



# INTERIM REPORT Q3 2010/11

BY CEO LARS MARCHER AND CFO ANDERS ARVAI



## AGENDA

- Developments in Q3 2010/11
- Status of GPS Four
- Outlook 2010/11

## HIGHLIGHTS

### Q3 2010/11

- Growth in revenue (in DKK) exceeding market growth – satisfactory growth in revenue in a number of regions in Europe and in the USA and Asia
- Gross margin up at 55.2% from 54.6% in the same period last year
- Improved earnings before special items
- Rising prices of raw materials, freight and environmental taxes
- Improved cash flow
- Planning of the last part of the transfer of production
- New version of aScope launched in April 2011



## HIGHLIGHTS

### Q1-Q3 2010/11

- Gross margin up at 55.4% from 54.1% in the same period last year
- Markedly improved earnings
- Continued strong growth in revenue, including significant growth in the USA
- Improved free cash flow
- Implementation of GPS Four strategy is progressing according to plan

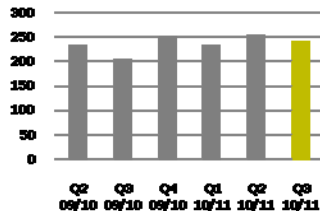
**6%**  
growth in  
revenue in local  
currencies

**17%**  
growth in  
operating profit  
before special  
items

**DKK 32m**  
is free cash flow

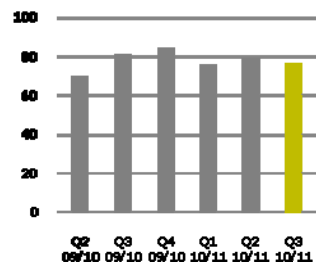
# SATISFACTORY GROWTH IN REVENUE

## Development in revenue, DKKm



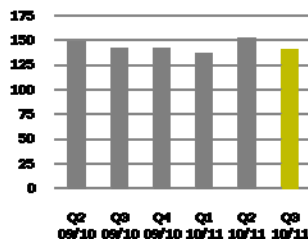
- Revenue in Q3 of DKK 241m – unchanged when measured in DKK and up 4% when measured in local currencies. Revenue YTD of DKK 729m – up 6%
- Growth higher than estimated market growth – Ambu wins market share
- Impact of changes in foreign exchange rates YTD relative to the same period last year DKK +1m.

## USA, DKKm



- Growth in revenue in Q3 of 6% when measured in local currencies. YTD growth of 9% in local currency – growth significantly in excess of market growth
- Launch of e-trading solution
- Growth within ventilation bags, laryngeal masks and Neurology products

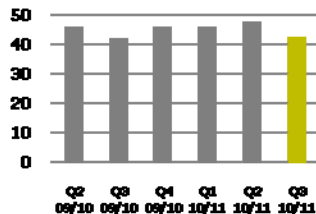
## Europe, DKKm



- Total growth of 1% when measured in local currencies in Q3 and YTD
- Average growth YTD corresponding to market growth
- Growth in sales region South of 5% and Central of 4%, which is above market growth
- Fall in revenue in sales region UK and West

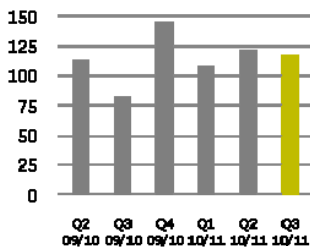
## DEVELOPMENTS WITHIN BUSINESS AREAS

### Airway Management, DKKm



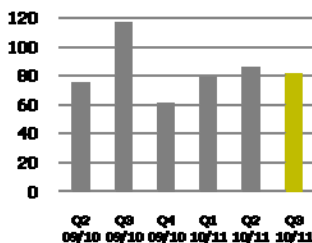
- Growth in revenue in Q3 of 1%, and 6% when measured in local currencies
- Growth in revenue YTD of 6% when measured in DKK and local currencies
- General market growth of 0-3%
- Generally sound growth within laryngeal masks and aScope

### Patient Monitoring & Diagnostics, DKKm



- Growth in revenue in Q3 of 2% when measured in local currencies
- Growth in revenue YTD of 5%, and 4% when measured in local currencies
- General market growth of approx. 3%
- Market share is being won within needles

### Emergency Care, DKKm



- Growth in revenue in Q3 of 1%, and 7% when measured in local currencies
- Growth in revenue YTD of 8%, also when measured in local currencies
- Growth within single-use ventilation bags
- Revenue impacted by ongoing project sales

## MARKET SITUATION

### EUROPE

- The debt crisis in Greece has had a limited negative impact
- Budget cuts in the UK health sector have halted the growth in revenue, as customers have reduced inventories
- Ambu is closely monitoring events for signs of further problems in southern Europe and in other European markets
- Ambu sees the European markets for its products as relatively stable, among other things because the products are used by hospitals in connection with surgery

## MARKET SITUATION

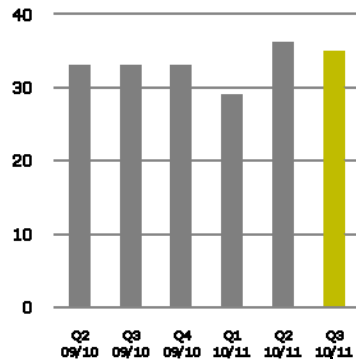
### USA

- YTD Ambu has not been materially affected by the US debt crisis
- Ambu is monitoring market developments closely and believes that the US health market will be negatively affected by any failure to resolve the US budgetary challenges
- Ambu sees the new US healthcare reform as a positive development for sales of its products



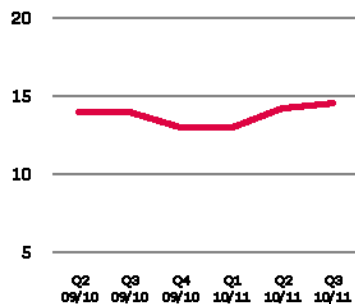
# OPERATING PROFIT

EBIT before special items, DKKm



- EBIT before special items amounted to DKK 35m in Q3 against DKK 33m in Q3 2009/10, up 6%
- EBIT before special items amounted to DKK 101m YTD against DKK 86m last year, up 17%
- Special expenses: DKK 32m (patent cases)
- No significant impact from exchange rates

EBIT margin before special items, %



- EBIT margin before special items of 14.5% in Q3
- EBIT margin before special items of 13.8% YTD – an increase of 1.1 percentage points relative to last year

## CASH FLOW

DKKm	Q1-Q3 2009/10	Q1-Q3 2010/11
Cash flow from operating activities	42.5	54.3
Cash flow from investing activities	(53.3)	(22.0)
<b>Free cash flow</b>	<b>(10.8)</b>	<b>32.3</b>
Cash flow from financing activities	20.2	(26.4)

- Cash flow from operating activities improved due to less funds tied up in working capital
- Investments lower YTD 2010/11 relative to last year
- Free cash flow significantly up DKK 43m relative to last year

# GPS FOUR

## STATUS OF AMBU'S BUSINESS STRATEGY



# HEADING FOR A STRONGER AMBU

## FOUR GPS COORDINATES

### Targets 2013

**GPS1** INNOVATION



Global market-leader within innovative single-use products for hospitals and rescue services

**GPS2** MARKETS AND SALES



Significantly higher revenue

**GPS3** EFFICIENCY



Increasing EBIT margin of up to 15%

**GPS4** ACQUISITIONS



Efficient operations and reduction in working capital

## GPS1 INNOVATION

- Global innovation organisation is in place – the effect of which will be reflected by a higher rate of development in the coming year
- New products: Updated version of aScope launched in April together with new neck collar
- New products accounting for an increasing share of revenue of 8% (target 10% in 2010/11)
- Q4 is expected to see the launch of new Emergency Care products

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**Following the establishment of a global innovation organisation, we expect to see an increase in innovation efficiency in the coming year, resulting in a higher rate of development**

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## GPS2

### MARKETS AND SALES

- Continued positive effect of the expansion of the sales force in the USA – improvement of direct sales
- Renewal of agreement with one of the largest US GPOs
- Direct sales in China and India being established
- Current activities in Brazil and Asia are resulting in strong growth rates
- Work going into concluding global distributor agreements

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**Ambu has intensified its activities within a number of areas to ensure continuous sales momentum. The USA and Asia are making satisfactory contributions to growth, and will do so even more in future**

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## GPS3 EFFICIENCY

- Gathering of all Danish activities in one location – in Ballerup
- The last phase of the transfer of production will be completed in Q4 2010/11
- Improved management tools are improving productivity at factories
- E-trading solution launched in the USA, and the group's ERP system is updated continuously

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The transfer of production will be completed in Q4 2010/11, whereby all Ambu's production takes place outside Denmark. This step has significantly strengthened earnings and Ambu's competitive edge

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## GPS4 ACQUISITIONS

- Primary focus on acquisitions which can strengthen the company's position within the hospital sector
- Several acquisition opportunities identified – both as regards product areas and companies

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**Growth via acquisitions is high on Ambu's agenda, and Ambu sees attractive potential for acquisition of both product areas and companies**

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# UPDATED OUTLOOK FOR 2010/11

	2010/11	Comments
Revenue	Approx. DKK 980m	Elaboration of in the region of DKK 1,000m. Based on an average USD rate of 520 the remaining part of 2010/11, previously based on an average rate of 540 for FY 2010/11
EBIT margin before special items, %	Minimum 14%	Adjusted upwards from approx. 14%
Profit before tax and special items	In the region of DKK 135m	Previously adjusted upwards from DKK 130m
Special items	Approx. DKK 31.5m	Costs relating to settlements and legal fees incidental to concluded patent cases in the USA and Europe and Ambu's counterclaims
Free cash flow before special items (excl. acquisitions)	In the region of DKK 80m	Previously adjusted upwards from approx. DKK 60-70m
Free cash flow after special items (excl. acquisitions)	In the region of DKK 50m	After special items of just over DKK 30m

# QUESTIONS





READ MORE AT [WWW.AMBU.COM](http://WWW.AMBU.COM)

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