

COLOPLAST

Moderator: Lars Rasmussen
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Operator: This is conference #: 953289.

Thank you for standing by and welcome to the Coloplast Financial Statement webcast. At this time, all audio participants are in a listen-only mode. During the presentation, we will have a question-and-answer session, at which time, if you wish to ask a question, you will need to press star and 1 on your telephone keypad. I must advise you that this webcast is being recorded today on Tuesday, the 11th of August 2015.

I'd now like to hand the webcast over to your presenter today, Lars Rasmussen. Please go ahead.

Lars Rasmussen: Thank you very much. Good afternoon and welcome to our Q3 2014/2015 conference call. I'm Lars Rasmussen, CEO of Coloplast, and I'm joined by our CFO, Anders Lonning-Skovgaard, and our Investor Relations team.

We will open up for the usual presentation -- with the usual presentation by Anders and myself and then open up for questions.

Please turn to slide number 3. Q3 2014/2015 was a very challenging quarter for Coloplast. Unfortunately, I think we had to lower our guidance for the year due to continued challenges in our U.K. homecare business as well as in - as the commercial impact of the ongoing U.S. subpoena.

We also included 100 million Danish kroner to cover up our write-down in connection to negative pressure wound therapy (bad debt) in Greece and the

potential liability for settling the subpoena with the Department of Justice in the U.S.

With all this in mind, we delivered on the adjusted guidance in Q3 with both year-to-date and quarterly growth of 7 percent organically. This was driven by good performance in many of our markets, which I'll come back to later.

We delivered 32 percent EBIT margin year-to-date and 30 percent for the quarter as a consequence of the 100 million Danish kroner in non-recurrent costs that I just mentioned. On a positive note, I'm very glad to announce that we today have kicked off the launch of SenSura Mio (convex range) in our products. The (convex) market is about 30 percent of the total ostomy market, growing 5 percent to 8 percent.

This also completes the introduction of the (SenSura) technologies behind the Mio products into all segments of the ostomy market. For 2014/2015, we continue to expect an organic revenue growth of 7 percent and an EBIT margin of around 32 percent in fixed currencies.

Please turn to slide number 4. Revenues were up by 7 percent organically and 12 percent in Danish kroner and amounted to around 10.3 billion Danish kroner.

In ostomy care, organic growth was 6 percent and growth in Danish kroner was 9 percent. Interestingly, the growth continued to be 7 percent.

Growth continues to be driven by our SenSura and Brava portfolio, especially in our largest European markets, like the U.K., Germany and France.

In the US, we had a very strong quarter within our accessory line. We continue to see significant price pressure in the Netherlands and more competition in the German homecare segment, as I also mentioned, in Q2.

Our Assura portfolio growth was driven by good performance in China, Mexico and Turkey, which was partly offset by a low performance in Russia and Algeria.

I would like to provide an update on our progress in Charter in the U.K. We are now meeting all our internal operational requirements and we provide a service fully in line with (other packs) in the market.

We will still be working on further I.T. upgrades and expansion of our Charter organization which will provide for the foundation for normalized growth rates in the beginning of 2016.

In continence care, organic growth was 7 percent and growth in Danish kroner was 12 percent. In Q3, growth slowed to 5 percent primarily due to the current issues in the U.K. and U.S.

The SpeediCath ready-to-use intermittent catheters continue to drive growth, and especially the compact versions performed well.

In the compact segment, we see strong performance in markets like France, U.K., U.S. and Germany but also a tender win in Saudi Arabia in Q1 contributors of growth.

Underlying U.S. performance in all catheter categories continues to improve after the restart of the year whereas Algeria contributed negatively to growth in the catheter segment.

Performance in our Conveen collecting device portfolio was not satisfactory and was driven by increasing competition in the urine bag segment especially in Holland and in the U.K.

And finally, the Peristeen sales growth remains satisfactory especially in the U.K., France, Germany and Italy.

In urology care, organic growth was 5 percent and growth in Danish kroner was 13 percent. In Q3, an isolation with the growth came in at 6 percent.

In the endourology business continues its satisfying performance, especially in Europe and Saudi Arabia. Sales of the Titan range of inflatable penile implant devices continue to drive the performance but we continue to experience a lower number of procedures at high competition for these products in the U.S.

We also continue to experience low growth within female pelvic health explained by declining sales of our (older Eversling).

In wound and skin care, organic growth continued at 9 percent and growth in Danish kroner was 16 percent. Organic growth of wound care in isolation was 12 percent. For Q3, the organic growth rate was also 9 percent.

The growth was driven by Biatain sales, in particular Biatain Silicone in Europe, very good growth rates in China and Greece, and finally, a tender win in Saudi Arabia earlier this year.

The skin care business saw good growth rates also in Q3 whereas our contract manufacturing of Compeed impacted the growth rates negatively.

Turning to our geographical segments, we saw organic growth of 5 percent year-to-date and 4 percent in Q3 in our European markets. The growth continues to be very satisfactory in France, the Nordics and Southern Europe whereas both the Netherlands and the U.K. continue to have unsatisfactory growth rates.

The price pressure remains and has even increased a bit in Netherlands and the performance in the U.K. I have already talked about.

Finally, we are experiencing increasing competition in the German homecare market segments. Organic revenue growth in other developed markets increased to 5 percent for the first nine months of 2014/2015, an 8 percent in Q3 alone.

Order buying patterns from one of -- order buying patterns from one of our largest U.S. customers continue to impact quarterly performance in the U.S. but the growth trend is improving over a year.

The U.S. business also remains impacted by the U.S. subpoena investigation which is reducing the level of campaign activities in the U.S. We have achieved an agreement in principle with Department of Justice over the summer on the subpoena and we are waiting for the Department of Justice to

finalize this. Finally, our growth rate in Canada, Japan and Australia all remained satisfactory.

Revenue in emerging markets grew organically by 20 percent year-to-date and 19 percent in Q3. The growth was driven by China, Saudi Arabia, Argentina, Greece as well as Russia, Algeria and Brazil impacted the growth rates negatively.

We continue to see high growth rates in China especially in ostomy care and wound care and both Saudi Arabia and Argentina delivering on tender wins from earlier this year.

It should be mentioned that last year, we decided to change distributors or the distributor in Algeria, which led to a 20 million Danish kroner stock building with that distributor impacting Q1 and Q2 of this year.

I'll hand over to Anders. Please turn to slide number 5.

Anders Lonning-Skovgaard: Thank you, Lars. Good afternoon, everyone. Let's take a look at the remaining financials.

Gross profit was up by 11 percent to 7 billion Danish kroner. This equals a gross margin of 68 percent on par with last year. The improvement continues to be driven by higher production efficiency at our volume sites.

We continue to see a negative impact from the launch of new products, where the production economy is not yet fully optimized. The gross profit was also impacted by increasing depreciation levels associated with higher CapEx levels.

The quarter includes a 25 million Danish krone write-down of the NPWT inventory. The distribution-to-sales ratio came in at 29 percent against 28 percent same period last year. The ratio continues to be impacted by incremental sales investments in China, emerging markets, U.S. and the U.K., of around 150 million Danish kroner. Q3 in isolation was in line with last year.

The admin-to-sales ratio came in at 5 percent of sales, up 111 million Danish kroner compared with last year. In Q2 last year, we reversed a provision of 20 million Danish kroner mainly related to bad debt in Spain. Also Q3 this year, we took a total provision of 75 million Danish kroner, partly due to the DoJ subpoena investigation in the U.S. and partly to increase the provision for bad debt in Greece. Adjusted for this, our admin spend in Q3 is as last quarter.

The R&D-to-sales ratio came in at 3 percent of sales. This year, it has been impacted by higher general activity levels compared to the same period last year, but also restructuring costs in connection with the organizational changes announced earlier this year.

All in all, this results in an EBIT margin of 32 percent, down 1 percentage point compared with the same period last year.

Operating cash flow amounted to almost 2 billion Danish kroner and was slightly lower than the same period last year. We continue to see a positive impact from higher absolute earnings and the remaining insurance payment of 150 million Danish kroner, but this could not offset a high voluntary on account tax payment and cash settlements on currency hedging activities.

We continue to deposit on the escrows when needed for mesh settlements and continue to transfer cash from escrows to finalize settlements.

The cash flow from investing activities was impacted by investments in capacity expansion both in machines for production of new products and the site expansion in Nyirbator in Hungary. CapEx increased to 447 million Danish kroner, up 23 percent compared to last year.

Please turn to slide 6. For 2014/2015, we continue to expect revenues to grow around 7 percent organically and 12 percent in Danish kroner. The difference is explained by movements in U.S. dollar and British pound exchange rates against the Danish kroner.

The guidance includes lower expectations to the growth rates for U.K. and U.S., as communicated in June, whereas we expect our remaining key markets to continue their current stable performance for the rest of the year.

We continue to expect negative price pressure of up to 1 percentage point on our top-line, and this is reflected in our guidance. The negative pricing pressure is especially driven by Holland.

For '14/2015, we still expect an EBIT margin of around 32 percent in both fixed currencies and in Danish kroner. The guidance includes 100 million Danish kroner for a write-down of the NPWT stock, a provision for bad debt increase and the settlement amount in relation to the DoJ subpoena, which we also communicated in connection with the profit warning in June.

The guidance continued to include investments in sales-enhancing initiatives, which I expected to be around 200 million Danish kroner for 2014/2015. We currently expect our net financials to end the fiscal year around minus 300 million Danish kroner, impacted primarily by a cash flow hedge losses on -- especially the British pound and the U.S. dollar.

CapEx guidance for 2014/2015 remains unchanged at around 650 million Danish kroner and is driven especially by investments in more capacity and from new products like SenSura Mio, Biatain Silicone and Compact Eve.

Finally, our effected tax rate is still expected to end around 24 percent.

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

Operator: Thank you. If you wish to ask a question, please press star and 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the hash key. So star and 1 if you wish to ask a question.

The first question comes from the line of Ian Douglas-Pennant of UBS. Please ask your question.

Ian Douglas-Pennant: Hi. Thanks very much for having me on. And so first question, can we assume, given the recent changes to the defendant list and your comment on changes in the buying patterns of one of your major U.S. distributors, that things are returning to a kind of pre-DoJ normal in the U.S.? Have you sensed Hollister restarting campaigns as well if that is the case? And so what kind of incremental investment is required, again, if that is the case?

And on -- my second question, thanks for the divisional split of profitability. That's interesting to see. I see your wound care margin declined year-over-year. Is this because of the incremental spending on your sales force or are those margin figures not particularly reliable or -- and when do you hope to realize the operating leverage from your Biatain Silicone revenues coming through? Thanks very much.

Lars Rasmussen: Let me start off with the first question. In the U.S., yes, we have started the campaign activities again, not to the same activity level as we had before but we are -- we have started this. And that we -- I can't comment on what the competitors are doing in this area at this point in time but we certainly work with the campaigns now.

What that mean that we are investing more, we are already investing in the U.S. especially on the continence care side and we continue to do that and we are looking further into how we can increase the growth in the U.S. which is high but not as high as we like to see it due to the recent events. And so I can confirm that we are -- that we are doing that.

And yes, I think that's as much as I can say now, I think we have said early on that we have hired more sales reps in the US, and they are included and they are included in the investments that we've talked about early on.

Maybe Anders, you...

Anders Lonning-Skovgaard: Yes.

Lars Rasmussen: ... would like to comment on the profitability in wound care.

Anders Lonning-Skovgaard: Yes. So the situation in wound care is that we decided a couple of years ago to start to invest quite significantly into our wound care in emerging markets in China. And that's one of the reasons why you can see that in the figures.

In regards to the Biatain Silicone production economy, we are working on it and that we expect to see an improvement over the next couple of years. They'll be moved out to production from Denmark to Hungary.

Ian Douglas-Pennant: OK. And I mean is there any reason why you couldn't get -- you couldn't lift the kind of wound care margin once you've allocated overhead cost towards, you know, the same levels that some of your larger competitors do?

Lars Rasmussen: It's just about our size. I think that we need to -- we need more scale in that business in order to become more profitable. It's a business that does have quite interesting gross margin from the outset.

But due to the lack of scale, we invest I would say too much in the sales organization and the current sales organization can carry a bigger -- in many -- in my opinion, markets can carry a bigger portfolio of products which we just don't have. So in that sense, we're just -- we're just a little bit hampered by the scale that we have. So as we grow the business, you also expect it to become more profitable.

Ian Douglas-Pennant: Great. Thanks very much.

Operator: Thank you. Your next question comes from the line of Michael Jungling of Morgan Stanley. Please ask your question.

Michael Jungling: Good afternoon, everyone. I have three questions, please. Firstly, when we look at the DoJ settlement, what is the likelihood that you need to change selling practice in the United States? So are the current activities that you've restarted different to the ones that were in place previously?

The second question is on the United States' growth. I think on Reuters, Anders, you've been quoted that the DoJ investigation has sort of materially impacted your growth in the U.S.. Could you maybe sort of quantify of how

much growth you have lost in the U.S. as a result of the DoJ investigation for the current fiscal year?

And the third question I have is in relation to the margin guidance for 2016. What is -- what will be the reference point in how you will measure that? Is it going to be 32 percent or will it be the 33 percent if you exclude the nonrecurring items that you've flagged in the last quarter when you had revised guidance? Those are my three questions, please.

Lars Rasmussen: Yes. On the first one, it's very hard for us to comment directly on the DoJ -- or the DoJ investigation side. I think that's -- you know, that's just how it is.

What the two things that we have been concerned about in this connection, one is with our care program stand the test and it did, so the care program is continuing as completely as it was before.

The second one was in a situation where we will be able to run campaigns with dealers afterwards because that's the business model that the industry has in the U.S. and we are able to do that.

Will there be tweaks and so on to the way that we do it, maybe, but we are able to run campaigns and we feel that we that we can do that. We're confident with where we are with this case at this point in time.

And we can't put a number on how much this impact does negatively, but we are growing nicely in the U.S. We are certainly also investing to do that and with the investments that we're doing in the U.S. for the time being, we would expect to grow more.

And have we not had the DoJ situation, we would also had higher growth at this point in time. But it is the combination of U.K. and U.S. which are our two biggest markets that have pulled us down from the approximately 9 percent growth to 7 percent growth. So that's basically how it is.

With regards to sort of the marketing for next year, we're not going to give you a guidance for next year at this point in time, but, of course, the outset will be this year's EBIT margin and that's where we'll start.

Michael Jungling: So a brief follow-up then, so when you say the margin for this year, you're referring to your 32 percent reported margin?

Lars Rasmussen: Yes.

Michael Jungling: OK, great. And then just as briefly on the U.S. again, can I just sort of confirm that maybe -- but when you said on the Reuters' interview that it was a material slowdown in growth, were you sort of referring, broadly speaking, maybe 1 percent or 2 percent growth to the group or is it more in the sort of below 1 percent range?

Lars Rasmussen: I think that we cannot -- we cannot be very precise on that one. I think we had to dig back into our notes to see what you're exactly referring to. But the downgrade of the top-line growth this year, it's U.K. and it's U.S., and I think they're both material to the group.

Michael Jungling: OK. Thank you very much.

Operator: Thank you. Your next question comes from the line of Alex Kleban of Barclays. Please ask your question.

Alex Kleban: Yes, thanks. The first question is on the R&D, and you mentioned about a restructuring cost hitting in the Q3. And just if I look at the run rate between the two quarters, there's a delta around about 10 million Danish kroner. Is it fair to say that's the level of the restructuring cost?

Anders Lonning-Skovgaard: Yes.

Alex Kleban: OK. And so if we add that back, we're taking another 30-odd basis points, which means your margin actually rounds up to 33 percent in the quarter, if I'm not mistaken.

Anders Lonning-Skovgaard: So you are -- you are correct. The restructuring cost is in the level of around 5 million Danish kroner.

Alex Kleban: OK.

Anders Lonning-Skovgaard: For Q3.

Alex Kleban: OK. So actually the underlying margin is actually a little bit more towards the 33 percent than the 32 percent range, if we round it up, let's put it that way.

Anders Lonning-Skovgaard: Yes, if you do that kind of math, you are -- you are correct, OK.

Alex Kleban: OK, thanks. And then the second one, again, it's a numbers question and quite small, but we're talking about I guess US\$11 million for the provision, and you're including legal fees within that. So if we strip out some of the legal fees, again, is it fair to say that the actual amount here being paid to DoJ is looking more of like mid single-digit millions in USD?

Anders Lonning-Skovgaard: So we have -- we have made the provision of 75 million Danish kroner to cover the DoJ and then to cover an increased provision for Greece. And we cannot comment more on this at this point in time.

Alex Kleban: All right, OK, so OK, so Greece is also within that, so OK, it's even further south of that, OK, yes.

Lars Rasmussen: That one, and, you know, the moment that the write-up from the Department of Justice is done, it will probably be public document, so you can read about it. So it becomes very precise at some point in time but we cannot be more precise at this point in time.

Alex Kleban: OK, that's fair enough. And I'll shift gears a bit and maybe just ask about negative pressure. And now that we're reasonably far beyond the termination of Devon, any updates on your thoughts and your quest for a negative-pressure product and in terms of doing it in-house and starting a program or rounding up other partners or maybe there's another kind of technology you want to target in terms of maybe (Bilac) or just something else and really just bypass negative pressure altogether?

Lars Rasmussen: No, we don't -- we don't have any further updates on this -- in this particularly area or technology area at this point in time.

Alex Kleban: OK, that's all from me. Thanks a lot.

Operator: Thank you. Your next question comes from the line of Niels Leth of Carnegie Bank. Please ask your question.

Niels Leth: Good afternoon. It's Niels Leth from Carnegie Bank. A question about the price competition that you are mentioning on urine bags, could you talk around whether this price competition is just on those two markets that you are referring to or is it something that could spread to other markets? And how much of your continence care business would urine bags represent?

Secondly, just talking around also the competition situation that you are referring to on the German homecare market and which impacts your SIEWA business. Thank you.

Lars Rasmussen: The price competition that we mentioned for Holland and the U.K., primarily in Holland. And it's very much -- it's very much the homecare trades in Holland that are pushing their own brands and making forced conversions because an ostomy bag is a very personal product and a catheter is a very personal product and it's sort of on your -- on your body or in your body whereas urine bags are very often a bit farther away and thereby more commoditized and that's basically what is happening. And there are plenty of low-cost manufacturers in the world of urine bags and they've been there for eight years. So that's basically what is just happening there.

It's a minor part of the total continence care business. I can't remember if we used to say -- yes, we actually used to say something about what the collecting business all in all is and that's approximately 20 percent of the total continence care business.

And collecting consists of high value of the male external catheters and then the smaller value of the urine bags, so that's how it's distributed, where I could say that the external catheter is maybe more like the personal product that I've talked about before and still the urine bags are a bit further away. Yes, I hope that was covering for that part.

And the other question you had was the competition in the -- in the homecare channel in Germany. I also mentioned that in connection to the Q2 results and

basically our -- you could say our core business in Germany is actually doing really well.

And we had a smaller homecare business in Germany, and there, we feel that there is a lot of competition in that area and it's like it's been for ages but it's basically what we are referring to. Yes.

Operator: Thank you. Your next question comes from Anasuya Sarma of JPMorgan. Please ask your question.

Anasuya Sarma: Good afternoon. That's Anasuya Sarma from JPMorgan. I've got three questions for you. Firstly, obviously the first nine months has been a bit of a disappointment, and hopefully you'll clear up the issues. Where do you see the downside from here? Your guidance seems to assume a quick resolution of these issues. What happens if they're not resolved as quickly as you thought and what's assumed in your long-term guidance?

Secondly, there have been some pretty large settlements in the mesh cases in recent periods. Is there a risk that you may not -- you may need to increase your 1.5 billion Danish krone provision, and how many of your cases are left to be settled?

Thirdly, what exactly are you doing in the Charter Healthcare business and how do you hope this will bring back your lost customers? Thank you.

Lars Rasmussen: Yes. So you would like to understand what our further downsides are to this full fiscal year?

Anasuya Sarma: Yes, compared to the long-term guidance that you've given.

Lars Rasmussen: That's -- compared to the long-term guidance that we've given, the long-term guidance is 7 percent to 10 percent and then 50 to 100 basis points improvement on the -- on the bottom-line. And, well, I think it's very clear this year, we'll -- we are just within the guidance on the top-line but we don't have the guidance in place for -- or we're not hitting the guidance, our long-term guidance at the bottom-line.

But for -- you could say, for the -- for the guidance that we gave in June and we're now reiterating for the last quarter -- or for the full year here that's what we believe for this year, so it contains whatever upsides and downsides we can imagine for the remainder of the year.

In regards to your questions about the mesh cases, yes, you're right, our mess provision is -- was made in May last year based on -- on the settlements that were done at that point in time via AMS.

And there are still TV commercials in the U.S. where litigators, they are telling the public that they should join this mesh tort litigation and therefore it's not a picture which is completely stable.

And what we have said about the mess cases at this point in time is to the best of our knowledge so I can't say anything else about that.

We are in dialog with approximately 2/3 of lawyers -- 2/3 of the cases that we -- that we know of at this point in time and we have also said that it's quite a large part of that. So that's basically I think what I can say about that at this point in time.

Anasuya Sarma: OK, and the Charter Healthcare?

Lars Rasmussen: Oh, yes, yes, well, Charter Healthcare, well, the good news about Charter Healthcare is that we are passed -- as I also mentioned during my presentation, we have passed the point where we have process problems.

That means that our processes, they have now been corrected. We can't benchmark against other bags in the market and we know what their delivery time is and their delivery position, and we are on path. So we have to say, delivery time, we have a good delivery position. We feel that we are where we should be in that sense.

We have lost customers during this process and the next step is, of course, to see how can we win customers back and grow the business from where we are. This is a quite large business to us so even though we have the, I would say, the processes in steer, it will still take some time for us to see the

performance that we have invested to get in the U.K. because we have a low growth as compared to what we had expected to have at this point in time. But we feel that we are on the other side of the issues and from here, we are building on.

Anasuya Sarma: OK, thank you.

Operator: Thank you. Your next question comes from the line of Yi-Dan Wang of Deutsche Bank. Please ask your question.

Yi-Dan Wang: Thank you very much. I was hoping to -- that you could give some color about Brazil. I mean there was a bit of disruption earlier in the year then it got better, and now it seems to have slowed down again. Any color on that would be helpful.

And then in terms of the restructuring cost in R&D, will there be any further costs that we should expect to come through, or are you largely done?

And then finally, quickly, on the financials for the year and also for '15/2016 if you can, what would the impacts be if current exchange rates remain?
Thank you.

Lars Rasmussen: I'll take the first one. In Brazil, we had a weak start of the year. We also discussed that at length because it was hard for us to get any orders because due to the -- due to the election out there, there were some of the -- of the provinces that were -- that simply didn't have the political leadership in place in order to issue orders.

And that have actually cleared up, so we actually feel that Brazil is going in the right direction, but the numbers that you see this year are impacted to some extent by the fact that we have pulled back some negative pressure wound therapy products there, and that's -- that you can see in the number. So Brazil is not as strong as it should be but it's definitely going in the right direction.

The two other questions you have I think I will hand you over to Anders.

Anders Lonning-Skovgaard: Yes. So in terms of restructuring cost in Q4, we don't have any plans of including restructuring costs.

And, you know, in regard to the financial items, as I've said earlier, we expect to have around minus 300 million Danish kroner in financial items for the year. And I'm not going to guide our view on next year at this point in time. We will come back to that when we announce our full year in November.

Yi-Dan Wang: OK, and if I could add one more, you commented slightly on the SIEWA situation in Germany. I mean I understand that has been ongoing, but why did you, guys, highlight it particularly this quarter? Has anything changed in a significant way to make you do that? And if so, what has changed?

Lars Rasmussen: No, that's just in the spirit of full disclosure as we always give.

Yi-Dan Wang: OK, fine. Thank you.

Operator: Thank you. Your next question comes from the line of Annette Lykke of Handelsbanken. Please ask your question.

Annette Lykke: Thank you so much. Annette Lykke, Handelsbanken here. First of all, in respect to the DoJ case, I know it's hard for you to discuss details and fully understand that. However, when listening to your conference call, June 16th, you sort of highlighted that you have intentions to go for a settlement. So my question here is how significant steps/progress is it when you are signing a principle agreement, and what does that mean to you?

Lars Rasmussen: Yes.

Annette Lykke: Yes.

Lars Rasmussen: And maybe I could take that first.

Annette Lykke: Yes.

Lars Rasmussen: It's -- that is a settlement. So that means that we understand the price tag, so to speak, and basically what we are doing now is that we are waiting for the -- for the administrative work to take place and that's basically a document

being formed which either contains, you know, the findings with Coloplast or whatever findings the Department of Justice had in this whole industry investigation. We don't know the full size of that -- of that document, but that's basically what we are waiting for.

Annette Lykke: Can you say anything in general terms of what sort of expectation should we have on timelines? Is this something that --

Lars Rasmussen: No. Unfortunately, not. It's completely out of our hands. We -- I think we said earlier on that we expected to be within this year and that's also the most precise it can be at this point in time.

Annette Lykke: OK. In respect to the investigation of the dealers or distributors, has there been any progress there since June 16?

Lars Rasmussen: Well, we don't know because we are not part of what is going on with them.

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Lars Rasmussen: Well, we don't know because we are not part of what is going on with them. But I guess that as we have clarity on -- you could see our situation that is it must be the same case for some of the dealers because, as I said, we have started campaign activities again. That's the normal business model in that market, and that's what we're running at actually increasing speed at this point in time. But we also know that there was a couple of the dealers that -- where the cases were dismissed, and that is [RDH], 180 Medical and (Emed).

Annette Lykke: OK. Thank you so much.

Lars Rasmussen: You're welcome.

Operator: Thank you. Your next question comes from Scott Bardo of Berenberg. Please ask your question.

Scott Bardo: Yes, thanks very much for taking my questions. So just now referring to North American market and I think you've highlighted that growth in the other developed markets around 5 percent organic for the first nine months, I

think even in June your expectation was to grow some double-digit in the North American market. I wonder whether that's still an outlook that you hold given the slow growth that you've seen in that combined region to date.

Also, I just like to just clarify from my understanding that the ongoing litigation with the Department of Justice is being stayed until the 21st of September. I just wondered if you could confirm that and perhaps add to some comments as to why, if everyone settled, we still got a period of several weeks before we have some clarity there.

Also, just...

Lars Rasmussen: Sorry, so could you -- could you repeat the DOJ...

Scott Bardo: Sorry, Lars, yes. It's my understanding that the litigation has been stayed until the 21st of September.

Lars Rasmussen: But that's just -- that's just an administrative thing. I mean, they do it 60 days at -- you know, they can't do it 57 days, they do it 60 days whenever they do something.

Scott Bardo: Got it, OK. Thanks very much. So that's when we get some clarity. And just -- and just following on from that ...

Lars Rasmussen: OK, I'm sorry. I just jumped to conclusion.

Scott Bardo: No, no, no.

Lars Rasmussen: No, no, if they don't -- if they don't feel that they are already at the -- you know, at the next date, they're just given 60 days, and then they come whenever they're ready.

Scott Bardo: OK.

Lars Rasmussen: So that's just an administrative thing.

Scott Bardo: (Management system).

Lars Rasmussen: But whenever you are prolonging something, it's 60 days.

Scott Bardo: Got it. Oh, and thanks very much for clarifying. I'm quite encouraged to hear that you feel that you've resumed some external marketing campaign activities. I know this was somewhat of an uncertainty back in June. I just wondered then if you can help us understand do you consider now the mix of marketing campaign activities to be more centered on Coloplast internal activities going forward or do you expect to have the sort of historic mix that you've had in the past. Clearly, that has some bearing on the degree of investments you need in the US. So the North American question growth are still 10 percent mix of campaign activity.

Lars Rasmussen: Yes, the inflation for the US is unchanged, and so that's what we are -- that's what we are shooting for. No doubt about that.

And when it comes to the mix of marketing, there's no doubt that we are investing a lot in the US to have growth and to convert the market to our technology as much as possible. And we are experimenting with different models. And I can't guarantee you that the mix is going to be the same next year as it was this year. If we find a way to get more growth and, you know, we'll invest for that whether that is more internally or more partnerships, but we are desperately committed to grow and to convert as much as possible in the US.

Scott Bardo: Right. Thank you very much. And just two follow-up questions please. I just wonder if you could help explain the reason or rationale for providing operational segment reporting. Obviously, it's not helpful from an analyst standpoint, but it seems somewhat strange to be doing so after many years of you reporting your figures. And I just wonder if this is -- we should be really into this at all, is this highlighting a potential disposal, acquisition or anything that we should be aware of. If you could just comment on the rationale for doing that for the first time, that would be helpful.

And last question again and obviously coming back to this, but you seem to be talking down SIEWA in terms of the magnitude of your German business. It was always my understanding that, you know, you are number two player in

Germany and this was critical actually to your overall German operation. Is it your expectation that the business in Germany deteriorates further from here given the competition effects you mentioned or that we should be just expecting a slightly lower growth component given this ongoing pressure in line with what your currently delivering? Thanks.

Lars Rasmussen: Well, first of all, the rationale for changing the external -- but externally is that the external world has to reflect the internal world. That's basically what the accounting rules are saying, so we just ...

Scott Bardo: Yes.

Lars Rasmussen: ...well, that's just what we are correcting.

And when it comes to SIEWA we just see that one of the bigger home care companies in Germany are stepping up their battle, so to say, and we feel that, but we also feel it on a positive note in the -- you could say the [D&H] business that we have, the normal business that we have in Germany. So we feel it positively one place and negatively in another place. It's basically just a comment to reflect that that is how it is. Yes.

Scott Bardo: Yes.

Anders Lonning-Skovgard: And, Scott, I should add on the segment note, if you're showing the revenue per -- for each of the businesses and also the directly allocated costs, but we are not allocating, for instance, the corporate staff and all that into each of the businesses.

Scott Bardo: Sure. Thanks very much, guys, and apologies. I lied. I have one last follow-up. You've been very kind to provide us a sort of steer on patient enrolment numbers for Coloplast Care and that being some sort of proxy to your future growth in North American market. But concern was that given all of this bad press, that some of those enrolments might have started to slow in the North American market, can you add some comments around that how current enrolment growth is going for Coloplast Care in North America please?

Lars Rasmussen: I have to be honest. I can't remember that we had given those numbers out, but what I can say is that we have known for quite a while that Care, the Care program, is fit and proper. And, therefore, what we see on the Care program is that we have the traction that we also expected to have on it.

Scott Bardo: OK, great. Thanks so much, Lars.

Operator: Thank you. Your next question comes from Veronika Dubajova of Goldman Sachs. Please ask your question.

Veronika Dubajova: Good afternoon, gentlemen, and thank you for taking my questions. I have three please if I can.

The first one is I just conceptually want to talk about what's gone wrong in the business this year, and I know you've helped us think through the UK. I mean, you asked and -- correct me if I'm wrong, but is it fair to assume that as you think about those businesses, you would expect both of those to see a recovery over the next six to 12 months? Is that a fair assumption based on what you're signaling on the UK and the pace of resolution with the DOJ?

Lars Rasmussen: The only -- the only reason why I'm holding a little bit back is that these are two big businesses, and I have not been in this situation before in these markets so I don't know how fast the recovery is.

I don't like the growth rates that we have in US or UK. We are investing quite heavily in both markets to get much better growth, but I will -- I just don't want to promise at what point in time we see the pickup, but we don't like the numbers that we have now, growth wise, and we are investing to get out of that.

Veronika Dubajova: OK, understood. And then taking that one step further, when you do see that recovery whether that's in six months, 12 months, and 18 times -- 18 months, I understand you don't want to comment on that. But would you expect to recapture the lost leverage that you missed in the P&L this year?

Lars Rasmussen: Are you trying to get a future guidance from us?

Veronika Dubajova: No, no, I'm conceptually asking -- because I think what surprised people this year, right, is you were guiding your medium-term guidance of 7 percent to 10 percent with...

Lars Rasmussen: Yes.

Veronika Dubajova: ...50 to 100 basis points of margin improvement. You're at 7 percent this year, but you're not seeing any margin improvement. In fact, you know, margins are going down. Yes, there are some one-offs, but...

Lars Rasmussen: Yes.

Veronika Dubajova: ...you're not seeing margin leverage.

I'm trying to understand, you know, conceptually why you haven't seen that leverage, and is it some -- you know, is this leverage just forever gone, or at some point in time...

Lars Rasmussen: Yes.

Veronika Dubajova: ...when you can reaccelerate growth to 9 percent, whenever that is in the future, you know, would you expect to then see twice the amount of leverage because some of these investments that have weighed on the P&L...

Lars Rasmussen: Yes.

Veronika Dubajova: ...start driving growth? That's kind of what I'm trying to get at.

Lars Rasmussen: Yes, and of course, the missing growth -- I mean, it's a very big difference to your bottom line, also, whether you had 9 percent growth or 7 percent growth, right, because the cost that you have are more or less the same, so in that sense we feel the loss of the -- of top line growth this year. And secondly, where we have one-offs here and then basically we are also investing this year 200 million Danish kroner in further sales initiatives.

We do see in the next year also that there are still investment opportunities that make sense, and we will also pursue them so, therefore, I'm not going to

give you guidance. But, of course, the bottom line is very dependent on the top line growth, and I think that goes without saying.

Veronika Dubajova: OK. And then final question, also margin related, is just getting an update on the transfer of manufacturing because that's been a big -- I mean, that's been one of the other things that's weighed on the P&L this year. And there's -- I don't know if you can give us a better sense for how you're getting on with the SenSura Mio transfer and when we might start seeing some leverage from that growth on a gross margin level.

Lars Rasmussen: Yes. So as you can see this year, we are impacted by higher unit cost for our new products that we're launching or have been launched over the last six to 12 months that has impacted or that is impacting our gross margin.

We are working on moving the production of the new Mio, Biatain Silicone, and also other things into Hungary, and those plans are on-track, and it will continue into 2015, 2016.

Veronika Dubajova: Any update on when you'd expect that process to be completed or, you know, mostly completed?

Lars Rasmussen: It will take still some time, a couple of years until we are done with the activities that I just mentioned.

Veronika Dubajova: OK, OK. OK. Thank you very much for that. I appreciate it. I'll jump back into the queue.

Operator: Your next question comes from Michael Jungling of Morgan Stanley. Please ask your question.

Michael Jungling: Great. Thank you for allowing me to ask a follow-up. I just wanted to ask one more clarification question on the -- on the margin. I want to make sure I didn't misinterpret it.

So if I purely look at your midterm margin guidance of 50 to 100 basis points, if I purely follow that guidance for 2016, is it mathematically correct to say 32 percent for this year plus 50 to 100 basis -- 50 to 100 basis points for next year

should be a reasonable guidance for 2016 based on your midterm guidance? Is that the correct approach? Have I misinterpreted that when I asked the question the first time?

Lars Rasmussen: I think what I said the first time is I would hesitate to give a guidance for next year at this point in time. But at the outset for the guidance that we do next year is this year's result, which is 32 percent.

To take that to the extreme where you say this is also -- this means that you will add 50 to 100 basis points next year, that that is the right answer. .

Michael Jungling: OK.

Lars Rasmussen: You know, we'll have to -- we'll have to take that when we get to the point in time where you're guiding.

Michael Jungling: All right. The reason I'm asking is that if you look at the consensus coming at 34 percent for the next year and it seems the market has taken 33 percent as the clean number, and it has added your midterm guidance to that to get to around 34 percent. That's the reason I was asking for some clarification whether there was maybe a misinterpretation at the time of the profit warning that maybe it should be 33 percent plus midterm guidance rather than 32 percent plus midterm guidance given that were non-recurring items in there.

Lars Rasmussen: Yes. We cannot be more. So our baseline for next year's guidance is this year's result of around 32 percentage point, and that's -- and then we will come back with a more precise guidance when we announce our full-year results in November.

Our overall financial ambition that is to deliver year-on-year improvement in our EBIT margin of 50 to 100 basis points.

Michael Jungling: Great. And then the final question on the DOJ, also a clarification, have you actually been told as part of the settlement with the DOJ of what the selling guidelines will be? Meaning, you're trying to sort of preempt what they may be or have you been told what they should be, and you're acting accordingly in your refreshed, if you like, marketing campaign?

Lars Rasmussen: Yes. I have -- I have to say that we have said what we can say about the Department of Justice case. There are details, but we can't go any further than what we have said at this call, up until this moment.

Michael Jungling: I didn't really want to know what the specific changes are. What I really wanted to know is have you been made or has the industry been made aware of what the guidelines are now rather than telling us whether there's a change in the guidelines?

Lars Rasmussen: Yes. I'm sorry, Michael, you know, I can't comment any further on it, unfortunately.

Michael Jungling: OK. Thank you.

Operator: Thank you. You have a next question from Alex Kleban of Barclays. Please ask your question.

Alex Kleban: Hi, sorry to push on this, but I was going to ask some margin question maybe a bit differently. But if we bridge back and we say, on a clean underlying basis, you're at 33 percent for this year, and then you talk about 200 million Danish kroner in commercial investments, we take that out, and that gets us to around about 34.5 percent. That's, I would say, your starting point of the business as it stands before reinvesting, right? So if you do 50 to 100 basis points on top of that in terms of leverage if you get back to growth, that gets you to 35.5 percent, which means if you only do 33 percent for next year, you only deliver 33 percent for next year, looking at investing 2.5 percent of sales in initiatives behind growth. Is that the right way to look at it? And if it is, then what kind of return do you think you're going to get for that 2.5 percent of sales?

Lars Rasmussen: You know, we did foresee that you guys were going to see if you could get next year's guidance on this call. And we would very much like to give you next year's guidance when we have the release for Q4.

In the meantime, we do whatever we can in order to guide you in the best possible way. But the -- but the outset for next year's guidance will be this year's results.

Alex Kleban: In adjusted terms or in reported -- in reported?

Lars Rasmussen: Yes, yes.

Alex Kleban: OK. OK, thanks a lot.

Operator: Thank you. Your next question comes from Scott Bardo of Berenberg. Please ask your...

Scott Bardo: Yes, thanks very much for taking my follow-up question. Just a couple of quick questions on geographical performance. I just wanted to -- historically, you've pulled out the accessories market in the UK as being quite strong growth driver. Obviously, we've had a little bit of disruption with Charter, but can you just comment a little bit about how that market is progressing in the UK for you guys and whether you see, you know, strong growth there or whether that started slow a little bit?

Also, on France, that looks to be a very robust region for you at the moment. It was my understanding, as part of the French reforms some time ago that there will be sort of 5 percent annual price cuts. Obviously, we've had that in previous years. I just wondered, is that also in the cards into 2016 as you currently see it? Thanks very much.

Lars Rasmussen: Well, I would say that accessories in general are doing quite well, both in the US and also in the UK. And with regards to France, your question was -- sorry -- about that?

Scott Bardo: Apologies. Pharma seems to be doing very well, and historically, there's been some reimbursement changes, or in the past, a little bit of pricing pressure in that market, which you seem to have brushed off rather well. I just wonder, should we anticipate an annual price cut in France? I mean, is this something you also need to accept into next year as you currently understand it or there are no further negative reimbursement effects in France?

Lars Rasmussen: I think we are -- on the other side of it at this point in time, but we would expect -- well, I would say that in France they had been doing periodic price reviews and therefore, they come up ever so often. And maybe -- I don't know if we'll have one for 2015, 2016; it might be. But then if not, then 2016, 2017 whether we look at it again.

Scott Bardo: OK, Lars. Thanks very much indeed.

Lars Rasmussen: All right. I think ...

Operator: Thank you. There are no further questions on the line. You may continue.

Lars Rasmussen: Oh, OK, but that's perfect. So we're approaching the end of the hour. So thank you very much for participating, and we are looking forward to see a lot of you during the quarter. Thank you very much.

Operator: Thank you. That does conclude our webinar for today. Thank you all for participating. You may all disconnect.

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