okay, thank you. And do you see that changing in any way going forward? I mean do you think they will have more muscle as time passes? Do you see any changes there in that direction?

Not specifically. We are monitoring these things and what we know, all this is very dynamic but, no, we don't have any reason to believe that it will be more fragmented than today because it is actually very fragmented today also.

No, I meant do you expect to see it becoming less fragmented over time. Do you have evidence?

No.

Okay. And then the third question, comparability of your products.

The comparability of our products is – how can I put it? It's something that the governments can, of course, or anyone else can actually look for but the big difference is when the products are not the same, then you don't have something that you can say is a unique identifier of which products you should compare and this is the complexity of our portfolio. It comes in many different qualitative variants and then there's not a clinical guideline on how you can compare an ostomy bag with – a certain feature with another ostomy bag with a less qualitative feature. That's why it becomes a bit complex and, no, I don't see there's any easy way to do that.

Okay, thanks very much.

Chris Gretler – Credit Suisse

Can you hear me?

Yes.

Thanks. I have a few questions. Maybe I will start with this -1% actually. If I do my calculations also, I don't get to -1% for the last year at least and I haven't been so long with the company but I guess also before that wasn't really -1%. Could you give me some broad indication what you think now it has been in the last let's say two or three years, this pricing effect? I understand that you don't want to break out that but at least could you give us an indication with whether you think ostomy or continence care ()()() higher or lower rate than this 1% on average?

The second question relates to Italy and Scandinavia but I know you just basically superficially could give some indication what you see in these markets? I understand they are a bit smaller but still it might be interesting.

The last one is related to your comments about late payment in Spain. I am not sure whether Lene is still on the call but I think she mentioned that accounts receivable, about 25% of the accounts receivable are in Southern Europe. Could you indicate to us now what is actually Spain and to what extent that has actually deteriorated lately? Are we talking lately in the last two to four months or basically in the last 18 months or something like that? That will be all, thanks.

This is Christian Pedersen. I can at least answer the first part of your question about the 1% again. First of all, as I mentioned before, we have a lot of insight on how we calculate these things and again remember part of it has something to do with rebirthing prices and part of it has something to do with the commercial pricing and so forth. This we can, of course, not share and that is probably also why – I don't know how you are calculating but definitely when we do the 1%, that is the actual sales price. Please remember that. So I guess that could be a little difficult for anyone else but what you should feel at least is that when we give out an estimate of 1%, then it is because we feel pretty comfortable that this is really what we feel, that it will be within the range of the -1%.

And historically that has been?

It has not been far away from the 1%, no, very close.

So your model is pretty good.

I don't know about the model. That's the facts.

So this is Louise Feilberg speaking. You also had a question about Italy. Well, as I mentioned when I went through Europe, the picture shows pretty much the activity as of today. Right now we have no current reform threats in Italy. We are most certain that they will come, some, either budget costs or price reviews but for the time being we have seen none. That is important for me to stress but again, as I also mentioned, the picture change everyday.

For Scandinavia the picture is a little bit different. We see both in Denmark, Sweden and Norway various types of either in Sweden leaning towards more tenders, in Norway they have tried to make a new pricing model and in Denmark convert from high end products to low end or cheaper products. That is the three main issues we see in Sweden, Norway and Denmark but we consider it as fairly business as usual but, of course, we are monitoring. We are actually doing very proactive campaigning in each of the three countries.

Then you had a question about late payments and deteriorating Spanish economy and situation. Yes, we have still a problem with late payments in Spain. Yes, we have yet to see money in our account but that is, of course, something that we hope will be better within the next coming month. The payment plan with the regions is in place and we are optimistic about that but, as you also know, the economic situation is not getting any better and that might also have an impact on our business.

I just wonder where you take this optimism from. At least in our world people are rather pessimistic about it.

I hope that – I just have been speaking to our Country Manager in Spain and the Spanish Medical Device Association (FENIN). They have stressed that now the payment is in place with the regions and therefore we are – maybe I was too optimistic when I said that but we at least hope that that will be better and we will see that in the coming months.

But you know very lately you have seen no deterioration? It has been bad before I guess and it has not gotten any better so to say.

If I may add, Chris, as you can see in our quarterly numbers, we have made provisions for bad debt in the last six quarters. We do continue to settle in Spain and, of course, that contains a risk that you could also provisions going forward.

Okay, thank you.

Martin Wales – UBS

Hi, it's Martin Wales again from UBS. Just following up on that question in relation to Spain, you made provisions about that in the last six quarters. Are you trying to suggest those provisions might accelerate going forward if the situation deteriorates? I am slightly uncertain as to what you're saying in Spain. It is deteriorating, it isn't deteriorating – what is the current situation?

The current situation is that, as also Louise referred to, we are still not getting paid and it means that you can say the receivables, especially on the TSO's that are already very old is getting older. We do make provisions on a quarterly basis to the knowledge that we have on that given time but, as the payment situation has not significantly improved over the last quarters, of course that in itself poses a risk that you can see that grow forward too.

So what provision – what are you assuming or what provisions have you taken now? What percentage of the selling price do you assume you will get now, given the provisions you have taken?

Well, our provisions, we have a total of DKK130 million in provisions, of which most of that really is to Spain.

And what percentage impact is that in the price you originally thought you were going to get for these products in Spain?

I would not know that. I will have to follow up on that.

Is there any chance you could be writing back provisions if the supplier plan which appears to be in place does actually pay out for you?

Well, in theory yes but in practice I would love to see that one coming through before we can go further down that road.

Yes but, as I understand the supplier plan, as long as you're willing to waive the year interest that you would have been due had it gone to court, you will get paid 100% of the purchase price. Is that how it works, remind me?

Well, if we're 100% covered, of course, there is the risk of those that we're writing back but I would need to see those details before we can go.

Sorry. Again I'm being slightly obtuse about this but are you saying that you don't believe the supplier plan will pay 100% out to the end of 2011 or you believe it will?

Of course, it's difficult to say but so far what we have, and this comes from our Spanish Medical Device Association (FENIN), that the Public Authorities have said that they have not asked for any rebate. That's what I know from FENIN but again things might change.

Yes, that was my understanding too, so I was just wondering.

So we are aligned.

Okay, thanks very much.

Chris Gretler – Credit Suisse

Yes, thank you and now, given that I have you all on the line, I was just wondering if somebody could talk about Japan and the reimbursement situation there and how that has developed and what kind of prices you see there relative actually to other more developed countries like in the US and in Europe.

This is Christian Pederson from Market Access. What we currently have seen in our business is a relatively stable pricing situation in Japan but please remember that in Japan one of our businesses (that will be the continence business) is actually suffering a bit under very poor reimbursement. So we actually consider Japan as being an opportunity if we would be able to do something about that reimbursement situation.

And in general the prices in Japan are like in other medical devices, very high because of the distribution system? Is it in your industry the same as well relative...

Not particularly high nor particularly low actually. No, that's not our experience.

Okay, interesting, thanks.

Closing Comments

It's Ian Christensen. Thank you very much everyone. That's it for now and I guess we will see a lot of you guys again on Wednesday. So good afternoon and goodbye.