Q4 20/21 Pre-close brief – September 2021

Prior to entering our close period on October 4, 2021, ahead of reporting our full year results on November 1, 2021 for the period ending September 30, 2021, we would like to bring the following highlights to your attention:

Product update

- The Digital Ostomy solution, part of Coloplast's Clinical Performance Program, has been granted a CE mark, and payer pilot studies in Germany and the UK have been initiated during Q4.
- Biatain® Fiber, a gelling fiber dressing for the treatment of deep wounds, has been launched across 9 markets and continues to be well received.

Financial guidance for FY 20/21

(DKK guidance is based on spot rates as of August 17, 2021)

- We expect organic revenue growth at the lower end of the 7-8% range at constant exchange rates and a reported growth in DKK of 4-5%.
  - The contribution to reported growth for the full-year from the three DME acquisitions in the US during Q2 and Q3 is expected to be around DKK 27m or 0.1%-point.
  - Currency impact: headwind from USD and Emerging market currencies (in particular ARS and BRL).
  - Up to 1%-point negative price pressure, no knowledge of significant upcoming healthcare reforms
  - Guidance assumes double-digit growth in H2 driven by continued resumption of elective procedures and hospital activity across business areas
    - As expected, Ostomy Care is normalizing faster than Continence Care, due to the acute nature of the underlying patient conditions.
    - Underlying growth in Chronic Care in Europe improved in Q3 as a result of an increase in growth in new patients, and this is expected to improve further in Q4.
    - Growth in Chronic Care in the US in Q3 was impacted by a prolonged period of lower growth in new patients due to COVID-19, particularly in Continence Care, and distributor buying patterns. Growth in Q4 is expected to improve, as the growth in new patients recovers.
    - Growth in EM in Q4 is expected to be lifted by phasing of orders between Q3 and Q4 in the Middle East and Russia. We are monitoring the situation around the Delta variant in Asia closely.
    - The Interventional Urology business continues to recover driven by the resumption of elective procedures, led by Men's Health. We are closely monitoring the situation in the US around the Delta variant, where we have seen some impact on elective procedures in the Southern states.
    - Underlying growth trajectory in Wound Care is expected to be stable.
    - The quarterly phasing of growth for 19/20 was Q1 7.7%, Q2 9.0%, Q3 -2.1%, Q4 2.3%.
  - We expect a reported EBIT margin before special items at the upper end of the 32-33% range, and a reported EBIT margin after special items at the upper end of the 31-32% range. The reported margin in DKK is positively impacted by the HUF, but this is largely offset by the depreciation of the USD, BRL and ARS against the DKK.
    - Leverage effect on fixed costs e.g. distribution, admin and R&D costs (our rule of thumb is that the leverage effect kicks in at ~5% organic growth)
    - The EBIT margin guidance reflects additional incremental investments of up to 2% of revenue for innovation and commercial initiatives (Interventional Urology, Asia, US Ostomy, digital and sustainability investments) and continued prudent cost management (lower travel and sales & marketing expenses due to COVID-19).
    - Phasing of cost development is expected to follow the topline development, with a higher level of spend in H2 2020/21 as a result of an increased level of commercial activities.
    - A further provision of DKK 200m was booked in Q2 2020/21 as special items related to the Mesh litigation due to increased legal cost. Coloplast has settled around 97% of the MDL cases. The Coloplast MDL was closed in December 2020.
  - Gross margin for 2020/21 is expected to be higher than 2019/20

  - Gross margin in fixed currencies expected to be positively impacted by efficiency gains from Global Operations Plans 4 and 5, partly offset by negative impact from wage inflation and labor shortages in Hungary, as well as transfer costs related to the transfer of machines to Costa Rica and sustainability investments
  - Q4 gross margin expected to be at a similar level to Q3, driven by positive product mix
- CAPEX guidance for 20/21 is around DKK 1,100m
  - CAPEX includes investments in more capacity for existing and new products, a second volume manufacturing site in Costa Rica (site expected to be ready in 2021/22), automation investments at volume sites in Hungary and China as part of GOP5 and IT costs.
- We expect our net financials to end the financial year 2020/21 at around DKK 25m based on spot rates as of August 17, 2021.
- Effective tax rate of ~23% (Danish corporate tax rate 22%). We pay ~80% of our taxes in Denmark.

Moving parts into FY 2021/22

- We continue to closely monitor the impact of COVID-19 on the business. The spread of the Delta variant has introduced more short-term uncertainty.
- Key moving parts for Chronic Care will be the comparison period and the pace of recovery in growth in new patients, where Ostomy Care is recovering faster than Continence Care.
- Key moving parts for Interventional Urology and Wound & Skin Care will be volume of elective procedures and hospital activity.
- Gross margin will be positively impacted by Global Operations Plan 5, and negatively impacted by double-digit wage inflation in Hungary, raw materials price inflation, and ramp-up costs in Costa Rica.
- EBIT margin will be impacted by higher costs that are expected to grow faster than topline. We will continue to invest up to 2%-points of our revenue in new growth initiatives including innovation.

Foreign exchange rates

- In connection with our consensus survey we will send an updated spot rate overview based on spot rates at the end of September. Please also see our FX slide on page 45 in our latest roadshow presentation.

Currency	Average exchange rates for FY 2019/20	Spot rate, September 24 2021	Change in spot rates compared with the average exchange rate for FY 2019/20	Average exchange rates for FY 2020/21 YTD (Oct 1 2020 to Sep 24 2021)	Change in average exchange rates compared with average exchange rate for FY 2019/20
Key currencies:					
USD	667	633	-5%	622	-7%
GBP	850	868	2%	852	0%
HUF	2.17	2.08	-4%	2.08	-4%
Other selected currencies:					
CNY	95	98	3%	96	0%
JPY	6.18	5.73	-7%	5.79	-6%
AUD	452	461	2%	468	4%
BRL	141	120	-15%	117	-17%
ARS	8.34(1)	6.43	-23%	6.43(1)	-23%

1) The hyperinflationary economy in Argentina entails that results denominated in Argentinian Peso must be adjusted for inflation and be translated at the exchange rate of the balance sheet day which was DKK 8.34 per ARS 100.00 at 30 September 2020 and DKK 6.43 per ARS 100.00 at 24 September 2021.

Please do not hesitate to reach out to Investor Relations if you have any questions.

Best regards

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Forward-looking statements

Any forward-looking statements included herein do not constitute a guarantee of future results and are subject to risk, uncertainty and assumptions, the consequence of which are difficult to predict. The forward-looking statements are based on our current expectations, estimates and assumptions and are provided on the basis of information available to us at the present time but actual results may differ significantly from any forward-looking statement.