Q3 19/20 Pre-close brief – June 2020

Prior to entering our close period on July 10, 2020, ahead of reporting our Q3 results on August 18, 2020 for the period ending June 30, 2020, we would like to bring the following highlights to your attention.

COVID-19 update

- The negative impact from COVID-19 on the Interventional Urology business is gradually normalising during H2 as expected and we continue to assume that the situation normalizes within 5 months (assuming a negative impact of DKK ~100m per month). We track the development daily on a hospital by hospital, state by state basis. The month of April was severely impacted, and in May we saw a slight improvement as key states in the US reopened for elective procedures, including Florida, Georgia, Texas, California. During June, we have seen continued improvement but some of key states from a revenue perspective have not yet opened up including New York and a number of Midwest states. Outside of the US, in Europe the situation for our single-use device business is improving in countries like Germany, France, Southern Europe.
- The situation in China in Ostomy Care and Wound Care is expected to gradually normalises during H2. As expected Ostomy Care continued to normalize during Q3 – surgery levels and consumption have normalized. It is taking longer for the situation in Wound Care to normalize and we do not see a full normalization until our year-end.
- The large stock building impact in Q2 of DKK 150m in primarily Europe is expected to partially reverse in H2. In fact, the unwind appears to have happened earlier than anticipated and most of the stock building has reversed in Q3.
- In our Wound & Skin care business, besides the negative impact from China, our Skin Care business in the US and our Contract manufacturing business have both been negatively impacted by COVID-19. We called out Skin Care as benefitting from COVID-19 in Q2 due to some product areas that saw increased demand. Since then, a few larger product categories including InterDry have seen lower demand due to a decline in non-COVID-19 related hospital admissions.

Highlights prior to Q3

- The French price reform was announced on July 1, 2019 for Ostomy Care, Continence Care and Wound Care. The new classifications and prices were implemented as of July 1, 2019 for Ostomy Care and Continence Care and as of June 1, 2019 for Wound Care. For Coloplast, the price reform represents an average reduction in prices in France for Ostomy Care and Continence Care of ~9% and Wound Care of ~2%. Coloplast has mitigated the impact by sharing slightly less than 50% of the price cut with the distribution channel. The reform will have an annualized negative impact of approx. 100m with a negative impact in Q4 18/19 and the following three quarters in 19/20, including the last quarter Q3.
- The quarterly phasing of growth last year 18/19 was Q1 8.3%, Q2 7.9%, Q3 7.6%, Q4 7.6%. In H2 18/19, Emerging markets growth was positively impacted by tender deliveries in Russia. In 19/20, the majority of tender deliveries were made in H1 19/20.
- Q3 18/19 gross margin contained DKK 16m in restructuring costs. No restructuring costs are expected in 2019/20. (DKK 17m in Q1 18/19, DKK 10m in Q2 18/19 and DKK 16m in Q3 18/19 and nothing in Q4 18/19).
- In 19/20 despite the COVID-19 outbreak our investments into R&D remain unchanged as well as the majority of the approved commercial investment cases. We continue to invest up to 2% of sales in incremental investments in innovation and sales & marketing initiatives for example in China Ostomy Care, US Continence Care and the UK however phasing can be impacted due to the COVID-19 situation. In Interventional Urology, the commercial investments have been put on hold until the business recovers.

Product update

- Biatain Fiber, a gelling fiber dressing for the treatment of deep wounds, was set to be launched during 2019/20, but due to the COVID-19 outbreak the launch has been postponed.

US GPO update

- Coloplast has been awarded a three-year group purchasing agreement for ostomy products with Premier Inc. (~25% share of US acute ostomy market). The agreement is multi-source and effective for three years beginning April 1, 2020. Premier is a leading healthcare improvement company, uniting an alliance of approximately 4,000 U.S. hospitals and hospital systems and more than 175,000 other providers to transform healthcare. COVID-19 has impacted our plans to visit hospitals and pursue this opportunity short-term, but we are pursuing the opportunity "virtually" until the situation normalizes.
- The smaller GPO, HealthTrust (~15% share of US acute ostomy market) is currently up for negotiation and the contract is expected to start October 1, 2020 (previously August 1, 2020, but postponed due to COVID-19).
- Vizient, the largest GPO (~50% share of US acute ostomy market) is expected to be renegotiated at the beginning of 2021 and the new contract is expected to start July 1st, 2021.

IRFS 16

- Regarding the impact of IRFS 16 please refer to p. 38 in the Annual Report 2018/19 where we have described the anticipated effect on the financial statements of adopting IFRS 16.
- For EBIT, we anticipate a positive yet immaterial effect.

Capital Markets Day

- We had planned to host our next CMD to present the company's new strategy for the next 3-5 years at our headquarters in Humlebæk on June 24th, 2020. However, given the COVID-19 outbreak Coloplast has postponed the event until the autumn. A new invitation will be sent out shortly. The event will be a virtual event with limited physical attendance if possible at our headquarters.

Financial guidance for FY19/20

(DKK guidance is based on spot rates as of May 4th 2020)

- Organic revenue growth guidance of 4-6%. Guidance for reported growth in DKK is 4-6%.
    - COVID-19 has primarily negatively impacted elective procedures in the Interventional Urology business, our business in China as well as our Wound & Skin Care business. The outlook for Ostomy Care and Continence Care is largely intact.
    - In summary, Coloplast's full year guidance assumes the following:
        - After a significant negative impact in Q3, the situation in Interventional Urology gradually normalises during the second half of the financial year.
        - The situation in China in Ostomy Care and Wound Care gradually normalises during the second half of the financial year
        - The positive stock building impact in Q2 in primarily Europe partially reverses in the second half of the financial year
        - A stable supply and distribution of products across the company.
    - Up to 1%-point negative price pressure
        - The French price reform will negatively impact organic growth in Q1, Q2 and Q3 19/20.
        - A smaller price reform has been implemented in Switzerland across WC, OC and CC and we have also seen price pressure among the larger health insurance companies in the Netherlands within OC and CC in 2018/19 which will have an impact in 2019/20 as well.
- EBIT margin guidance of 30-31% in constant exchange rates vs. previously ~31% in constant exchange rates and 30-31% in DKK vs. previously ~31% in DKK.
    - Due to the COVID-19 outbreak we are being prudent on costs. We have implemented a global travel ban, smart hiring, sales and marketing events have been cancelled, etc. In the Interventional Urology business, sales & marketing initiatives will be on hold until the situation normalizes.
    - Gross margin is negatively impacted by the lower growth in Interventional Urology, given that the Interventional Urology business has a gross margin above group average.

- Negative impact from reimbursement reforms.
- 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)
- Gross margin in fixed currencies expected to be positive impacted by Global Operations Plan 4 – savings of 100bps partly offset by negative impact from wage inflation and labour shortages in Hungary
- Incremental organic investments (R&D and commercial investments) of up to 2% of revenue.
  - Distribution to sales ratio of 28-30%
  - R&D to sales ratio of approx. 4%
  - Admin to sales ratio of approx. 4%
- Includes investments to ensure compliance with the EU's new Medical Devices Regulation by 2020 (majority of costs are booked under R&D and the rest under COGS).
- No restructuring costs in 2019/20 vs. DKK 43m in 2018/19 (DKK 17m in Q1, DKK 10m in Q2 and DKK 16m in Q3 and nothing in Q4).

- CAPEX guidance for 19/20 is ~950m DKK vs. ~850m previously to ensure sufficient production capacity for new and existing products. Capex includes investments in more capacity for existing and new products, including the new manufacturing site in Costa Rica which is expected to open at the end of 2020. Furthermore, we will also invest into automation at our volume manufacturing site to mitigate the increasing headwind from wage inflation and labour shortages in Hungary.
- We expect our net financials to end the financial year 19/20 at around DKK -200m based on spot rates as of May 4th, 2020
- Effective tax rate of ~23% (Danish corporate tax rate 22%). We pay ~80% of our taxes in Denmark

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 June. Please also see our FX slide on page 46 in our latest roadshow presentation.
- As disclosed in connection with our FY 18/19 results, the Argentinian economy meets the characteristics of a hyperinflationary economy according to IFRS and, as such, we again this year apply IFRS accounting principles with regards to Argentina.

Currency	Average exchange rate for FY 2018/19	Spot rate, 26 June 2020	Change in spot rates compared with the average exchange rate for 2018/19	Average exchange rate for 2019/20YTD (1st Oct 2019 to 26th Jun 2020)	Change in average exchange rates compared with average exchange rate for FY 2018/19
Key currencies:					
USD	662	664	0%	677	2%
GBP	844	824	-2%	859	2%
HUF	2.31	2.10	-9%	2.19	-5%
Other selected currencies:					
CNY	96	94	-3%	96	0%
JPY	6.01	6.21	3%	6.24	4%
AUD	466	457	-2%	451	-3%
BRL	171	124	-28%	148	-13%
ARS	12(1)	9	-21%	11(1)	-21%

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 11.91 per ARS 100.00 at 30 September 2019 and DKK 9.46 per ARS 100.00 at 26 June 2020.

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

Best regards

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Forward-looking statements

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