Interim report for Q2 2016/17 and for the period 1 October 2016 – 31 March 2017

Ambu raises its outlook for the year after a strong Q2 with organic growth of 14%, an EBIT margin of 19.7% and free cash flows of DKK 51m.

"It is a pleasure to report growth of 14% for the quarter and 13% for the first half of the year as well as a significantly improved EBIT of 42%. It is clear that our single-use videoscopes are now widely recognised by doctors and hospitals as an intelligent choice, and it is positive that our core business is developing as expected, and that all our sales regions deliver impressive double-digit growth rates. We are optimistic about the year as a whole and therefore raise the outlook on all parameters: Growth, earnings and cash flows," says President and CEO Lars Marcher.

Highlights

- Revenue of DKK 613m was posted for Q2, representing growth of 14% in local currencies and 15% in Danish kroner. For the half-year, growth totalled 13%, when measured both in Danish kroner and in local currencies.
- Anaesthesia contributed growth of 20% in Q2, while PMD (Patient Monitoring & Diagnostics) delivered growth of 4%, when measured in local currencies. For the half-year, growth was 19% for Anaesthesia and 2% for PMD.
- Europe contributed growth of 16%, North America 10% and the rest of the world 19%. For the half-year, growth of 11% was posted for Europe, 11% for North America and 26% for the rest of the world.
- Sales of single-use videoscopes continue to develop positively with sales in the quarter of 95,000 units. Sales volumes thus almost doubled compared to Q2 last year, up 90% on the first six months.
- The gross margin for the quarter was 55.6% (52.4%), equating to an improvement of 3.2 percentage points. The gross margin for the half-year was 54.8% (52.5%). The improvement is due to a more profitable product mix and increased efficiency in production.
- Total capacity costs for the quarter were DKK 220m (DKK 194m), corresponding to an increase of 13%. This corresponds to a 10% increase in capacity costs for the half-year. Exclusive of the costs of integrating ETView, the increase is 7%.
- EBIT for the quarter was then DKK 121m (DKK 85m) with an EBIT margin of 19.7% (16.0%), corresponding to a 42% improvement. For the half-year, an EBIT of DKK 186m (DKK 131m) was posted, and an EBIT margin of 16.5% (13.2%).

- Free cash flows before acquisitions of enterprises for the quarter were DKK 51m (DKK 31m), and for the half-year DKK 94m (DKK 34m).
- The outlook for 2016/17 is raised. The outlook is now for organic growth of 12-14% against the previously announced outlook of 9-11%, an EBIT margin before special items of approx. 19% against the previously announced outlook of 18%, and free cash flows of DKK 250-275m against earlier expectations of approx. DKK 200m. Net interest-bearing debt is expected to be in the region of 1.5 x EBITDA rather than 1.6. In contrast to the outlook announced in the interim report for Q1, the integration costs in respect of ETView are now recognised in the revised outlook.

A conference call is being held today, 2 May 2017, at 11.00 (CET). 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/webcastQ22017 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 driven our work to bring efficient healthcare solutions to life within our fields of excellence: Anaesthesia, Patient Monitoring & Diagnostics and Emergency Care. Millions of patients and healthcare professionals worldwide depend and rely on the functionality and performance of our products. We are dedicated to improving patient safety and advancing single-use devices. The manifestations of our efforts range from early inventions like the Ambu Bag™ and the legendary Blue Sensor™ electrodes to our latest landmark solutions such as the aScope™ endoscope – the world's first flexible single-use videoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognised medico-technical companies in the world. Our head office is situated in Ballerup near Copenhagen. Ambu has more than 2,400 employees in Europe, North America, Asia and the Pacific region. You can find more information about Ambu at www.ambu.com.

Financial highlights

DKKm	Q2 2016/17	Q2 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Income statement					
Revenue	613	532	1,125	994	2,084
Gross margin, %	55.6	52.4	54.8	52.5	53.9
EBITDA	147	113	238	183	458
Depreciation	11	12	22	23	47
Amortisation	15	16	30	29	55
EBIT	121	85	186	131	356
Net financials	-11	-11	-14	-13	-30
Profit before tax	110	74	172	118	326
Net profit for the period	84	52	132	83	250
Balance sheet					
Assets	2,507	2,299	2,507	2,299	2,364
Working capital	506	570	506	570	519
Equity	1,105	858	1,105	858	990
Net interest-bearing debt	997	958	997	958	955
Cash flows					
Cash flows from operating activities	90	50	163	72	369
Cash flows from investing activities before acquisitions of enterprises and technology	-39	-19	-69	-38	-84
Free cash flows before acquisitions of enterprises and technology	51	31	94	34	285
Acquisitions of enterprises and technology	0	0	0	0	155
Cash flows from operating activities, % of revenue	14	9	14	7	18
Investments, % of revenue	6	3	6	4	4
Free cash flows before acquisitions of enterprises, % of revenue	8	6	8	3	14
Key figures and ratios					
Organic growth, %	14	8	13	9	9
Rate of cost, %	36	36	38	39	37
EBITDA margin, %	24.0	21.2	21.2	18.4	22.0
EBIT margin, %	19.7	16.0	16.5	13.2	17.1
Tax rate, %	24	30	23	30	23
Return on equity, %	30	18	30	18	25
NIBD/EBITDA	1.9	2.4	1.9	2.4	2.1
Equity ratio, %	44	37	44	37	42
Working capital, % of revenue	23	28	23	28	25
Return on invested capital (ROIC), %	22	15	22	15	19
Average no. of employees	2,454	2,320	2,451	2,308	2,337
Share-related ratios					
Market price per share (DKK)	300	232	300	232	356
Earnings per share (EPS) (DKK)	1.78	1.09	2.74	1.74	5.27
Diluted earnings per share (EPS-D) (DKK)	1.73	1.06	2.66	1.69	5.13

Management's review

Q2 and H1 2016/17

PRODUCT AREAS

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

Anaesthesia

Within Anaesthesia, sales in Q2 grew by 20% in local currencies and 21% in Danish kroner. Growth of 19% was posted for the half-year, when measured both in local currencies and in Danish kroner. The business area accounted for 65% (62%) of revenue in Q2.

Growth in sales of single-use videoscopes remains high, with sales of 95,000 units in Q2. This represents almost a doubling relative to the same quarter last year. For the first six months, sales of videoscopes topped 150,000 unit, which should be seen in relation to total sales of 200,000 units in FY 2015/16.

The aScope, ETView and King Vision product groups are referred to jointly as Visualisation, and as can be seen from the diagram on the right, these products now account for 26% of Ambu's total revenue.

Sales of other Anaesthesia products contributed total growth of 3% in the half-year, with expected growth for the year still in the range of 4-5%.

Patient Monitoring & Diagnostics

In Q2, PMD sales were up 4% in local currencies, and 6% in Danish kroner. For the half-year, growth totalled 2% in local currencies, and 4% in Danish kroner. Growth in PMD is still expected to be in the range of 3-4% for the year.

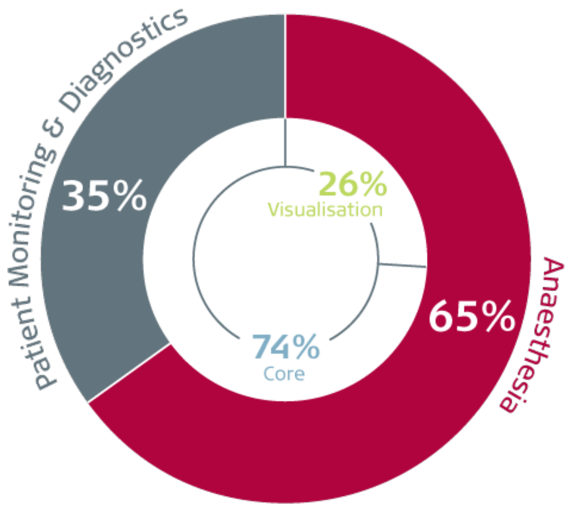
The largest product area in PMD is electrodes for cardiology, where growth of 3% was posted for Q2. This is at the upper end of market growth in an area characterised by a high degree of consolidation. Growth for the half-year was also 3% for cardiology.

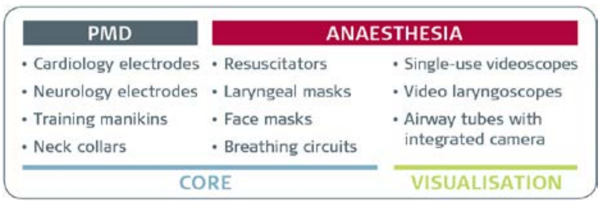
Due to timing differences in sales in Europe, growth in sales of electrodes for neurology was low in Q1, but increased to 9% in Q2, which is in line with Ambu's historical growth rates within this product area. For the half-year, growth was 6%.

Breakdown of revenue by business area

The diagram shows the breakdown of Q2 revenue on the two business areas Anaesthesia and PMD as well as the breakdown on Visualisation and Core.

The high growth in sales of visualisation products means, of course, that the relative importance of these products for Ambu's business increases significantly from quarter to quarter. In the current quarter, visualisation thus accounted for 26% of Ambu's activities against 16% in FY 2015/16.





Revenue – business areas

	Q2			Composition of growth			YTD			Composition of growth		
	16/17	Distribution	15/16	Organic*	Currencies	Reported	16/17	Distribution	15/16	Organic*	Currencies	Reported
Anaesthesia	396	65%	328	20%	1%	21%	721	64%	606	19%	0%	19%
PMD	217	35%	204	4%	2%	6%	404	36%	388	2%	2%	4%
Revenue	**613**	**100%**	**532**	**14%**	**1%**	**15%**	**1,125**	**100%**	**994**	**13%**	**0%**	**13%**

**Local currencies*

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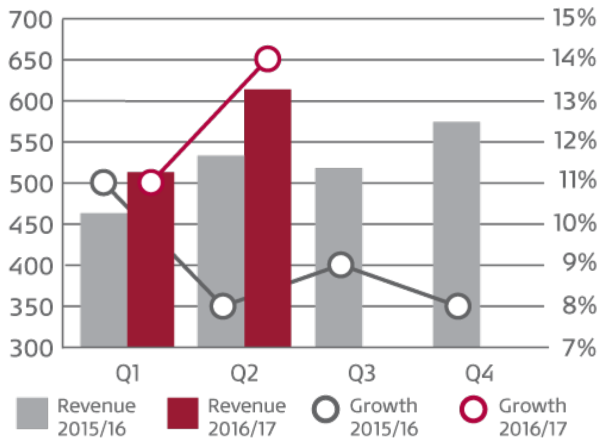
FINANCIAL RESULTS
INCOME STATEMENT

Revenue
Revenue of DKK 613m was posted for Q2, representing growth of 14% in local currencies and 15% in Danish kroner. For the half-year, revenue was DKK 1,125m with growth of 13% both in local currencies and in Danish kroner.

Revenue (DKKm) and growth (%) per quarter



In Europe, growth of 16% was realised for the quarter. This reflects strong underlying growth, and all European sales territories realised double-digit growth rates. Growth of 11% was realised for the half-year in Europe.

In North America, growth for the quarter was 10%, driven by strong growth in sales of videoscopes. Growth for the half-year was 11% in North America.

Quarterly growth in the rest of the world was 19%. Double-digit growth rates were realised in all markets in Asia, Oceania, the Middle East and Latin America. Growth for the first half of the year was 26% in the rest of the world.

Currency exposure
Ambu is particularly exposed to USD, as approx. 50% of revenue is invoiced in USD, and to a lesser extent to GBP with approx. 5% of revenue. Cost of sales and operating expenses in both USD and GBP significantly reduce EBIT exposure for Ambu.

Moreover, EBIT is exposed to developments in CNY and MYR, as a significant share of the value of Ambu's production in the Far East is settled in these currencies.

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**	**GBP**	**MYR**	**CNY**
Revenue	+100	+15	0	0
EBIT	+25	+10	-10	-15
EBIT margin	+0.2%	+0.3%	-0.4%	-0.6%

In Q2, the relevant exchange rates developed as follows:

	Average exchange rates			**Change**	
	H1 15/16	**FY 15/16**	**H1 16/17**	**H1 YoY**	**FY 15/16 vs H1 16/17**
USD/ DKK	680	671	694	**2%**	3%
GBP/ DKK	1,002	957	861	**-14%**	-10%
MYR/ DKK	160	162	158	**-1%**	-3%
CNY/ DKK	105	103	101	**-4%**	-2%

In the half-year, USD/DKK was up 2% relative to the same period last year, while GBP/DKK was down 14%. The effects cancel out each other in that the revenue gains from the strengthening of USD are offset by the marked fall in GBP.

In terms of EBIT for the half-year, the exchange rate effect is also neutral. Improvements due to the weakened Chinese and Malaysian currencies are neutralised by increasing purchase costs, which are settled in USD.

Revenue – markets

	Q2			Composition of growth			YTD			Composition of growth		
	16/17	Distribution	15/16	Organic*	Currencies	Reported	16/17	Distribution	15/16	Organic*	Currencies	Reported
Europe	256	42%	223	16%	-1%	15%	474	42%	436	11%	-2%	9%
North America	290	47%	255	10%	4%	14%	524	47%	461	11%	3%	14%
Rest of the world	67	11%	54	19%	5%	24%	127	11%	97	26%	5%	31%
Revenue	**613**	**100%**	**532**	**14%**	**1%**	**15%**	**1,125**	**100%**	**994**	**13%**	**0%**	**13%**

**Local currencies*

Gross profit

Gross profit for Q2 was DKK 341m (DKK 279m), and the gross margin increased by 3.2 percentage points to 55.6% (52.4%). For the half-year, a gross margin of 54.8% (52.5%) was realised, corresponding to an improvement of 2.3 percentage points.

The increased gross margin can be attributed to an improved product mix as well as efficiency increases in production.

Costs

Total capacity costs for the quarter were DKK 220m (DKK 194m), and DKK 430m (DKK 391m) for the half-year. A 10% increase in total capacity costs was thus seen for the half-year, but exclusive of integration costs, which are recognised separately under 'Other operating expenses', the increase was 7%.

The rate of cost for the quarter was 36% (36%), and for the half-year 38% (39%).

In Q2, the item 'Other operating expenses' comprises an expense of DKK 10m related to the integration of ETView, which was acquired in Q4 2015/16. This expense was expected and was described as a special item in the financial outlook, both in connection with the presentation of the financial statements for 2015/16 and in the interim report for Q1 2016/17. The expense relates mainly to indirect taxes to the state of Israel in connection with the transfer of technology from Israel to Denmark. The transfer is in progress and is expected to be formally completed before the end of the current financial year. The integration of ETView is not expected to give rise to any additional expenses.

Exclusive of these integration expenses, the expense ratio for the half-year falls to 37% (39%).

Selling costs for the quarter totalled DKK 132m (DKK 121m), corresponding to an increase of 9%, and for the half-year DKK 264m (DKK 244m), corresponding to an increase of 8%. Selling costs include costs for warehouse operations and distribution as well as costs for the sales organisation. Distribution costs grew at a rate just below the growth in sales volumes, while sales organisation costs were up 7% for the half-year.

Development costs for the quarter totalled DKK 18m (DKK 17m), and for the half-year DKK 36m (DKK 33m).

The correlation between capitalisation of development costs and the recognition of amortisation in the income statement is shown in the table below. Year to date, amortisation of DKK 27m and investments of DKK 35m have been recognised, resulting in cash development costs for the quarter of DKK 44m, corresponding to an increase of 42%.

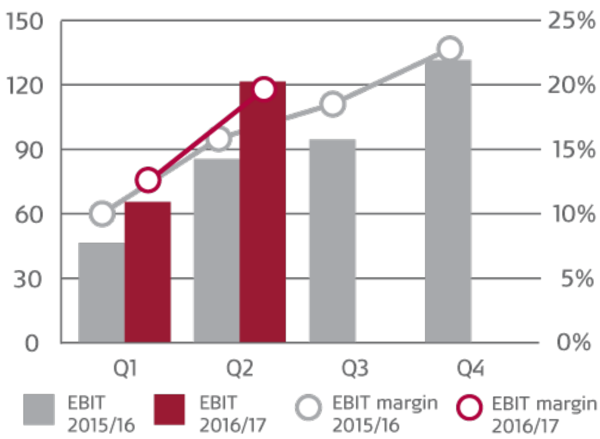
DKKm	YTD	
	16/17	**15/16**
Development costs	36	33
÷ Amortisation	-27	-25
+ Investments	35	23
= Cash flows	**44**	**31**

Management and administrative expenses for the quarter totalled DKK 60m (DKK 56m), corresponding to an increase of 7% for the quarter, and DKK 120m (DKK 114m) for the half-year, corresponding to an increase of 5%.

EBIT

EBIT for the quarter was then DKK 121m (DKK 85m) with an EBIT margin of 19.7% (16.0%), corresponding to a 42% improvement. For the half-year, an EBIT of DKK 186m (DKK 131m) was posted, and an EBIT margin of 16.5% (13.2%).

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



Net financials

Net financials amounted to net expenses of DKK 11m (net expenses of DKK 11m) for the quarter, and net expenses of DKK 14m (net expenses of DKK 13m) for the half-year.

Net financials for the half-year are composed as follows:

- Net foreign exchange gains totalled DKK 15m (DKK 0m)
- Interest expenses on bank and bond debt totalled DKK 16m (DKK 15m)
- Fair value adjustments constituted a net expense of DKK 12m (income of DKK 4m)

- The interest element from liabilities stated at present discounted value is recognised as a net expense of DKK 1m (DKK 2m).

Tax
The profit for the half-year adjusted for non-deductible and non-taxable items is taxed at a rate of 23% (30%).

Net profit
A net profit of DKK 84m (DKK 52m) was posted for the quarter, and DKK 132m (DKK 83m) for the half-year.

Balance sheet
At the end of March 2017, Ambu had total assets of DKK 2,507m (DKK 2,299m).

Working capital at the end of the quarter was DKK 506m (DKK 568m), corresponding to 23% (28%) of 12 months of revenue. The lower level of funds tied up in working capital relative to revenue is primarily due to a reduction of trade receivables following the streamlining processes reported since Q3 2015/16.

Trade receivables totalled DKK 389m at the end of the quarter against DKK 421m at the same time last year. This corresponds to a reduction in the average number of credit days by 13 to 59 days at the end of the quarter.

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.

Total net interest-bearing debt at the end of the quarter was DKK 997m (DKK 958m), corresponding to 1.9 (2.4) of rolling 12-month EBITDA.

Out of the total net interest-bearing debt, DKK 701m is financed via corporate bonds, which fall due for repayment in full in March 2018. For use in connection with the refinancing of the bond loan, a binding advance credit commitment has been obtained from a reputable credit institution. Moreover, Ambu's other credit lines for the financing of operations and acquisitions have been increased from DKK 350m to DKK 1,250m with a binding credit commitment varying from 18 months up to 5 years.

At the end of Q2, Ambu's unutilised credit facilities then totalled DKK 1,000m (DKK 167m).

Cash flows
Cash flows from operating activities totalled DKK 90m (DKK 50m) for the quarter and DKK 163m (DKK 72m) for the half-year. Cash flows are positively affected by the lower level of funds tied up in working capital, but reduced by slightly higher income tax payments.

Investments in non-current assets totalled DKK 39m (DKK 19m) in Q2, and DKK 69m (DKK 38m) for the half-year, which is in line with expectations.

The free cash flows before acquisitions of enterprises was then DKK 51m (DKK 31m) and similarly for the half-year DKK 94m (DKK 34m).

Equity
The equity ratio at the end of Q2 was 44% (37%).

Other comprehensive income
Equity is significantly affected by foreign currency translation adjustments arising from the translation of foreign subsidiaries in the amount of DKK 34m as a result of the strengthened USD/DKK.

Other equity
In December, a dividend of DKK 75m was declared, of which DKK 73m has been paid out to the company's shareholders, with DKK 2m pertaining to Ambu's portfolio of treasury shares.

In the first half of the year, Ambu employees exercised 121,088 options in Ambu A/S, and Ambu's holding of treasury shares has been reduced accordingly, so that at the end of Q2, Ambu's portfolio of Class B treasury shares stood at 1,244,384 (1,077,207), corresponding to 2.56% (2.23%) of the total share capital.

In addition, in the first half of the year, Ambu employees exercised 319,200 warrants to subscribe for shares in Ambu A/S at a subscription price corresponding to a total of DKK 20m.

Outlook 2016/17

The outlook for 2016/17 is raised. The outlook is now for organic growth of 12-14% against the previously announced outlook of 9-11%, an EBIT margin before special items of approx. 19% against the previously announced outlook of 18%, and free cash flows of DKK 250-275m against earlier expectations of approx. DKK 200m. Net interest-bearing debt is expected to be in the region of 1.5 x EBITDA rather than 1.6. The integration of ETView is not expected to give rise to any further expenses.

	Local currencies		
	2 May 2017	**1 February 2017**	**8 November 2016**
Organic growth	12-14%	9-11%	8-10%

	Danish kroner		
	2 May 2017	**1 February 2017**	**8 November 2016**
EBIT margin*	Approx. 19%	Approx. 18%	Approx. 18%
Free cash flows*	DKK 250-275m	Approx. DKK 200m	Approx. DKK 175m
Gearing	Approx. 1.5	Approx. 1.6	Approx. 1.75

* The outlook for the EBIT margin announced on 8 November 2016 and 1 February 2017 was before integration costs relating to the acquisition of ETView. In the outlook for the EBIT margin and free cash flows as of 2 May 2017, integration costs of DKK 10m have been included. No additional costs are expected to be incurred in connection with the integration of ETView.

The outlook for 2016/17 is based on the following exchange rate assumptions:

	Expected exchange rates for 2016/17		
	2 May 2017	**1 February 2017**	**8 November 2016**
USD/DKK	690	700	665
CNY/DKK	100	100	100
MYR/DKK	160	160	165
GBP/DKK	865	865	865

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, in interest rate levels and in exchange rates.

Financial calendar 2016/17

2017	
27 July	Quiet period ending 23 August 2017
23 August	Interim report Q3 2016/17
30 September	End of FY 2016/17

Financial calendar 2017/18

2017	
13 October	Quiet period ending 9 November 2017
9 November	Annual report 2016/17
13 December	Annual general meeting

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Quarterly results

DKKm	Q2 2016/17	Q1 2016/17	Q4 2015/16	Q3 2015/16	Q2 2015/16	Q1 2015/16
Revenue	613	512	573	517	532	462
Composition of reported growth:						
Organic growth in local currencies, %	14	11	8	9	8	11
Exchange rate effects on reported growth, %	1	0	-1	-2	2	8
Reported revenue growth, %	**15**	**11**	**7**	**7**	**10**	**19**
Organic growth, products:						
Anaesthesia, %	20	19	9	18	13	13
PMD, %	4	0	5	-2	1	8
Organic growth in local currencies, %	**14**	**11**	**8**	**9**	**8**	**11**
Organic growth, markets:						
Europe, %	16	5	5	12	12	16
North America, %	10	12	7	9	4	8
Rest of the world, %	19	36	18	2	12	-1
Organic growth in local currencies, %	**14**	**11**	**8**	**9**	**8**	**11**
Gross profit	**341**	**275**	**318**	**284**	**279**	**243**
Gross margin, %	*55.6*	*53.7*	*55.5*	*54.9*	*52.4*	*52.6*
Selling and distribution costs	-132	-132	-121	-116	-121	-123
Development costs	-18	-18	-15	-18	-17	-16
Management and administration	-60	-60	-51	-56	-56	-58
Other operating expenses	-10	0	0	0	0	0
Total capacity costs	*-220*	*-210*	*-187*	*-190*	*-194*	*-197*
Operating profit (EBIT)	**121**	**65**	**131**	**94**	**85**	**46**
EBIT margin, %	*19.7*	*12.7*	*22.9*	*18.2*	*16.0*	*10.0*
Financial income	-5	23	-2	8	-13	13
Financial expenses	-6	-26	-9	-14	2	-15
Profit before tax (PBT)	**110**	**62**	**120**	**88**	**74**	**44**
Tax on profit for the period	-26	-14	-28	-13	-22	-13
Net profit for the period	**84**	**48**	**92**	**75**	**52**	**31**

Quarterly results (continued)

DKKm	Q2 2016/17	Q1 2016/17	Q4 2015/16	Q3 2015/16	Q2 2015/16	Q1 2015/16
Balance sheet:						
Assets	2,507	2,529	2,364	2,248	2,299	2,269
Working capital	506	491	519	492	570	548
Equity	1,105	1,000	990	970	858	938
Net interest-bearing debt	997	1,061	955	853	958	883
Cash flows:						
Cash flows from operating activities	90	73	101	196	50	22
Cash flows from investing activities before acquisitions of enterprises and technology etc.	-39	-30	-22	-24	-19	-19
Free cash flows before acquisitions of enterprises and technology etc.	51	43	79	172	31	3
Cash flows from operating activities, % of revenue	14	14	18	38	9	5
Investments, % of revenue	6	6	4	5	3	4
Free cash flows before acquisitions of enterprises, % of revenue	8	8	14	33	6	1
Key figures and ratios:						
Capacity costs	220	210	187	190	194	197
Rate of cost, %	36	41	33	37	36	43
EBITDA	147	91	154	121	113	70
EBITDA margin, %	24.0	17.8	26.9	23.4	21.2	15.2
Depreciation	11	11	12	12	12	11
Amortisation	15	15	11	15	16	13
EBIT	121	65	131	94	85	46
EBIT margin, %	19.7	12.7	22.9	18.2	16.0	10.0
NIBD/EBITDA	1.9	2.2	2.1	1.9	2.4	2.4
Working capital, % of revenue	23	23	25	24	28	28
Share-related ratios:						
Market price per share (DKK)	300	284	356	276	232	210
Earnings per share (EPS) (DKK)	1.78	0.96	1.94	1.58	1.09	0.65
Diluted earnings per share (EPS-D) (DKK)	1.73	0.93	1.88	1.53	1.06	0.63

Management's statement

On this day, the Board of Directors and the Executive Board have considered and approved the interim report of Ambu A/S for the period 1 October 2016 to 31 March 2017. 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 March 2017 and of the results of the group's operations and cash flows for the period 1 October 2016 to 31 March 2017.

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, 2 May 2017

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
Pernille Bartholdy Elected by the employees	Anita Krarup Frederiksen Elected by the employees	Jakob Bønnelykke Kristensen Elected by the employees

Consolidated financial statements

Interim report Q2 2016/17

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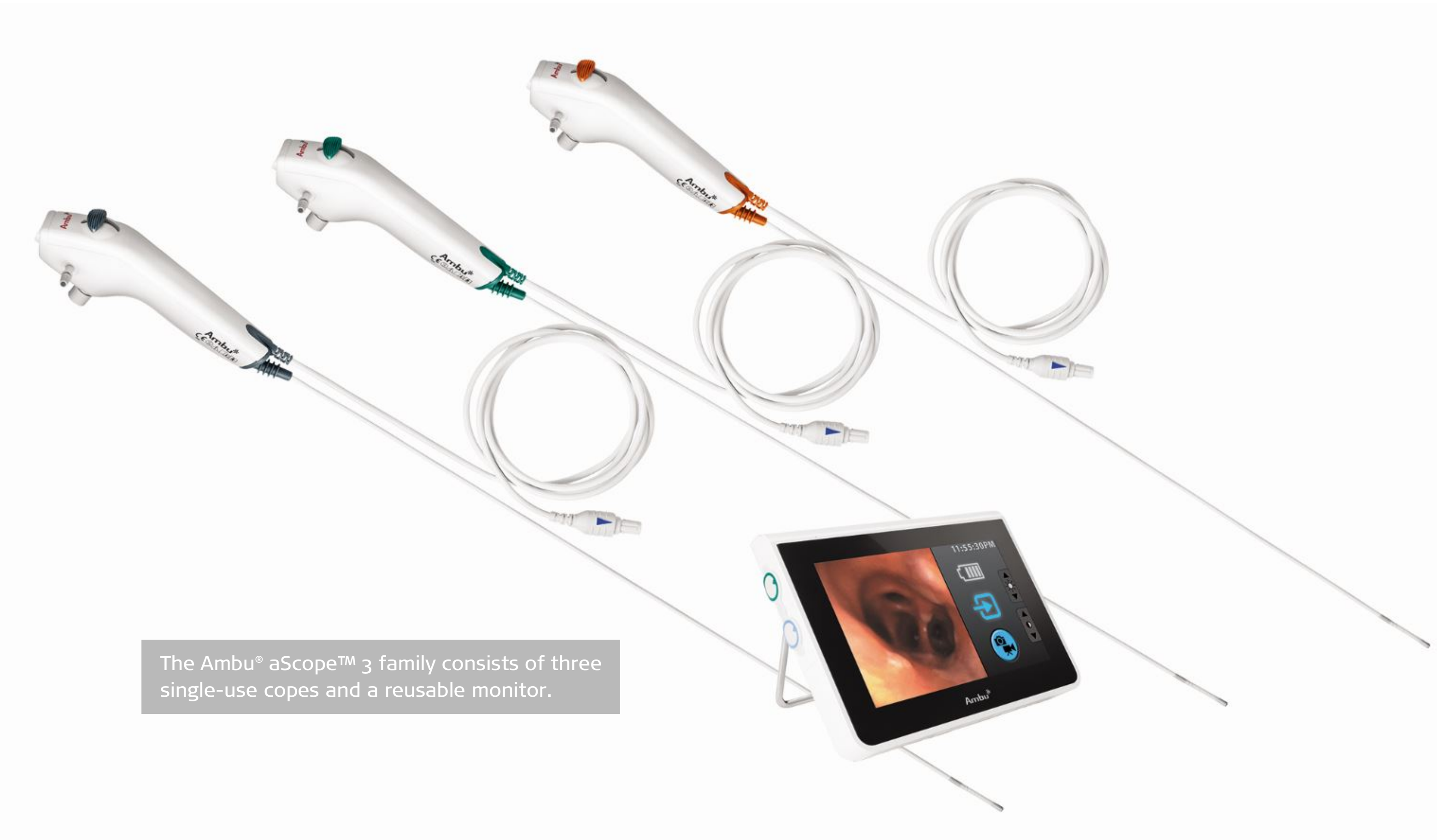

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Income statement and statement of comprehensive income – Group

Interim report Q2 2016/17

DKKm

Income statement	**Note**	**Q2 2016/17**	**Q2 2015/16**	**YTD 2016/17**	**YTD 2015/16**	**FY 2015/16**
Revenue		613	532	1,125	994	2,084
Production costs		-272	-253	-509	-472	-960
Gross profit		**341**	**279**	**616**	**522**	**1,124**
Selling and distribution costs		-132	-121	-264	-244	-481
Development costs		-18	-17	-36	-33	-66
Management and administration		-60	-56	-120	-114	-221
Other operating expenses		-10	0	-10	0	0
Operating profit (EBIT)		**121**	**85**	**186**	**131**	**356**
Financial income	10	-5	-13	18	0	6
Financial expenses	10	-6	2	-32	-13	-36
Profit before tax		**110**	**74**	**172**	**118**	**326**
Tax on profit for the period		-26	-22	-40	-35	-76
Net profit for the period		**84**	**52**	**132**	**83**	**250**
Earnings per share in DKK						
Earnings per share (EPS)		1.78	1.09	2.74	1.74	5.27
Diluted earnings per share (EPS-D)		1.73	1.06	2.66	1.69	5.13

Statement of comprehensive income	**Q2 2016/17**	**Q2 2015/16**	**YTD 2016/17**	**YTD 2015/16**	**FY 2015/16**
Net profit for the period	84	52	132	83	250
Other comprehensive income:					
Items which are moved to the income statement under certain conditions:					
Translation adjustment in foreign subsidiaries	-12	-40	34	-14	-4
Adjustment to fair value for the period:					
Cash flow hedging, realisation of deferred gains/losses	0	0	-1	0	3
Cash flow hedging, deferred gains/losses for the period	-4	2	-4	2	3
Tax on hedging transactions	1	0	1	0	-1
Other comprehensive income after tax	**-15**	**-38**	**30**	**-12**	**1**
Comprehensive income for the period	**69**	**14**	**162**	**71**	**251**

Balance sheet – Group

Interim report Q2 2016/17

DKKm

Assets	Note	31.03.17	31.03.16	30.09.16
Acquired technologies, trademarks and customer relations		181	93	185
Completed development projects		108	72	101
Rights		86	109	92
Goodwill		847	798	819
Development projects in progress		59	57	41
Intangible assets		**1,281**	**1,129**	**1,238**
Land and buildings		208	128	122
Plant and machinery		92	101	99
Other plant, fixtures and fittings, tools and equipment		32	33	27
Prepayments and plant under construction		41	14	23
Property, plant and equipment		**373**	**276**	**271**
Deferred tax asset		45	24	61
Other receivables		4	6	6
Other non-current assets		**49**	**30**	**67**
Total non-current assets		**1,703**	**1,435**	**1,576**
Inventories		321	294	287
Trade receivables		389	421	416
Other receivables		16	12	22
Income tax receivable		3	5	2
Prepayments		32	37	26
Cash		43	95	35
Total current assets		**804**	**864**	**788**
Total assets		**2,507**	**2,299**	**2,364**

Equity and liabilities	Note	31.03.17	31.03.16	30.09.16
Share capital		122	121	121
Other reserves		983	737	869
Equity		**1,105**	**858**	**990**
Provision for deferred tax		5	5	5
Other provisions		40	47	37
Interest-bearing debt	11	310	975	925
Non-current liabilities		**355**	**1,027**	**967**
Other provisions		2	8	4
Interest-bearing debt	11	730	78	65
Trade payables		124	94	104
Income tax		11	38	66
Other payables		132	165	134
Derivative financial instruments		48	31	34
Current liabilities		**1,047**	**414**	**407**
Total liabilities		**1,402**	**1,441**	**1,374**
Total equity and liabilities		**2,507**	**2,299**	**2,364**

Cash flow statement – Group

Interim report Q2 2016/17

DKKm

	Note	31.03.17	31.03.16	30.09.16
Net profit for the period		132	83	250
Adjustment of items with no cash flow effect	6	112	105	215
Income tax paid		-83	-69	-75
Interest expenses and similar items		-27	-27	-29
Changes in working capital	7	29	-20	8
Cash flows from operating activities		**163**	**72**	**369**
Purchase of non-current assets		-69	-38	-84
Cash flows from investing activities before acquisitions of enterprises and technology		-69	-38	-84
Free cash flows before acquisitions of enterprises and technology		**94**	**34**	**285**
Acquisition of technology		0	0	-59
Acquisitions of enterprises	8	0	0	-96
Cash flows from acquisitions of enterprises and technology		0	0	-155
Cash flows from investing activities		**-69**	**-38**	**-239**
Free cash flows after acquisitions of enterprises and technology		**94**	**34**	**130**
Raising of long-term debt		0	324	274
Repayment of debt to credit institutions		-50	0	0
Repayment in respect of finance leases		-2	-1	-1
Capital increase, Class B share capital		20	4	5
Exercise of options		6	3	3
Cash settlement, options		0	-32	-32
Purchase of Ambu A/S shares, treasury shares		0	-189	-283
Dividend paid		-75	-46	-46
Dividend, treasury shares		2	1	1
Cash flows from financing activity		**-99**	**64**	**-80**
Changes in cash and cash equivalents		**-5**	**98**	**50**
Cash and cash equivalents, beginning of period		21	-29	-29
Translation adjustment of cash and cash equivalents		0	0	0
Cash and cash equivalents, end of period		**16**	**69**	**21**
Cash and cash equivalents, end of period, are composed as follows:				
Cash		43	95	35
Bank debt		-27	-26	-14
		16	**69**	**21**

Statement of changes in equity – Group

Interim report Q2 2016/17

DKKm

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2016	**121**	**37**	**2**	**124**	**631**	**75**	**990**
Net profit for the period					132		132
Other comprehensive income for the period			-4	34			30
Total comprehensive income	**0**	**0**	**-4**	**34**	**132**	**0**	**162**
Transactions with the owners:							
Exercise of options					6		6
Share-based payment					6		6
Tax deduction relating to share options					-6		-6
Purchase of treasury shares					0		0
Distributed dividend						-73	-73
Dividend, treasury shares					2	-2	0
Capital increase, Class B share capital	1	19					20
Equity as at 31 March 2017	**122**	**56**	**-2**	**158**	**771**	**0**	**1,105**

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2015	**121**	**32**	**-3**	**128**	**712**	**46**	**1,036**
Changed accounting policies (note 1)					-2		-2
Corrected equity as at 1 October 2015	**121**	**32**	**-3**	**128**	**710**	**46**	**1,034**
Net profit for the period					83		83
Other comprehensive income for the period			2	-14			-12
Total comprehensive income	**0**	**0**	**2**	**-14**	**83**	**0**	**71**
Transactions with the owners:							
Exercise of options					3		3
Cash settlement, options					-32		-32
Share-based payment					4		4
Tax deduction relating to share options					8		8
Purchase of treasury shares					-189		-189
Distributed dividend						-45	-45
Dividend, treasury shares					1	-1	0
Capital increase, Class B share capital	0	4					4
Equity as at 31 March 2016	**121**	**36**	**-1**	**114**	**588**	**0**	**858**

Other distributable 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 983m (31 March 2016: DKK 737m).

Notes to the interim report

Interim report Q2 2016/17

Section 1: Basis of preparation of interim report

Section 2: Operating activities and cash flows

Section 3: Invested capital and working capital

Section 4: Financial risk management, capital structure and net financials

Section 5: Provisions, other liabilities etc.

Note 1 – Basis of preparation of the interim report

The interim report for the period 1 October 2016 to 31 March 2017 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 2015/16 with the exception of the early implementation of IFRS 9 described below. The ratios have been calculated in accordance with the Danish Finance Society's 'Recommendations and Financial Ratios 2015'. For definitions, reference is made to note 5.10 in the annual report for 2015/16.

The group has decided to implement IFRS 9 early in Q2 2016/17. The implementation of IFRS 9 has led to changes in the accounting policies for recognition of credit risk associated with trade receivables and other receivables. In the past, receivables were tested for impairment when objective evidence existed in the form of delayed payments and provable financial problems for debtors etc.Under IFRS 9, write-downs for bad debts must be recognised at the time of the initial recognition of the claim. As the group has historically suffered only limited losses on bad debts, the implementation of IFRS 9 has no significant impact on the group's financial position or income statement. Reference is made to the consolidated statement of changes in equity, from which the effect can be seen, a total of DKK 2m.

The implementation of IFRS 9 has also resulted in changes in accounting policies for hedge accounting. In the past, hedge accounting has been used to the extent that management was able to document high expected and realised effectiveness. Under IFRS 9, the requirement is for an economic relationship only. For the purpose of partially hedging the group's future and agreed financing, in Q2 2016/17 the management has entered into an interest rate swap involving receipt of CIBOR 3 months and payment of a fixed interest rate. This instrument does not contain a 'floor' on CIBOR 3 months, as is the case for the secured debt. Despite the lack of a 'floor' in the hedging instrument, the management deems that an economic relationship exists as an interest rate increase is deemed to be more likely than a further decline in interest rates, and has therefore decided to apply the rules set out in IFRS 9 on hedge accounting. The fair value adjustment of the instrument for the period has thus been recognised in other comprehensive income.

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 2015/16 over and above the changes described below.

With effect from Q1 2016/17, the management has changed its estimate of the useful lives of completed development projects from 5 years to up to 10 years. With this change, the management believes that the useful lives of completed development projects to a greater extent correspond to the period in which Ambu obtains a financial advantage from these development projects. The effect of this change in H1 2016/17 on EBIT amounts to DKK 6m. For Q2 2016/17, the effect on EBIT is DKK 3m.

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 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 and partially Q2 as well as a reduction of 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.

Note 5 – Development in balance sheet since 30 September 2016

Since the beginning of the financial year, non-current assets have increased by a net amount of DKK 127m to DKK 1,703m.The increase was driven by the recognition of a domicile property held under a finance lease of DKK 88m, investments of DKK 69m, translation adjustments of DKK 28m and depreciation and amortisation of DKK 52m.

Inventories are up DKK 34m in readiness of higher activity levels in the coming quarters. Trade receivables have been reduced by DKK 27m, which is due to a consistently improved ability to recover receivables.

Interest-bearing debt rose by DKK 50m to DKK 1,040m.The increase is attributable to recognition of finance lease debt of DKK 86m.The distribution between long-term and short-term debt is affected by the fact that corporate bond debt falls due within one year. Reference is made to the management's review for information about the refinancing of this.

Other provisions under current and non-current liabilities totalled DKK 42m, up DKK 1m.

Other payables have been reduced by DKK 2m to DKK 132m, which is in line with expectations.

Note 6 – Adjustment of items with no cash flow effect

	YTD 2016/17	YTD 2015/16	30.09.16
Depreciation, amortisation and impairment losses	52	52	102
Share-based payment	6	4	7
Net financials and similar items	14	13	30
Tax on profit for the period	40	36	76
	112	**105**	**215**

Note 7 – Changes in working capital

	YTD 2016/17	YTD 2015/16	30.09.16
Changes in inventories	-28	-14	-6
Changes in receivables	38	45	57
Changes in trade payables etc.	19	-51	-43
	29	**-20**	**8**

DKKm

Note 8 – Business combinations

On 28 September 2016, Ambu acquired the Israeli company ETView Medical Ltd. with subsidiaries in Israel and the USA. The pre-acquisition balance sheet remained to be completed at the time of the publication of Ambu's annual report for 2015/16.

The pre-acquisition balance sheet presented in note 3.8 of the annual report has not changed significantly; however, the work on completing the balance sheet is still ongoing.

	Previous ownership interest	Acquired ownership interest	Takeover date	Type	Area	Cost
ETView Medical Ltd.	0%	100%	28 Sept. 2016	Share purchase	Anaesthesia	90

	YTD 2016/17	**FY 2015/16**
Technologies	0	99
Total intangible assets	0	99
Inventories	0	3
Trade receivables	0	1
Cash	0	1
Bank debt	0	-3
Payables	0	-18
Identifiable net assets	0	83
Goodwill	0	7
Total purchase price	**0**	**90**
The purchase price comprises:		
Cash and cash equivalents	0	90
	0	**90**
Transaction-related costs included in 'Management and administration'	0	2
Cash flows for the acquisition of enterprises	0	93

Note 9 – Risks

For a description of Ambu's risks, see the 'Risk management' section in the annual report for 2015/16, pages 23-24.

DKKm

Note 10 – Net financials

	Q2 2016/17	Q2 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Other financial income:					
Foreign exchange gains, net	-5	-13	15	0	6
Fair value adjustment, earn-out	0	0	3	0	0
Financial income	**-5**	**-13**	**18**	**0**	**6**

	Q2 2016/17	Q2 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Interest expenses:					
Interest expenses, banks	2	1	4	3	6
Interest expenses, bonds	6	6	12	12	24
Other financial expenses:					
Effect of shorter discount period, acquisition of technology	0	1	1	2	4
Fair value adjustment, swap	-2	-10	15	-4	2
Financial expenses	**6**	**-2**	**32**	**13**	**36**

Note 11 – Interest-bearing debt

	31.03.17	31.03.16	30.09.16
Corporate bonds	0	699	699
Credit institutions	225	275	225
Finance leases	85	1	1
Long-term interest-bearing debt	**310**	**975**	**925**

	31.03.17	31.03.16	30.09.16
Corporate bonds	700	0	0
Credit institutions	0	51	50
Bank debt	27	26	14
Finance leases	3	1	1
Short-term interest-bearing debt	**730**	**78**	**65**

Note 12 – Capital increase, treasury shares and dividend paid

Capital increases
A capital increase was implemented in November 2016 in connection with the exercise by employees of warrants issued in 2012. In consequence hereof, Ambu's share capital was increased by a nominal amount of DKK 41,000 through the issue of 16,400 Class B shares at a price of 39.50.

In February 2017, a second capital increase was implemented in connection with the exercise by employees of warrants issued in 2012 and 2013. In consequence hereof, Ambu's share capital was increased through the issue of 34,800 Class B shares at a price of 39.50 and 268,000 Class B shares at a price of 66.30.

Ambu's shares have a nominal value of DKK 2.50 per share.

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

	30.09.16	Change	31.03.17
No. of Class A shares	6,864,000	0	6,864,000
No. of Class B shares	41,506,720	319,200	41,825,920
	48,370,720	**319,200**	**48,689,920**
Share capital	120,926,800	798,000	121,724,800

Treasury shares
As at 30 September 2016, Ambu's holding of treasury shares totalled 1,365,472 shares. As at 31 March 2017, it had been reduced to 1,244,384 shares. The reduction is due to the exercise by employees of options granted.

Dividend paid
The Board of Directors' proposal for the distribution of dividend of DKK 1.55 per share was adopted at the company's annual general meeting on 12 December 2016. As at 31 March 2017, dividend of DKK 75m had been distributed to the company's shareholders after withholding of taxes.

Note 13 – 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.

Note 14 – Subsequent events

In addition to the matters described in this interim report, the management is not aware of any events subsequent to 31 March 2017 which could be expected to have a significant impact on the group's financial position.