

## Interim report for Q1 2008/09 (1 October 2008 - 31 December 2008)

**The positive developments in Ambu continued in Q1 2008/09, and total revenue increased by 11%. The growth is generated by a broad range of products and geographical markets. The economic slowdown has not yet had any noticeable impact on Ambu. The operating profit was DKK 15.3m against DKK 16.4m last year. Extraordinary expenses relating to organisational restructurings of approx. DKK 2m were incurred in Q1. Since autumn 2008, Ambu has been focusing on launching more new products, intensifying its sales efforts, streamlining its operations and acquiring products or companies, in particular. The outlook for revenue and profits in 2008/09 is unchanged compared to previous announcements.**

*"We are now starting to see the first results of the efforts made within our four main focus areas, which are to pave the way for strong and profitable growth. Our expanded and intensified sales efforts have translated into increased revenue. In Q1, good progress was also made in streamlining the organisation, product programme and operations, which, as planned, will have a positive effect on EBIT in future. We are pleased that we continue to capture market share in our core markets and within our most important products. By regularly launching new products, we hope to sustain the positive developments," says President and CEO Lars Marcher.*

- Revenue in Q1 amounted to DKK 208.6m against DKK 187.4m in Q1 2007/08 – up 11%, or 10% when reported in local currencies.
- The growth in revenue in Q1 was strongest in Spain, the UK and the USA, which saw increases of 24%, 14% and 11%, respectively, relative to Q1 2007/08, when reported in local currencies.
- In Q1, revenue within the business areas Respiratory Care, Cardiology and Neurology increased by 11% when reported in local currencies, which exceeds the estimated average market growth of 5%.
- Operating profit (EBIT) in Q1 was DKK 15.3m against DKK 16.4m in the same period last year. Non-recurring expenses relating to organisational restructurings in the region of DKK 2m were incurred in Q1 2008/09.

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- Profit before tax in Q1 was DKK 16.7m against DKK 12.7m for the same period last year. The increase is mainly attributable to lower foreign currency translation adjustments.
- Before acquisitions, the free cash flow in Q1 2008/09 was DKK -4.5m against DKK 16.1m in the same period last year when no acquisitions were made. The free cash flow after acquisitions amounted to DKK -45.4m following acquisitions of DKK 40.5m.
- Revenue in the region of DKK 850m is still expected for FY 2008/09 (1 October 2008 - 30 September 2009), while the EBIT margin is still expected to be in the range of 11-11.5% or approx. DKK 97m after EBIT was reduced by approx. DKK 3m in legal fees in connection with the pending patent cases. Moreover, the company still expects a free cash flow in the region of DKK 50m before acquisitions.

### Conference call

Conference call and webcast on this announcement will be held on 4 February 2009 at 11 am Danish time. To participate, please call tel. +45 32 71 47 67 five minutes before the start of the conference. The conference can be followed via the link <http://webcast.zoomvision.se/denmark/clients/ambu/090204> or on the Ambu website [www.ambu.com](http://www.ambu.com). The conference will subsequently be made available on the Ambu website.

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*Ambu develops, produces and markets diagnostic and life-supporting devices to hospitals and rescue services. Ambu has five business areas: Respiratory Care, Cardiology, Neurology, Training and Immobilization. The most important business areas are Respiratory Care, Cardiology and Neurology, and the most important products in these areas are ventilation products for artificial respiration and single-use electrodes for ECG recordings and neurophysiological examinations. Ambu's products are sold worldwide. Exports account for 98% of sales, and sales are handled via Ambu's foreign subsidiaries or via distributors. Ambu has just under 1,600 employees, of whom approx. 300 work in Denmark and approx. 1,300 abroad.*



## Financial highlights

DKKm		Q1 2008/09	Q1 2007/08	FY 2007/08
<b>Key figures</b>	Revenue	209	187	784
	Operating profit (EBIT)	15	16	86
	Profit before tax (PBT)	17	13	68
	Net profit for the period	12	10	50
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	Total assets at year-end	782	679	732
	Equity at year-end	453	411	452
	Share capital	119	119	119
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	Investments in non-current assets and acquisitions	45	3	49
	Depreciation, amortisation and impairment losses on non-current assets	13	11	45
	Cash flows from operating	(1)	20	84
	Free cash flow	(45)	16	36
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	Average no. of employees	1,569	1,219	1,397
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<b>Ratios</b>	EBITDA margin, %	13.5	14.4	16.7
	EBIT margin, %	7.3	8.8	11.0
	Return on assets, %	-	-	11.8
	Return on equity, %	10.7	9.5	11.5
	Equity ratio, %	58	61	62
	Profit per DKK 10 share	1.03	0.83	4.23
	Cash flow per DKK 10 share	(0.08)	1.70	7.11
	Equity value of shares	38	35	38
	Share price at year-end	68	69.0	73
	Listed price/equity value	1.8	2.0	1.9
	P/E ratio	17	21	17
	CAPEX, %	21.6	1.6	6.2
	ROIC, %	7.3	8.1	11.0

The figures for Q1 have not been audited.

The interim report for Q1 2008/09 has been presented in accordance with IAS 34 and additional Danish disclosure requirements for the interim financial reporting of listed companies. The report has been prepared in accordance with the same accounting policies as the 2007/08 annual report.

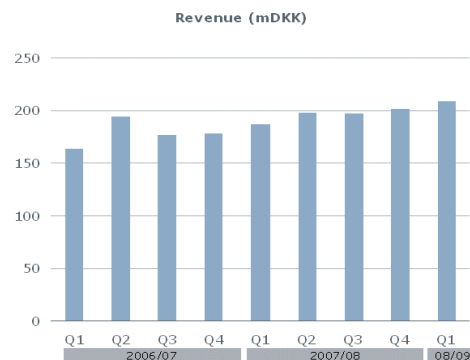
The key figures have been calculated in accordance with The Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2005'.

The company's financial year runs from 1 October to 30 September.



## Developments in Q1 2008/09

Revenue continued its positive development in Q1 2008/09, and organic growth of 10% is very satisfactory. The organic growth recorded in Q1 2008/09 is higher than the estimated market growth of 5% in all important markets.



In Q1, Ambu launched a number of activities aimed at strengthening its product development and product range as well as intensifying its sales efforts and streamlining the company. The activities included expansion of the sales force, the insourcing of products, the streamlining of processes etc. These activities are beginning to take effect.

### *Production and logistics*

Activity levels at the factories in China, Malaysia and Denmark were high in Q1, and in addition to the ongoing streamlining of operations, work went into implementing two automated production lines in Malaysia for Cardiology products. At the same time, work went into specifying a new system for managing product documentation etc. throughout the production process – a so-called PLM system (Product Lifecycle Management). A new planning and forecasting system is being prepared within the supply chain area. The system is expected to be implemented in Q3 2008/09. In addition, the company is focusing on reducing inventories and item numbers.

### *Sales and marketing*

In autumn 2008, Ambu decided to intensify its sales efforts. The sales force in the USA and the UK was expanded in Q1. This year, the combined sales force is expected to grow by approx. 15%. The purpose of the increase in sales staff in the USA and the UK is to exploit the attractive market potential offered by these markets in order to capture market share within Respiratory Care and Neurology, in particular.

The Search function was also expanded in Q1 and is designed to identify new and interesting products and product areas.



Ambu has begun the launch of products from Sleepmate Inc., which was acquired by Ambu with effect from 1 December 2008 (see below).

*Product development and new products*

Ambu's main goal is to launch significantly more products than has previously been the case and to further strengthen its product portfolio by acquiring new products and companies.

In Q1 2008/09, Ambu launched a laryngeal mask in the USA which enables intubation through the mask. A brand new product and several Respiratory Care product updates as well as a number of updated Training products will be launched in the remaining part of FY 2008/09.

Effective from 1 December 2008, Ambu acquired the US company Sleepmate Inc. which is a leading player in the rapidly growing US market for diagnostic sensors for obstructive sleep apnoea (which produces choking attacks during sleep). Following the acquisition of Sleepmate Inc., Ambu now offers the full range of products used in connection with sleep examinations. The acquisition helps to strengthen Ambu's market position within Neurology – especially in the US market.

In order to boost its Respiratory Care product portfolio, Ambu has concluded an exclusive distribution agreement with Pentax concerning a product solution (Pentax Airway Scope and Pentax Airway Blade) covering selected European countries and the USA. The products enable simple and accurate intubation through the windpipe when anaesthetising a patient – especially in difficult cases.

In the previous financial year, a development department was established at the factory in China which is responsible for product updates. The department is working very satisfactorily, and preparations are underway for a similar department at the factory in Malaysia.

*Purchasing*

The changes currently taking place in the world economy have a general impact on the development in raw material prices. In Q1, declining market prices were seen for several raw materials that are important to Ambu, primarily metal and plastic granulate. Since many raw material purchases are contractually controlled, the effect of the declining prices will be realised with some delay and only when inventories are replenished.

*New manager at Ambu France*

Developments in Ambu's French subsidiary have not been satisfactory, and it has therefore been decided to replace the manager of the French subsidiary. The new manager will be taking up the position in Q2 2008/09.

In connection with the appointment of the new management, Ambu will evaluate the market situation and its position with a view to launching activities that can boost growth in the French market.



## Comments on the financial statements for Q1 2008/09

### Income statement

#### Revenue

Total revenue was DKK 208.6m in Q1 against DKK 187.4m in Q1 2007/08, up 11% (10% when reported in local currencies).

The development in exchange rates year to date has had a positive effect on revenue of DKK 3m. The effect of exchange rates is mainly due to developments in USD and GBP.

### Revenue generated by the individual business areas

DKKm	Q1 2008/09	Q1 2007/08	Growth in DKK, %	Growth in local currencies, %
Respiratory Care	83.9	75.0	12	9
Cardiology	69.8	64.5	8	10
Neurology	23.0	17.7	30	26
Training	16.5	17.5	(6)	(6)
Immobilization and other products	15.4	12.7	21	16
<b>Total</b>	<b>208.6</b>	<b>187.4</b>	<b>11</b>	<b>10</b>

*Within Respiratory Care*, revenue grew by 9% in Q1 2008/09. Double-digit growth rates were recorded in the USA, the UK and Spain, while growth rates of 3-5% were seen in Danish Sales, Italy and the Benelux countries. In Germany and France, on the other hand, revenue fell. The reason for the strong growth in the USA and the UK is continued growth in sales of laryngeal masks and ventilation bags.

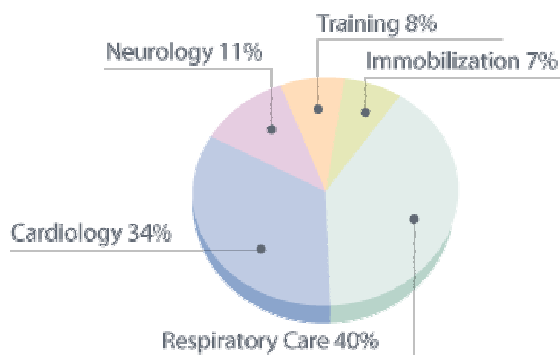
*Within Cardiology*, revenue grew by 10% in Q1 2008/09 compared to the same period in 2007/08. The growth in Q1 was generated by a broad range of products and is mainly attributable to refocused sales efforts. In Q1, growth rates were higher than the estimated market growth of 5% in all major markets except for the French market, where growth was unsatisfactory. In the coming period, focus will be on capturing market share within selected niche products in France.



*Within Neurology, growth in revenue* amounted to 26% in Q1 2008/09. The USA, Germany, Spain and Italy saw the strongest growth with double-digit growth rates, which is primarily attributable to stagnant sales in Spain and Italy having been turned into growth through enhanced sales and campaign activity in the quarter. The acquisition of Sleepmate Inc., which became effective on 1 December 2008, is being implemented – first in the US market and then in Europe. Sales of Sleepmate Inc.'s sensors only had a modest impact on revenue in Q1.

*Revenue within Training* fell by 6% in Q1 2007/08. However, revenue growth was recorded in Spain and Germany. The decline in revenue in the other markets is mainly attributable to a drop in orders from Russia and Asia.

*Revenue within Immobilization* rose by 12% in Q1, while revenue from other products rose by 32% or DKK 3.4m.



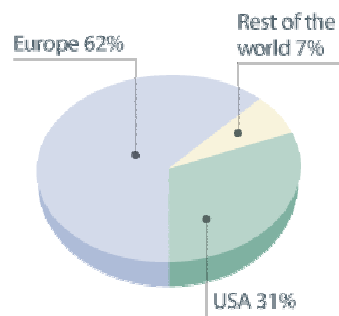
## Geographical breakdown of revenue

DKKm	Q1 2008/09	Q1 2007/08	Growth in DKK, %	Growth in local currencies, %
USA	64.1	52.2	23	11
Europe	129.9	122.9	6	8
Other	14.6	12.3	19	19
<b>Total</b>	<b>208.6</b>	<b>187.4</b>	<b>11</b>	<b>10</b>

*Total revenue in the USA* rose by 11% in Q1. Double-digit growth rates were recorded in all product categories except for Cardiology where revenue rose by 7% and within Training where revenue fell. The growth is primarily attributable to the focused efforts of the US sales organisation for all key products and targeting a broad group of customers, including General Purchasing Organisations (GPOs), OEM customers and the armed forces.

*Revenue in Europe* rose in Q1 by 8%, which is higher than market growth. The only country to record lower-than-market growth is France.

*Revenue in other markets* was up by 19% in Q1 corresponding to approx. DKK 2m. Sales within this area, which is not a focus area, are to a large extent based on tenders, and the timing of calls varies from one year to the next.



## Gross profit

Gross profit was DKK 104.8m in Q1 2008/09 against DKK 100.9m in Q1 2007/08.

The gross profit ratio was 50.2 in Q1 2008/09 against 53.8 in Q1 2007/08.

The main reasons for the decline in the gross profit ratio is an increase in indirect production costs – mainly freight and depreciation – and the fact that the growth in revenue has to a larger extent taken place in countries and within products with a relatively lower gross profit ratio than the group average.



**Costs**

The group's selling, development and management costs and administrative expenses in Q1 2008/09 were DKK 90m against DKK 85m in Q1 2007/08. The costs in Q1 2008/09 include non-recurring expenses of some DKK 2m relating to organisational restructurings, and legal fees in connection with the LMA cases of DKK 1.5m against DKK 2.0m in the same period last year.

Adjusted for changes in exchange rates, the group's selling, development and management costs and administrative expenses rose by DKK 4m in Q1 2008/09 corresponding to 4.5%. The increase in costs in the USA was above average due to an expansion of the sales force in the US market. In the rest of the group, costs rose by 3% adjusted for the effects of exchange rates, which can be attributed to general increases in costs due to higher levels of activity.

**EBIT**

The operating profit (EBIT) in Q1 2008/09 was DKK 15.3m against DKK 16.4m in Q1 2007/08. The fall is primarily attributable to a lower gross profit ratio as selling, development and management costs and administrative expenses grew less than revenue.

The changes in foreign exchange rates relative to last year only had a modest impact on EBIT in Q1. The changes in foreign exchange rates impacted the EBIT margin by less than 0.5 percentage points.

**Net financials**

Financial income amounted to DKK 1.4m in Q1 2008/09. In Q1 2008/09, financial expenses were DKK 3.7m. The reason for the improvement in net financials is foreign currency translation adjustments of DKK 3.2m in Q1 2008/09 against DKK -2.0m in Q1 2007/08.

**Net profit for the period**

Net profit was DKK 12.1m in Q1 2008/09 against DKK 9.8m in Q1 2007/08.

**Balance sheet**

At the end of Q1 2008/09, the balance sheet total amounted to DKK 782m, corresponding to an increase of DKK 50m relative to the end of 2007/08.

Intangible assets rose by a net amount of DKK 37m compared to the end of the last financial year. The increase is attributable to the acquisition of the activities in Sleepmate Inc. as per 1 December 2008 and ordinary depreciation deducted.

Property, plant and equipment and other non-current assets are unchanged relative to the end of the last financial year.



Current assets rose by DKK 14m compared to the end of the last financial year. Of these, inventories grew by DKK 5m as a result of increased inventories in the US sales company to ensure the delivery capacity. Receivables were DKK 3m higher than at the end of 2007/08. Cash rose by DKK 5m.

Long-term debt rose by DKK 30m compared to the end of the last financial year. This is due to increased borrowing in connection with the acquisition of Sleepmate Inc.

Short-term debt was up DKK 17m compared to the end of the last financial year. This is also primarily the result of increased short-term bank loans in connection with the acquisition of Sleepmate Inc.

### **Cash flows**

Cash flows from operating activities in Q1 2008/09 were negative by DKK 1m against a positive amount of DKK 20m in Q1 2007/08. The reduced cash flows from operating activities can be attributed to increased inventories of finished goods (DKK 7m), reduced inventories of raw materials (DKK 2m), increased trade receivables (DKK 4m), a drop in trade payables (DKK 6m) and a drop in other payables (DKK 12m). The reason for the reduction in trade payables is fewer purchases of raw materials by the production companies which are working hard to minimise raw material inventories. The reduction in other payables is attributable to lower payables resulting from disbursements of annual bonuses for 2007/08, residual payment relating to the acquisition of the activities in Benelux and lower taxes payable, among other things.

In Q1 2008/09, the group realised a negative free cash flow of DKK -45m against a positive free cash flow of DKK 16m in Q1 2007/08.

In addition to the cash flow from operating activities described above, the primary reason for the negative free cash flow is the acquisition of the activities of Sleepmate Inc. in which DKK 40m was invested. See the cash flow statement on page 15.

The acquisition of Sleepmate Inc. was financed via a USD loan with a term of five years.

### **Patent infringement case**

Since autumn 2005, Ambu has been party to a case instituted by the company LMA claiming that the reinforcement of the tip of an earlier version of Ambu's laryngeal mask was infringing its patent. There have been no new developments in this case since the publication of the 2007/08 annual report, where a more detailed description of the pending patent cases can be found.



## **Outlook**

Ambu still expects revenue in the region of DKK 850m in FY 2008/09.

Q1 was affected by extraordinary costs relating to organisational changes, but the EBIT margin is nevertheless still expected to be in the range of 11-11.5%, corresponding to approx. DKK 97m. This includes special items of DKK 3m for legal fees in connection with pending patent cases.

The outlook for revenue and earnings is based on an average USD exchange rate of 550. In Q1 2008/09, the average exchange rate was 568.

In 2008/09, Ambu still intends to focus on cash flow with due consideration being given to the company's strategic development. In 2009/10, a free cash flow in the region of DKK 50m before acquisitions and after other investments is expected corresponding to approx. 7% of revenue.

## **Forward-looking statements**

*Forward-looking statements, especially such as relate to future sales 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 and in exchange rates.*



**Financial calendar**

7 May 2009	Interim report for Q2 2008/09
27 August 2009	Interim report for Q3 2008/09
30 September 2009	End of FY 2008/09
25 November 2009	Annual Report 2008/09
16 December 2009	Annual General Meeting



**Statement by the Board of Directors and the Executive Board on the interim report**

Today, the Board of Directors and the Executive Board of Ambu A/S discussed and approved the report for the period 1 October 2008 - 31 December 2008.

The interim report is presented in accordance with the International Financial Reporting Standards (IAS 34) 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 appropriate, and in our opinion the interim report provides a true and fair view of the group's assets, liabilities and financial standing as at 31 December 2008 as well as of the results of the group's activities and cash flows in the period 1 October - 31 December 2008.

We further consider that the management's review (pp. 1-13) 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, 4 February 2009

**Executive Board**

Lars Marcher  
President & CEO

**Board of Directors**

N. E. Nielsen, (Chairman)	Bjørn Ragle	Jørgen Hartzberg
Anne-Marie Jensen	Torben Ladegaard	Hanne-Merete Lassen
Kirsten Therkildsen Søndersted-Olsen	John Stær	Anders Williamsson



## Income statement

DKKm	Q1 2008/09	Q1 2007/08	FY 2007/08
Revenue	208.6	187.4	784.4
Production costs	(103.8)	(86.5)	(365.0)
<b>Gross profit</b>	<b>104.8</b>	<b>100.9</b>	<b>419.4</b>
%	50.2	53.8	53.5
Selling costs	(43.8)	(40.8)	(165.3)
Development costs	(7.7)	(7.9)	(27.3)
Management and administration	(37.2)	(35.3)	(138.6)
Other operating expenses	(0.8)	(0.5)	(1.8)
<b>Operating profit (EBIT)</b>	<b>15.3</b>	<b>16.4</b>	<b>86.4</b>
%	7.4	8.8	11.0
Net financials	1.4	(3.7)	(18.0)
<b>Profit before tax (PBT)</b>	<b>16.7</b>	<b>12.7</b>	<b>68.4</b>
Tax	(4.6)	(2.9)	(18.4)
<b>Net profit for the period</b>	<b>12.1</b>	<b>9.8</b>	<b>50.0</b>
<b>Profit per share in DKK</b>			
Earnings per share (EPS)	1.02	0.82	4.23
Diluted earnings per share (EPS-D)	1.02	0.82	4.23

## Balance sheet

DKKm	31.12.08	31.12.07	30.09.08
Intangible assets	211.6	172.3	174.8
Property, plant and equipment	182.5	176.5	183.8
Other non-current assets	5.4	-	5.4
<b>Total non-current assets</b>	<b>399.5</b>	<b>348.8</b>	<b>364.0</b>
Inventories	162.8	127.5	157.2
Receivables	197.7	179.5	194.7
Cash and cash equivalents	21.5	23.2	16.3
<b>Total current assets</b>	<b>382.0</b>	<b>330.2</b>	<b>368.2</b>
<b>Total assets</b>	<b>781.5</b>	<b>679.0</b>	<b>732.2</b>
Share capital	118.8	118.8	118.8
Reserves and retained earnings	334.5	292.3	333.2
<b>Total equity</b>	<b>453.2</b>	<b>411.1</b>	<b>452.0</b>
Non-current liabilities	80.1	58.4	49.5
Current liabilities	248.1	209.5	230.7
<b>Total liabilities</b>	<b>328.3</b>	<b>267.9</b>	<b>280.2</b>
<b>Total equity and liabilities</b>	<b>781.5</b>	<b>679.0</b>	<b>732.2</b>

## Statement of changes in equity

DKKm	31.12.08	31.12.07	30.09.08
Equity as at 1 October	452.0	418.2	418.2
Purchase of treasury shares	-	-	(3.0)
Employee option scheme	0.8	0.5	1.8
Foreign currency translation adjustment, foreign subsidiaries	(1.2)	(3.2)	3.2
Value adjustment, forward contracts	4.0	0.2	(0.4)
Distributed dividend	(14.4)	(14.3)	(17.8)
Net profit for the period	12.1	9.8	50.0
<b>Equity</b>	<b>453.2</b>	<b>411.1</b>	<b>452.0</b>

## Cash flow statement

DKKm	31.12.08	31.12.07	30.09.08
Net profit for the year	12.1	9.8	50.0
Adjustments for depreciation, amortisation etc.	13.7	9.8	49.8
Changes in working capital	(27.2)	0.1	(15.3)
<b>Cash flows from operating activities</b>	<b>(1.4)</b>	<b>19.7</b>	<b>84.5</b>
Investments, net	(3.5)	(3.6)	(48.9)
Acquisitions	(40.5)	-	-
<b>Free cash flow</b>	<b>(45.4)</b>	<b>16.1</b>	<b>35.6</b>
<b>Cash flows from financing activities</b>	<b>50.6</b>	<b>(3.5)</b>	<b>(29.9)</b>
<b>Changes in cash and cash equivalents</b>	<b>5.2</b>	<b>12.6</b>	<b>5.7</b>
Cash and cash equivalents, beginning of year	16.3	10.6	10.6
<b>Cash and cash equivalents, end of year</b>	<b>21.5</b>	<b>23.2</b>	<b>16.3</b>