Interim report for Q1 2019/20

Ambu begins the year with double-digit sales growth, and a good performance across all geographies. The expansion of the sales organization as well as the preparations for products to be launched during 2019/20 are progressing as planned. Full-year financial guidance is maintained.

"In the first quarter of 2019/20, we have successfully executed on the strategic decisions that were made last year, and with double-digit revenue growth at 14% we have a good start to the year. All geographies and business areas are performing as planned and on our biggest market, the US, we have managed to transition most of the business from the former distributor and done so ahead of plan. At the same time, we are expanding the US salesforce to be ready for the product launches in this financial year. Our launch plans are progressing as expected and we are on schedule to launch three major products for our single-use endoscopy business this year," says CEO Juan Jose Gonzalez.

Highlights for the quarter – Solid growth across business areas

- For Q1, revenue totalled DKK 760m (DKK 656m), with organic growth of 14% and reported growth of 16%. The difference between organic growth and reported growth is due to the strengthened USD/DKK exchange rate.
- Visualization contributed organic growth of 24%, Anaesthesia was 8%, and PMD (Patient Monitoring & Diagnostics) delivered 10%.
- North America contributed organic growth of 16%, while Europe delivered 11% and Rest of World 12%.
- Sales of single-use endoscopes totalled 180,000 units, up 21% relative to Q1 last year.
- Gross margin was 60.1% (59.9%), which is on par with Q1 last year.
- Capacity costs totalled DKK 364m (DKK 281m), corresponding to a 30% increase, primarily relating to investments in the Sales organization.
- EBIT before special items was DKK 93m (DKK 112m) with an EBIT margin before special items of 12.2% (17.1%).
- The working capital to revenue ratio ends at 20% (21%) based on rolling 12-month revenue.
- Free cash flows before acquisitions totalled DKK -190m (DKK +45m).
- The outlook for the financial year 2019/20 as announced in the annual report on 13 November 2019 is maintained:
    - Organic growth in the range of 16-22%

- EBIT margin before special items in the range of 12-14%
- Sales of approx. 900,000 endoscope units

A **conference call** is held today, 4 February 2020, at 10.00 (CET). To ask questions in the Q&A session, please call the following number five minutes before the start of the conference: +45 3544 5577 and enter the following access code: 72232066#. The conference is broadcast via www.ambu.com/webcastQ12020 and is held in English. The presentation can be downloaded immediately before the conference call via the same link.

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Financial highlights

DKKm	Q1 2019/20	Q1 2018/19	FY 2018/19
Income statement			
Revenue	760	656	2,820
Gross margin, %	60.1	59.9	58.0
EBITDA before special items	126	137	589
Depreciation	-19	-11	-51
Amortisation	-14	-14	-58
EBIT before special items	93	112	480
EBIT	93	112	306
Net financials	-37	-30	107
Profit before tax	56	82	413
Net profit for the period	42	63	317
Balance sheet			
Assets	4,680	4,262	4,558
Net working capital	593	568	387
Equity	2,127	1,874	2,182
Net interest-bearing debt	1,358	1,274	1,035
Invested capital	3,485	3,148	3,217
Cash flows			
Cash flows from operating activities	-110	93	533
Cash flows from investing activities before acquisitions	-80	-48	-259
Free cash flows before acquisitions of enterprises and technology	-190	45	274
Acquisitions of enterprises and technology	0	0	-2
Cash flows from operating activities, % of revenue	-14	14	19
Investments, % of revenue	-11	-7	-9
Free cash flows before acquisitions of enterprises, % of revenue	-25	7	10
Key figures and ratios			
Organic growth, %	14	15	4
Rate of cost, %	48	43	41
EBITDA margin before special items, %	16.6	20.9	20.9
EBIT margin before special items, %	12.2	17.1	17.0
EBIT margin, %	12.2	17.1	10.9
Tax rate, %	25	23	23
Return on equity, %	15	20	16
NIBD/EBITDA before special items	2.3	1.8	1.8
Equity ratio, %	45	44	48
Net working capital, % of revenue	20	21	14
Return on invested capital (ROIC), %	11	15	15
Average number of employees	3,203	2,819	2,957
Share-related ratios			
Market price per share (DKK)	112	157	114
Earnings per share (EPS) (DKK)	0.17	0.26	1.30
Diluted earnings per share (EPS-D) (DKK)	0.17	0.25	1.28

Q1 2019/20 is affected by the adoption of IFRS 16 'Leases' on October 1, 2019. Comparable information has not been restated. Please refer to note 1.

Management's review

Q1 2019/20

The investments in commercial expansion that were initiated in Q3 2018/19 are proceeding according to plan and Selling and distribution costs were up 36% primarily due to this expansion. The investments will continue as announced with the aim to strengthen the sales organizations across all endoscopy areas and to be ready for the upcoming product launches.

Sales performance – Regions

Comparative figures are stated in brackets.

DKKm	Q1 19/20	Q1 18/19	Organic growth	Fx	Reported growth
North America	376	315	16%	3%	19%
Europe	303	271	11%	1%	12%
Rest of World	81	70	12%	4%	16%
Revenue	**760**	**656**	**14%**	**2%**	**16%**

Revenue of DKK 760m (DKK 656m) was posted for Q1, corresponding to organic growth of 14% (15%), and reported growth of 16% (19%).

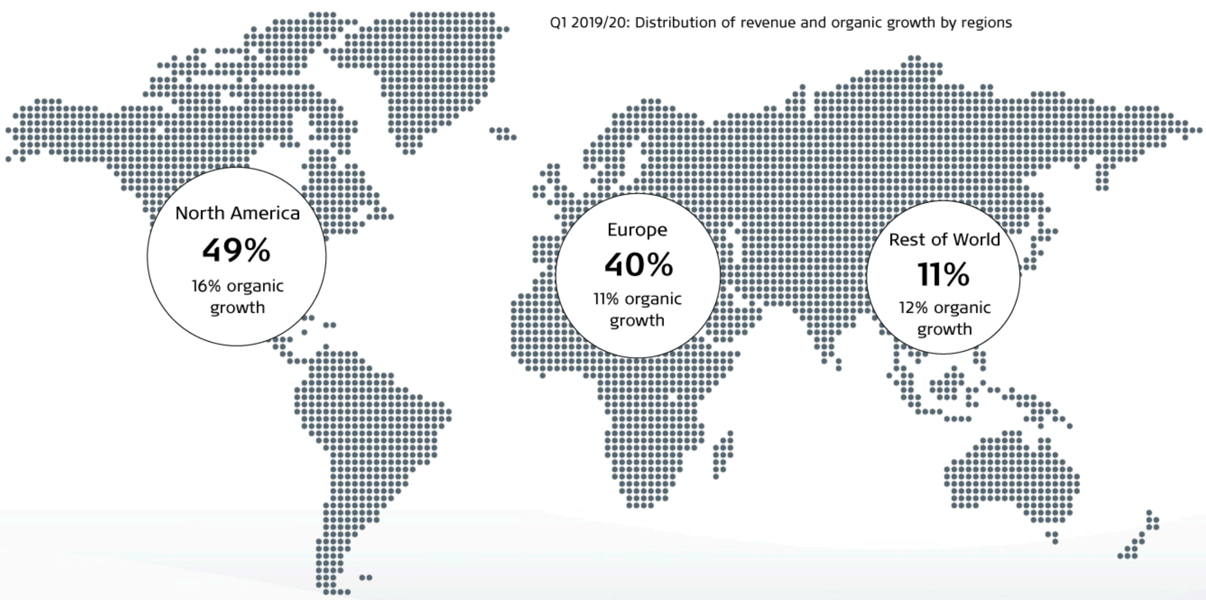
In Q4 2018/19, Ambu made two decisions with significant impact on growth, profits and free cash flow: Firstly, it was decided to transition the distributor of aScope in the US and switch to a purely direct sales organization within pulmonary endoscopy in the US, including buying back all inventories from the distributor. Secondly, it was decided to change the pricing policies to a range of US distributors within the core business with the aim of increasing overall prices without reducing the level of business in this market. Because of the above, the organic growth in Q4 took a significant hit and became negative at -19%.

In Q1 2019/20, we have achieved overall 14% organic growth, partly due to a successful execution on the above-mentioned decisions. We are in a phase of significant expansion of our sales force, and we expect this to contribute positively to growth in the quarters to come.

The results achieved are explained in more detail in the sections below.

North America accounted for 49% of revenue in Q1 based on organic growth of 16% (20%) while reported growth was 19% (28%).

In the North American market, the Visualization growth was negative in Q4 2018/19 due to the strategic decisions. In Q1, we are starting to see the benefits of these actions. Visualization saw organic growth of 23%, while Anaesthesia grew 8%, and PMD 24%. The transition of the aScope distributor has been achieved satisfactory with retention of most of the business, and in core distributors are placing orders close to previous levels leading to high growth rates in especially PMD.



The change of the distribution channel in Visualization has led to an increase of the average selling price (ASP) of aScope 4 Broncho in North America by approx. 15% which is in line with our expectations.

Europe accounted for 40% of revenue in Q1 based on organic growth of 11% (11%) and a reported growth of 12% (12%). Visualization achieved 22% organic growth, while Anaesthesia grew 9% and PMD 5%.

Rest of World accounted for 11% of revenue in Q1. Organic growth was 12% (10%), and reported growth was 16% (11%). Visualization achieved 38% organic growth, while both Anaesthesia and PMD grew 3%.

Sales performance – Business areas

Visualization

DKKm	Q1 19/20	Q1 18/19	Organic growth	Fx	Reported growth
North America	146	116	23%	3%	26%
Europe	117	96	22%	0%	22%
Rest of World	27	19	38%	4%	42%
Revenue	**290**	**231**	**24%**	**2%**	**26%**

In Q1, Visualization grew organically by 24% (42%), with reported growth of 26% (46%) and total revenue ended at DKK 290m.

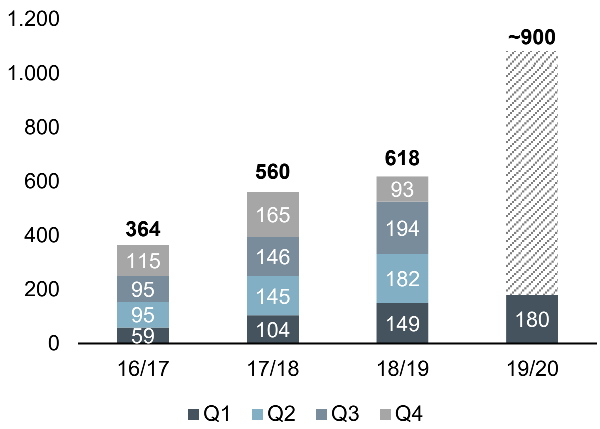
Organic growth for Visualization was 23% in North America (51%), 22% (32%) in Europe, and Rest of World showed 38% organic growth (43%).

Most of the Visualization revenue stems from sales of aScope 4 Broncho but the aScope™ 4 RhinoLaryngo Slim for ENT continues to show a very promising development. For the 31 weeks since the launch of our single-use solution for ENT, we have seen a positive volume trajectory at a level equal to a factor 4x compared to the performance for the aScope 3 in the US for the same weeks compared to the launch in February 2014.

We continue to see that the value proposition of our ENT scopes is well received and as cleaning standards for reusable scopes continue to raise, the value proposition for our single-use solution improves.

During Q1, we sold a total of 180,000 (149,000) endoscopes which is an increase of 21% compared to last year, and we are on track to sell 900,000 single-use endoscopes in the full year.

Number of endoscopes sold, '000 units



Our product development within Visualization is proceeding according to plan, and as previously announced we expect to launch three new products in 2019/20: A single-use cystoscope (Q2), our next-generation monitor (Q3) and a single-use duodenoscope (early Q4).

Anaesthesia

DKKm	Q1 19/20	Q1 18/19	Organic growth	Fx	Reported growth
North America	168	149	8%	5%	13%
Europe	55	51	9%	-1%	8%
Rest of World	33	31	3%	3%	6%
Revenue	**256**	**231**	**8%**	**3%**	**11%**

Within Anaesthesia, organic revenue growth was 8% (8%) in Q1, while reported growth was 11% (12%). Total revenue ended at DKK 256m.

Organic growth in North America was 8% including impact from the changes to pricing policies. The achieved revenue reflects the demand for our products in the market and at higher ASPs than previously achieved.

In Europe, organic growth of 9% (5%) was realized, while Rest of World generated organic growth of 3% (0%).

Patient Monitoring & Diagnostics (PMD)

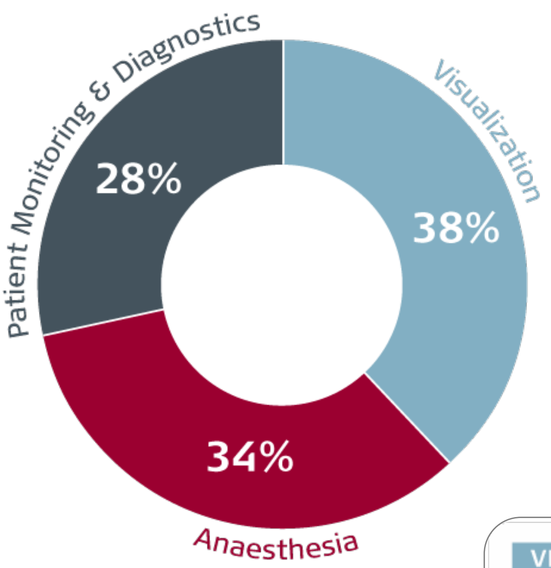
DKKm	Q1 19/20	Q1 18/19	Organic growth	Fx	Reported growth
North America	62	49	24%	3%	27%
Europe	131	124	5%	1%	6%
Rest of World	21	21	3%	-3%	0%
Revenue	**214**	**194**	**10%**	**0%**	**10%**

In Q1, PMD accounted for 28% (30%) of Ambu's revenue. Organic growth in PMD sales was 10% (1%) and reported growth 10% (3%).

The Q1 growth in PMD was driven by strong organic growth in North America at 24% (0%). The growth this quarter is significantly influenced by the changes made to the pricing policies last year, and these effects are expected to be significantly reduced over the coming quarters.

Organic growth rates in Europe and in Rest of World were 5% (2%) and 3% (3%), respectively.

Q1 revenue by business area



VISUALIZATION	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

FINANCIAL RESULTS

INCOME STATEMENT

DKKm	Q1 19/20	Q1 18/19	Change In value	Change %
Revenue	760	656	104	16%
Production costs	-303	-263	-40	15%
Gross profit	**457**	**393**	**64**	**16%**
Gross margin, %	*60.1*	*59.9*	-	-
Selling and distribution costs	-247	-182	-65	36%
Development costs	-30	-27	-3	11%
Management and administration	-87	-72	-15	21%
Total capacity costs	-364	-281	-83	30%
EBIT before special items	**93**	**112**	**-19**	**-17%**
EBIT margin before special items, %	*12.2*	*17.1*	-	-

Revenue and gross profit

Revenue for the quarter was DKK 760m, up DKK 104m from Q1 last year and corresponding to reported growth of 16% (19%). Reported growth is composed of organic growth of 14% (15%) and foreign exchange effects.

Gross profit was up 16% at DKK 457m (DKK 393m), and the gross margin increased by 0.2 percentage points to 60.1% (59.9%).

The gross profit was positively impacted by the reported growth in revenue and a more favorable sales mix from higher-margin products including effects from changes to distributor set-up and pricing in Q4 2018/19.

As in previous quarter, negative effects from reduced ASPs are minimal, except for the discounts agreed in Q2 2018/19 for the circuit product line with a major US-based GPO and where the full-year effects are almost achieved by the end of this current quarter.

Exposure to changes in foreign exchange rates

Just over 50% of Ambu's total revenue is invoiced in USD. In addition, just below 40% of revenue is invoiced in EUR or DKK, and approx. 5% in GBP, while the remaining 5% is invoiced in other currencies. Production and capacity costs are predominantly settled in USD, DKK, EUR, MYR and CNY.

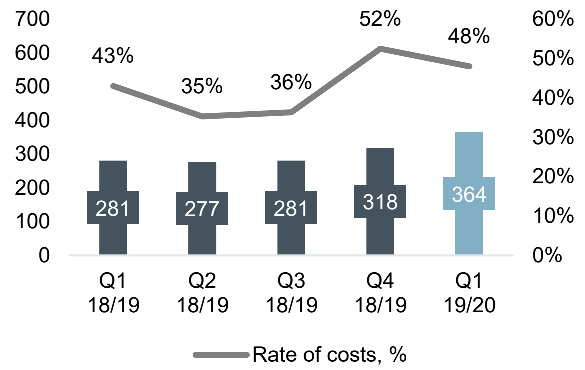
In Q1 2019/20, the average USD/DKK exchange rate was 675 (654), up 3%. The average CNY/DKK exchange rate appreciated by 1%, while GBP/DKK appreciated by 3%, and MYR/DKK by 3%. The combined exchange rate impact on this quarter's revenue is a positive 2%, or DKK 13m, while the net impact on earnings and EBIT margin before special items is limited due to the cost base in USD, including factories in China and Malaysia, which settle approx. 50% of their direct manufacturing costs in USD.

Capacity costs

In Q1, capacity costs totaled DKK 364m (281m), corresponding to a 30% absolute increase of DKK 83m. The commercial expansion announced on 17 June and 22 August 2019 is driving a significant increase in selling and distribution costs as well as an increase in workforce at the headquarters (HQ).

The rate of cost for Q1 was 48% (43%).

Total capacity costs and rate of cost, %



Selling and distribution costs were up DKK 65m or 36% at DKK 247m (DKK 182m) due to the expansion of the commercial infrastructure across all regions. The expansion is progressing well, and we will be ready to support the planned endoscopy launches in the second half of 2019/20.

The Medical Device Excise Tax in the US that was set to be effective from January 1, 2020 has been permanently repealed by the US Administration. As this was anticipated in our financial planning it will not have any impact on our expectations for the full-year EBIT-earnings.

Development costs increased by DKK 3m or 11% to DKK 30m (DKK 27m). The cash flow related to Innovation activities including ramp-up of manufacturing for new products in Q1 2019/20 is up DKK 31m or 67% to DKK 77m.

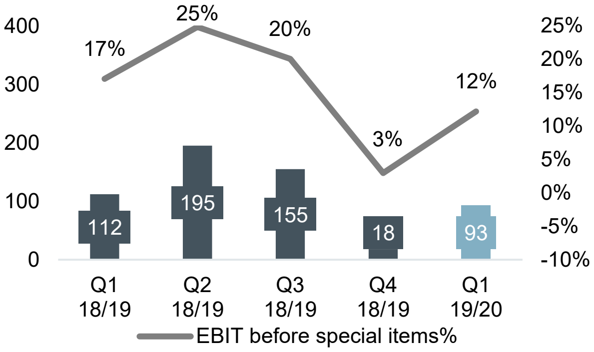
DKKm	Q1 19/20	Q1 18/19	Change in value
Development costs	30	27	3
÷ Amortisation related thereto	-14	-14	0
+ Investments	61	33	28
= Cash flow	**77**	**46**	**31**

Management and administrative expenses were up DKK 15m or 21% to DKK 87m (DKK 72m), which reflects increased activity level and the expansion of the HQ headcount.

Operating profit (EBIT) before special items

EBIT before special items was DKK 93m (DKK 112m), with an EBIT margin before special items of 12.2% (17.1%).

EBIT before special items – DKKm



Depreciation and amortisation

Depreciation and amortisation were an expense of DKK 33m (DKK 25m). Q1 2019/20 is affected by the depreciation of right-of-use assets recognized on the balance sheet on 1 October 2019 of DKK 6m following the implementation of IFRS 16 'Leases'.

EBITDA before special items

EBITDA before special items was DKK 126m (DKK 137m) with an EBITDA margin before special items of 16.6% (20.9%).

Special items and EBIT

Special items were DKK 0m (DKK 0m) in Q1, and EBIT was DKK 93m (DKK 112m) in Q1.

Net financials

Net financials amounted to expenses of DKK 37m, against net financial expenses of DKK 30m in Q1 the year before.

The changes are composed as follows:

- Foreign exchanges constitute a net expense of DKK 17m (DKK 0m).
- Interest expenses on bank and lease debt totalled DKK 7m (DKK 5m).
- Fair value adjustments of derivative instruments constituted a net income of DKK 4m (net expense of DKK 3m).
- The interest element from liabilities stated at present amortised value is recognised as a net expense of DKK 1m (DKK 1m).
- Fair value adjustments of contingent consideration relating to the acquisition of Invendo Medical GmbH represent a net expense of DKK 16m (DKK 21m).

Tax

Tax on profit for the quarter totalled DKK -14m (DKK -19m), corresponding to a tax rate of 25% (23%).

The tax rate is in line with Ambu's expected effective tax rate going forward of approx. 23% adjusted for non-deductible and non-taxable items.

Net profit

A net profit of DKK 42m (DKK 63m) was posted for the quarter, equivalent to 6% (10%) of the revenue.

Earnings per share (EPS)

Year to date, earnings per share were DKK 0.17 (DKK 0.26).

Balance sheet

At the end of December 2019, Ambu had total assets of DKK 4,680m (DKK 4,262m).

Balance sheet condensed by main items

DKKm	Q1 19/20	Q1 18/19	Change in value
Non-current assets	3,467	3,272	195
Inventories	514	438	76
Trade receivables	513	415	98
Other current assets	61	55	6
Cash	125	82	43
Total assets	**4,680**	**4,262**	**418**
Equity	2,127	1,874	253
Contingent consideration	395	520	-125
Interest bearing debt	1,483	1,356	127
Trade and other payables	491	345	146
Other liabilities	184	167	17
Total equity and liabilities	**4,680**	**4,262**	**418**

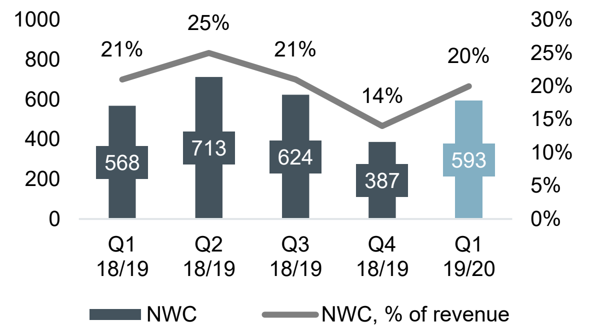
Total invested capital was DKK 3,485m, up DKK 337m from last year with a 11% (15%) return on invested capital based on EBIT before special items.

Non-current assets at the end of the quarter were DKK 3,467m, up DKK 195m from Q1 last year and driven by total investments of DKK 80m (DKK 48m). Total investments are split between development projects incl. the ramping-up of manufacturing for new products of DKK 61m (DKK 33m) and other tangible investments of DKK 19m (DKK 15m).

The adoption of IFRS 16 'Leases' accounted for DKK 57m in right-of-use assets recognised on 1 October 2019 corresponding to 1.3% of total assets. Reference is made to note 1 for a more detailed explanation of the effect on the group's financial position.

Net working capital
At the end of Q1, net working capital was DKK 593m (DKK 568m), corresponding to 20% (21%) of 12 months' revenue. Net working capital is affected by the transitioning of the US distributor in Q4 as remaining compensation of DKK 68m was paid in January 2020 and inventory levels have not yet normalised after inventory buy-back. Collectively, these items reduce the reported net working capital by approx. 2 percentage points.

Net working capital and net working capital relative to revenue, %



Inventories were DKK 514m at the end of Q1 against DKK 438m at the same time last year. The growth in absolute values of DKK 76m or 17% is explained by organic growth in our business, the buyback of inventories from the distributor in the USA and increased safety stocks at our factories.

We still expect the bought-back inventories in the USA of 81,000 units of scopes to be sold by the end of Q2 2019/20, where after inventories of finished goods will reach a normalized level.

Trade receivables totalled DKK 513m at the end of the quarter against DKK 415m at the same time last year. Calculated at fixed exchange rates on a twelve-month basis, the average number of credit days was 59 (51).

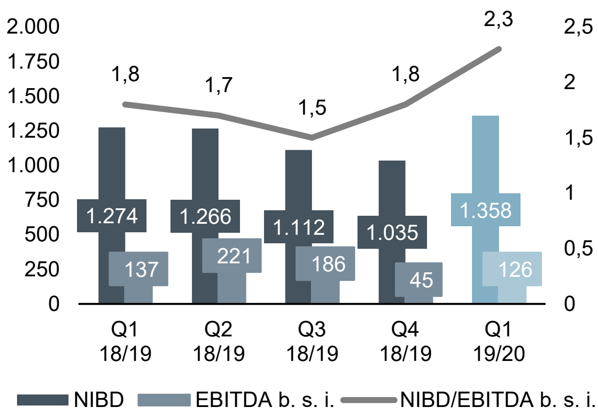
The increase in credit days is primarily caused by low revenue that was achieved in Q4 2018/19 and will even out towards the end of 2019/20. The credit risk attaching to outstanding debtors is unchanged, and Q1 was not affected by impairment of debtors to any significant extent.

Trade and other payables totalled DKK 491m (DKK 345m), up DKK 146m or 42% from last year. Besides the expansion in costs quarter over quarter, the significant increase is caused by special items expensed in FY 2018/19 of which DKK 80m remains to be paid.

Net interest-bearing debt and gearing
Cash and cash equivalents amounted to DKK 125m (DKK 82m), and total net interest-bearing debt (NIBD) was DKK 1,358m (DKK 1,274m), corresponding to 2.3 (1.8) of EBITDA before special items.

At the end of December 2019, Ambu had unutilised capital resources from cash, draft and credit facilities of approx. DKK 1.1bn (DKK 1.2bn).

NIBD, EBITDA (before special items) and NIBD/ EBITDA (before special items)



Contingent consideration was DKK 395m at the end of the quarter against DKK 520m last year. Contingent consideration was DKK 378m at the end of Q4 2018/19, and the increase of DKK 17m since Q4 is due to the unwinding of cash flows. The decrease since Q1 2018/19 is due to fair value adjustments of no longer expected earn-out payments and the timing of the milestone payment as reported on 22 August 2019. The contingent consideration relating to the milestone payment maturing upon FDA approval of the duodenoscope (EUR 40m) is classified as short-term debt at a fair value of DKK 276m. This milestone payment will be funded out of Ambu's existing credit facilities.

Other liabilities were DKK 184m (DKK 167m), corresponding to an increase over last year of DKK 17m.

Equity

At the end of December 2019, equity totalled DKK 2,127m (DKK 1,874m), corresponding to an equity ratio of 45% (44%) of total assets.

Other comprehensive income
Other comprehensive income includes a translation adjustment arising from the translation of foreign subsidiaries of DKK -21m (DKK 14m) because of a -3% depreciation of the USD/DKK exchange rate since 30 September 2019.

Other equity
At the general meeting held on 17 December 2019, it was decided to pay dividend of DKK 96m to the shareholders. Since the general meeting, the dividend of DKK 96m has been distributed, including DKK 2m on Ambu's portfolio of treasury shares.

At the end of Q1, Ambu employees have exercised a total of 300,000 purchase options in Ambu A/S.

In accordance with Ambu's remuneration policy, a general employee share programme for 2019/20 was established again in Q1, while the general employee share programme for 2017/18 has vested, and Ambu's obligations in this respect have thus been fulfilled. Consequently, the holding of treasury shares was reduced by 122,864 Class B shares in Ambu A/S.

At the end of Q1, Ambu's holding of treasury Class B shares had hereafter been reduced by 422,864 to 6,019,775 (7,611,359), corresponding to 2.390% (3.028%) of the total share capital.

In addition, at the end of Q1, Ambu employees had exercised a total of 40,000 warrants to subscribe for shares in Ambu A/S.

In certain jurisdictions, Ambu obtains a deduction for employees' gains from the exercise of options and warrants. During the quarter, equity was decreased by DKK 1m (DKK 3m), corresponding to the value adjustment of any deductible value of employee gains.

Cash flow statement

Free cash flow before acquisitions was down DKK 235m at DKK -190m (DKK 45m) from Q1 last year, corresponding to -25% of revenue (7%). The negative free cash flow is as expected and is caused by the normalization of working capital due to the strategic decisions made in Q4 2018/19. In addition, the payment of the compensation of DKK 68m to the former distributor has reduced the free cash flow.

DKKm	Q1 19/20	Q1 18/19	Change in value
Cash flow from operating activities	-110	93	-203
Cash flow from investing activities before acquisitions	-80	-48	-32
Free cash flow before acquisitions	**-190**	**45**	**-235**
Acquisitions of enterprises and technology	0	0	-
Cash flow from financing activities	195	-26	221
Changes in cash	5	19	-14
Cash flows in % of revenue:			
Cash flow from operating activities	-14%	14%	-
Investments	-11%	-7%	-
Free cash flow before acquisitions	-25%	7%	-

Cash flow from operating activities (CFFO) amounted to DKK -110m, representing a decrease of DKK 203m compared to Q1 in the prior year, corresponding to -14% of revenue (14%). The negative CFFO is ascribable to a change in net working capital in Q1 of DKK -223m.

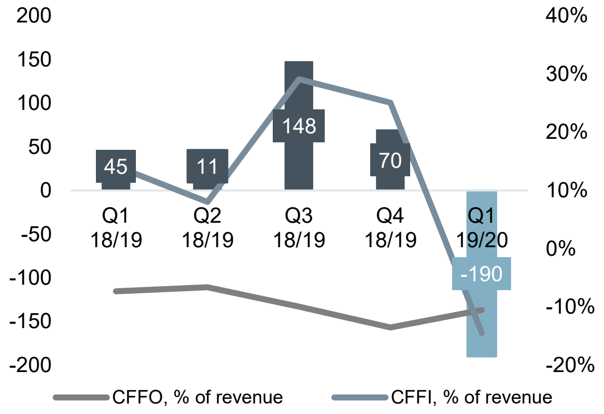
Cash flow from investing activities (CFFI) totalled DKK -80m, based on an increase in investments of DKK 32m, mainly from increasing innovation activities as described above.

Total investments equate to 11% (7%) of revenue.

Free cash flow before acquisitions of enterprises and technology then totalled DKK -190m (DKK 45m).

The milestone payment of DKK 298m (EUR 40m) relating to FDA approval of the duodenoscope is expected to mature in the second half of FY 2019/20.

Free cash flow before acquisitions – DKKm



Cash flow from financing activities (CFFF) amounted to DKK 195m (DKK -26m). The cash flow primarily relates to the raising of long-term debt of DKK 275m (DKK 50m) and dividend distributed to the shareholders of DKK 77m (DKK 81m).

Changes in cash and cash equivalents then come to DKK 5m (DKK 19m).

Other matters

Changes to Board of Directors

At Ambu's annual general meeting on 17 December 2019, two new members joined the Board of Directors. Lars Rasmussen was elected chairman replacing Jens Bager, and Britt Meelby Jensen was elected member of the board.

Study shows how single-use reduces costs by 50%

A new study conducted at Guy's and St Thomas' NHS Foundation Trust Department of Anaesthesia in London has found that single-use flexible bronchoscopes are more cost-effective and associated with a lower risk of infection than reusable flexible bronchoscopes.

The study found that the direct cost per use of reusable flexible bronchoscopes is above the cost of Ambu's single-use aScope™ 4 Broncho. In addition, when the cost of treatment of infections is considered, the total cost per use for reusable flexible bronchoscopes more than doubles. The study findings were published in the British medical journal Anaesthesia on 8 November 2019.

Outlook 2019/20

The outlook for the financial year 2019/20 as announced in the annual report on 13 November 2019 is maintained:

Local currencies

	4 February 2020	13 November 2019
Organic growth	16-22%	16-22%

Danish kroner

	4 February 2020	13 November 2019
EBIT margin before special items	12-14%	12-14%

Exchange rate assumptions for 2019/20

	4 February 2020	13 November 2019
USD/DKK	675	665
CNY/DKK	98	95
MYR/DKK	165	160
GBP/DKK	880	865

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 2019/20

2020	
7 April	Quiet period ending 5 May 2020
5 May	Interim report Q2 2019/20
29 July	Quiet period ending 26 August 2020
26 August	Interim report Q3 2019/20
30 September	End of FY 2019/20

Financial diary 2020/21

2020	
14 October	Quiet period ending 11 November 2020
11 November	Annual report 2019/20
9 December	Annual general meeting

Quarterly results

DKKm	Q1 2019/20	Q4 2018/19	Q3 2018/19	Q2 2018/19	Q1 2018/19
Composition of revenue, products:					
Visualization	290	132	295	283	231
Anaesthesia	256	243	257	260	231
Patient Monitoring & Diagnostics	214	231	221	242	194
Revenue	**760**	**606**	**773**	**785**	**656**
Key figures, revenue:					
Endoscopes sold, ’000 units	180	93	194	182	149
Growth in number of endoscopes sold, %	21	-44	33	26	43
Composition of reported growth:					
Organic growth, %	14	-19	10	14	15
IFRS 15 effects on reported growth, %	0	1	2	2	1
Exchange rate effects, %	2	1	3	5	3
Reported revenue growth, %	**16**	**-17**	**15**	**21**	**19**
Organic growth, products:					
Visualization, %	24	-47	30	27	42
Anaesthesia, %	8	-7	0	5	8
Patient Monitoring & Diagnostics, %	10	-3	2	10	1
Organic growth, %	**14**	**-19**	**10**	**14**	**15**
Organic growth, markets:					
North America, %	16	-51	15	16	20
Europe, %	11	8	5	9	11
Rest of World, %	12	23	9	24	10
Organic growth, %	**14**	**-19**	**10**	**14**	**15**
Revenue	760	606	773	785	656
Production costs	-303	-270	-337	-313	-263
Gross profit	**457**	**336**	**436**	**472**	**393**
Gross margin, %	*60.1*	*55.4*	*56.4*	*60.1*	*59.9*
Selling and distribution costs	-247	-209	-190	-181	-182
Development costs	-30	-27	-26	-23	-27
Management and administration	-87	-82	-65	-73	-72
Total capacity costs	*-364*	*-318*	*-281*	*-277*	*-281*
Operating profit (EBIT) before special items	**93**	**18**	**155**	**195**	**112**
EBIT margin before special items, %	*12.2*	*3.0*	*20.1*	*24.8*	*17.1*
Special items	0	-136	-38	0	0
Operating profit (EBIT)	**93**	**-118**	**117**	**195**	**112**
EBIT margin, %	*12.2*	*-19.5*	*15.1*	*24.8*	*17.1*
Financial income	4	4	131	5	0
Financial expenses	-41	-6	33	-30	-30
Profit before tax (PBT)	**56**	**-120**	**281**	**170**	**82**
Tax on profit for the period	-14	28	-65	-40	-19
Net profit for the period	**42**	**-92**	**216**	**130**	**63**

Quarterly results (continued)

DKKm	Q1 2019/20	Q4 2018/19	Q3 2018/19	Q2 2018/19	Q1 2018/19
Balance sheet:					
Assets	4,680	4,558	4,357	4,418	4,262
Net working capital	593	387	624	713	568
Equity	2,127	2,182	2,226	2,075	1,874
Net interest-bearing debt	1,358	1,035	1,112	1,266	1,274
Invested capital	3,485	3,217	3,338	3,341	3,148
Cash flows, in DKKm:					
Cash flows from operating activities	-110	152	225	63	93
Cash flows from investing activities before acquisitions of enterprises and technology	-80	-82	-77	-52	-48
Free cash flows before acquisitions of enterprises and technology	-190	70	148	11	45
Acquisitions of enterprises and technology	0	0	-1	-1	0
Cash flows, in % of revenue:					
Cash flows from operating activities	-14	25	29	8	14
Cash flows from investing activities before acquisitions of enterprises and technology	-11	-13	-10	-7	-7
Free cash flows before acquisitions of enterprises and technology	-25	12	19	1	7
Key figures and ratios:					
Capacity costs	364	318	281	277	281
Rate of cost, %	48	52	36	35	43
EBITDA before special items	126	45	186	221	137
EBITDA margin before special items, %	16.6	7.4	24.1	28.2	20.9
Depreciation	-19	-13	-15	-12	-11
Amortisation	-14	-14	-16	-14	-14
EBIT before special items	93	18	155	195	112
EBIT margin before special items, %	12.2	3.0	20.1	24.8	17.1
NIBD/EBITDA before special items	2.3	1.8	1.5	1.7	1.8
Net working capital, % of revenue	20	14	21	25	21
Share-related ratios:					
Market price per share (DKK)	112	114	106	176	157
Earnings per share (EPS) (DKK)	0.17	-0.38	0.88	0.53	0.26
Diluted earnings per share (EPS-D) (DKK)	0.17	-0.37	0.87	0.52	0.25

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 2019 to 31 December 2019. 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 2019 and of the results of the group's operations and cash flows for the period 1 October 2019 to 31 December 2019.

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, 4 February 2020

Executive Board

Juan Jose Gonzalez
CEO

Michael Højgaard
CFO

Board of Directors

Lars Rasmussen
Chairman

Mikael Worning
Vice-Chairman

Britt Meelby Jensen

Oliver Johansen

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 2019/20

Contents

Ambu® aScope™ 4 RhinoLaryngo Slim is a sterile single-use endoscope. It is used for procedures in the nose and throat.

Income statement and statement of comprehensive income – Group

Interim report Q1 2019/20

DKKm

Income statement		Q1 2019/20	Q1 2018/19	FY 2018/19
Revenue	4	760	656	2,820
Production costs		-303	-263	-1,183
Gross profit		**457**	**393**	**1,637**
Selling and distribution costs		-247	-182	-762
Development costs		-30	-27	-103
Management and administration		-87	-72	-292
Operating profit (EBIT) before special items		**93**	**112**	**480**
Special items		0	0	-174
Operating profit (EBIT)		**93**	**112**	**306**
Financial income	9	4	0	140
Financial expenses	9	-41	-30	-33
Profit before tax		**56**	**82**	**413**
Tax on profit for the period		-14	-19	-96
Net profit for the period		**42**	**63**	**317**
Earnings per share in DKK				
Earnings per share (EPS)		0.17	0.26	1.30
Diluted earnings per share (EPS-D)		0.17	0.25	1.28

Statement of comprehensive income	Q1 2019/20	Q1 2018/19	FY 2018/19
Net profit for the period	42	63	317
Other comprehensive income:			
Items which are moved to the income statement under certain conditions:			
Translation adjustment in foreign subsidiaries	-21	14	65
Other comprehensive income after tax	**-21**	**14**	**65**
Comprehensive income for the period	**21**	**77**	**382**

Balance sheet – Group

Interim report Q1 2019/20

DKKm

Assets	Note	31.12.19	31.12.18	30.09.19
Acquired technologies, trademarks and customer relations		128	142	134
Acquired technologies in progress		661	661	661
Completed development projects		153	131	161
Development projects in progress		286	151	229
Rights		55	65	57
Goodwill		1,529	1,513	1,547
Intangible assets		**2,812**	**2,663**	**2,789**
Land and buildings	1	324	285	290
Plant and machinery		112	98	114
Other plant, fixtures and fittings, tools and equipment	1	88	50	58
Prepayments and plant under construction		54	33	59
Property, plant and equipment		**578**	**466**	**521**
Deferred tax asset		77	143	87
Other non-current assets		**77**	**143**	**87**
Total non-current assets		**3,467**	**3,272**	**3,397**
Inventories		514	438	506
Trade receivables		513	415	474
Other receivables		17	12	16
Income tax receivable		4	7	5
Prepayments		40	36	40
Cash		125	82	120
Total current assets		**1,213**	**990**	**1,161**
Total assets		**4,680**	**4,262**	**4,558**

Equity and liabilities	Note	31.12.19	31.12.18	30.09.19
Share capital		126	126	126
Other reserves		2,001	1,748	2,056
Equity		**2,127**	**1,874**	**2,182**
Deferred tax		65	40	66
Provisions		30	37	38
Contingent consideration	12	119	520	114
Interest-bearing debt	1, 10	1,459	1,353	1,151
Non-current liabilities		**1,673**	**1,950**	**1,369**
Provisions		13	3	5
Contingent consideration	12	276	0	264
Interest-bearing debt	1, 10	24	3	4
Trade payables		196	165	266
Income tax		67	78	72
Other payables		295	180	383
Derivative financial instruments		9	9	13
Current liabilities		**880**	**438**	**1,007**
Total liabilities		**2,553**	**2,388**	**2,376**
Total equity and liabilities		**4,680**	**4,262**	**4,558**

Cash flow statement – Group

Interim report Q1 2019/20

DKKm

	Note	YTD 2019/20	YTD 2018/19	FY 2018/19
Operating profit (EBIT)		93	112	306
Adjustment of items with no cash flow effect	6	37	30	121
Changes in net working capital	7	-223	-34	170
Interest expenses and similar items		-8	-3	-20
Income tax paid		-9	-12	-44
Cash flows from operating activities		**-110**	**93**	**533**
Investments in intangible assets		-57	-28	-159
Investments in tangible assets		-23	-20	-100
Cash flows from investing activities before acquisitions of enterprises and technology		-80	-48	-259
Free cash flows before acquisitions of enterprises and technology		**-190**	**45**	**274**
Acquisition of technology		0	0	-2
Cash flows from acquisitions of enterprises and technology		0	0	-2
Cash flows from investing activities		**-80**	**-48**	**-261**
Free cash flows after acquisitions of enterprises and technology		**-190**	**45**	**272**
Raising of long-term debt		275	50	75
Repayment of debt to credit institutions		0	0	-225
Repayment in respect of leases		-11	-2	-8
Exercise of options		3	0	17
Dividend paid		-77	-81	-101
Dividend, treasury shares		2	3	3
Capital increase, Class B share capital		3	4	16
Cash flows from financing activities		**195**	**-26**	**-216**
Changes in cash and cash equivalents		**5**	**19**	**56**
Cash and cash equivalents, beginning of period		120	63	63
Translation adjustment of cash and cash equivalents		0	0	1
Cash and cash equivalents, end of period		**125**	**82**	**120**
Cash and cash equivalents, end of period, are composed as follows:				
Cash		125	82	120
Cash and cash equivalents, end of year		**125**	**82**	**120**

Statement of changes in equity – Group

Interim report Q1 2019/20

DKKm

	Share capital	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity 1 October 2019	**126**	**0**	**154**	**1,806**	**96**	**2,182**
Net profit for the period				42		42
Other comprehensive income for the period		0	-21			-21
Total comprehensive income	**0**	**0**	**-21**	**42**	**0**	**21**
Transactions with the owners:						
Share-based payment				4		4
Tax deduction relating to share options				-1		-1
Exercise of options				3		3
Sale of treasury shares, employee share programme				9		9
Distributed dividend					-94	-94
Dividend, treasury shares				2	-2	0
Share capital increase, warrants	0			3		3
Equity 31 December 2019	**126**	**0**	**133**	**1,868**	**0**	**2,127**

Equity 1 October 2018	**126**	**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**	**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				4		4
Equity 31 December 2018	**126**	**0**	**103**	**1,645**	**0**	**1,874**

Other reserves are made up of reserve for hedging transactions, reserve for foreign currency translation adjustment, retained earnings and proposed dividend and total DKK 2,001m (31.12.2018: DKK 1,748m).

Notes to the interim report

Interim report Q1 2019/20

Section 1: Basis of preparation of interim report

Section 2: Operating activities and cash flows

Section 3: Invested capital and net 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 2019 to 31 December 2019 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 2018/19 with the exception of the adoption of IFRS 16 'Leases' described below. For definitions of ratios, reference is made to note 5.11 in the annual report for 2018/19.

Effect from implementing IFRS 16 'Leases'

According to IFRS 16 'Leases', a lease liability, for leases previously classified off-balance sheet as operating leases, has been recognized in the balance sheet as of October 1, 2019. The lease liability is measured at the present value of the remaining lease payments, discounted using Ambu's incremental borrowing rate. Correspondingly, as of October 1, 2019, right-of-use assets, for leases previously classified as operating leases, have been recognized in the balance sheet at an amount equal to the lease liability.

IFRS 16 'Leases' has been implemented using the simplified retrospective method in which comparative information is not restated.

Impact on the balance sheet as at October 1, 2019:

Assets	Previous accounting policy	Effect of IFRS 16	New accounting policy
Land and buildings	290	38	328
Other plant, fixtures and fittings, tools and equipment	58	19	77
Total assets	**4,558**	**57**	**4,615**
Liabilities			
Interest-bearing debt, non-current	1,151	32	1,183
Interest-bearing debt, current	4	25	29
Total liabilities	**4,558**	**57**	**4,615**

Note 2 – Changes in accounting estimates

In connection with the preparation of the interim report, the management makes 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 changes in the estimates or assessments reported in the annual report for 2018/19.

Note 3 – Segment information

Ambu is a supplier of medtech products for the global market. Except for the sales of the various products, no structural or organizational aspects allow for a division of earnings from individual products, as sales channels, customer types and sales organizations 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.

DKKm

Note 4 – Revenue

	Q1 2019/20	Q1 2018/19	FY 2018/19
Revenue by activities:			
Visualization	290	231	941
Anaesthesia	256	231	991
Patient Monitoring & Diagnostics	214	194	888
Total revenue	**760**	**656**	**2,820**
Revenue by markets:			
North America	376	315	1,266
Europe	303	271	1,176
Rest of World	81	70	378
Total revenue	**760**	**656**	**2,820**

Note 5 – Development in balance sheet since 30 September 2019

Since the beginning of the financial year, intangible and fixed assets have increased by a net amount of DKK 80m to DKK 3,390m. The increase is driven by investments in ongoing development projects and the adoption of the accounting standard IFRS 16 'Leases'.

Deferred taxes was a net asset of DKK 21m at the beginning of the financial year. Since then, the net asset has been reduced to DKK 12m.

Inventories have been increased by DKK 8m as a consequence of planned higher activity levels. Trade receivables increased by DKK 39m, driven by the growth in the quarter.

Contingent consideration relating to the acquisition of Invendo Medical GmbH amounted to DKK 395m, an increase of DKK 17m attributable to the fair value adjustment.

Trade payables decreased by DKK 70m to DKK 196m, due to timing in payments and activitiy levels. Other payables decreased by DKK 88m to DKK 295m due to payment of special items and payment of accrued bonuses related to FY2018/19.

Note 6 – Adjustment of items with no cash flow effect

	YTD 2019/20	YTD 2018/19	FY 2018/19
Depreciation, amortisation and impairment losses	33	25	109
Share-based payment	4	5	12
	37	**30**	**121**

Note 7 – Changes in net working capital

	YTD 2019/20	YTD 2018/19	FY 2018/19
Changes in inventories	-20	-52	-102
Changes in receivables	-43	73	18
Changes in trade payables etc.	-160	-55	254
	-223	**-34**	**170**

DKKm

Note 8 – Risks

For a description of Ambu's risks, see the 'Risk management' section in the annual report for 2018/19, pages 32-33.

Note 9 – Net financials

	Q1 2019/20	Q1 2018/19	FY 2018/19
Other financial income:			
Foreign exchange gains, net	0	0	19
Value adjustment of contingent consideration	0	0	121
Fair value adjustment, swap	4	0	0
Financial income	**4**	**0**	**140**

	Q1 2019/20	Q1 2018/19	FY 2018/19
Interest expenses:			
Interest expenses, banks	6	4	18
Interest expenses, leases	1	1	2
Other financial expenses:			
Foreign exchange loss, net	17	0	0
Fair value adjustment, contingent consideration	16	21	0
Effect of shorter discount period, acquisition of technology	1	1	3
Fair value adjustment, swap	0	3	10
Financial expenses	**41**	**30**	**33**

Note 10 – Net interest-bearing debt

	31.12.19	YTD 2018/19	FY 2018/19
Credit institutions	1,325	1,250	1,050
Leases	134	103	101
Long-term interest-bearing debt	**1,459**	**1,353**	**1,151**
Leases	24	3	4
Short-term interest-bearing debt	**24**	**3**	**4**

The table below shows the composition of the group's net interest-bearing debt.

	31.12.19	YTD 2018/19	FY 2018/19
Interest-bearing debt	1,483	1,356	1,155
Cash	-125	-82	-120
Net interest-bearing debt	**1,358**	**1,274**	**1,035**

DKKm

Note 11 – Capital increases, treasury shares and dividend paid

Capital increases
A capital increase was implemented in November 2019 in connection with the exercise by employees of warrants allocated in 2016. In consequence hereof, Ambu's share capital was increased by a nominal amount of DKK 20,000 through the issue of 40,000 Class B shares with a nominal value of DKK 0.50 each at a price of DKK 77.12.

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

	30.09.19	Change	31.12.19
No. of Class A shares	34,320,000	0	34,320,000
No. of Class B shares	217,489,600	40,000	217,529,600
	251,809,600	**40,000**	**251,849,600**
Share capital	125,904,800	20,000	125,924,800

Treasury shares
As at 30 September 2019, Ambu's holding of treasury shares totalled 6,442,639 Class B shares with a nominal value of DKK 0.50 each. As at 31 December 2019, this had been reduced by 422,864 shares to 6,019,775 Class B shares. The reduction is attributable to disposals in connection with the conclusion of the employee share programme for 2017 (matching shares) and the sale and transfer of own shares to Ambu's employees under the employee share programme for 2019 as well as sale of treasury shares relating to exercise of share option programmes. There have been no transactions with Class A shares.

Dividend paid
The Board of Directors' proposal for the distribution of dividend of DKK 0.38 per share with a nominal value of DKK 0.50 was adopted at the company's annual general meeting on 9 December 2019. The dividend declared totals DKK 96m and has subsequently been paid out less withholding taxes payable to the Danish Tax Authorities in January 2020.

Note 12 – Contingent consideration

	31.12.19
Contingent consideration 1 October 2019	378
Adjustments made through the income statement under financial expenses:	
Value adjustment	16
Foreign currency translation adjustment	1
Contingent consideration 31 December 2019	**395**
Contingent consideration expected to fall due:	
Non-current contingent consideration	119
Current contingent consideration	276
Contingent consideration 31 December 2019	**395**

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.

The net value adjustment of DKK 16m posted to financials can be attributed to the effect of the shorter discounting period.

Notes to the interim report

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.

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 2019. For a more detailed description of the group's risks, see the 'Risk management' section on pages 32-33 in the annual report 2018/19.

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 December 2019 which could be expected to have a significant impact on the group's financial position.