

Coloplast A/S
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Chaired by Lars Rasmussen

Lars Rasmussen

Afternoon and welcome to this Q1 2013 conference call. I am Lars Rasmussen, the CEO of Coloplast. I am joined by CFO, Lene Skole, and our Investor Relations team. As usual, Lene and I will start with a short presentation and then we will open up for questions. Please turn to slide number three.

We are satisfied with our results and that our results came in, in line with our overall expectations. Our organic sales growth was 6% and we have reported a solid EBIT margin of 31% for the quarter. During the quarter we returned DKK 844 million to our shareholders in dividends, corresponding to a payout ratio of 38% and we can see that strong free cash flow generation continued in Q1 12/13. We also finalised our 1-to-5 stock split and the cancellation of 1 million treasury shares. We expect to initiate the second part of our buyback programme in Q2 12/13.

For 12/13 we continue to expect a revenue growth of 6 to 7% organically, whereas we now expect to grow 5 to 6% in Danish Krone. We continue to expect to deliver an EBIT margin between 31 and 32% both in local currencies and in Danish Krone.

Please turn to slide number four. Revenues were up by 6% organically and 8% in Danish Krone and amounted to almost DKK 2.9 billion. In Ostomy Care, organic growth was 5% in Q1. The growth was driven by a good performance in UK, US, and the Nordic region, whereas growth was negatively impacted, especially by Spain and Italy. Emerging markets also saw a weaker than usual quarter driven by Russia and China.

Our Brava accessories product range has been launched very successfully and uptake in the market is great.

In Continence Care, organic growth was 7% in Q1. Also, here the UK, US, and the Nordic region did very well, despite the fact that the US catheter business was negatively impacted by distributor order patterns.

Growth and sales of urisheaths and urine bags was not satisfactory, and we had expected a higher pick-up on the back of the weak performance last year.

Growth in our bowel management franchise remains satisfactory.

In Urology Care, organic growth was very satisfactory at 11% in Q1. Sales of penile implants in the US market continued their strong growth. We saw a challenging performance in women's health generally, as sales of female slings continue to decline.

Restorelle, our synthetic mesh for pelvic floor repair continued to deliver good growth rates. Our recently launched single incision sling for female stress incontinence Altis has been well received and performance has been good in Q1. Overall, we are satisfied with the launch and expect Altis sales to step up gradually as the launch continues.

Our European Urology business, especially endourology, saw a satisfactory performance in Q1, partly helped by lower sales in Q1 last year due to a product recall.

In Wound and Skin Care, sales were unchanged compared to the same period last year. Our Wound Care business continues to face very challenging market conditions in Europe. This quarter we saw declining sales especially in Germany, the UK, and Southern Europe, whereas we were very pleased to see that our biggest European market, France, did considerably better than the previous quarter. We have, however, encountered a new challenge in the French market, as most Wound Care players, apart from Huge (?) have been denied to sell several products. The ruling is not yet final, but should it end, so it will impact our French Wound Care business with around DKK 10 million negatively in 12/13.

Our Skin Care business contributed with very satisfactory growth in Q1.

Looking at our reported geographical segments, we continue to see stable organic growth in our European markets of 4% in Q1. The performance was driven by stable trends in our Chronic Care business, especially in UK, our Nordic region, and France, whereas the markets in Southern Europe remain challenged by the macroeconomic downturn in the region. We also continue to see declining sales in our European Wound Care business.

Organic revenue growth in other developed markets was 9% in the quarter. Our US business continued to deliver in accordance with the plans and especially our growth in Ostomy has been off to a better than expected start in Q1, where several campaigns within accessories support the strong development.

Coloplast won a GPO contract with Novation on Ostomy appliances from 1st January 2013, running for three years. We see the win of the Novation GPO contract as important for the execution of our plans in the US Ostomy business.

From 1st April 2013, however, MedAssets has excluded Coloplast Ostomy from its offering. The loss of MedAssets on Ostomy is expected to have a limited negative impact on the performance of our US Ostomy business, as we expect that we can convert a significant number of our customers to either Novation or Amerinet.

Revenue in the emerging markets grew by 9% organically in Q1. The growth rates are not satisfactory. We did expect relatively low growth for the quarter, but we came in slightly below our expectations. The market is normalising in Russia, coming down from very high growth rates in the first quarter of last year. In Brazil, performance improvements kick in slowly and will be back-end loaded for the year. Finally, China saw distributors bringing down stock levels in the quarter. On a positive note, we saw good growth in Argentina and Greece.

During the quarter we pushed forward with our revised growth strategy and established a new region under emerging markets, EMEA, covering India, Middle East, and North Africa. The region will be headquartered from Dubai to secure close links with the local

markets. The region will be led by our former countrymen there in France. We expect it will take two to three years before the region is fully up and running, and providing a meaningful contribution to our corporate growth rates.

I will now hand over to Lene, please turn to slide number five.

Lene Skole

Thank you, Lars. Gross profit amounted to DKK 1.9 billion, that's equal to a gross margin of 67%. This is an improvement of two percentage points compared with Q1 last year and was driven by efficiency gains in our production economy and higher absolute sales. The gross margin in fixed currencies was also 67%.

The SGA to sales ratio came in at 33% and was, as expected, down by around one percentage point compared to Q4 last year, which was impacted by the accumulated effect of a number of minor cost items. Compared to the same period last year, the ratio was in line when adjusting Q1 last year for a non-recurring item of around DKK 70 million.

We have started to invest in our revised growth strategy and expect a major part of the investment schedule for this fiscal year to occur in the second half of the year. We have already disclosed investments in Brazil and the EMEA (?) setup mentioned by Lars. Both of these will be followed by a range of initiatives over the coming years.

The R&D to sales was in line with the full year 11/12 year at 3%. All in all, this results in a reported EBIT margin of 31% compared with 26% the same period last year. Excluding a number of non-recurring items in Q1 last year, the EBIT margin improved by two percentage points. Net of currency impacts, the EBIT margin was also 31%.

Net financial expenses increased by DKK 22 million compared to Q1 last year. This was mainly due to an increase in losses from our hedging activities and an increase in the fair value adjustment and cash settled options. This was partly offset by a decline in net interest expenses.

Our net profit for the period increased by 27% to DKK 617 million, corresponding to a diluted earnings per share of DKK 2.88 against DKK 2.27 last year, i.e. an increase of 27%.

Capex amounted to DKK 91 million, corresponding to a Capex to sales ratio of 3%. The increased Capex compared to last year was due to higher investments in production equipment. The ratio for the same period last year was 2%.

Free cash flow was up 138% to DKK 385 million, compared to DKK 161 million last year, due to increased earnings and a decrease in net loss from realised foreign exchange hedging contracts.

Return on invested capital after tax was 41%, that's up nine percentage points from last year, as we continue to increase earnings on a stable asset base.

Now, please turn to slide number six. For 2012/13 we continue to expect revenues to grow 6 to 7% organically and we now expect to grow 5 to 6% in Danish Krone. The

change in the guidance in Danish Krone is a consequence of the fact that since the beginning of the fiscal year, the Euro and, hence, the Danish Krone has appreciated against a number of key currencies, such as the British Pound Sterling, Japanese Yen, and the US Dollar. The growth guidance implies a continued stable growth in the European business, whereas we expect, especially the US market, to add to the growth as they continue to execute well on their strategy.

Given the slow start in 12/13 for our emerging markets business, we are now a little more cautious and expect it to grow at least in line with last year, but I have to stress that it's a volatile business. We are still firm in our belief that we can expect less than 1% net negative impact on prices in 12/13. The pricing project we started up in 2011 continues to deliver value, but what is more important is that especially the reforms in the US and Italy came out with limited direct impact on our business.

Right now, we also expect that the French price cuts are delayed until July, thereby reducing the potential impact on our current fiscal year performance. It's still our view that our business longer-term is subject to around 1% annual price erosion.

For 12/13 we continue to expect an EBIT margin between 31 and 32%, both in local currencies and in Danish Krone. There are no changes in the underlying assumptions behind our EBIT margin guidance. We assume 67% organic growth and we expect to deliver gross margin improvements within the half to 1% range, as previously communicated.

Our Capex guidance for 12/13 is around DKK 400 million and our effective tax rate is expected between 25 and 26% consistent with last fiscal year.

Regarding the use of cash, we returned DKK 844 million in dividends, corresponding to a payout ratio of 38%. We also expect to initiate the second part of our buyback programme in Q2 12/13 with DKK 500 million available for repurchase of shares.

With regards to extraordinary dividends, we continue to generate high cash flow and, depending on our liquidity situation, the mandate for extraordinary dividends in 12/13, provided at the AGM in December /12, will most likely be used.

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

Questions and Answers

Martin Wells – UBS

Hello. It's Martin Wells from UBS. Could I start by just getting some clarification on one or two of the things that impacted the growth this quarter? If you could quantify the impact that the Russian tender impact last year had on Ostomy Care growth? In the US, you talked about slowing – in catheter sales growth, is this simply a higher base or is there anything to be concerned about? Maybe we could start with those.

Yes, actually the way that we see it, if we look at Europe we have a pretty stable growth in Europe and also a growth above the markets. We have a strong growth in the US, a growth which over the last couple of years has picked up, and then we have a growth in the emerging markets which is a bit slow. That is not something that we feel concerned about. The reason why we see a slow growth is that our first quarter last year was impacted by a very high status in Russia due to a tender that we had at that point in time there, and the growth rates are normalising in Russia as we speak and that's especially Ostomy we are talking about here. Then for the US it's a timing issue, as we see it. What is really important to us is that we are defending a base of lower technology catheters and then we are building...actually with quite high growth rates, a new base of high tech catheters in the US and also higher price catheters, and it's simply a timing on the quarters that we are talking about here, so there is nothing here where we think that this is something which is systemic or in any way which we believe is going to repeat itself over the year. It's really what it is; it's just a quarter.

Okay and one more question before I go back into the queue. You talked about declining revenue in Wound Care again. I suppose, the obvious question is pricing, volume, mix, all three, what's actually happening here? A bit more detail.

Yes, it's Europe which is pulling us down. I guess it is fair to say that most Wound Care businesses that operate in the market do not have a feast in Europe these days. We are, unfortunately quite exposed to Europe and especially exposed to the Southern part of Europe, and that is what you see in our numbers. I would like to remind everybody that we are...it's a bit self-inflicted, because over the last few years we have done a lot to increase our profitability in this business area and thereby we have also caught in our business base and reduced the products that we do not make much money on, but having said that, we need our sales base in the emerging markets to be significantly bigger to offset the negative development that we have in Europe.

So this is predominantly a volume driven then from the sound of things?

Yes, yes.

Okay, thank you.

Well, it's to a certain extent volume-driven, but there is also a price pressure in Southern Europe, no doubt about that.

Okay, that's great. Thank you.

Klaus Madsen – Handelsbanken Capital Markets

Yes, hello. It's Klaus Madsen from Handelsbanken. My first question relates to the continence category, you mentioned that you saw some weakness in the Euro shares and Euro backed. Could you elaborate on this? Is this a volume decline which you think is temporary or are you seeing some share loss or is there a price components there, and then on the Southern European exposure, could you give us of the provisions in this quarter and what you think currently about the region and the risk may be with particular focus on Greece, and then you mentioned in a Reuters' interview I believe that you are not considering selling the Wound Care business. I guess that should imply that you will then

acquire something as it seems unsustainable or unlikely that you can repair your scale issue organically. Is that a fair conclusion?

If you want the truth, always read the newspaper, so let me start with your last question first. The Wound Care business, what should be more correct, what I said was...what I have said I guess also to you, Klaus, is that we are convinced that there needs to be a consolidation in the Wound Care business, because there are too many companies to drive profitable business for everybody and you need a certain scale to have a profitable business. We think we have very interesting assets to take part in that consolidation. We would love to keep the business, because it fits very well with our growth on business in emerging markets and with our technology, but we need to find the best way to create value for these assets, so therefore we are not ruling out any options, so that's probably too elaborate an answer to find in the news.

Then to come back to your first question with the shares and backs, it's primarily the backs that we impacted on and that's also where we feel that we have...that we probably have the products that are more generic than anything else and it's emerging markets and Italy where we have primarily filled it, and we have to make an effort to make sure that we come back on track with that. It's not so much the shares.

Regarding provisions...

Yes, we obviously, Klaus, continue to follow very, very carefully Southern Europe, as it is an area of concern for us and I think for many others. We have, however, in the quarter not seen any deterioration and we have not made any extra provisions for it outstanding in that quarter.

Right. Then just one follow-up on the downgrade which I guess it is on the emerging markets region. I guess that should imply that you are also seeing a slow start to this quarter as you were in the middle of Q1 when you gave guidance for this fiscal year. Is that fair to say that the soft growth spills over into what you have seen so far?

It will...first of all, I think it's fair to say that we have a guidance for the year, which is 6 to 7% on the top line and that one we are not at all talking about. We expect to be able to deliver an organic growth of 6 to 7%. It might be that the composition of the business ends up being a little bit different than what we thought when we started out, but, you know, there's...we don't have any hesitation in our plans with the emerging markets business, but it's a fact that when you are investing yourself into emerging markets it takes time. I mentioned during my part of the presentation that we have now formed a new region in EMEA, which is opening up out of Dubai and when you are going into a new country what you have to do is first you need to register yourself as a company; that's a prerequisite for registering the products and it just takes time, but if you look at our investments into emerging markets today, compared to 12 months ago, they are significantly bigger and, of course, they will also bring further growth into the Company. We don't hesitate to reiterate that we expect higher growth in the future from emerging markets.

I also, actually if I may add, think it's a little bit harsh to call it a downgrade. That's not at all how we see it. We may be a little bit more cautious and we're seeing it takes time, but I think that's the level we are talking at.

All right, great. Thank you.

Alexander Kleban – Barclays Capital

Hello. Thanks for taking the question. Just one on the US business. You switch to your market share disclosure on that from 0% to 10% to 10% to 20% last quarter, so I was just wondering when exactly that crossover happened, and also where you see that going especially now kind of near term with this Novation and MedAssets situation. Then the second, just on Wound Care, you mentioned the impact of that China distributor inventory reduction on growth in the quarter, and just wondered how big of an impact – how big that business is within China and also how much on a relative basis that dragged down the rest of Wound Care, and I guess, just lastly, we saw strong trends in Wound Care and a weak Germany, and historic, I think Germany was a market that was a bit stronger for you and you had implemented some of the turnaround there a bit earlier, so just wondering why that regression there and why more strength in France and is this just a kind of phasing issue or is there something that the strategy hasn't worked out as well as he thought it might have done? Thank you.

Whoa, that was a lot of questions in a very short time. For the US business, if you go two years back in the US, you will see that we are growing approximately 5%, last year we grew around 10% in the US, and this year what we see is that we grow more than 10%, so we think that that is really what we are seeing, but when you're looking at Ostomy devices in particular, then we talk about 10 to 20%, so it's for the Ostomy devices and not for the US market as a whole that we are talking about the 10 to 20%, but please remember that when you look at the Ostomy market for the US, we are sub-scale. It's not like all the other markets that we talk about, we actually have a lower market share from the outset in the US Ostomy Care.

I think when you look at the market share description, what we used to have is that we used to have the market share for the Americas and that has now been changed to other developed markets, so the definition of the region has changed, which is the reason for the change in market share. It's not that our market share has all of a sudden increased dramatically, even though, of course, we are taking market share.

What was your question on China?

As you mentioned the distributor inventory reduction in Wound Care and just understanding how big Wound Care is as a relative basis – on a relative basis in that market.

Yes, but it's...China is around all in all a couple of percentage points of our total sales, so it's not a big base that we have out of China, but we have a lower growth this quarter than in previous quarters and then we expect that to pick up again simply due to...we can see that it is not in market sales that is the problem. It is basically just some stock adjustments.

Okay, clear, thanks, and then just for Germany versus France on the Wound Care front, Germany was stronger, so is that a situation where...

Well, it's basically also the same that we...there are couple of orders that we were missing out on in Germany, but we also have to remember that there is a very big scale difference

of our businesses in France and in Germany, so France is significantly bigger for us than Germany is, so we...it's not as if Germany is underwater forever, but in this quarter we felt the impact of a missing order.

Okay, good. Thanks.

Niels Granholm-Leth – SEB Enskilda

Yes, good afternoon, Niels Leth from SEB Enskilda. First question on the Ostomy Care division, you are mentioning that the Brava series of accessory made up a substantial part of the growth in the quarter. Could you inform us how much has the growth been in the Ostomy Care division, excluding the accessories? My second question would be on your working capital. Now you managed to improve your working capital again this quarter, despite the fact that the situation in southern Europe I guess has not improved in terms of payments. Have you in this quarter seen any, I would say, extraordinary payments from Southern European customers? Thank you.

Well, let's start with the Brava. It's...it is a launch, Niels, and you know how it is with launches, it takes a little while for it to really get impact. I think that the comments that we have is more a comment that we have been surprised that something where we are newcomers that that is going better than our own forecasts in it, but it is still a new launch, so it's not the bulk of the business, but we are not going to go into...or down the street where we are guiding on what are we coming out with inclusive and exclusive of new launches, but it's simply just off to a good start and that's what we want to signal. When it comes to our provisions, we are really practicing the discipline of being good at collecting money.

Okay, so you have actually received the payments from customers in Spain and Italy during this quarter?

We have not seen a deterioration of our outstandings, as you can see, so that means that we have been very keen on collecting and we have been able to do that without seeing an increase. I think the only part is the working capital that has basically worked against us, has been that we owe people a little bit less than we did when we entered into the year, so we are comfortable with the development and the working capital.

Just getting back to my first question on the ostomy care division, so is it fair to say that the wording that the accessories have made a substantial contribution to the overall growth, that is perhaps a little bit of an overstatement, given the smalls size of the accessories...

It depends what you put into substantial. I think that you should take it in the spirit that we are off to a very good start with Brava; we think we can make an inroad into a market where we have not really been a player in the past and that is basically what we are saying. Let me just elaborate a bit more on why we are maybe mentioning it without being... why it is part of it. It is also down to the fact that we have talked a number of times about the fact that we have built a consumer business and we are just happy to see that that new business channel which we have built is actually very good for us when you are launching a product like this. The other thing that we would like also to maybe get out in the open with this is that when we are now launching ourselves into an area where we do have very

little market share from the outset, it also means that we can launch without cannibalising our current business base, so that is of course great.

Ed Ridley-Day – Bank of American Merrill Lynch

Thank you. First of all just while we are on the stocking, I am not sure if you can quantify the impact of the destocking in the US, that would be helpful. You mentioned your comments on the wound market in France, could you give a little bit more colour around the silver dressing legislation, and why you feel that has come about and on the timing of that. That also would be helpful. Then I also I had a question, thirdly on FX, if you could give us a little bit of additional colour about where you view the full year impact in terms of your hedging costs for the current financial year. Thank you.

The silver dressing in France, the background for it is that the French authorities feel that they have no... First of all, silver dressings are more expensive than normal dressings and the French authorities feel that the documentation in the markets that are proving that silver dressings are reducing the time to heal a wound is not strong enough to support the higher price that these products have. Therefore they have said that they are going to change it, but they need to finish up the law or the paperwork regarding this change of reimbursement. It will happen during our Q2, we estimate, and that is also the basis for us saying it is approximately 10 million Danish that will be impacted, that is approximately half of the sales that we have on silver dressings for our full year, and that is really how much we know about it.

Then for the stock reduction, I really can't give you any numbers, we don't want to go into the fact of giving any numbers on it because this is our first quarter and I think that you know the markets well enough in the US to know that some of our bigger customers they come out with very big orders and they very often come out with very big orders at the end of () quarter, and therefore it is something that can move around, and you will see that every quarter that either it is a bit too positive or a bit too negative due to these things, and we don't want to sit and comment on that every quarter.

I understand, but do you still feel comfortable with the end market numbers you are seeing?

We feel very comfortable with our progress in the US as I mentioned before, two years back, 5% annual growth, last year 10% annual growth, and this year we are confident it is more than 10% annual growth, and we think that is a very, very strong uptake in a market which is difficult to operate for the time being, so we are very pleased with our competitiveness in the market.

With regards to the FX, Ed, as you can see we reported a -65 for the quarter and we expect that we will report positive for the remaining part of the year, so that with current exchange rate it looks like a -25 for the full year, but of course you know that can change very easily with exchange rates changing.

Ingeborg Oie – Jefferies

Good afternoon, three questions please. The first one is on Capex where of course you had a very big spend during the years when you were moving manufacturing and then we have had some years of very low spend. I am wondering in the longer term how we should

see that Capex line developing, whether we should go more toward 4% of sales rather than the 3% that we have been at. Secondly on penile implants given the contribution to the growth rate that it has had and given its more cyclical nature than some of your other products, are you able to help us with how much this contributed towards that growth in the quarter, or some indication so we can have a sense of how much of that potentially has a cyclical element to it. then the final question is in wound care and the comments that you made that the French authorities didn't think there was enough documentation, I think this is maybe a problem of the wound care market overall that there are now large studies that actually compares technology versus other technology. Is this something that you are looking into engaging into studying in order to prove better the value of your products? Thank you.

The Capex I think it is fair to say that you should look more for 4% than the 3%, and that is also what we are guiding for, for this year and longer term. We think that is probably more in line with what we need compared to over the last years we have actually been more around 3%. 4%, yes, we can confirm that.

On the penile implants, I am not sure what your question really is, are you talking about how penile implants are impacting the Group numbers, or what is your question.

Yes, if you could give any colour on how much that is of the strong growth rate.

It is pretty small, it is a relatively small area, and you also mentioned the cyclical nature. Yes, we saw a downturn when the financial crisis hit, that is getting back to normal, but it is not something we expect to be extremely cyclical, but we have seen that downturn that is getting back to normal, but it is a small number, the penile implants, so I don't think it makes a whole lot of sense to look at that particular part.

That is not what is driving the overall growth of the Company that is for sure. Then for wound care you are absolutely right, going forward we will need better and better documentation for the products that we bring to the market because the wound care market is... that is quite an expense for most governments and that is also what you see in France where they ask for more documentation. In a sense we think that the documentation that the silver products work is actually quite convincing. That is of course not our call to say that it is and we have also been turned down on it, but please note that the wound care dressings have not been ruled out in France. It is just only one company that is able to have it in the market after this and that is (). In that sense it is a very peculiar situation in France.

Veronika Dubajova – Goldman Sachs

Good afternoon, thank you for taking my question. I have three and then hopefully just a quick clarification. The first one is on Altis and thank you Lars for giving us the commentary on the rollout. I was just wondering if you might be able to give us a sense for how big you are seeing the market opportunity this could be for you and I appreciate the language around gradual but maybe what is the timeframe at which you could get there.

My second question is just a housekeeping question, trying to understand how much pricing pressure you saw in the first quarter and whether you saw a meaningful change from the momentum that you have witnessed over the last 12-24 months.

My next question and this is hopefully very quick, I just wanted to confirm that your guidance for financing costs or for the net financials line for the year is -25 million. That is great thank you.

We have been uncompetitive in the market for slings over several years because we have not had a minimal invasive sling technology available. We are thrilled that we finally have it. We are thrilled that we have the first product in the market which has been approved, or well approved by FDA after they came out with a safety warning, so we have documented this product to the standards that you need to document a product by now. We have many hundred implants now in place, so we know that what we have works.

For how long we will be in a situation where we are the only one having a product like that, how well we are able to benefit from that growth-wise remains to be seen, but we have strengthened our sales pressure in our franchise over the last years, so we feel that we are in a good position, but you also have to remember that we come from a very low base, so therefore for this to have meaningful impact on Group level it takes a lot. We are in a very good position, we think with the surgical business right now, on the implant side because we have the slings that I just talked about, Altis, and we also have one of the lightest weight meshes in the market, so therefore it is not a product issue for us. It is definitely a matter of being able to use this new situation, and believe me; we do the best that we can to get the best out of it.

On the pricing pressure, we don't see a step up of pricing pressure. We have the guidance of approximately 1%, and if anything we are below the 1% and not above the 1%.

With regards to the year financials Veronika, I can confirm it Is the -25 that with the current exchange rate we see for the full year and that consists of the -65 we have already taken in Q1, positive around 40 for the remaining year and that equals the -25 for the full year, at current exchange rates.

That is great, thank you. if I may just one follow up, Lars given the commentary that you made earlier today on wound, on this conference call, not in some newspapers, is it fair to assume that your stance on whether that business stays or goes is maybe changing slightly. When I go back to the conversations that we have had 6 or 12 months, you were very adamant that this is an important door opener for emerging markets and I am just wondering if maybe given some of the challenges that you are seeing in Europe you might be reconsidering how you think about that.

I think that what Lene and I consistently have said over the years is that our task is to create value, and any business that we are running needs to create value over time. It is a very tough market right now for wound care. We are definitely subscale with what we have. We are committed to create the most value we can with these assets and we know that there will be a consultation and we would love to take part in that consultation. We can't be specific whether that means that we at the end will be a consolidator or if we will end up not having this business, but it is a business that really has a close link to the Group because of technology and also because of a fantastic fit, especially in emerging markets when it comes to call points.

Having said that we need to do the moves that creates the most value and that is why we keep it a bit open.

Oliver Metger – Commerzbank

Two questions if I may, the first question is regarding your agreement with Novation, so when do you think that it will really become effective in measurable significant sales numbers for Europe. My second question directs to the urology care business, you have achieved a very nice growth rate of 30%, but if you exclude the various factors that have impacted the Q1 last year negatively, in which range would be a clean organic growth rate for this business.

On the Novation side, well I think I should start with the fact that we have a business which is primarily a community business. We do need the hospitals because that is where we are meeting the patients first time, but most of our business and most of our sales is actually in community. As we speak actually we have a higher new patient discharge, higher hospitals here than communities here in the US, so we are still sort of filling the gap or closing the gap between the hospital market share we have and then the community market share we have. In that sense we are not in desperate need of more hospital presence actually as we speak, but having said that we are actually growing pretty nicely now in community and the fact that we are now () Novation is not making things worse for us, it actually is an upside going forward and it is also talking or speaking to the benefit of our organisation that we are able to close a deal like this with Novation because we have never been on Novation before.

You just have to be mindful of the fact that just because we are now on contract with Novation doesn't mean that we automatically start selling. We have to visit each of the hospitals which are part of this group purchase organisation. We have to train the staff there so that they know our products, we have to make sure that our products are on the shelves in each of the hospitals, and then we start selling, so that is how it works. The good thing about Novation is that once this starts working this is also what we consider to be high compliance group purchase organisation, so that also means that once you have done your introduction work and once you have done your training, you also start to get some business from it. the business important thing for us has been what we have been doing over the last years, namely to repair the relationship that we have with the dealers because it is at the end of the day the dealers who decide what kinds of products that people are ending up with in community, and that is really what is working for us and that is why we are growing so much over the markets in the US as we do. You know, this is good for us long term, but Novation will not give us much business this year; it is something that comes in long term.

On the urology side...

We had a recall in Q1 last year in the DSU business, and there are actually so many moving parts that it can be very, very difficult, I would say impossible for us to say what would it have been had we not and so on, but if I should venture a guess it would be something like a clean, somewhere around 7/8% would be a guess, but I must say it is a guess, and remember there are a lot of moving parts in this, but that would be the best estimate.

Chris Gretler – Credit Suisse

Good afternoon, I have just one question, a follow up question on GPOs and your strategy there. Maybe if you could elaborate what is the difference in terms of contract conditions and also products that are being offered between MedAssets and Novation, just in general what is the strategy? Is it basically to () together as many of these GPOs onboard, or will it always be a certain division, because I understand there are quite a few others there

still, but you could make some inroads. I was wondering whether that is the aim ultimately.

It will always be our... of course we would like to be on as many of the GPOs as possible. I think that should be the starting conclusion on this. They are important and as we grow in size in the US, that will be more and more important. If you look at the different technologies that we have onboard, then if you take (), then actually we are on () with all of our products, when we talk about skin and wound and ostomy and continence care. For Novation we are now on for ostomy but we were already there for wound care. In that sense I guess that is probably the main conclusion for this. For MedAssets we are in there for skin care, for wound care and for continence care.

And you basically are holding also negotiations with the other guys, like Premier and...

Yes, actually the way we are organised we have an organisation that is only working with this, and this is actually sort of a multiyear task that they have where they need to be very well positioned and they need to understand what it takes to be very well positioned every time a GPO contract comes up for renewal. Therefore it is not something that is just going on during the renewal; it is something that goes on way before the renewal of the contracts. I think that the team is showing that they are able to get onboard.

Basically in the case of Novation, did you push out somebody there or did they just add you as an alternative source.

For Novation they were adding us as an alternative source.

Maybe last question on your US ostomy business, you mentioned earlier it was somewhat ahead of your expectation, which I think is very encouraging, was this essentially all driven by the accessory line, or is it basically a broad based performance.

I think that the traction that we have in the US is broad based when it comes to ostomy care, but it is of course helped by the fact that we are launching the accessories, and maybe I should explain a little bit why, because the fact is that when you are having a dealer or if you are running a dealer then they actually don't make much money on the Ostomy franchise, and once they add to the patients accessories, if they are able to bring to the patients accessories, they actually sell more on the current customer base, and therefore they are very interested in that.

The collaboration that we have where we are bringing to them a complete programme of ostomy accessories and where we are also helping them to sample their customers, so that they can obtain more sales, that is actually a situation where we are helping them, not only to make more money on the current Coloplast customers, but we actually help them make money on the total base of ostomy patients, and of course that is highly appreciated by the dealers and that also means that in turn the dealers are more willing to give us other business, so this very helpful in that respect.

Scott Bardo – Berenberg Bank

Thanks for taking my questions. The first question actually is one Europe; you put in something like a 4% growth. That was against a pretty weak comparator, the prior year where you only had a couple of percent growth. Intuitively I would have thought that you

would have done a little bit better than that, given the comp. You mentioned obviously southern European countries. Was there anything particular of note that surprised you and just wondered how that trend reverses over the course of the year?

The second question was on your product launch pipeline schedule. If my understanding is correct, you have actually missed one of your scheduled slots which may well have been sort of understandable, but then also we should be expecting a couple of launches coming very shortly in both wound care and ostomy, I just wondered if you could confirm that for me.

I have one other question but I will let you answer those first if that is alright.

Well 4% growth in Europe, we are actually quite satisfied with that and you could say it is on a weak basis, but it is always... if you take our growth quarter by quarter and do this analysis going backwards, then you will see that it is not always sort of a rule of nature that every time we have had a weak quarter then the comparing quarter will be a high quarter, or if you have a weak quarter then the following quarter will be a high quarter. You see all kinds of different movements in there. What is important to us is that we look at our new patient discharge numbers, we look at the momentum we have in each of the markets and what we can see is that we have a better momentum today in Europe than we had last year. Of course, having said that, we can feel the situation in the southern part of Europe, so even there if you win market share at a high pace it is not really showing in your numbers because there is pressure on the southern European markets, especially Italy and Spain, but if we take Europe as a whole, we are actually quite satisfied with the strength that we have in Europe, and we are quite confident that Europe will deliver a good growth also this year.

Product launches, yes we are launching if at all possible new products every half year, we just launched the SpeediCath compact sets as you know in the last fiscal year, and this year there will be some launches also for wound care, but on ostomy we have had the Brava launches, that is what we have had. We have not had any new products coming out apart from that.

Thanks very much. I am also just interested to explore US growth and strategy, clearly that is quite important to the Group. MedAssets I believe at the time that you initiated this contract was something like 2011 for ostomy and clearly one of your first wins in ostomy and obviously over that period I think you explained there was a lot of training and visiting hospitals and whatsoever, but then clearly that contract didn't get renewed. I wonder if there was any reason for that or lessons to be learnt that you can take to other GPOs, so maybe you could help us understand, or is that just the nature of the beast, you win some, you lose some. Thank you.

I think it is the nature, you win some and you lose some, and of course we are also digging into it, to see what at all possible we could do to not lose anything. These are purchase organisations and if they can construct a better deal then that is what they are doing, and here we didn't have a chance to stay onboard unfortunately. We of course are quite annoyed with that because it just came two weeks after we had the Novation win, so that was not really what we love to see, but there are other opportunities that we then have to pursue.

Just a very quick follow up, I am very intrigued by your comments, in a sense you are actually losing share between the hospital discharge setting and the community setting, so

it appears to me that the most obvious way to approach that would be to strengthen the community via home care.

That is exactly what we are doing.

Do you discount that you won't ever go back to homecare in the US, is it Sterling, once bitten twice shy, or is that something you can invest into to strengthen in the future.

We definitely have no plans of going into homecare in the US.

Christopher Liljberg – Carnegie

Just on your comments about potential extra dividends, is that something if decided, is that something that will automatically happen in () with the fourth quarter or could that come any quarter before that. Thank you.

There is nothing that happens automatically here. We will need to look at how our liquidity situation looks at any given point and then it is up to the board to decide when.

So it could come, it doesn't necessarily have to be in conjunction with the fourth quarter.

It doesn't have to necessarily come at any specific time, but it does have to have the board approval.

Closing Comments

Thank you very much for participating. I think that we have come to the end with the questions and thank you all for participating, and I guess that we are going to see a lot of you in the coming days and weeks, and we are definitely looking forward to that. Thank you. Have a great day.