Coloplast
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Tuesday, 6th November 2012
19:00 Hrs CET time
Chaired by Lars Rasmussen

Lars Rasmussen

Good afternoon and welcome to this Full Year '11/'12 conference call. I am Lars Rasmussen, 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 open up for questions. Please turn to slide number three.

'11/'12 was a year that we are very satisfied with. We delivered results in line with guidance and our own expectations. Our organic sales growth was 6% and we have reported a solid EBITDA margin of 30% for the year. At the annual general meeting in 2012 the board proposes a dividend of 20 Danish krone which corresponds to a payout ratio of 38%. The board also proposes to the annual general meeting that the board is authorised to distribute extraordinary dividends during the year. This is done to comply with our commitment to return excess cash to shareholders. Finally the board proposes a one to five stock split and a cancellation of one million treasury shares. For '12/'13 we expect revenue growth of six to 7% organically and in Danish krone. We expect to deliver an EBIT margin between 31 and 32% in local currencies and in Danish krone. We also expect to complete the 500 million Danish krone share buyback programme in '12/'13.

Please turn to slide number four. Revenues were up by 6% organically and 8% in Danish krone and amounted to 11 billion krone. In Ostomy Care organic growth was satisfactory at 6% for '11/'12 and 7% for Q4 in isolation. The growth throughout the year was driven by good, stable performance in most European markets, especially in the UK. On top of this we are very satisfied with the performance in markets like China, Russia and I think Argentina.

The year has been characterised by continued roll out of SenSura Mio and our new Brava accessories product range. We retain our global market leader position with a 35 to 40% share of a 12 to 13 billion krone market. The global Ostomy and accessories market is expected to continue to grow four to 5% annually. In Continence Care organic growth was 8% for '11/'12 and 6% for Q4. We continue to be satisfied with our performance in Continence Care. We saw very satisfactory sales growth driven by intermittent catheters in the UK and the in the US. Growth in sales of urisheath and urine bags was driven by UK and Russia. The strong performance within bowel management continued throughout the year. Coloplast is global market leader in Continence Care with a 40 to 45% share of an eight to nine billion krone market, a market which is growing four to 6% annually.

In Urology Care, organic growth was 6% in '11/'12 and 10% for Q4 in isolation. Sales growth in penile implants was on a positive trajectory throughout the year as the number of procedures has increased. We continue to see challenging performance in woman's health as sales of female slings continues to decline. Restorelle, our synthetic mesh for

pelvic floor repair continued to deliver good rates in a declining market. Our European Urology business recovered following a weak Q3 and ended the year with satisfactory performance. In Urology care our market share remains around 10 to 15% of an eight to nine billion krone market, which we expect to grow three to 5%. This is slightly down from previous growth estimates and is impacted by the uncertainties surrounding the US mesh litigation.

Yesterday evening Coloplast received a 510(k) clearance from FTA in the US for our Altis single incision sling system. Altis is already commercially available in Europe and Canada and we are now launching it in the important American market. Altis is considered very important in returning our female continence franchise to new growth levels in the US. Our Wound and Skin Care saw organic growth of minus 1% for full year ’11/’12 and positive 1% in Q4. Our Wound Care business faced very challenging market conditions in Europe, mainly in France, Spain and Greece, throughout the year, whereas China continued to deliver high growth rates. Our Skin Care business contributed with very satisfactory growth driven by sales of InterDry products in the US. Coloplast holds a share of five to 10% of the global moist wound healing wound care market, which is around 13 billion krone in size and it is growing two to 4% annually.

Looking at our reported geographical segments we saw satisfying organic growth in our European markets of 4% in ’11/’12 and 3% in Q4. The performance was driven by stable trends in our chronic care business, offsetting the declining sales we experienced in our European Wound Care business. The slowdown in Q4 compared to the previous quarter was expected as the wholesaler consolidation in the UK led to stock build up in Q3.

Organic revenue growth in other developed markets was 7% for the year and 9% for the quarter. Our US business continued to deliver in accordance with the plans laid out last year and we saw satisfying growth in both Ostomy and Continence Care. Japan saw large fluctuations in sales growth throughout the year as sales were still impacted by the aftermath of the earthquake last year. Revenue in emerging markets grew 13% organically in ’11/’12 and 21% in the quarter. For the full year the region saw unsatisfying growth rates stemming primarily from Brazil where both China and Russia performed very well. We continue to invest in growth. Investments span from investing in new services such as Coloplast Care, to increasing sales forces in individual countries. Investments that together will enable us to increase our growth rates relative to the market growth.

As an example of these investments we last month announced an investment in expanding the Brazilian organisation with several front line and sales supporting resources. We are dividing the current sales and marketing organisation into separate Chronic Care and Wound Care teams offering dedicated commercial support to each business area. The new set up is expected to be fully operational during the first half year of 2013. The Brazilian market is one example of a market which offers significant growth opportunities, in particular within Ostomy and Wound Care.

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

Lene Skole

Thank you, Lars. Gross profit amounted to 7.3 billion Danish krone, equal to a gross margin of 67%. This is an improvement of two percentage points compared to last year. During ’11/’12 we continued to deliver efficiency gains in our production economy. Together with higher absolute sales and tail wind from currencies these were the key drivers in the positive gross margin development. We are firmly on track with our plans, but we are seeing some increases in raw material prices which we expect will continue this fiscal year. Despite this we still expect that we will be able to improve our gross margin.

The SGA to sales ratio was 34% down from 35% in full year ’10/’11. This year we took a total of 67 million Danish krone in provisions against our due debt in Southern Europe, adding to the 27 million that was provided in Q4 last year. Overall our distribution to sales cost ratio remained within our guideline of around 29% and our admin to sales ratio for the year was 6% and within our previously communicated five to 6% range. The R&D to sales came in at 3% and continued to be below early year’s spend. The restructuring of the R&D organisation in the second half of ’10/’11 reduced the overall spend this year compared to last year while keeping a very satisfactory pipeline of new products.

All in all this results in a reported EBIT margin of 30% compared with 25% last year. Net of currency impact the EBIT margin was 29% for ’11/’12. The EBIT margin improvement was just about above four percentage points. Our net profit increased by 21% to almost 2.2 billion Danish krone corresponding to a diluted earnings per share of 51.5 krone against 42.6 krone last year. CAPEX amounted to 338 million Danish krone, corresponding to a CAPEX to sales ratio of 3% reflecting continued low spend throughout the year. Free cash flow was up 28% to 2.3 billion Danish krone compared to last year. Increased earnings, working capital increasing less than last year and the acquisition of Mpathy Medical Devices last year were partly offset by an increase in net loss on realised foreign exchange hedging contracts. Return on invested capital after tax was 38%, up eight percentage points from last year as we continued to increase earnings on a stable asset base. Finally we ended the year with a net cash position of one billion Danish krone.

Now please turn to slide number six. For ’12/’13 we expect revenue to grow six to 7% organically and in Danish krone. The higher growth rates expected for ’12/’13 than we have seen in the past two years is a reflection of our revised growth strategy announced in March this year and our continued sales investments over the past years in markets like US and China and in new services such as Coloplast Care and the call centre activities offered in connection with this service. Achieving the growth guidance will thus depend on our ability to execute on these plans. The growth guidance implies a continued stable growth in the European business, whereas we expect both the developed markets outside Europe and in new markets to gain more momentum than we saw in ’11/’12.

As was the case for ’11/’12 we expect less than 1% net negative impact on prices in ’12/’13. This is due to the fact that the pricing project we started up in 2011 continues to partly offset current price pressure. It is still our longer term view that our business is subject to around 1% annual price erosion. The financial guidance comprises only the health care reforms where the impact is known. For ’12/’13 we expect an EBIT margin between 31 and 32% both in local currencies and in Danish krone. In setting the EBIT margin guidance, we have obviously assumed that we deliver on the growth rate guidance, apart from this we have assumed that we can deliver gross margin improvements within the communicated potential of a half to one percentage point per year, even in spite of the increased pressure on raw materials that I mentioned earlier. Our CAPEX guidance for

’12/’13 is around 400 million Danish krone and our effective tax rate is expected between 25 and 26 consistent with last fiscal year.

With regards to the use of the free cash flow, we expect to repay our remaining loans in ’12/’13 and provided we do not find any major acquisitions, we may depending on cash needs, be able to pay out extraordinary dividends towards the end of the year. The board of directors proposes to the annual general meeting to cancel one million treasury shares as our current option programme is more than fully hedged through our holding of treasury shares. Last but not least there are no changes to Coloplast’s long term ambition. The board of directors maintains the long term financial ambition of outgrowing the market and at the same time achieving earnings margins that are in line with the best performing med tech companies. We and the board believe this is a challenging long term ambition which leaves plenty of room for continuously improving our business.

This concludes our presentation. Thank you very much and we are not ready to take questions.

Questions and Answers

Yi-Dan Wang – Deutsche Bank

I have three questions. The first question is regarding your revenue outlook which you have said that you have assumed that growth in Europe would remain stable as we have seen this year. Just wondering why that is given that your pipeline seems to be much stronger than it was before, so I believe that at your capital markets day you actually expected to gain more market share in Europe, so if you could give some colour behind your thinking there that would be great. And then the second question is on your EBIT margin guidance, to what extent that also reflect further investments that you plan to place during the 2012/’13 year. And then finally on the FX, so if we—if primarily on the net financials line actually, if we assume FX at the current rate, how should we model that line of your P&L? Thank you.

Let me start out with the revenue outlook. We have actually been very satisfied with the growth in Europe for this year. We also think that we can see that we are actually improving our performance in Europe, so the comments we have really are that we continue to expect a strong performance in Europe. We continue to see an even stronger performance in the US because if you look at the numbers we are actually growing substantially more in the year we just finished than the year before in the US and we continue to see that US is improving. And then we have not been satisfied with our growth rates in emerging markets last year and we expect the growth rates there to improve.

Maybe I can then talk to the EBIT margin and it is correct that the EBIT margin guidance includes the fact that we will use the expected leverage effect on our distribution line in particular to fund further investment. So investments that we planned for this year are included in the EBIT margin guidance. With regards to FX, with the FX rates as they were at the end of the year, i.e. the end of September, then there would be about 40 million Danish krone left in losses and you actually have to add tax to that and that would be because of the hedging, the way we hedge that would be front end loaded in this year.

Okay, so on the—a clarification—on the net financial slide we should actually have around 40 million of impact?

Plus tax, so it would be around 50, front end loaded.

Right. And the tax would also be accounted in the net financial slide?

Yes. And then that would be regulated for later or further down on the tax lines.

So further down in the tax lines we then take it off?

Yes. After the EBIT—you know after…in the tax line you would have the tax taken out, but in the net financial line you would have it included.

Okay. Thank you very much for that. A clarification with Lars then, so are you suggesting that you expect continuing improvements in Europe or are you saying that say for example last year Europe was up four or 5%, you would also expect Europe to be up four, 5% this year? Is that what you meant, or you meant—?

You have become very specific on what we expect in each of the regions. What I can say is that Europe is a very large part of the sales in Coloplast and you don't move such a large part up by several percentages or down by several percentages over a year. It is more volatile what you have in the regions outside of Europe. So Europe we expect to be in good shape. It is in really good shape and we expect it to continue to be in good shape, but we also expect—we especially maybe expect the markets outside of Europe to be better next year.

Right, so the pickup is primarily coming from markets outside of Europe?

Yes.

Thank you.

Ed Ridley-Day – Bank of America

First question on Brazil and emerging markets; could you remind us of your percent of sales in Brazil and give us a bit more colour on what you have been concerned about there? And what you are doing to reaccelerate in Brazil? And also, obviously we know that thus far you have focused on the BRIC countries, but are there any other key emerging markets that we should be looking at where you are targeting to grow in 2013? That would be my first question.

What we are doing in Brazil is actually what I said when I presented. It is a market which is very interesting seen from an Ostomy point of view where we are having or seeing an increasing number of new patients coming our way. But it is also a market which is very interesting seen from a Wound Care point of view and we are addressing both in the changes that we are doing there to the tune where are separating our sales forces so in essence we have two separate sales forces working in the Brazilian market. And the reason why we had a downturn really was due to management issues and we think we are

on the other side of that. So in that sense it is not a market which we have really where we have seen the most of it, it is market which is very much in front of us.

Thank you. In terms of other emerging markets that you are looking at focusing on, where we can expect maybe additional growth?

Yes, well now we just gave you an example of a market where we are doing something extraordinary, but it is clear that China is very important to us. We have very, very nice market share when it comes to—or market position when it comes to Ostomy and Wound Care in China. It is growing by a very healthy growth rate. The same goes for Russia for example. So we are not in a position where this is the first sort of toe in the water in the emerging markets. We actually have some strongholds. What we want to do with the current strategy is to go further or deeper into the emerging markets.

Very good, thanks. And my second question is regarding the medical device tax. Can you give us an idea if you have got any greater clarity on that? Clearly it may or may not happen, depending on what happens tonight, but—

Yes, exactly. So we have no news on that. And we basically don't even know if our products are included or not.

Precisely. I mean when do you think we might hear whether your products might be included or not?

That is a very good question. So we are as anxious as you are, but it could be any day.

Thanks.

Veronika Dubajova – Goldman Sachs

Good evening and thank you very much for taking my questions. I have three if I may. Just actually first one is on a follow up from Ed's question. Lene, what have you actually assumed for the med tech tax in your guidance if anything? To the extent that you can help clarify and share that with us that might be helpful and then if you have any offsets that once you do learn or if you do learn that your products are subject to it that you can use to offset it. Second one is for Lars more conceptually on the emerging market growth, you said this year's performance wasn't satisfactory. What kind of target do you have in mind for emerging market growth if you think about next year and then in the medium term? And my last question is on capital allocation, given some of the language around dividends and you not announcing a new buyback plan, do I sense a slight change in the way you are thinking about returning cash to shareholders? Or will it continue to be a combination of buyback and dividends.

Let me start out by taking the first two on the med tech tax in the US. We have not included anything because we really don't whether it comes and what magnitude and when, so we are waiting and seeing and we have—we think that we have tried to make it very clear that we only include reforms that we know the results of and when they are impacting. So there is nothing there as we see, but we have consistently said that we believe that longer term this is going to equal out because the med tech tax will only be in action if more people are included or more people will be covered by health insurance. So

we think over time it is not that bad. That is of course and easy standpoint to have when you are not the market by leader by far on all of the areas that we work with because a bit of turmoil is always good when you one of the smaller ones.

On the growth side we are not that keen on starting to guide on each of the geographical areas that we have, but it is no secret that it is also due to an expected higher growth rate in emerging markets that we are improving our guidance for the coming year on the top line so we simply expect the new market to grow faster than they did the year before. So if I should give you any kind of guidance it is up.

Okay and with that very clear guidance from Lars, I will answer, Veronika, your questions on capital allocation. There is no change to the way that we look at the capital structure and how we deploy cash. We would obviously prefer to invest it in our business and to the extent we can't do that then it will be a combination of share buyback and dividends. We believe that the level of share buyback that we have been running with over the past couple of years, which has been about half a billion per year, is a reasonable level and that is what we believe we will continue to do and then the remaining part to the extent that we don't spend it ourselves will be paid out either as ordinary dividends or as extraordinary dividends which we now of course can also do during the year.

That is very clear, thank you. And, Lene, could you just remind us what proportion of your revenues is the US, just so that we have a number to work with as we think about the tax?

Let me just find out what we normally say about that. Yes, I think you can probably—you can think about it in terms of— Because we don't sort of exactly, but we have given a sensitivity to our US dollar—or to US dollar changes, which tells us that with a 10% change to the US dollar that impacts revenue by 150 so that would then mean it is about 1.5 billion Danish krone.

Very clear, thank you both.

Scott Bardo – Berenberg Bank

So the first question is actually for Lars. I see that in the guidance where you have called for slightly accelerated top line performance organically, within this you assume to do better in emerging markets and also continue I guess the momentum that you have seen in the US. So quite important then that you still understand what the current growth rate was for 2012 in the US market. If you could quantify that for us and also help us understand whether there are any particular one off factors in emerging markets. I know there are a few Argentinean tenders for example that perhaps you have won this year that can help us understand a bit better how you grow in emerging markets. More broadly, what gives you the confidence, particularly in the US, when we have seen a lot of changes recently. I know one of your competitors has bought a major distributor of continence care products in the US. There has also been some movements in the channel, [unclear] being acquired by private equity. I would love to hear your thoughts on potential impact or whether you see that as a risk or an opportunity. So that is sort of quite a full question, but would love your thoughts there. I have a follow up housekeeping question for Lene please.

The US is growing around 10% for the year that we just passed, which is up significantly from the year and we continue to see or expect to continue to see some acceleration there. And as I mentioned during my presentation upfront here we have not been satisfied with the performance that we had for example in Brazil, but also we last year had some stock reductions in Greece for example that we talked about and those are two of the major impacts that we had ongoing negative last year on emerging markets. When it comes to the US and especially on the Continence Care side, it is correct that it is a very dynamic market and it has become much more dynamic after the reform where more people can—where people can use a new catheter every time they [unclear] and we see that for example Convatec have moved forward in the value chain here.

What we are doing is that we are operating the markets, we are operating the markets through the European technology through the SpeediCath technology so it is products that are ready to use with a coated catheter that we are offering in the US market now. And we see that that is working really well. Of course people need to understand that the products are present so we also spend quite a large amount of money on making sure that people can also ask for the products. So in that sense we think that will be very hard to get around so we actually, even though we have seen that the competitors are very aggressive in this market where we are, market leaders, we are enjoying a nice growth which is also a growth that we see as above the market growth in the catheters. So there are a number of tactics to make sure that we do operate the market and when we do operate the markets with the SpeediCath technology, we are also operating the value of the market seen from a manufacturer's point of view because the average selling price that we have on the SpeediCath catheters is significantly higher than the price that we have on the standard catheters environment.

Perhaps just a quick follow up, it was my understanding the 180 Medical was one of your—I think maybe your second largest customer in the US. Is this still the case or have you started to business away from 180 Medical? And similarly just to follow up on Brazil if I may, we have seen with lots of medical technology companies that tend to be successful in Brazil they end up having to move some sort of manufacturer or assembly domestically. Is that an intention for you guys?

I don't think that I should comment on one specific customer in the US. We are actually quite satisfied with the growth that we do see in the US, also inside of the coated catheters. So that will have to be my answer for it. You are absolutely right about Brazil that you get a different status when you are manufacturing there and we are looking—we don't rule out any moves in order to be an interesting party in a contract that we interested in, so I don't want to rule anything out at this point in time.

Thank you very much and lastly just a few housekeeping things for Lene. I just wondered if you could comment a little about the distribution ratio that we saw in the fourth quarter and wonder whether this particularly surprised you negatively. Because when I adjusted for maybe the 30 million in net income that you received in the quarter, it appears, and apologies for nit picking what has been a superb financial performance this year, that it appears that you would have actually missed your margin guidance were it not for that income factor for the full year. So maybe could you just help us understand what was going on there and whether that surprised you? And the last question was just on digging a little bit in terms of your financial expense line. Obviously you know this year has been a little bit negatively sort of effected by exchange adjustments. I think we will have a little

bit more next year, but also you are paying off your 200 million private placement debt. So is it a fair assumption to assume that the financial expense at an absolute level is let's say half of what we have seen this year for 2013? Just to get a sense of perspective of how you see things unfolding when you pay off the debt. Thank you.

Right. You were absolutely right, we are not particularly happy to see more cost coming in in Q4 than we actually wanted to see, so yes a bit of disappoint there. The good thing, however, it wasn't a whole lot of cost coming in and it was not a sign that things are actually starting to move in the wrong direction. It was literally a number of many small items, some timing issues, a few small one offs, a little bit extra negative from currencies, a few restructuring things, you know spread out evenly in the countries and of course also a bit of additional investments which is fine. So I would say when I look at it, I would actually think about it as you know spread it out throughout the year and then it actually is not something that we worry about. We follow of course our cost extremely closely. I mean we could even sort of get the suspicion that somebody has been trying to say okay let's clean up and see what we have got in the corners. I don't know if that is what has happened. Nobody will admit to that anyway.

With regards to our financial expenses, you are right. There is quite a bit from FX this year and that is of course the flip side of what we are getting on the top and the bottom line in terms of benefits from FX and what should we expect going forward. Of course depending on what happens to FX but yes I would say [audio] is half reasonable. Yes that is probably the reasonable number to look at.

So, sorry just to understand, your financial expense was 342 million I think for 2012, so if one were to divide that in two, about 170 makes good sense?

Actually—I mean what you have in terms of exchange rate is almost 200. We would not…about half of that I think is close enough for what we can see. It also depends [one half of the] 40 million I just mentioned earlier on when Veronika asked, of course it needs to be taken into account also. So about half.

Thanks very much, Lene. I appreciate it.

Kristofer Liljeberg – Carnegie Bank

I also have three questions. First, coming back to the margin, the gross margin was down some one percentage point in the fourth quarter versus the third quarter. Is this mainly explained by currencies or also the raw material effect you mentioned?

It is mainly currency effect. If you clean out for currencies then the difference between the two quarters is minimal.

Thank you. The second question is the lower provision for bad debt in the quarter do you see things getting better and also is there any possibility now, moving into the next year that we could see reversal of previous provisions and what have you assumed in the guidance?

We don't see things getting better. The fact that we haven't provided more is that we see things staying as they are. And I would love to be able to take some of that back if

everything starts going well in Southern Europe but we need to see some real improvements there first.

So guidance includes no more bad debt?

You know, Kristofer, we can't really add that into the guidance, because if we feel there is a need to take a provision for bad debt then we need to take it immediately. So therefore by nature there can't be in the guidance a further provision for bad debt, because we need to always take what we feel is right at the moment. So we are covered with what we feel is right as we are today. If things deteriorate that is a different situation and then of course we will need to provide more. If they stay as they are, we don't need to provide more. If they improve, you know a significant improvement then of course there is the possibility at some point to write something back.

That is a fair point. And finally if you could update us on what you see with potential price cuts in Italy and France? Anything news there?

Not actually any news. We are still waiting to hear more news, so no news on that one.

Thank you.

Klaus Madsen – Handelsbanken

Just one question on your smaller business division; the Urology business delivers a really nice growth in the quarter, do you see that as sustainable into 2012/'13 as the European business had rebounded and there is also a rebounding of elective surgical activity?

It is a little bit hard to be very bullish on that, because we also feel that the situation around [mesh litigation] is a bit a soft one for us. So we had a nice quarter, we also expect the business to still improve the year that we are entering, but I don't think that we should just expect to see a continuation of this because we also have kind of a favourable base to compare against in last year's—our fiscal Q4.

And then a similar question on Wound Care, should we expect operationally or given your increased exposure or increased ambitions in emerging markets that that growth will materially accelerate in '12/'13?

We expect the Wound Care business to do better in this new fiscal year than it did last year and we have done a number of things to improve. We have continued to invest in China and we continue to build our base, a very strong base in Wound Care in China. We have invested as I talked about in Brazil. So that means something of course for our confidence or we have confidence that we can grow since we are doing this. And then we have actually invested in taking our leased sales force in France in house and we expect that those are some of the bigger initiatives that will help us improve the performance in the year that we are in now.

Right. The in sourcing of the leased sale force, will that in any way affect costs?

Yes. It will also because we have actually increased our sales presence in France. So that will include more costs.

Thank you very much.

Yi-Dan Wang – Deutsche Bank

One clarification question, I think—

It is very hard to hear you.

Can you hear me now?

Yes. That is better.

Okay. I just looked back at the notes I tapped out quickly while you were doing your presentation. I think you said that you don't expect much impact from healthcare reforms this year, but you still expect that to be—to negatively impact your top line by about one percent over the medium-ish term. So can we understand then given that you growth last year was about 6% organically and you had a 1% negative impact on reimbursement issues, then the pickup, the acceleration in the top line is really that you don't have that pressure or as much of that pressure this year, so how should we interpret that relative to the improvements that you have outlined in the various parts of your business? Are you—yes how should we think about the dynamics there?

Yi-Dan, I think what I actually said was that we had had less than 1% in the year that we have just reported on and that we also net expect to have less than 1% this year. And that is to a large extent due to the fact that our pricing project that I know we have talked about a few times has been able to counter some of the impact that we have seen from the normal, if you can say so, expected price pressure of about 1% per year.

Right. So given that you have got improvements there and you have got improvements from a stronger product line and it sounds operationally you also are doing better in a lot of other areas of your business, just somewhat surprised that we wouldn't see stronger top line guidance than what you have given? I thought it would be a bit stronger you know in line with all of these things.

What did you think it would be?

I was thinking that you know you might go for eight this year.

Wow. Okay. I think that we are quite comfortable with giving the guidance we have given of 6 to 7% and we feel that is the reasonable guidance with everything we see.

Right. Okay. Thank you.

Niels Granholm-Leth – SEB Enskilda

Essentially all my questions have already been answered, but I just have one last question here and that is to the number of outstanding shares. I presume the reason why the number of outstanding shares have actually increased by the end of this year in

comparison to end of last year is due to the fact that you have allocated more shares to the management group than you have bought back.

Well it is actually because we have bought some shares back but at the same time we have also had some of the management group exercise options. So the combination of buying back shares, we actually you could say bought back fewer shares than what came out through the exercise of share options and then we have also had some programmes where employees could buy some Coloplast shares. So the combination of exercising of option and the employees buying Coloplast shares has given net more to the market even though we have bought back shares.

Okay. Thank you.

David Adlington – JP Morgan

Just two very quick ones really; just on your R&D spend, I just wondered how you expect that to evolve? Are you happy with the absolute level or should we expect to see a little bit of upside pressure there, either absolute or as a percentage of sales? And then secondly, just to follow up on the expected financial expense just so that we are all kind of on the same page, I just wanted just an actual number that you are kind of happy with us guiding and including models for financial expenses for overall financial net expenses for this year.

Let me start off with the R&D, David, we actually spend what we think we need to spend in order to be competitive on the R&D side. And therefore we cannot really guide on it. We might be in a situation where we find solutions that would help us gain market shares in the market that we go and buy and in that instance you will see that our R&D to sales will go up. We have, with the current guidance, we are containing what we think that we will use in the year that we are in now, but don't see R&D as something which is always very stable over time, because we have a system by which we are defining the products that we want to launch, whether we have the competencies to do that or to create the products inside of the house or not because it is a very market driven process. And therefore you have to see the nature of the R&D spend to be more fluctuating than you maybe think about it in other contexts. So therefore I can't give you any firmer guidance on this but we think for this year we can do what we want to do within the overall guidance of the company that we have.

With regards to what you should put in your model for financial items…I don't know exactly what it will end up but if you put in somewhere between 100 and 150 I think you should definitely be on the safe side.

Great. Thank you very much.

Michael Friis Jørgensen – Alm. Brand Markets

I was wondering where you could remind me did the US tax, which might hit you that will only be on the Urology business or…? I know it is still an open question, but I think—

Yes, it is still an open question.

We simply don't know.

Okay. And the second question you know you that you wanted to accelerate your sales cost, how should we see that line this year? Can you keep the ratio to revenue stable or could you even lower that? Can you keep this accelerated sales cost in the revenue growth is kind of—

We expect that we can still be around the 29, so we should be able to be in that guideline, so 28, 29, something like that.

Okay.

Kristofer Liljeberg – Carnegie Bank

One follow up if that is okay; Ostomy had a better growth in the fourth quarter and you are mentioning better performance in the market. My question is also if the launch of Brava is having any meaningful impact on the growth rate for this segment yet?

Yes, very much so. The launch of Brava has been very successful and it continues to pickup growth and as you know this is also the—a new market that we have started to work on. We think that we have around 10% of that market, but now we address it and that is also why it has been included in the market size—in the update of the market size this year for Ostomy. So absolutely that is a good question.

Thank you.

Scott Bardo – Berenberg Bank

Thanks for the follow up. Just a quick one on could you give us a sense of the rationale for the stock split that you announced please? And also thank you that you now include accessories within your definition for Ostomy. Also would be very helpful then, now that this is part of your growth strategy for you to quantify what the growth was for you in Ostomy bags in 2012 and what it was in accessories. Also perhaps, Lars, if I am pushing my luck, you would share some thoughts on your MPD involvement in—or evolution in some European countries where you are succeeding although you are less successful that would be helpful.

I think while Lars thinks about whether he will say anything about MPD or not, then I can say that the reason for the stock split is mainly for the retail including of course our own employees and other private you know individuals being able to purchase a [lower] number of shares and that is why we made the split, because there was a request for that.

And, at least the way that we look at the accessories right now, we see it as a pretty small market, so even though it is of course a meaningful addendum to the real Ostomy markets but to start guiding on both the bags and then on the accessories, we find that may be a bit excessive. On the MPD, well you tried to push your luck and it is late in the night, but this is really—these are really informations that we invest to have and where we don't feel that we are doing any favours to anybody by releasing them other than some of our competitors maybe can triangulate where they are themselves. But MPD is very, very important to us. We are following it meticulously and we do a number of activities to get

a high MPD rate and we—what we do with Coloplast Care of course also find meaningful ways to address the target population which we cannot address by the MPD activities that we do in the company.

Very helpful. So just put another way maybe, Lars, your growth in Ostomy, would you say that half of that is coming from accessories or most of it is coming from accessories? Just for a sense of perspective at least would be helpful.

Well we actually have both the new Mio in the market and we also have accessories in the market and both of them are performing better than the forecast that we had when we launched them.

Thanks very much indeed.

Oliver Metzger – Commerzbank

Just some final questions; firstly it is about the growth rates of your employees which has increased from last year. Do you think looking forward, can you utilise your existing work force or do you need to increase your work force to realise further organic growth? So that is my first question. My second question is for the market shares in the United States and the Ostomy segment, so I think you said in the past that there is a big gap between the market shares and hospitals and also in communities, do you think there is currently a trend which shows an improvement? And finally a modelling question, so your depreciation has decreased for the second year in a row, I assume due to a lower investment, is an increase of 5% also fair to assume for over next year? So those were all my questions.

Well on the employee side what we have been very vocal about is that we want to increase our sales [pressure] and when you are looking at the increase of number of staff it is primarily due to two things. One is that we need more people in our factories, you know we have finished the moving out of our manufacturing to low cost countries and that means that we are now over the last year we became the number of people that we needed we didn't need any extra people on board in order to do the transfer of production. And now we see the base starts to grow more or less maybe in line with the growth or the volume growth of the company.

So you should expect going forward to see that as we expanding the number of—or the volume of the company, we of course also need more hands in order to produce the products. Because it is still to a certain extent a manual process to manufacture the products that we do have. And then you should also expect to see growth on the number of people that we have in the company to sell. And that might be direct sales force, but it might also be sales force in our direct to consumer arm, so i.e. that is people who are in the call centres. So yes, you clearly see in the numbers that we have started to invest in further sales pressure.

Regarding the US and the market shares between hospital and community, what we have spent most of the time on over the last 24 months is really to make sure that the—well we have worked on winning the [TPO] contracts because that is very important longer term to be on the right TPO contracts. But we have also worked very hard to fix the process chain where you are able to transfer the new patients that you get to the dealers with whom you

have contracts and that is what we name as referrals or leads and that is a process which today is working significantly better than it did just 24 months ago. And that is also part of why we are seeing an increased growth rate in the US.

With regards to depreciations, I mean we have over the years been able to optimise the way that we utilise our asset base and that you have been able to see in a relatively—in a lower CAPEX spent than what you used to see from Coloplast historically. And that means that we will still have some years where depreciations will decline a bit because there is still depreciations stemming from the time when we simply had higher spends on CAPEX. So yes there will still be a downward trend in that.

Closing Comments

Alright. We would just like to thank all of you for participating; looking forward to meeting a lot of you over the next weeks. Thank you and have a nice evening.