

> PRESS RELEASE / 18 MARCH 2020

Coloplast revises full-year organic growth and EBIT margin guidance for 2019/20

Due to the impact of the COVID-19 outbreak on the Interventional Urology business and elective procedures in primarily the US, Coloplast revises its full-year organic growth guidance for 2019/20 from 7-8% to 4-6% and EBIT margin guidance from ~31% in DKK to 30-31% in DKK. The outlook for Ostomy Care, Continence Care and Wound & Skin Care remains largely intact.

Coloplast continues to monitor the impact of the Coronavirus outbreak closely, and the company's main priority remains the health and safety of its employees, users, customers, and communities.

- "Coloplast's full-year guidance issued on February 6, 2020, reflected the best information available at the time and assumed that the situation surrounding the COVID-19 outbreak would normalise gradually during Q2. China is slowly returning to normal conditions, but the situation has escalated globally and Coloplast now expects an impact on the Interventional Urology business, where a significant share of revenue comes from elective procedures. Consequently, Coloplast does not expect to meet the organic revenue growth guidance and EBIT margin guidance provided for the full-year," says Coloplast CEO Kristian Villumsen.

The organic revenue growth guidance is lowered from 7-8% at constant exchange rates and a reported growth in DKK of 7-8% to an organic revenue growth guidance of 4-6% at constant exchange rates and a reported growth in DKK of 4-6%. The EBIT margin guidance is lowered from ~31% at constant exchange rates and ~31% in DKK to 30-31% at constant exchange rates and 30-31% in DKK. Capex guidance of DKK ~850m and a tax rate of 23% is unchanged.

Interventional Urology

Year-to-date, Coloplast has seen solid growth above the market, and the company's financial performance has been in line with expectations. The key factor behind the lower organic growth expectations is a revised outlook for the Interventional Urology business, which represents around 10% of group sales.

As a result of the COVID-19 outbreak, elective surgeries and procedures are expected to be postponed globally, which will negatively impact the financial performance of the Interventional Urology business in the second half of the financial year. The US represents around 50% of revenues in Interventional Urology and the negative impact from a decline in elective surgeries and procedures in the US is expected to be significant. The negative revenue impact is expected to be temporary and we expect the revenue loss to be recaptured once the situation normalises.

Ostomy Care, Continence Care and Wound Care

On a positive note, the situation in China in the Ostomy Care and Wound Care businesses is gradually normalising. Coloplast is monitoring the situation closely across all markets and business areas. The rate of new patients in Ostomy Care, however, is expected to be negatively impacted until the situation normalises as only the most acute ostomy surgeries are taking place.

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare. Our business includes Ostomy Care, Continence Care, Wound and Skin Care and Interventional Urology. We operate globally and employ about 12,000 employees.

Operating at full capacity

Coloplast is focused on adapting our business and commercial activities to the changing situation, while continuing to service users to the best of the company's ability. This includes a prudent focus on costs as the company navigates this difficult situation. Coloplast's global manufacturing sites are operating as normal and in terms of production and supply chain, the company can fully meet demand.

Coloplast is taking all necessary precautionary measures at the factories and distribution centres to keep employees safe and ensure supply including temperature checks of employees and limiting external guests. Border closures are complicating deliveries across borders and Coloplast is implementing mitigating measures to handle the situation. Coloplast is acting globally to protect all employees and will continue to comply with and support local, national and global guidelines from healthcare authorities.

Revised financial guidance

The situation is developing rapidly and remains uncertain. The revised full-year guidance assumes that the situation in Interventional Urology gradually normalises during the second half of the financial year, as well as a stable supply and distribution of products across the company.

Coloplast will continue to monitor and assess the impact to the business and provide an update in the Interim Financial Report for H1 2019/20 scheduled to be released on May 6, 2020.

The share buyback programme totalling up to DKK 500 million, as announced on February 6, 2020, will continue as planned and the company's dividend policy is unchanged.

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