Interim report Q1 2018/19

In Q1, Ambu realised organic growth of 15% and a 43% increase in sales of endoscopes to 149,000 units. Gross profit increased by 1.9 percentage points to 59.9%, resulting in an EBIT margin of 17.1%.

"In Q1, we have experienced solid growth in all sales regions, and Visualisation as well as our core business have developed as expected. With 15% organic growth, and 19% growth in Danish kroner, our gross profit rose by 1.9 percentage points to 59.9%. Growth in the USA was at a record high 20%, and we are seeing an increasing effect of the approx. 50 extra sales representatives hired in the USA over the past year. The EBIT margin was 17.1% in what is traditionally the least profitable quarter of the year, and we are therefore optimistic about the economies of scale and the value creation which Ambu intends to realise globally, and particularly in the USA, in the current strategy period. Sales of endoscopes reached 149,000 units, and the target for 2018/19 remains unchanged at sales of more than 750,000 units," says CEO Lars Marcher.

Highlights

- Revenue of DKK 656m (DKK 553m) was posted for Q1, representing growth of 15% in local currencies and 19% in Danish kroner. The difference between the organic growth when measured in local currencies and growth when measured in Danish kroner is due to the strengthened USD/DKK exchange rate as well as the recognition of the GPO fees in accordance with the accounting standard relative to the same quarter last year.
- Anaesthesia contributed growth of 8%, Visualisation contributed 42%, and PMD (Patient Monitoring & Diagnostics) delivered growth of 1%, when measured in local currencies.
- Growth in Europe reached 11%, North America contributed growth of 20%, and the Rest of the world 10%, when measured in local currencies.
- Sales of endoscopes in Q1 reached 149,000 units (104,000 units), up 43% relative to Q1 last year.
- The gross margin was 59.9% (58.0%), representing an improvement of 1.9 percentage points, which is attributable to continued economies of scale in production and a shift in the product mix towards visualisation products.
- Capacity costs for the quarter totalled DKK 281m (DKK 230m), up 22%. Adjusted for the effect of foreign exchange fluctuations and timing differences in costs, the underlying increase constitutes 13%.
- EBIT was then DKK 112m (DKK 91m), with an EBIT margin of 17.1% (16.5%).
- The ratio of net working capital to revenue is at 21, calculated for rolling 12-month revenue.

- Free cash flows before acquisitions of enterprises were DKK 45m (DKK 36m).
- The outlook for the financial year announced in the annual report for 2017/18 on 13 November 2018 is maintained:
    - Organic growth in local currencies of approx. 15-16%
    - EBIT margin of approx. 22-24%
    - Free cash flows of approx. DKK 400-475m.

A **conference call** is being held today, 31 January 2019, at 11.00 (CET). To participate, please call the following number five minutes before the start of the conference: +45 3544 5580. The conference can be followed via www.ambu.com/webcastQ12019 and is held in English. The presentation can be downloaded immediately before the conference call via the same link.

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About Ambu
Since 1937, breakthrough ideas have fuelled our work on bringing efficient healthcare solutions to life. This is what we create within our fields of excellence – Visualisation, Anaesthesia, and Patient Monitoring & Diagnostics. Millions of patients and healthcare professionals worldwide depend on the functionality and performance of our products. We are dedicated to improve patient safety and determined to advance single-use devices. The manifestations of our efforts range from early inventions like the Ambu Bag™ resuscitator and the legendary BlueSensor™ electrodes to our newest landmark solutions like the Ambu® aScope™ – the world's first single-use flexible endoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognized medtech companies in the world. Headquartered near Copenhagen in Denmark, Ambu employs approximately 2,700 people in Europe, North America and the Asia Pacific. For more information, please visit www.ambu.com

Financial highlights

DKKm	Q1 2018/19	Q1 2017/18	FY 2017/18
Income statement			
Revenue	656	553	2,606
Gross margin, %	59.9	58.0	59.4
EBITDA	137	118	678
Depreciation	-11	-11	-49
Amortisation	-14	-16	-66
EBIT	112	91	563
Net financials	-30	-29	-98
Profit before tax	82	62	465
Net profit for the period	63	28	337
Balance sheet			
Assets	4,262	3,894	4,234
Net working capital	568	457	535
Equity	1,874	1,918	1,882
Net interest-bearing debt	1,274	981	1,245
Cash flows			
Cash flows from operating activities	93	87	554
Cash flows from investing activities before acquisitions of enterprises and technology	-48	-51	-233
Free cash flows before acquisitions of enterprises and technology	45	36	321
Acquisitions of enterprises and technology	0	-851	-928
Cash flows from operating activities, % of revenue	14	16	21
Investments, % of revenue	-7	-9	-9
Free cash flows before acquisitions of enterprises and technology, % of revenue	7	7	12
Key figures and ratios			
Organic growth, %	15	14	15
Rate of cost, %	43	42	38
EBITDA margin, %	20.9	21.3	26.0
EBIT margin, %	17.1	16.5	21.6
Tax rate, %	23	55	28
Return on equity, %	20	19	21
NIBD/EBITDA	1.8	1.7	1.8
Equity ratio, %	44	49	44
Net working capital, % of revenue	21	19	21
Return on invested capital (ROIC), %	15	15	17
Average number of employees	2,819	2,644	2,712
Share-related ratios			
Market price per share (DKK)	157	111	154
Earnings per share (EPS) (DKK)	0.26	0.12	1.39
Diluted earnings per share (EPS-D) (DKK)	0.25	0.11	1.36

Management's review

Q1 2018/19

Over the past few years, we have scaled Ambu's organisation for double-digit growth. It is our ambition to realise growth of 15-16% in 2018/19 increasing to 18-23% in 2019/20, which is the last year of our three-year strategy period. These growth targets require significant investments in the sales organisation which will affect the EBIT earnings. Historically, Q1 is the quarter with the lowest revenue, and earnings measured as EBIT in per cent are therefore also the lowest in this quarter.

BUSINESS AREAS

(Comparative figures are stated in brackets. Unless otherwise indicated, growth is stated in local currencies.)

Visualisation

Growth in Visualisation in Q1 was 42%, and the business area accounted for 35% (29%) of the revenue for the quarter. The contribution margin is as expected and has increased relative to the same quarter last year as a result of changes in the product mix and production optimisations.

Aggregate sales of endoscopes reached 149,000 units in Q1, an increase of 43% relative to Q1 2017/18. In FY 2017/18, we sold 560,000 endoscopes, and we still expect to sell more than 750,000 units in the current financial year.

The production of Ambu® aScope™ has now been converted to the latest generation – aScope™ 4 – and aScope™ 3 is now being produced and sold for use in markets in Asia and Latin America where aScope™ 4 has not yet been approved by the authorities.

The endoscopes aScope™ 3 and 4 Broncho, the colonoscope SC210, the cystoscope Isiris and the rhinolaryngoscope are produced in the new factory building in Malaysia, where two full floors have now been taken into use. On the third floor, the establishment of clean rooms has just been initiated, which are expected to be ready for use by the end of Q4 at the latest. The investment is as expected and amounts to approx. DKK 10m. Three of four floors will thus have been taken into use at the end of Q4 at the latest. Plans are to make arrangements for the use of the fourth and last floor of the building in the course of H2, at which time a final decision will also be made on the construction of additional capacity for expected commissioning at the end of the current strategy period.

The development of new single-use endoscopes is progressing as planned. aScope™ 4 RhinoLaryngo Intervention was launched in Europe and Australia in Q1, and aScope™ 4 RhinoLaryngo Slim will also be launched in Europe and Australia in Q3 as planned. The launch of both rhinolaryngoscopes in the USA is now only awaiting FDA approval, which is expected in the course of Q3, as previously announced.

As planned, aScope BronchoSampler™ was launched in January 2019. The product is an accessory for aScope 4 Broncho and improves working procedures in connection with sampling of fluid from the lungs. The product has been approved by the authorities in both Europe and the USA.

As concerns the colonoscope SC210, we have now concluded clinical trials with two hospitals. The results from the trials are positive and confirm our expectations regarding image quality and the functionality of the product. It has also been confirmed that the doctor's handling of the product is improved through training. Against this backdrop we are ready to proceed to the next phase which is a clinical study covering approx. 200 patients at a US hospital. The study will commence in February 2019 and is expected to be concluded in May 2019.

The manufacturing of SC210 at the plant in Malaysia has been established and there is a great deal of interest in the SC210 concept from US hospitals. Therefore, we expect to be able to initiate actual sales activities of SC210 in the US in H2 2018/19, however, as previously communicated, we expect limited sales in the current financial year.

Revenue – business areas

	Q1			Composition of growth			
	18/19	Distribution	17/18	Organic*	IFRS 15	Currencies	Reported
Anaesthesia	231	35%	207	8%	2%	2%	12%
Visualisation	231	35%	158	42%	1%	3%	46%
PMD	194	30%	188	1%	2%	0%	3%
Revenue	**656**	**100%**	**553**	**15%**	**1%**	**3%**	**19%**

**Local currencies*

Anaesthesia

Sales in Anaesthesia increased by 8% in Q1, and the business area accounted for 35% (37%) of the revenue for the quarter.

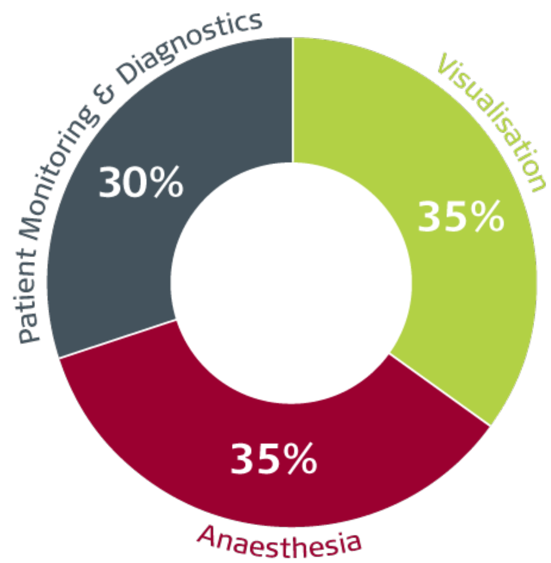
The development in Q1 was satisfactory, and all significant product lines within Anaesthesia, i.e. breathing circuits, face masks, laryngeal masks and resuscitators, posted satisfactory growth. The overall contribution margin is as expected and on a par with the same quarter last year.

Patient Monitoring & Diagnostics

Sales in PMD increased by 1% in Q1, and the business area accounted for 30% (34%) of the revenue for the quarter. The overall contribution margin is as expected and on a par with the same quarter last year.

Sales within the main categories of cardiology and neurology electrodes saw satisfactory growth in the quarter, while a number of minor product lines aimed at local markets reduced the overall growth rate for the business area. Timing differences like these are normal, and we expect somewhat higher growth in the business area in the coming quarters.

Breakdown of Q1 revenue by business area



FINANCIAL RESULTS
INCOME STATEMENT

Revenue

Revenue of DKK 656m was posted for Q1, representing growth of 15%, and 19% in Danish kroner. Our core business posted 5% growth, while Visualisation realised 42% growth. Growth in Danish kroner is affected by the USD/DKK exchange rate, which has increased by 3%, and by the change in accounting policies in accordance with IFRS 15 which, as described on page 13 of the annual report for 2017/18, entered into force for Ambu at the beginning of FY 2018/19. The effect of the change is that, in future, revenue will be presented without any deduction of fees paid to GPOs, while selling and distribution costs are increased accordingly so that the change is neutral for operating profit (EBIT). Comparative figures have not been restated. For Q1 2018/19, the effect of this is DKK 7m, resulting in an increase in both revenue and selling and distribution costs for the quarter.

In Europe, growth was 11% (12%) in Q1. Double-digit growth is seen in all markets, and Visualisation contributed 32% growth all in all.

Growth in North America was 20% (16%) in Q1, which includes 51% growth in Visualisation. Last year, we invested in expanding and specialising our North American sales force, and this brought us from 16% growth in H1 2017/18 to 18% growth in H2. The further growth increase to 20% in Q1 illustrates the potential we are seeing and have invested in on the US market.

VISUALISATION	ANAESTHESIA	PMD
• Single-use endoscopes	• Resuscitators	• Cardiology electrodes
• Video laryngoscopes	• Laryngeal masks	• Neurology electrodes
• Airway tubes with integrated camera	• Face masks	• Training manikins
	• Breathing circuits	• Neck collars

The Rest of the world saw growth of 10% (12%) in the quarter. The Rest of the world is made up of Asia Pacific and the markets in the Middle East and Latin America. In Q1, Asia Pacific posted growth of 19% (19%), while the Middle East and Latin America in general are challenging markets characterised by project orders

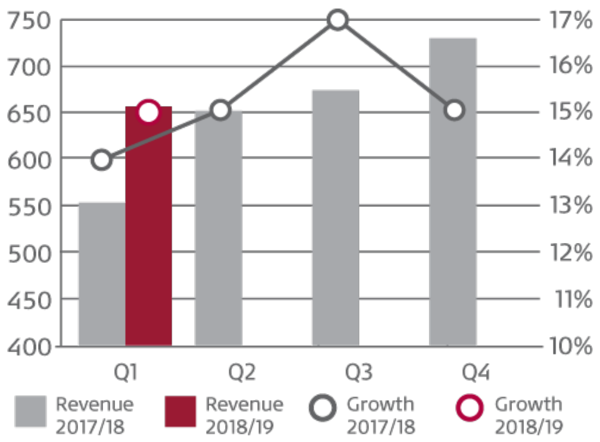
Revenue – markets

	Q1			Composition of growth			
	18/19	Distribution	17/18	Organic*	IFRS 15	Currencies	Reported
Europe	271	41%	243	11%	0%	1%	12%
North America	315	48%	247	20%	3%	5%	28%
Rest of the world	70	11%	63	10%	0%	1%	11%
Revenue	**656**	**100%**	**553**	**15%**	**1%**	**3%**	**19%**

**Local currencies*

and low economic growth. The Rest of the world saw 43% growth in Visualisation in Q1, and our visualisation products are thus in very high demand in these difficult markets.

Revenue (DKKm) and growth (%) per quarter



Currency exposure

Ambu's revenue is exposed, in particular, to USD, as approx. 50% of revenue is invoiced in USD. The rest of Ambu's revenue is invoiced mainly in EUR and DKK, and in GBP for approx. 5% of the revenue.

Moreover, EBIT is exposed to developments in the Chinese currency CNY and the Malaysian currency MYR, as a significant share of the value of Ambu's production in the Far East is settled in CNY and MYR. Ambu's exposure to GBP is shown in the table below.

The foreign currency sensitivity of revenue and EBIT, respectively, can be summarised over a 12-month period as follows, based on a 10% increase in exchange rates against DKK:

DKKm	**USD**	**MYR**	**CNY**	**GBP**
Revenue	160	0	0	15
EBIT	45	-15	-15	10
EBIT margin	+0.3%	-0.5%	-0.5%	+0.3%

Year to date, the total impact of changes in exchange rates on EBIT was minimal.

Gross profit

Gross profit for Q1 was DKK 393m (DKK 321m), while the gross margin increased by 1.9 percentage points to 59.9% (58.0%).

The improved gross margin is a consequence of the continued economies of scale realised based on the growth in revenue relative to production overheads. In addition, the gross margin is affected positively by the high growth in the Visualisation business area, as the average contribution margin is approx. 15 percentage points higher than the average for Anaesthesia and PMD. Finally, the effect of the recognition of GPO fees is an increase in revenue of DKK 7m, increasing the gross profit margin by 0.4 percentage points.

Costs

Capacity costs for the quarter totalled DKK 281m (DKK 230m), up 22%. Capacity costs included costs related to product development of gastrointestinal endoscopes in Kissing (Germany), the expansion of the sales force in the USA as well as the changed accounting treatment of GPO fees. These three elements had little or no effect in Q1 2017/18, and adjusted for this, as well as adjusted for the effect of the strengthened USD/DKK exchange rate, the comparable increase in total costs constituted 13%.

The rate of cost for Q1 was 43% (42%).

Selling and distribution costs totalled DKK 182m (DKK 141m), up 29%. Adjusted for timing differences and the effect of foreign exchange fluctuations as described above, the underlying growth in selling and distribution costs was also 13%. In Q1, an additional 20 people were hired for the global sales organisation, mainly outside the USA.

Development costs for the quarter totalled DKK 27m (DKK 24m). The correlation between capitalisation of development costs and the recognition of amortisation in the income statement is shown in the table below. Amortisation of DKK 14m and investments of DKK 33m have been recognised, resulting in cash development costs of DKK 46m for the year to date, corresponding to an increase of 77%.

DKKm	**YTD**	
	18/19	**17/18**
Development costs	27	24
÷ Amortisation related thereto	-14	-14
+ Investments	33	16
= Cash flows	**46**	**26**
Of which expensed	**59%**	**92%**

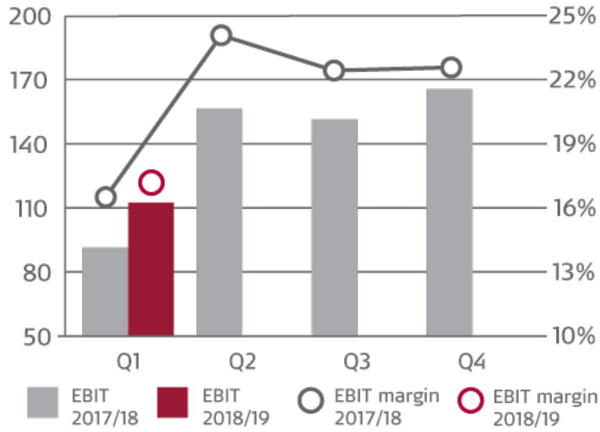
Management and administrative expenses for the quarter were DKK 72m (DKK 65m), and the increase reflects the increase in activity levels.

EBIT

EBIT for Q1 was hereafter DKK 112m (DKK 91m) with an EBIT margin of 17.1% (16.5%), representing an increase of 0.6 percentage points.

The total effect of foreign exchange fluctuations on EBIT and the EBIT margin in Q1 compared with Q1 2017/18 is immaterial.

EBIT (DKKm) and EBIT margin (%) per quarter



Net financials

Net financials amounted to net expenses of DKK 30m (net expenses of DKK 29m) for the quarter.

Net financials are composed as follows:

- Foreign exchange gains totalled DKK 0m net (loss of DKK 6m net)
- Interest expenses on bank, lease and bond debt totalled DKK 5m (DKK 10m)
- Fair value adjustments of derivative instruments constituted a net expense of DKK 3m (net income of DKK 3m)
- Fair value adjustments of contingent consideration represented an expense of DKK 21m (DKK 15m), relating to the acquisition of Invendo
- The interest element from liabilities stated at present amortised value is recognised as a net expense of DKK 1m (DKK 1m).

The fair value adjustments of DKK 21m reflect the time value of the contingent consideration in connection with the acquisition of Invendo Medical GmbH, and fair value adjustments for FY 2018/19 are expected to constitute DKK 90m. The cost has no cash flow effect, but will be included in the amounts which are expected to be paid for milestones and earn-outs in the future.

Tax

The profit before tax for the quarter was taxed at a rate of 23% (55%), adjusted for non-deductible and non-taxable items. The reduction in the effective tax rate is due to the comparative figure for 2017/18 being affected by the tax reform in the USA and the impairment of the tax asset to which this gave rise.

Net profit

A net profit of DKK 63m (DKK 28m) was posted for the quarter, equivalent to 10% (5%) of revenue.

Earnings per share (EPS)

Year to date, earnings per share are DKK 0.26 (DKK 0.12). The development from last year is positively affected by non-cash items concerning the non-recurring expense of DKK 19m in 2017/18 due to the reduction in the federal income tax rate in the USA to 21%.

Balance sheet

At the end of December 2018, Ambu had total assets of DKK 4,262m (DKK 3,894m).

Net working capital at the end of the quarter was DKK 568m (DKK 457m), corresponding to 21% (19%) of 12-month revenue.

Trade receivables totalled DKK 415m at the end of the quarter against DKK 358m at the same time last year. Calculated at fixed exchange rates, the average number of credit days is 52, which is unchanged relative to Q1 2017/18.

The credit risk attaching to outstanding debtors is deemed to be unchanged, and the quarter was not affected by bad debts to any significant extent.

Inventories totalled DKK 438m at the end of the quarter against DKK 359m at the same time last year and are composed of raw materials at factories and finished goods at the central warehouse locations. Calculated at fixed exchange rates, the increase is 20%. Almost half of this is attributable to increased raw materials stocks to reduce risks in the supply chain, while the rest of the increase is due to the build-up of stocks of finished goods to support growth. The turnover ratio of finished goods is 5.6 times on average and is unchanged from last year.

Cash and cash equivalents amount to DKK 82m (DKK 62m), and total net interest-bearing debt at the end of the quarter was DKK 1,274m (DKK 981m), corresponding to 1.8 (1.7) of rolling 12-month EBITDA.

At the end of Q1, Ambu had unutilised credit facilities of approx. DKK 1.2bn (DKK 1.1bn).

Cash flow statement

(Unless otherwise stated, all values refer to cash flows year to date).

Cash flows from operating activities totalled DKK 93m (DKK 87m).

In Q1 2018/19, investments in non-current assets totalled DKK 48m (DKK 51m) and are mainly related to development activities. For the full year, total investments of approx. DKK 250m are expected, of which development costs will constitute about 80%.

Free cash flows before acquisitions of enterprises totalled DKK 45m (DKK 36m).

Cash flows from financing activities amounted to DKK -26m (DKK 851m). This includes the raising of long-term loans and payment of dividend. The difference relative to the prior-year period is due primarily to proceeds from the capital increase as well as the repayment of bridge financing in connection with the acquisition of Invendo Medical GmbH.

Changes in cash and cash equivalents totalled DKK 19m (DKK 36m).

Equity

At the end of Q1, equity totalled DKK 1,874m (DKK 1,918m) with an equity ratio of 44% (49%). The lower equity is due primarily to the buy-back of treasury shares in Q2 and Q3 2017/18.

Other comprehensive income

Other comprehensive income includes a translation adjustment for the year to date arising from the translation of foreign subsidiaries of DKK 14m (DKK -5m) as a consequence of a strengthening of the USD/DKK exchange rate by 3% in the past four quarters.

Other equity

At the general meeting held on 12 December 2018, it was decided to pay dividend of DKK 101m. Since the general meeting, net dividends of DKK 81m have been distributed, including DKK 3m on Ambu's portfolio of treasury shares. Dividend tax of DKK 20m will be settled in January 2019.

In accordance with Ambu's remuneration policy, a general employee share programme for 2018/19 has been established in the quarter, while the general employee share programme for 2016/17 has expired, and Ambu's obligation in this respect has thus been fulfilled. Consequently, the holding of treasury shares was thus reduced by 127,060 Class B shares in Ambu A/S.

At the end of Q1 2018/19, the holding of treasury Class B shares hereafter totals 7,611,359 (5,655,945), corresponding to 3.028% (2.264%) of the total share capital.

In addition, at the end of Q1, Ambu employees had exercised a total of 105,000 warrants to subscribe for shares in Ambu A/S.

Outlook 2018/19

The financial outlook for 2018/19 is unchanged relative to what was announced in the annual report for FY 2017/18 on 13 November 2018:

	Local currencies	
	31 January 2019	**13 November 2018**
Organic growth	Approx. 15-16%	Approx. 15-16%

	Danish kroner	
	31 January 2019	**13 November 2018**
EBIT margin	Approx. 22-24%	Approx. 22-24%
Free cash flows*	Approx. DKK 400-475m	Approx. DKK 400-475m

* Before acquisitions

The outlook for 2018/19 is based on the following exchange rate assumptions:

	Exchange rate assumptions for 2018/19	
	31 January 2019	**13 November 2018**
USD/DKK	650	650
CNY/DKK	95	95
MYR/DKK	155	155
GBP/DKK	850	830

Forward-looking statements
Forward-looking statements, especially such as relate to future revenue and operating profit, are subject to risks and uncertainties. Various factors, many of which are outside Ambu's control, may cause the actual development to differ materially from the expectations contained in this report. Factors that might affect such expectations include, among others, changes in health care, in the world economy, in interest rate levels and in exchange rates.

Financial diary 2018/19

2019	
3 April	Quiet period ending 1 May 2019
1 May	Interim report Q2 2018/19
25 July	Quiet period ending 22 August 2019
22 August	Interim report Q3 2018/19
30 September	End of FY 2018/19

Financial diary 2019/20

2019	
16 October	Quiet period ending 13 November 2019
13 November	Annual report 2018/19
17 December	Annual general meeting

Quarterly results

DKKm	Q1 2018/19	Q4 2017/18	Q3 2017/18	Q2 2017/18	Q1 2017/18
Composition of net revenue, products:					
Anaesthesia	231	247	244	228	207
Visualisation	231	249	218	211	158
PMD	194	233	211	212	188
Revenue	**656**	**729**	**673**	**651**	**553**
Key figures, revenue:					
Endoscopes sold, '000 units	149	165	146	145	104
Growth in number of endoscopes sold, %	43	43	54	53	76
Composition of reported growth:					
Organic growth in local currencies, %	15	15	17	15	14
IFRS 15 effects on reported growth, %	1	0	0	0	0
Exchange rate effects on reported growth, %	3	1	-5	-9	-6
Reported revenue growth, %	**19**	**16**	**12**	**6**	**8**
Organic growth, products:					
Anaesthesia, %	8	6	10	8	0
Visualisation, %	42	39	47	43	58
PMD, %	1	5	2	3	4
Organic growth in local currencies, %	**15**	**15**	**17**	**15**	**14**
Organic growth, markets:					
Europe, %	11	12	18	14	12
North America, %	20	18	18	16	16
Rest of the world, %	10	13	7	17	12
Organic growth in local currencies, %	**15**	**15**	**17**	**15**	**14**
Revenue	656	729	673	651	553
Production costs	-263	-299	-271	-257	-232
Gross profit	**393**	**430**	**402**	**394**	**321**
Gross margin, %	*59.9*	*59.0*	*59.7*	*60.5*	*58.0*
Selling and distribution costs	-182	-165	-155	-146	-141
Development costs	-27	-27	-34	-26	-24
Management and administration	-72	-73	-62	-66	-65
Total capacity costs	*-281*	*-265*	*-251*	*-238*	*-230*
Operating profit (EBIT)	**112**	**165**	**151**	**156**	**91**
EBIT margin, %	*17.1*	*22.6*	*22.4*	*24.0*	*16.5*
Financial income	0	0	3	6	3
Financial expenses	-30	-27	-7	-44	-32
Profit before tax (PBT)	**82**	**138**	**147**	**118**	**62**
Tax on profit for the period	-19	-32	-35	-27	-34
Net profit for the period	**63**	**106**	**112**	**91**	**28**

Quarterly results (continued)

DKKm	Q1 2018/19	Q4 2017/18	Q3 2017/18	Q2 2017/18	Q1 2017/18
Balance sheet:					
Assets	4,262	4,234	4,167	4,046	3,894
Net working capital	568	535	558	538	457
Equity	1,874	1,882	1,863	1,743	1,918
Net interest-bearing debt	1,274	1,245	1,410	1,241	981
Cash flows, in DKKm:					
Cash flows from operating activities	93	216	181	70	87
Cash flows from investing activities before acquisitions of enterprises and technology	-48	-56	-78	-48	-51
Free cash flows before acquisitions of enterprises and technology	45	160	103	22	36
Acquisitions of enterprises and technology	0	0	-76	-1	-851
Cash flows, in % of revenue:					
Cash flows from operating activities	14	30	27	11	16
Cash flows from investing activities before acquisitions of enterprises and technology	-7	-8	-12	-8	-9
Free cash flows before acquisitions of enterprises and technology	7	22	15	3	7
Key figures and ratios:					
Capacity costs	281	265	251	238	230
Rate of cost, %	43	36	37	37	42
EBITDA	137	194	182	184	118
EBITDA margin, %	20.9	26.6	27.0	28.3	21.3
Depreciation	-11	-14	-12	-12	-11
Amortisation	-14	-15	-19	-16	-16
EBIT	112	165	151	156	91
EBIT margin, %	17.1	22.6	22.4	24.0	16.5
NIBD/EBITDA	1.8	1.8	2.2	2.0	1.7
Net working capital, % of revenue	21	21	22	22	19
Share-related ratios:					
Market price per share (DKK)	157	154	215	136	111
Earnings per share (EPS) (DKK)	0.26	0.44	0.46	0.37	0.12
Diluted earnings per share (EPS-D) (DKK)	0.25	0.43	0.45	0.36	0.11

Management's statement

The Board of Directors and the Executive Board have considered and approved the interim report of Ambu A/S for the period 1 October 2018 to 31 December 2018. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report is presented in accordance with IAS 34 – Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim reporting of listed companies.

We consider the accounting policies applied to be expedient, the group's internal controls relevant to preparing and presenting the interim report to be adequate and the interim report to give a true and fair view of the group's assets, liabilities, results and financial position as at 31 December 2018 and of the results of the group's operations and cash flows for the period 1 October 2018 to 31 December 2018.

We further consider that the management's review gives a true and fair view of the development in the group's activities and financial affairs, the profit for the period and the group's financial position as a whole as well as a description of the most significant risks and uncertainties to which the group is subject.

Ballerup, 31 January 2019

Executive Board

Lars Marcher President & CEO	Michael Højgaard CFO

Board of Directors

Jens Bager, Chairman	Mikael Worning, Vice-Chairman	Oliver Johansen
Allan Søgaard Larsen	Christian Sagild	Henrik Ehlers Wulff
Thomas Lykke Henriksen Elected by the employees	Jakob Koch Elected by the employees	Jakob Bønnelykke Kristensen Elected by the employees

Consolidated financial statements

Interim report Q1 2018/19

Contents

Ambu® aScope™ 4 RhinoLaryngo Intervention is a sterile single-use endoscope. It is used for procedures in the nose and throat. The monitor (Ambu® aView™) is used multiple times.

Income statement and statement of comprehensive income - Group

Interim report Q1 2018/19

DKKm

Income statement	Note	Q1 2018/19	Q1 2017/18	FY 2017/18
Revenue	5	656	553	2,606
Production costs		-263	-232	-1,059
Gross profit		**393**	**321**	**1,547**
Selling and distribution costs		-182	-141	-607
Development costs		-27	-24	-111
Management and administration		-72	-65	-266
Operating profit (EBIT)		**112**	**91**	**563**
Financial income	10	0	3	12
Financial expenses	10	-30	-32	-110
Profit before tax		**82**	**62**	**465**
Tax on profit for the period		-19	-34	-128
Net profit for the period		**63**	**28**	**337**
Earnings per share in DKK				
Earnings per share (EPS)		0.26	0.12	1.39
Diluted earnings per share (EPS-D)		0.25	0.11	1.36

Statement of comprehensive income	Q1 2018/19	Q1 2017/18	FY 2017/18
Net profit for the period	63	28	337
Other comprehensive income:			
Items which are moved to the income statement under certain conditions:			
Translation adjustment in foreign subsidiaries	14	-5	19
Adjustment to fair value for the period:			
Cash flow hedging, realisation of deferred gains/losses	0	0	1
Cash flow hedging, reclassification to the income statement	0	0	5
Tax on hedging transactions	0	0	-1
Other comprehensive income after tax	**14**	**-5**	**24**
Comprehensive income for the period	**77**	**23**	**361**

Balance sheet – Group

Interim report Q1 2018/19

DKKm

Assets	Note	31.12.18	31.12.17	30.09.18
Acquired technologies, trademarks and customer relations		142	155	146
Acquired technologies in progress		661	660	661
Completed development projects		131	142	130
Development projects in progress		151	59	131
Rights		65	76	67
Goodwill		1,513	1,483	1,505
Intangible assets		**2,663**	**2,575**	**2,640**
Land and buildings		285	182	286
Plant and machinery		98	73	93
Other plant, fixtures and fittings, tools and equipment		50	46	47
Prepayments and plant under construction		33	95	29
Property, plant and equipment		**466**	**396**	**455**
Deferred tax asset		143	96	154
Other receivables		0	4	0
Other non-current assets		**143**	**100**	**154**
Total non-current assets		**3,272**	**3,071**	**3,249**
Inventories		438	359	382
Trade receivables		415	358	478
Other receivables		12	12	19
Income tax receivable		7	2	7
Prepayments		36	30	36
Cash		82	62	63
Total current assets		**990**	**823**	**985**
Total assets		**4,262**	**3,894**	**4,234**

Equity and liabilities	Note	31.12.18	31.12.17	30.09.18
Share capital		126	125	126
Other reserves		1,748	1,793	1,756
Equity		**1,874**	**1,918**	**1,882**
Deferred tax		40	20	40
Provisions		37	35	36
Contingent consideration	13	520	447	498
Interest-bearing debt	11	1,353	332	1,304
Non-current liabilities		**1,950**	**834**	**1,878**
Provisions		3	3	4
Contingent consideration	13	0	73	0
Interest-bearing debt	11	3	711	4
Trade payables		165	161	194
Income tax		78	7	79
Other payables		180	161	186
Derivative financial instruments		9	26	7
Current liabilities		**438**	**1,142**	**474**
Total liabilities		**2,388**	**1,976**	**2,352**
Total equity and liabilities		**4,262**	**3,894**	**4,234**

Cash flow statement – Group

Interim report Q1 2018/19

DKKm

	Note	31.12.18	31.12.17	30.09.18
Operating profit (EBIT)		112	91	563
Adjustment of items with no cash flow effect	7	30	33	141
Changes in net working capital	8	-34	-12	-66
Interest expenses and similar items		-3	-4	-44
Income tax paid		-12	-21	-40
Cash flows from operating activities		**93**	**87**	**554**
Purchase of non-current assets		-48	-51	-234
Divestment of subsidiary in respect of previous years		0	0	1
Cash flows from investing activities before acquisitions of enterprises and technology		-48	-51	-233
Free cash flows before acquisitions of enterprises and technology		**45**	**36**	**321**
Acquisition of technology		0	0	-2
Acquisitions of enterprises		0	-851	-926
Cash flows from acquisitions of enterprises and technology		0	-851	-928
Cash flows from investing activities		**-48**	**-902**	**-1,161**
Free cash flows after acquisitions of enterprises and technology		**45**	**-815**	**-607**
Redemption of corporate bonds		0	0	-701
Raising of long-term debt		50	860	1,960
Repayment of debt to credit institutions		0	-610	-760
Refund received in connection with the raising of lease debt		0	0	25
Repayment in respect of finance leases		-2	-1	-3
Redemption of derivative financial instruments		0	0	-12
Exercise of options		0	3	20
Purchase of treasury shares		0	0	-493
Sale of treasury shares, employee share programme		0	6	6
Dividend paid		-81	-76	-92
Dividend, treasury shares		3	2	2
Capital increase, Class B share capital		4	667	699
Cash flows from financing activities		**-26**	**851**	**651**
Changes in cash and cash equivalents		**19**	**36**	**44**
Cash and cash equivalents, beginning of period		63	19	19
Translation adjustment of cash and cash equivalents		0	-1	0
Cash and cash equivalents, end of period		**82**	**54**	**63**
Cash and cash equivalents, end of period, are composed as follows:				
Cash		82	62	63
Bank debt		0	-8	0
		82	**54**	**63**

Statement of changes in equity – Group

Interim report Q1 2018/19

DKKm

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity 1 October 2018	**126**	**0**	**0**	**89**	**1,566**	**101**	**1,882**
Net profit for the period					63		63
Other comprehensive income for the period			0	14			14
Total comprehensive income	**0**	**0**	**0**	**14**	**63**	**0**	**77**
Transactions with the owners:							
Share-based payment					5		5
Tax deduction relating to share options					-3		-3
Sale of treasury shares, employee share programme					7		7
Distributed dividend						-98	-98
Dividend, treasury shares					3	-3	0
Share capital increase, warrants	0				4		4
Equity 31 December 2018	**126**	**0**	**0**	**103**	**1,645**	**0**	**1,874**

Equity 1 October 2017	**122**	**57**	**-5**	**70**	**945**	**90**	**1,279**
Net profit for the period					28		28
Other comprehensive income for the period			0	-5			-5
Total comprehensive income	**0**	**0**	**0**	**-5**	**28**	**0**	**23**
Transactions with the owners:							
Share-based payment					6		6
Tax deduction relating to share options					24		24
Exercise of options					3		3
Sale of treasury shares, employee share programme					6		6
Distributed dividend					-2	-88	-90
Dividend, treasury shares					2	-2	0
Share capital increase, ordinary	3	664					667
Equity 31 December 2017	**125**	**721**	**-5**	**65**	**1,012**	**0**	**1,918**

Other reserves are made up of share premium, reserve for hedging transactions, reserve for foreign currency translation adjustment, retained earnings and proposed dividend and total DKK 1,748m (31 Dec. 2017: DKK 1,793m).

Notes to the interim report

Interim report Q1 2018/19

Note 1 – Basis of preparation of the interim report

The interim report for the period 1 October 2018 to 31 December 2018 is presented in accordance with IAS 34 – Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim reporting of listed companies. The accounting principles applied are consistent with the principles applied in the annual report for 2017/18 with the exception of the implementation of IFRS 15 'Revenue from Contracts with Customers' described below. For definitions of ratios, reference is made to note 5.11 in the annual report for 2017/18.

Following the implementation of IFRS 15, Ambu's long-standing accounting practice of offsetting fees paid to group purchasing organisations (GPOs) against revenue will be changed. As from Q1 2018/19, the accounting policies have therefore been changed so that revenue is presented without any deduction of these fees, while selling and distribution costs are increased accordingly, and operating profit (EBIT) is therefore unaffected. The change is made as a consequence of the clarification of the principal/agent relationship. The standard has been implemented using the catch-up method without restatement of comparative figures. The effect of the change in accounting policies amounts to a total of DKK 7m in Q1 2018/19.

From Q1 2018/19, Ambu's definition of geographical regions has been changed, so that the sale takes place in the country in which the control over the goods is transferred to the customer and not as previously in the country to which the invoice is issued. Comparative figures for organic growth in the geographic markets Europe and the Rest of the world have been restated in the overview table. The effect of this is minimal.

Note 2 – Material accounting estimates

In connection with the preparation of the interim report, the management makes material accounting estimates, assessments and assumptions which form the basis of the presentation, recognition and measurement of the group's assets and liabilities for accounting purposes. There are no significant changes in the material estimates or assessments presented in note 1.1 to the annual report for 2017/18.

Note 3 – Seasonal fluctuations

Gross margin
Historically, the gross margin is lower in H1 than in H2 due to higher activity levels in H2. The lowest gross margin is usually seen in Q1, where revenue relative to other quarters is the lowest.

Cash flows from operating activities
Cash flows from operating activities have historically been lower in Q1 as a result of bonuses paid, income tax as well as a lower earnings level and increased net working capital. Cash flows from operating activities tend to increase gradually in Q2 and Q3, peaking in Q4. The increased level of cash flows from operating activities in Q4 is due to the collection of revenue from Q3 as well as a reduction of net working capital.

Note 4 – Segment information

Ambu is a supplier of medtech products for the global market. Except for the sales of the various products, no structural or organisational aspects allow for a division of earnings from individual products, as sales channels, customer types and sales organisations are identical for all important markets. Furthermore, production processes and internal controls and reporting are identical, which means that, with the exception of revenue, everything else is unsegmented.

Ambu has thus identified one segment only.

DKKm

Note 5 – Revenue

	Q1 2018/19	Q1 2017/18	30.09.18
Revenue by activities:			
Anaesthesia	231	207	926
Visualisation	231	158	836
PMD	194	188	844
Total revenue	**656**	**553**	**2,606**
Revenue by markets:			
Europe	271	243	1,083
North America	315	247	1,208
Rest of the world	70	63	315
Total revenue	**656**	**553**	**2,606**

Note 6 – Development in balance sheet since 30 September 2018

Since the beginning of the financial year, non-current assets have increased by a net amount of DKK 23m to DKK 3,272m. The increase has been driven by a net increase in intangible assets and property, plant and equipment of DKK 34m, while deferred tax assets have been reduced by DKK 11m.

Inventories have been increased by DKK 56m as a consequence of planned higher activity levels and the establishment of buffer stocks at the factory in Malaysia. Trade receivables have been reduced by DKK 63m due to lower activity levels.

Interest-bearing debt has increased by DKK 48m to DKK 1,356m. The increase is due to utilisation of borrowing facilities in connection with the payment of dividend.

Contingent consideration relating to the acquisition of Invendo Medical GmbH amounted to DKK 520m, an increase of DKK 22m. The increase is due to fair value adjustment of the contingent consideration of DKK 21m, as shown in note 10.

Trade payables decreased by DKK 29m to DKK 165m due to timing differences and lower activity levels.

Note 7 – Adjustment of items with no cash flow effect

	Q1 2018/19	Q1 2017/18	30.09.18
Depreciation, amortisation and impairment losses	25	27	115
Share-based payment	5	6	26
	30	**33**	**141**

Note 8 – Changes in net working capital

	Q1 2018/19	Q1 2017/18	30.09.18
Changes in inventories	-52	-44	-62
Changes in receivables	73	80	-44
Changes in trade payables etc.	-55	-48	40
	-34	**-12**	**-66**

DKKm

Note 9 – Risks

For a description of Ambu's risks, see the 'Risk management' section in the annual report for 2017/18, pages 26-27.

Note 10 – Net financials

	Q1 2018/19	Q1 2017/18	FY 2017/18
Other financial income:			
Foreign exchange gains, net	0	0	5
Fair value adjustment, contingent consideration	0	0	0
Fair value adjustment, swap	0	3	7
Financial income	**0**	**3**	**12**

	Q1 2018/19	Q1 2017/18	FY 2017/18
Interest expenses:			
Interest expenses, banks	4	3	18
Interest expenses, leases	1	1	2
Interest expenses, bonds	0	6	11
Other financial expenses:			
Foreign exchange loss, net	0	6	0
Fair value adjustment, contingent consideration	21	15	71
Effect of shorter discount period, acquisition of technology	1	1	3
Ineffectiveness of interest rate swap	0	0	5
Fair value adjustment, swap	3	0	0
Financial expenses	**30**	**32**	**110**

Note 11 – Interest-bearing debt

	31.12.18	31.12.17	30.09.18
Credit institutions	1,250	250	1,200
Finance leases	103	82	104
Long-term interest-bearing debt	**1,353**	**332**	**1,304**

	31.12.18	31.12.17	30.09.18
Corporate bonds	0	700	0
Bank debt	0	8	0
Finance leases	3	3	4
Short-term interest-bearing debt	**3**	**711**	**4**

DKKm

Note 12 – Capital increases, treasury shares and dividend paid

Capital increases
A capital increase was implemented in November 2018 in connection with the exercise by employees of warrants allocated in 2015. In consequence hereof, Ambu's share capital was increased by a nominal amount of DKK 52,500 through the issue of 105,000 Class B shares with a nominal value of DKK 0.50 each at a price of 39.26.

Changes in number of shares and share capital for the period:

	30.09.18	Change	31.12.18
No. of Class A shares	34,320,000	0	34,320,000
No. of Class B shares	216,954,600	105,000	217,059,600
	251,274,600	**105,000**	**251,379,600**
Share capital	125,637,300	52,500	125,689,800

Treasury shares
As at 30 September 2018, Ambu's holding of treasury shares totalled 7,738,419 Class B shares with a nominal value of DKK 0.50 each. As at 31 December 2018, this had been reduced by 127,060 shares to 7,611,359 Class B shares. The reduction is due to disposals in connection with the conclusion of the employee share programme for 2016 (matching shares) and the sale and transfer of treasury shares to Ambu employees under the employee share programme for 2018. There have been no transactions with Class A shares.

Dividend paid
The Board of Directors' proposal for the distribution of dividend of DKK 0.40 per share with a nominal value of DKK 0.50 was adopted at the company's annual general meeting on 12 December 2018. Dividend of DKK 81m was paid to the company's shareholders as at 31 December 2018. The related taxes withheld will be paid to the Danish tax authorities in January 2019. The dividend declared totals DKK 101m.

Note 13 – Contingent consideration

	31.12.18
Contingent consideration 1 October 2018	498
Adjustments made through the income statement under financial expenses:	
Value adjustment	21
Foreign currency translation adjustment	1
Contingent consideration 31 December 2018	**520**

Contingent consideration concerns outstanding liabilities relating to the acquisition of Invendo Medical GmbH. The contingent consideration is valued on the basis of unobservable inputs, corresponding to level 3 in the fair value hierarchy.

Note 14 – Contingent liabilities

Ambu's ongoing operations and the use of Ambu's products in hospitals and clinics etc. involve the general risk of claims for damages and sanctions against Ambu. The risk is deemed to be customary.

Ambu is involved from time to time in disputes with customers and patients about Ambu's products. Appropriate provisions are made on an ongoing basis, and product liability insurance has been taken out. The management believes that the likely outcomes of these disputes can be covered by the provisions made and recognised in the balance sheet as at 31 December 2018. For a more detailed description of the group's risks, see the 'Risk management' section in the annual report for 2017/18, pages 26-27.

Note 15 – Subsequent events

In addition to the matters described in this interim report, the management is not aware of any events subsequent to 31 December 2018 which could be expected to have a significant impact on the group's financial position.