

H1 2021/22 Pre-close brief – March 2022

Prior to entering our close period on April 11, 2022, ahead of reporting our H1 results on May 5, 2022 for the period ending March 31, 2022, we would like to bring the following highlights to your attention:

War in Ukraine

- Coloplast is monitoring the war in Ukraine closely. Our primary focus is to keep our people safe as well as to ensure that our users in Ukraine and Russia have access to products to manage their chronic conditions.
- Coloplast is present in Russia with a sales subsidiary of around 70 employees. In Ukraine, we have a representative office with 7 employees and we primarily sell products through two Ukrainian distributors.
- Revenue exposure in Russia and Ukraine combined is around 1% of group revenues in FY 2021/22, of which the majority is in Russia. Around two-thirds of the expected sales for FY 21/22 have already been delivered.

Atos Medical acquisition

- On January 31, 2022 Coloplast completed the acquisition of Atos Medical announced on November 8, 2021. The transaction adds a new chronic business segment, which will be run as a separate strategic business unit, Voice & Respiratory Care, operating on shared Coloplast infrastructure.
- Atos Medical is expected to grow 8-10% organically, with an EBITDA margin in the mid-30s level, and contribute to Coloplast's Strive25 financial guidance of 7-9% organic growth and +30% EBIT margin.
- The acquisition price is EUR 2,155m (around DKK 16bn), financed through 100% debt financing.
- The transaction is expected to be increasingly EPS accretive from FY 2022/23.
- Estimated run-rate operational synergies of up to DKK 100m from utilising Coloplast infrastructure, with full impact estimated from FY 2023/24.
- One-off transaction costs including legal fees, advisory fees and insurance costs etc., expected to amount to around DKK 100m in FY 2021/22, to be handled as special items.
- Integration costs of up to DKK 200m split over the next 2-3 years, of which the vast majority will be IT CAPEX; the P&L costs will be treated as special items.
- One-off financing costs of around DKK 50m in FY 2021/22 (bank and underwriting fees), to be included in net financial items. An additional DKK 100m will be expensed over the lifetime of the financing.
- The interest rate on the debt is expected to be around 1%.
- Around 75% of the purchase value will be treated as goodwill, and the remaining 25% as intangibles, to be amortised over approximately 15 years.

Financial guidance for FY 2021/22 (including impact from the Atos Medical acquisition)

(DKK guidance is based on spot rates as of January 24, 2021)

- We expect organic revenue growth of around 7% at constant exchange rates. Reported growth in DKK excluding Atos Medical is expected to be around 9% due to FX movements. The impact of the Atos Medical acquisition is expected to be around 6%-points (8 months impact). In total, reported growth in DKK is expected to be around 15%.
 - The guidance assumes continued resumption of hospital activity across all business areas.
 - We are continuously monitoring and evaluating the impact of the spread of COVID-19 and the Omicron variant, which adds higher uncertainty to the financial guidance.
 - In Chronic Care, the guidance assumes the following:
 - Europe – continued improvement in growth, as a result of a normalised growth in new patients in line with pre-COVID levels.
 - US – continued improvement in growth, as a result of a gradual normalisation of growth in new patients, especially in Continence Care.
 - Emerging markets – broad-based double-digit growth; China expected to remain impacted by COVID-19 and economic uncertainty.
 - Interventional Urology – growth in Q2 is impacted by cancellation and postponement of elective surges due to the spread of the Omicron variant – for the full year the business is expected to deliver in line with Strive25 ambition of high single-digit growth.

- Wound & Skin Care expected to deliver in line with Strive25 ambition of above market growth.
- Phasing: growth expected to accelerate in H2, driven by normalisation of growth in the US Continence Care business, easier comparison period in China and improvement in elective surgeries in the US Interventional Urology business.
- The quarterly phasing of organic growth for FY 20/21 was Q1 5.2%, Q2 2.1%, Q3 11.2%, Q4 9.9%.
- Currency impact: tailwind from appreciation of mainly the US dollar and the British pound, and several emerging market currencies against the Danish kroner.
- No current knowledge of significant healthcare reforms in FY 2021/22; the expectation of long-term price pressure of up to -1% annually is unchanged.
- We expect a reported EBIT margin before special items of around 31%. The reported margin in DKK is positively impacted by the appreciation of mainly the US dollar and the British pound. EBIT margin after special items is expected to be around 30%. The EBIT margin guidance assumes:
 - 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 around 5% organic growth)
 - An increase in operating costs, expected to grow in line with or below reported growth excluding Atos Medical, due to resumption of business activity, as the impact of COVID-19 recedes. The guidance also assumes additional incremental investments of up to 2% of revenue for innovation and sales & marketing initiatives.
 - The EBIT margin will also be impacted by around DKK 200m amortization charges related to the Atos Medical acquisition.
 - Special items of DKK 150m (one-off transaction and integration costs), related to the Atos Medical acquisition (of which around DKK 70m expected in Q2 2021/22)
- The gross margin for 2021/22 is expected to be in line with long-term Strive25 expectations of around 68%, including Atos Medical.
 - Positive impact from operating leverage and efficiency gains from the Global Operations Plan 5, offset by negative impact from wage inflation in Hungary (double-digit, high-teens) and raw material price increases (mid-single digit), headwind from freight and energy costs, as well as ramp-up costs in Costa Rica.
- CAPEX guidance for 2021/22 is around DKK 1,300m, including Atos Medical
 - CAPEX includes investments in more capacity for existing and new products, a second volume manufacturing site in Costa Rica (expected to be operational in H2 2021/22), automation investments at volume sites in Hungary and China as part of GOP5, IT investments and sustainability investments.
 - The impact of Atos Medical CAPEX and integration CAPEX related to the acquisition is around DKK 100m.
- We expect net financials for the financial year 2021/22 to be in total around DKK -350m, based on spot rates as of January 24, 2022 and including Atos Medical
 - Net financial items excluding Atos Medical are expected to be around DKK -200m.
 - The impact of the Atos Medical acquisition on net financial items is expected to be around DKK -150m, of which DKK -50m are related to bank and underwriting fees and DKK -100m in interest costs on the debt financing of Atos Medical where we are assuming an interest rate of around 1% (Q2 21/22 Atos Medical impact on net financial items expected to be around DKK -25m).
- Effective tax rate expected to be 23%, inclusive of the Atos Medical acquisition (Danish corporate tax rate 22%). We pay ~80% of our taxes in Denmark.

Foreign exchange rates

- Please see below an updated spot rate overview based on spot rates as of March 29. Please also see our FX slide on page 49 in our latest roadshow presentation.

Currency	Average exchange rate for FY 2020/21 ¹⁾	Spot rate, Mar 29 2022	Change in spot rates compared with the average exchange rate for 2020/21	Average exchange rate for YTD 2021/22 (Oct 1, 2021 to Mar 29, 2022)	Change in average exchange rates compared with average exchange rate for FY 2020/21
Key currencies:					
USD	622	676	9%	657	6%
GBP	852	885	4%	883	4%
HUF	2.08	2.00	-4%	2.04	-2%
Other selected currencies:					
CNY	96	106	11%	103	8%
JPY	5.79	5.47	-6%	5.72	-1%
AUD	468	507	8%	477	2%
BRL	117	142	22%	122	4%
RUB	8.35	7.50	-10%	8.34	0%
ARS	6.49	6.12	-6%	6.12	-6%

1) Average exchange rate from October 1 2020 to September 30 2021

2) 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 6.49 per ARS 100.00 at September 30 2021 and DKK 6.12 per ARS 100.00 at March 29 2022.

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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